

Acuris Risk Intelligence Approach

Politically Exposed Persons (PEPs),
Businesses and State Owned Enterprises (SOEs)

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Approach to PEP, Business and SOEs

Acuris Risk
Intelligence approach
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Acuris Risk Intelligence analysis identifies common elements of PEP definitions relied upon by major international financial institutions.

01 Executive summary

The World Bank states that “Politically Exposed Persons (PEPs) pose a substantial legal and reputational risk to the individual bank, and a reputational risk to a jurisdiction’s financial sector as a whole.” Consequently, the financial institutions must have in place adequate controls for identifying, assessing and effectively managing the risks associated with doing business with PEPs. It further states that the standard Customer Due Diligence (CDD) is insufficient and that the businesses must perform second stage Extended Due Diligence (EDD) when dealing with high risk individuals such as PEPs or similar individuals from high risk jurisdictions as part of their risk based approach to the Know Your Customer (KYC) regime (World Bank, 2009: 16).

In order to be able to take the first step of PEP identification, such businesses must have the understanding of what the term PEP means in the wider context. From Acuris Risk Intelligence’s perspective too, the understanding of the term is paramount since this understanding directly impacts our clients’ ability to manage their own reputational and legal risks exposures associated with dealing with customers who are potential PEPs.

In this regard, this document attempts to operationalise the PEP definition for Acuris Risk Intelligence by analysing the prevalent definitions of PEPs. Additionally, the paper introduces an operational approach to identifying State Owned Enterprises (SOEs), insofar most mainstream definitions consider directors and senior management of SOEs as PEPs.

The above stated objective is achieved by firstly, examining the most authoritative PEP definitions as outlined by the United Nations Convention Against Corruption (UNCAC), Financial Action Task Force (FATF), the European Union Fourth Anti-Money Laundering Directive, the UK Money Laundering, Terrorist

Financing and Transfer of Funds (Information on the Payer) Regulations, the Joint Anti Money Laundering Steering Group (JMLSG) and the Wolfsberg Group, and secondly by drawing up the most suitable definition based on the common elements identified from these six definitions.

Our analysis identified common elements of the PEP definitions which are relied upon by major international financial institutions and based on these findings, a PEP model and risk ranking matrix of various PEP categories has been developed. These are presented in Section 2 and 3. It is believed that by adopting such a model any existing ambiguities and operational differences in PEP identification and profiling can be minimised.

02

Definitions of Politically Exposed Persons (PEPs)

The United Nations Convention against Corruption (UNCAC)

The United Nations Convention against Corruption (UNCAC) is a legally binding multilateral anti-corruption treaty. The Convention was adopted by the General Assembly by resolution 58/4 of 31 October 2003 and entered into force on 14 December 2005. The Convention has a far-reaching approach and many of its provisions have a mandatory character. The UNCAC covers five main areas: prevention, criminalization and law enforcement measures, international cooperation, asset recovery, and technical assistance and information exchange.

Art. 52 on 'Prevention and detection of transfers of proceeds of crime' under Chapter V on 'Asset recovery' prescribes the obligation of state parties to the Convention to require financial institutions within their jurisdiction to verify the identity of beneficial owners of funds deposited into high-value accounts.

Financial institutions are also obliged to conduct enhanced scrutiny of accounts sought or maintained by or on behalf of PEPs, defined as 'individuals who are, or have been, entrusted with prominent public functions, and their family members and close associates'.

Financial Action Task Force (FATF)

The Financial Action Task Force (FATF) ¹ definition of PEP is probably the most widely used one. The initial approach based on the FATF 40 + 9 Recommendations ² of 2003 was expanded in the FATF updated recommendations adopted in February 2012, covering both foreign and domestic PEPs defined as:

- Individuals who are or have been entrusted with prominent public functions by a foreign country (foreign PEPs);
- Individuals who are or have been entrusted domestically with prominent public functions (domestic PEPs); and
- Persons who are or have been entrusted with a prominent function by an international organisation, meaning members of senior management (international organisation PEPs).

