



WHAT IS A REGULATORY QUICK GUIDE?

A quick guide gives regulated businesses a brief snapshot of an AML/CTF compliance topic, to help you make sure you are meeting your obligations and protecting your business and the community from serious and organised crime.

Politically exposed persons

A Politically Exposed Persons (PEP) is someone who holds a prominent public position in a government or international organisation. Through their position, they may have power and influence, and access to and control over money and resources.

This quick guide provides a summary of the types of PEPs, customer identification and verification procedures, transaction monitoring procedures and indicators of suspicious behaviour for PEPs.

See the 'Need more guidance?' section of this guide for more information.

PEPs may have power over government spending and budgets, procurement processes, development approvals and grants. Examples include heads of state, government ministers or equivalent politicians, senior government executives, high-ranking judges, high-ranking military officers, central bank governors, and board members or executives of an international organisation. Immediate family members and/or close associates of these individuals are also considered PEPs.

Identifying whether a customer or beneficial owner is a PEP

As part of your AML/CTF program, you must have risk-based procedures in place to identify whether an individual customer or beneficial owner (an individual who ultimately owns or controls an entity such as a company, trust or partnership) is a PEP. You must carry out customer identification and verification procedures to identify the PEP before providing them with a designated service, or as soon as possible afterwards. What is considered possible will depend on the size, nature and complexity of your business or organisation.

Types of PEPs

Domestic PEP – holds a prominent public position in an Australian government body.

Foreign PEP – holds a prominent public position with a government body in a country other than Australia. This would include foreign PEPs working or residing in Australia.

International organisation PEP – holds a prominent public position in an international organisation, such as the United Nations (UN), the World Trade Organisation (WTO) or the North Atlantic Treaty Organisation (NATO).





Customer identification and verification procedures for PEPs

For medium or low-risk domestic PEPs or international organisation PEPs who are customers or beneficial owners of a customer, you must, at a minimum, apply the customer identification procedures for individuals.

For high-risk PEPs and foreign PEPs who are customers or beneficial owners of a customer, you must at a minimum, apply the customer identification procedures for individuals, as well as undertaking enhanced customer due diligence (ECDD).

If your customer's circumstances change, you must consider any risk posed by that change, carry out ECDD if they are a high risk or foreign PEP and adjust your transaction monitoring processes to take into account the changed money laundering/terrorism financing risk.

Monitoring the transactions of high-risk PEPs

You should closely monitor the transactions of all foreign PEPs and high-risk domestic or international organisation PEPs. If you suspect a transaction involves funds linked to corruption or other criminal activity, you must submit a suspicious matter report (SMR) to AUSTRAC.

Suspicious behaviour indicators

Use the following indicators to help you identify potential money laundering activity by a customer who is a PEP.



- ✓ Significant holdings in bank accounts and other high-wealth products in another country, such as in secrecy or tax haven jurisdictions
- ✓ Making cash deposits in Australia, and then withdrawing funds from the account in a high-risk jurisdiction
- ✓ International funds transfers where a PEP is both the ordering and beneficiary customer
- ✓ Receiving multiple international funds transfers from different ordering customers within a short time frame
- ✓ Ownership of property is a foreign PEP's only link to Australia
- ✓ Foreign PEPs from countries with poor governance structures and/or known for corrupt practices



- ✓ A bank account showing high-volume activity involving large cash transactions
- ✓ Receiving multiple cash deposits into a bank account from third parties within a short time frame. Cash deposits may also consist of foreign currency
- ✓ Domestic cash deposits that may be sourced from cross border movement of funds



- ✓ Providing no credible explanations for establishing a business relationship, opening an account or conducting transactions
- ✓ Using legal entity structures or corporate vehicles to move funds for no apparent commercial or other reason, and to obscure ownership
- ✓ Using trust funds/structures to move funds
- ✓ Registering domestic companies or businesses that have no apparent commercial activity



- ✓ Transactions involving large, unexplained amounts of money
- ✓ Using multiple bank accounts for no apparent commercial or other reason
- ✓ Making high-value payments into their mortgage or loan account, and the account may have a large positive balance
- ✓ Making large withdrawals using bank cheques, made payable to a PEP or a third party



- ✓ Using a professional facilitator (e.g. lawyers or accountants) to move funds for no apparent commercial or other reason
- ✓ Using a dependants' bank account to move funds

Using the risk-based approach

Your existing customer may become a PEP during the course of your business interactions with them. Your AML/CTF Program and ongoing customer due diligence (OCDD) procedures should be flexible enough to allow for this possibility, especially if the customer tells you their circumstances have changed. If your customers circumstances change, you must update their status, carry out ECDD (Enhanced Customer Due Diligence) and adjust your transaction monitoring processes to take into account the changed money laundering/terrorism financing risk.

Need more guidance?



Find out more about politically exposed persons (PEPs) at austrac.gov.au/pep, customer identification and verification procedures at austrac.gov.au/cdd-overview, enhanced customer due diligence at austrac.gov.au/ecdd, and suspicious matter reporting at austrac.gov.au/smr.

This guide is not a comprehensive guide to all AML/CTF obligations and should be used in conjunction with a range of resources on the AUSTRAC website and take into account the unique circumstances of your own AML/CTF program.



The existence of a single indicator does not necessarily indicate illicit activity, however you should conduct further monitoring and examination.