



Measures for Politically Exposed Persons

Stewart McGlynn
Senior Manager (AML)
Anti-Money Laundering
Hong Kong Monetary Authority



HONG KONG MONETARY AUTHORITY
香港金融管理局



Financial Services and the Treasury Bureau
The Government of the Hong Kong Special Administrative Region



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AMLO

Section 10(1) of Schedule 2 to the AMLO

- “If a financial institution knows, from publicly known information or information in its possession, that a customer or a beneficial owner of a customer is a politically exposed person, it must, before establishing a business relationship with the customer -
 - obtain approval from its senior management; and
 - take reasonable measures to establish the customer’s or beneficial owner’s source of wealth and the source of the funds that will be involved in the proposed business relationship.



AMLO

Section 10(2) of Schedule 2 to the AMLO

- “If a financial institution comes to know, from publicly known information or information in its possession, that an existing customer or a beneficial owner of an existing customer is a politically exposed person or has become a politically exposed person, it must not continue its business relationship with the customer unless it -
 - has obtained approval from its senior management; and
 - has taken reasonable measures to establish the customer’s or beneficial owner’s source of wealth and the source of the funds that are involved in the business relationship.



AMLO Guideline

Existing Guideline/Supplement

- Both foreign and domestic PEPs - Enhanced customer due diligence (“EDD”)



AMLO Guideline

- Separate requirements for foreign and domestic PEPs
 - PEPs outside the People’s Republic of China (i.e. domestic PEPs are not included) - EDD
 - Domestic PEPs - EDD on RBA



Domestic PEPs

Definition of a domestic PEP:

4.13.14	<p>For the purposes of this Guideline, a domestic PEP is defined as:</p> <ul style="list-style-type: none">(a) an individual who is or has been entrusted with a prominent public function in a place within the People's Republic of China and<ul style="list-style-type: none">(i) includes a head of state, head of government, senior politician, senior government, judicial or military official, senior executive of a state-owned corporation and an important political party official;(ii) but does not include a middle-ranking or more junior official of any of the categories mentioned in subparagraph (i);(b) but does not include a middle-ranking or more junior official of any of the categories mentioned in subparagraph (i);(c) a close associate of an individual falling within paragraph (a) (see paragraph 4.13.6)
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Domestic PEPs

4.13.15	FIs should take reasonable measures to determine whether an individual is a domestic PEP.
4.13.16	If an individual is known to be a domestic PEP, the FI should perform a risk assessment to determine whether the individual poses a higher risk of ML/TF. Domestic PEPs status in itself does not automatically confer higher risk. In any situation that the FI assesses to present a higher risk of ML/TF, it should apply the EDD and monitoring specified in paragraph 4.11.1.
4.13.17	FIs should retain a copy of the assessment for RAs, other authorities and auditors and should review the assessment whenever concerns as to the activities of the individual arise.



New FATF Recommendation 12

- Financial institutions should be required, in relation to foreign PEPs (whether as customer or beneficial owner), in addition to performing normal customer due diligence measures, to:
 - have appropriate risk-management systems to determine whether the customer or the beneficial owner is a PEP;
 - obtain senior management approval for establishing (or continuing, for existing customers) such business relationships;
 - take reasonable measures to establish the source of wealth and source of funds; and
 - conduct enhanced ongoing monitoring of the business relationship.



New FATF Recommendation 12

- Financial institutions should be required to take reasonable measures to determine whether a customer or beneficial owner is a ***domestic PEP*** or a person who is or has been entrusted with a prominent function by an international organisation. In cases of a higher risk business relationship with such persons, financial institutions should be required to apply the full PEP measures.
- The requirements for all types of PEP should also apply to family members or close associates of such PEPs.