Clarifying the meaning of the expression 'PEP', FATF gives examples of the types of prominent public functions that an individual may be entrusted with by a foreign or domestic government such as:

Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials.

Similar examples refer to prominent public positions held in an international organisation:

Directors, deputy directors and members of the board or equivalent function.

However, middle ranking or more junior individuals in the foregoing categories are explicitly excluded. Insofar as business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves, the PEP category also includes:

- Family members are individuals who are related to a PEP either directly (consanguinity) or through marriage or similar (civil) forms of partnership.
- Close associates are individuals who are closely connected to a PEP, either socially or professionally.

FATF acknowledges that although family members and close associates of PEPs are not considered to be PEPs in their own right, they should always be treated as such due to the risk that they may abuse (or be abused by) their connection to the PEP for the purpose of committing criminal activity.

At the same time, FATF recognises that although the number of persons who are PEPs is large, the majority will never commit or be involved in any criminal activity. However, it is also highlighting the risk that:

"Many PEPs are in positions that potentially can be abused for the purpose of committing money laundering (ML) offences and related predicate offences, including corruption and bribery, as well as conducting activity related to terrorist financing (TF). The potential risks associated with PEPs justify the application of additional anti-money laundering / counter-terrorist financing (AML/CTF) preventive measures with respect to business relationships with PEPs."

FATF suggests a differentiated risk based approach in the case of foreign PEPs compared to domestic and international organisations' PEPs as the risks are still most significant in a cross-border context; whereas for the latter, reasonable measures are suggested. For the foreign PEPs, appropriate risk management systems are required to determine if a customer or beneficial owner is a PEP which is more than is required in the case of domestic PEPs.

Definitions cont.

FATF recommendations avoid setting a clear time limit beyond which a PEP who no longer hold prominent public functions cease to be classified as such. While it suggests an open ended approach (i.e. once a PEP-always a PEP), it also stresses the need for following a risk based approach in cases where countries chose to set a limit (e.g. one year). Possible risk factors to be taken into account may be:

“the level of (informal) influence that the individual could still exercise; the seniority of the position that the individual held as a PEP; whether the individual's previous and current function are linked in any way (e.g., formally by appointment of the PEPs successor, or informally by the fact that the PEP continues to deal with the same substance matters); whether the individual is a close associate or family member of other PEPs; and the level of corruption generally in the country (e.g., for some high risk countries, especially those with a raised level of corruption risks, the possibility may be greater that an individual who is no longer entrusted with a prominent public function is still able to exert influence).”

FATF also acknowledges that the definition of a family member and close associate of PEPs could differ substantially with the culture and risks in a country, and that any useful definition has to be sufficiently broad and flexible for countries, financial institutions and designated non-financial business and profession DNFBPs to adapt to the appropriate local circumstances, and the precise nature of the business relationships.

European Union Fourth Anti-Money Laundering Directive

The current European Union (EU) legislation is based on Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 (the Fourth Anti-Money Laundering Directive; the 4th AMLD) in force since 26 June 2017 which provides a European framework around the international FATF standards. Hence, the Fourth EU Directive also targets people who may represent a higher risk of corruption by virtue of the positions they hold. The directive states that PEP “... means a natural person who is or who has been entrusted with prominent public functions and includes the following:

- a. heads of State, heads of government, ministers and deputy or assistant ministers;
- b. members of parliament or of similar legislative bodies;
- c. members of the governing bodies of political parties;
- d. members of supreme courts, of constitutional courts or of other high-level judicial bodies, the decisions of which are not subject to further appeal, except in exceptional circumstances;
- e. members of courts of auditors or of the boards of central banks;

- f. ambassadors, chargés d'affaires and high-ranking officers in the armed forces;
- g. members of the administrative, management or supervisory bodies of State-owned enterprises;
- h. directors, deputy directors and members of the board or equivalent function of an international organisation;

No public function referred to in points (a) to (h) shall be understood as covering middle-ranking or more junior officials...”

