



GUIDELINES ON POLITICALLY EXPOSED PERSON (PEP) – FAMILY MEMBERS AND CLOSE ASSOCIATES OF PEP

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1. Relationship with Existing Policies

1.1 The requirements aim to provide explanation on the existing requirements and detail guidance with reference of implementation under Part B of AML/CFT requirements for “**Political Exposed Person (PEP)**” and shall be read together with the reporting institutions existing AML/CFT Guidelines as per each sector below:

- Guidelines on AML/CFT– Banking Sector (Paragraph 14.1-14.3.5)
- Guidelines on AML/CFT–Trust Company Sector (Paragraph 14.1-14.3.5)
- Guidelines on AML/CFT– Insurance and Takaful Sectors (Paragraph 14.1-14.3.5)
- Guidelines on AML/CFT– Capital Market and Other Business Services (Paragraph 14.1-14.3.5)

1.2 This guidance also shall be read together with other relevant policy documents, circulars and directives issued by Labuan FSA relating to the compliance with AML/CFT requirement from time to time unless it was stated otherwise.

2. Non Compliance

2.1 Any person who fails to comply with the Guidelines may be guilty of an offence punishable under Section 4B of the Labuan Financial Services Authority Act 1996.

3. Compliance Date

- 3.1 Compliance to the requirements outlined in this guideline shall take effect immediately, unless otherwise specified by the Labuan FSA.

4. General

- 4.1 The requirements imposed on PEP also extend to family members and close associates of a PEP.
- 4.2 A reporting institution is required to effectively identify family members or close associates of a PEP.

a. *Family Members of a PEP*

- 4.3 Family members are individuals who are related to a PEP either directly (consanguinity) or through marriage.
- 4.4 A family member of the PEP includes the PEP's:
- a) parents*;
 - b) siblings*
 - c) spouse;
 - d) child*; or
 - e) spouse's parents*;

() covers both biological and non-biological relationship.*

b. Close Associates of a PEP

4.5 A close associate is an individual reasonably known to the reporting institution to be closely connected to a PEP, either socially or professionally.

4.6 An individual who is closely connected to a PEP may include the PEP's business partners or associates, extended family members, close friends and financially dependent individuals.

4.7 Reporting institutions must determine the extent to which the close associate is directly engaged or involved in the activity of the PEP on best effort basis.

5. Applicable CDD or Enhanced CDD Measures

a. Family Member or Close Associate of a Foreign PEP

5.1 If the customer or beneficial owner is identified as a family member or close associate of a foreign PEP, a reporting institution is required to conduct enhanced CDD.

b. Family member of Close Associate of a Domestic PEP or person entrusted with prominent public function by an international organisation (PEPFIO)

5.2 If the customer or beneficial owner is identified as a family member or close associate of a domestic PEP or PEPFIO, a reporting institution is required to assess the level of ML/TF risks posed by the business relationship with the family members or close associates.

5.3 In assessing the ML/TF risk level of customer or beneficial owner identified as family members or close associates of a domestic PEP or PEPFIO, the reporting institution may consider the following factors:

- a) The family members or close associates have business interests to the related PEP's public functions (conflict of interest);
- b) The social standing or official capacity of the family members or close associates are such that it can be controlled, directed or influenced by the PEP;
- c) Jurisdictions of which the family members or close associates originate from or reside in; and
- d) The family members or close associates are known to be involved in businesses or activities that have a high probability of being abused as a vehicle for ML/TF by the PEP.

5.4 For a domestic PEP or PEPFIO that is assessed as low risk, the reporting institution must apply the standard CDD measures and where he is assessed as high risk, enhanced CDD measures are applicable.

6. Source of Information of Family Members and Close Associates of a PEP

6.1 For the purpose of determining whether an individual is a family member or a close associate of a PEP, the reporting institution may refer to any information which is in its possession, or which is publicly known.

6.2 A reporting institution may refer to any of the following sources of information in identifying a family member or close associate of a PEP:

- a) internet and media searches;
- b) commercial databases;

- c) in-house databases and information sharing within financial group;
- d) customer's self-declaration; and/or
- e) risk information shared by supervisory/regulatory authorities.

6.3 The sources of information referred above are not exhaustive and a reporting institution is encouraged to develop its own internal references in identifying individuals who are family members or close associates of a PEP.

7. Extent of Application of Family Member or Close Associate of a PEP

- 7.1 A reporting institution should apply appropriate risk assessment on family members or close associates of a PEP who no longer holds prominent public function.
- 7.2 A reporting institution may consider the following factors in determining whether a family member or close associate of a PEP who no longer holds a prominent public function should be considered as high risk:
- a) the level of informal influence that the PEP could still exercise, even though he no longer holds a prominent public function; and
 - b) whether the PEP's previous and current function (though not in a public/official capacity) are linked by the fact that the PEP continues to deal with the same substantive matters.

Labuan Financial Services Authority
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