In addition, the 4th AMLD imposes an obligation for financial institutions to implement a risk based approach to applying Enhanced Due Diligence (EDD) measures when it comes to dealing with cases involving former PEPs, for a period of at least 12 months after the PEP has ceased to hold a prominent public function (Article 22).

UK - The Money Laundering, Terrorist Financing and Transfer of Funds (information on the payer) Regulations 2017

According to Regulation 35 (12) (a) a PEP means: ‘an individual who is entrusted with prominent public functions, other than as a middle-ranking or more junior official’.

The same regulation also includes specific definitions for family members of a PEP: spouses or civil partners of the PEP; children of the PEP and the spouses or civil partners of the PEP's children; parents of the PEP and known close associates of a PEP: individuals known to have joint beneficial ownership of a legal entity or a legal arrangement or any other close business relations with a PEP; or individuals who have sole beneficial ownership of a legal entity or a legal arrangement which is known to have been set up for the benefit of a PEP.

In July 2017, following a wide consultative process, the UK Financial Conduct Authority (FCA) provided a final guidance on the PEP definitions from Regulation 35 and the 4th MLD:

‘PEPs are defined as individuals entrusted with prominent public functions, including:

Heads of state, heads of government, ministers and deputy or assistant ministers;

03

Operational definition of PEP for internal systems and processes

Six major PEP definitions

The comparison of PEP definitions examined in section 1 is presented in table 1 below.

Table 1: Elements of six major PEP definitions

Data type	FATF	UNCAC	EU Fourth ML Directive	JMLSG	UK Regulations 2017 / FCA	Wolfsberg Group
Basic PEP definition	Individuals who are or have been entrusted with prominent public functions at domestic level, in a foreign country or by an international organisation... relationships with family members or close associates	Individuals who are, or have been, entrusted with prominent public functions, and their family members and associates	Natural persons who are or have been entrusted with prominent public functions AML/CFT measures taken against PEPs shall also apply to family members or persons known to be close associates of PEPs	Individuals who are entrusted with prominent public functions, other than as middle-ranking or more junior officials... members of their immediate families and known close associates	Individuals who are entrusted with prominent public functions, other than as middle-ranking or more junior officials	Holders of public functions who hold senior, prominent or important positions, with substantial authority over policy, operations or the use or allocation of government-owned resources
Scope	Domestic, foreign and Senior Management of International organisations	Foreign and domestic (not explicit)	Foreign and domestic (not explicit)	Foreign nationals only	Foreign and domestic (not explicit)	Foreign and domestic
Sub-category of PEPs	<p>Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials</p> <p>Persons who are or have been entrusted with a prominent function by an international organisation refers to members of senior management, i.e. directors, deputy directors and members of the board or equivalent functions</p> <p>(Middle ranking or more junior individuals are excluded in the foregoing categories)</p>	Not specified	<p>Head of state, heads of government, ministers and deputy or assistant ministers, members of parliament or of similar legislative bodies, members of the governing bodies of political parties, members of supreme courts, of constitutional courts, or of other high level judicial bodies whose decisions are not subject to further appeal, except in exceptional circumstances, high ranking officers in the armed forces, members of the administrative, management, or supervisory bodies of state-owned enterprises, ambassadors, charges d' affaires, members of courts of auditors or of the boards of central banks, directors, deputy directors and members of the board or equivalent function of an international organisation</p> <p>(Middle ranking or more junior officials are excluded)</p>	<p>Heads of state, heads of government, ministers and deputy or assistant ministers; members of parliaments or of similar legislative bodies, members of supreme courts, of constitutional courts or of other high level judicial bodies whose decisions are not generally subject to further appeal, except in exceptional circumstances; members of courts of auditors or of the boards of central banks; ambassadors, charges d'affaires and high-ranking officers in the armed forces (other than in respect of relevant positions at community and international level) members of the administrative, management or supervisory boards of state-owned enterprises, directors, deputy directors and members of the board or equivalent function of an international organisation</p> <p>(Middle ranking or more junior officials and officials lower than the national levels are excluded, however encourages risk based approach)</p>	<p>Heads of state, heads of government, ministers and deputy or assistant ministers; members of parliament or of similar legislative bodies (e.g. regional governments in federalised systems and devolved administrations), members of the governing bodies of political parties; members of supreme courts, of constitutional courts or of any judicial body the decisions of which are not subject to further appeal except in exceptional circumstances; members of courts of auditors or of the boards of central banks; ambassadors, charges d'affaires and high-ranking officers in the armed forces; members of the administrative, management or supervisory bodies of SOEs; Directors, deputy directors and members of the board or equivalent function of an international organisation such as the UN and NATO</p>	<p>Heads of state, heads of government and ministers; senior judicial officials who sit on bodies whose decisions are not subject to further appeal; heads and other high-ranking officers holding senior positions in the armed forces; members of ruling royal families with governing responsibilities; senior executives of state-owned enterprises, where the SOE has genuine economic or political importance; senior officials of major political parties</p>

Operational definitions cont.

Definition of family members	Individuals who are related to a PEP either directly (consanguinity) or through marriage or similar (civil) forms of partnership (the definition of a family member of PEPs could differ substantially with the culture and risks in a country, and that any useful definition has to be sufficiently broad and flexible to adapt to the appropriate local circumstances. Hence, the decision was taken not to define these terms as part of the revised Recommendations.)	Not specified	(a) spouse (b) any partner considered by national law as equivalent to the spouse (c) the children and their spouses or partners (d) parents	A spouse or a partner; children and their spouses or partners; parents	A spouse or a civil partner; children and their spouses or partners; parents	Direct family members, spouse, children and their spouses, parents and siblings
Definition of close associates	Individuals who are closely connected to a PEP, either socially or professionally (the definition of close associates of PEPs could differ substantially with the culture and risks in a country, and that any useful definition has to be sufficiently broad to adapt to the appropriate local circumstances. Hence, the decision was taken not to define these terms as part of the revised Recommendations.)	Persons or companies clearly related to individuals entrusted with prominent public functions	(a) Any natural person who is known to have joint beneficial ownership of legal entities or legal arrangements, or any other close business relations, (b) any natural person who has sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the de facto benefit of a PEP	Any individual who is known to have joint beneficial ownership of a legal entity or legal arrangement, or any other close business relations, with a PEP; and any individual who has sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the benefit of a PEP	Any individual who is known to have joint beneficial ownership of a legal entity or legal arrangement, or any other close business relations, with a PEP; and any individual who has sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the benefit of a PEP	Widely- and publicly-known close business colleagues or personal advisors, in particular persons acting in a financial fiduciary capacity
Time limit	Not specified (however, in the absence of a time limit set by the country, the risk based approach would suggest that financial institutions and DNFBPs assess the ML risk of a PEP who is no longer entrusted with a prominent public function, and take effective action to mitigate this risk, where appropriate)	Not specified	Twelve months, on a risk based approach	One year, on a risk based approach	Twelve months, on a risk based approach	Not specified

Sources: UN (2003), FATF (2012), EU (2017), World Bank (2009), JMLSG (2017), UK ML Regulations (2017) and Wolfsberg Group (2017).

PEP related businesses

According to FATF Recommendation no. 12 on Politically Exposed Persons (PEPs), the PEP could be the customer or the beneficial owner of a legal entity that is the client. FATF states that there is a risk that corrupt PEPs could circumvent AML/CFT and anti-corruption safeguards by opening accounts, establishing business relationships or conducting transactions by using third parties, such as intermediaries, legal entities or legal arrangements.

Wolfsberg Group guidance on PEPs (May 2017) clarifies, if a PEP is the beneficial owner or has requisite control of an operating company or organisation, that person may be in a position to use the organisation in furtherance of corrupt purposes.

For this reason, FATF recommends that financial institutions should be required to have appropriate risk management

systems in place to determine whether the customer or the beneficial owner is a foreign PEP, or related or connected to a foreign PEP, as well as taking reasonable measures to establish the source of wealth and source of funds. Similarly, for domestic PEPs and international organisation PEPs, financial institutions are required to take reasonable measures to determine whether such relationship exist and assess the degree of risk.

Consequently, Acuris Risk Intelligence's approach to PEP identification and classification also maps out the relationship between PEPs and legal entities and arrangements, either directly (as director, shareholder, or similar) or indirectly (as ultimate beneficial owner).

Operational definition

A model for determining PEP status

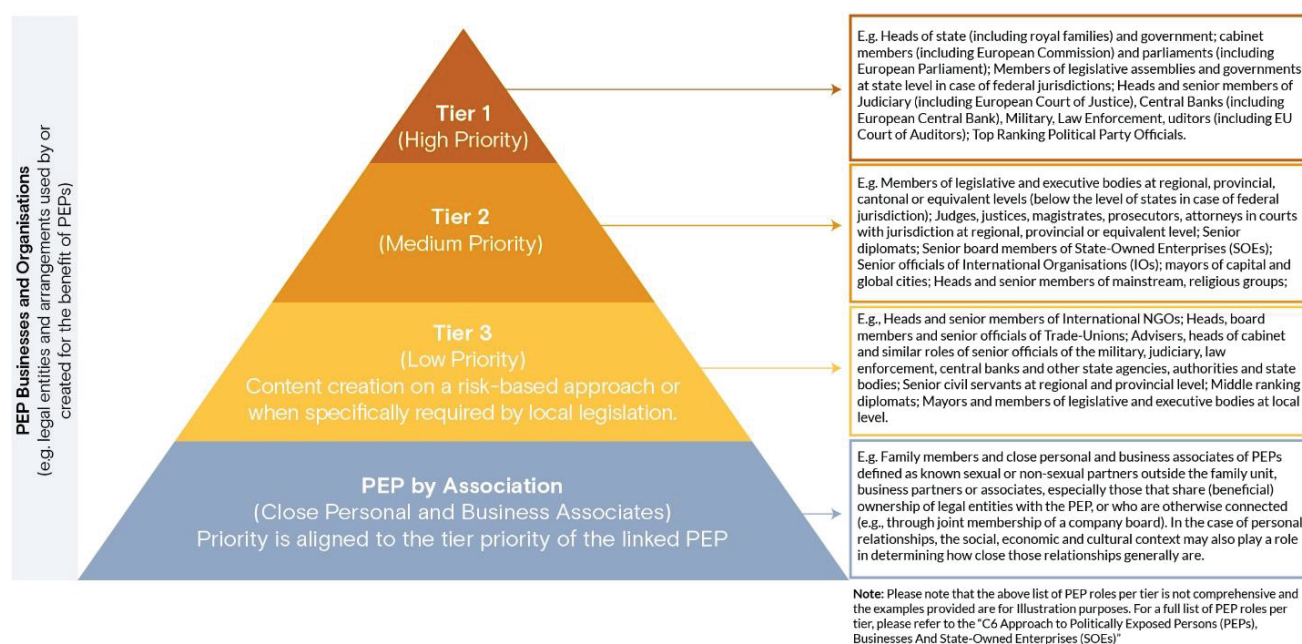
While all PEP definitions presented previously have merits and are valid sources for financial institutions to comply with relevant regulations, Acuris Risk Intelligence considers it not sufficiently elaborate for its clients to conveniently refer to the PEP verification process in a comprehensive manner.

To address this issue, Acuris Risk Intelligence has set up in-house PEP Tiering guidelines allowing clients to select PEP data of interest based on their own risk appetite. The same structure is used by Acuris Risk Intelligence researchers and analysts to follow consistently throughout their systematic research and ad hoc due diligence investigations. While several categories have to be treated with discretion in certain contexts, the general guidelines should cover most governance systems spanning all jurisdictions in the world. In accordance with the designated

risk based approach, the categories are divided into different risk levels, which also form Acuris Risk Intelligence's systematic data development and maintenance procedure. Based on the commonalities of the six different definitions examined above, the PEP model adopted by Acuris Risk Intelligence is illustrated below:

4 A risk based approach requires researchers to allocate resources on a priority basis to investigate and profile high risk individuals and entities. The risk based approach takes into account the seniority of individual PEPs and businesses as well as the jurisdiction of residence and operation (for more details please refer to the latest Transparency International's Corruption Perception Index, FATF High Risk Jurisdiction and Non-Compliant Countries, and Basel AML Index). Once the high risk categories have been investigated, any free resources should then be utilised to deal with the individuals and entities with lower priority.

Figure 1: A model for determining PEPs



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Operational definition

Detailed PEP Tiering framework

PEP Tier 1

- Heads of state and government (including Royal families)
- Members of government (ministers, deputies, state and under-state secretaries) at national and sub-national levels in case of federal states (e.g. Florida in the US, Bavaria in Germany, Johor in Malaysia, Lagos in Nigeria, Goa in India etc) and provinces in China (e.g. Henan); President and College of Commissioner of the European Commission.
- Members of Parliament or similar legislative bodies (at national and sub-national level in case of federal states – same as above); Members of the European Parliament.
- Heads and top commanders of military and law enforcement and their deputies.
- Heads and members of supreme courts, of constitutional courts or of other high-level judicial bodies whose decisions are not subject to further appeal, except in exceptional cases; similar for EU Court of Justice.
- Heads and members of courts of auditors (including EU Court of Auditors) and of the boards of central banks (including the European Central Bank);
- Top ranking officials of mainstream political parties (e.g. party leaders and members of governing bodies) and only the heads/deputy heads of minor political parties (without representation in parliament)

PEP Tier 2

- Members of legislative (e.g. aldermen, councillors) and executive (e.g. prefects) bodies at regional, provincial, cantonal or equivalent levels (below the level of states in case of federal jurisdiction)
- Judges, justices, magistrates, prosecutors, attorneys in courts with jurisdiction at regional, provincial or equivalent level.
- Ambassadors, general consuls, high commissioners, permanent representatives, head of missions and their deputies, charge d'affairs.
- Chairmen, secretary generals, directors, deputy directors and members of the board or equivalent function of international / regional organisations (e.g. UN, EU, World Bank, EBRD, OAS, Arab League, ASEAN, CARICOM etc);
- Presidents/Chairperson and board members of State Owned Enterprises (SOEs), businesses and organisations
- Senior officials of the military, judiciary, law enforcement agencies, central banks and other state agencies, authorities and state bodies (e.g. high ranking civil servants, director generals, directors, heads of units, secretaries (permanent,

principal, joint secretaries etc)

- Heads and senior members of mainstream religious groups (e.g. archbishop, patriarch, cardinal, bishop, imam, rabbi)
- Mayors of capital cities (e.g. London, New Delhi, Paris, New York, Rio de Janeiro) and Head of Cities which are directly appointed and answerable to the Chinese central government;

PEP Tier 3

- Advisers, heads of cabinet and similar roles of senior officials of the military, judiciary, law enforcement, central banks and other state agencies, authorities and state bodies (designation/level to be determined depending on country ML/TF and corruption risks profile and administration structure);
- Heads and board members / senior officials of Trade Unions. In case of Chambers of Commerce and Charities a risk-based approach is followed.
- Presidents, secretary generals, directors, deputy directors and members of the board or equivalent function of international NGOs (e.g. Oxfam, Amnesty, Transparency International etc);
- Middle ranking diplomats (minister-counsellors, councillors, 1st Secretaries and 2nd Secretaries);
- Alternate/deputy members of parliament/senate (not currently occupying seat)
- Mayors and members of local councils at municipal, town, village or equivalent levels (i.e., below regional, provincial, cantonal and other levels not captured elsewhere).
- Senior civil servants at regional/provincial or equivalent levels; senior officials of administrative bodies at local levels (directors/secretaries of city governments).

PEPs by association

Family members and personal and business associates of PEPs, typically individuals who are not PEPs in their own capacity but serve on a board of directors alongside PEPs. Based on FATF, Close Associates are considered to be: (known) (sexual) partners outside the family unit (e.g. girlfriends, boyfriends, mistresses); prominent members of the same political party, civil organisation, labour or employee union as the PEP; business partners or associates, especially those that share (beneficial) ownership of legal entities with the PEP, or who are otherwise connected (e.g., through joint membership of a company board).

In the case of personal relationships, the social, economic and cultural context may also play a role in determining how close those relationships generally are. (FATF Guidelines, 2013)

04

State-Owned Enterprises (SOEs)

SOE Concept

The comparative review of PEP mainstream definitions presented in the previous section confirm that senior executives and board members of public companies owned, or controlled by the government have to be treated as PEPs. Also, the United States Foreign Corrupt Practices Act (FCPA) asserts that a foreign national can be classified as a foreign official by virtue of a parallel position or appointment he or she may have with a government entity. According to § 78dd-1 (f) (1) A FCPA, an employee of a foreign company can be deemed a foreign official when his or her employer is a foreign government or any department, agency or “instrumentality” thereof (a term not defined in the FCPA or delineated in the FCPA’s legislative history).

Wolfsburg Group (May 2017) makes a distinction between PEP related businesses (discussed in section 3.2) and SOEs: “Many state owned entities and public sector bodies will have PEPs in controlling positions within the organisation. However, this does not always mean that the PEP will transfer corruption risk to that organisation. In some cases, the individual will only be classified as a PEP as a result of their position within that organisation, in which case it is not appropriate to subject the organisation itself to the PEP control framework. In other cases, the individual may be a PEP as a result of a different position, but may be acting in their official rather than personal capacity within the organisation in question (for example, Finance Ministers representing their countries on the board of international financial institutions). [...] this does not mean the organisation should be treated in the same way as a PEP. However, some State Owned Entities will have genuine PEP risk. This is more likely to occur where the ruler of a country appoints family members to key positions, or where there is not a sufficiently clear separation between state finances and the personal finances of those in power.”

From an operational point of view, a key issue is that of defining what a State-Owned Enterprise (SOE) is. The most common definition of SOE is of the Organisation for Economic Cooperation and Development (OECD). According to OECD Guidelines on Corporate Governance of State-Owned Enterprises, SOEs refer to ‘... any corporate entity recognised by national law as an enterprise, and in which the state exercises ownership. This includes joint stock companies, limited liability companies and partnerships limited by shares. Moreover statutory corporations, with their legal personality established through specific legislation, should be considered as SOEs if their purpose and activities, or parts of their activities, are of a largely economic nature’. While this is a broad definition,

capable to accommodate diversity across jurisdictions it does not account for less clear-cut situations of more complex ownership structures. From the point of view of complying with relevant Anti Money Laundering (AML) regulations, the way in which a SOE is defined has direct implication with regard to classifying the members of the administrative, management or supervisory bodies of SOEs as PEPs. Likewise, corporate legal traditions in various countries play an important role in determining the shape of the current corporate ownership and structure, such as the common law system corporate legal tradition (UK, US, Commonwealth countries), Germanic Civil System corporate legal tradition, French Civil system corporate legal system.

Given the above considerations, the approach followed by Acuris Risk Intelligence is based on two criteria:

- The extent of state control over a public enterprise through full, majority, or significant minority ownership;
- The formal representation of the state on the board of directors.

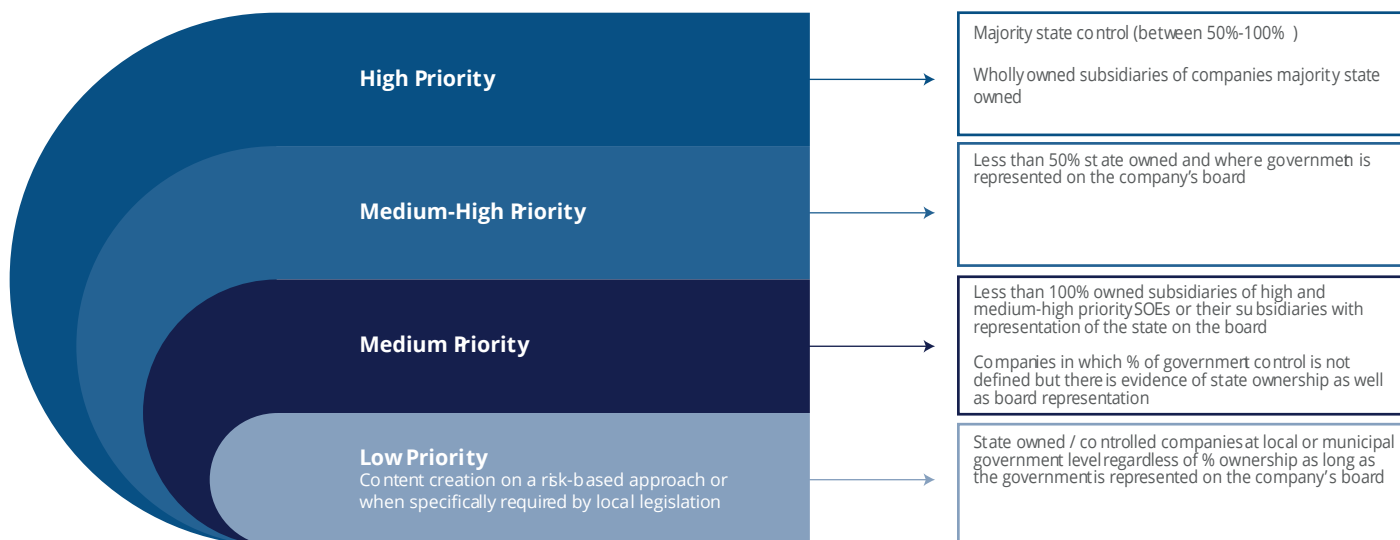
Based on the above a state-owned company can be defined as an SOE if:

- The state has a majority control of the enterprise (i.e. over 50%). These are strategically owned companies (but not necessarily majority owned by any state) in which the state maintains an effective control for strategic reasons and where government officials are members of the board of directors.
- The state has a minority control of the enterprise (i.e. between 10% to less than 50%.) and state officials are represented on the board. This is a demarcation criterion instrumental when dealing with situations whereby the government invests in a business purely for commercial reasons (i.e. to maximise return) but without having the intention to influence the operational management of a company. Hence, significant minority ownership will not only be viewed on how much a government owns but also whether the government is represented on the board of the company concerned.

State-Owned Enterprises cont.

SOEs risk matrix

For operational purposes, the following matrix guides the content creation according to the priority level assign to each SOE:



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05

Appendices

SOEs – examples

For all examples of State-Owned Enterprises / agencies listed in the table below, all members of the board of directors, senior members of the administrative, management, and/or supervisory bodies are to be profiled as PEPs.

State-Owned Enterprises / Agencies

Level of risk	Name of SOEs and URL	Country	Description
High	Sonangol EP (Sociedade Nacional de Combustíveis de Angola, E.P.) http://www.sonangol.co.ao/	Angola	Wholly-owned by the state. Government represented on the board of directors. Sole concessionaire for exploration of oil and gas exploration on the subsoil and continental shelf of Angola
High	Australian Broadcasting Corporation (ABC) http://about.abc.net.au/	Australia	National broadcasting company wholly owned and funded by the government.
High	Petrobras (Petróleo Brasileiro SA) http://www.petrobras.com.br/en/	Brazil	Publicly traded energy corporation, the majority stockholder of which is the Government of Brazil (54%)
High	Bulgartel EAD http://www.bulgartel.bg/	Bulgaria	Wholly-owned subsidiary of Bulgarian Energy Holding EAD (BEH EAD is owned by the Ministry of Economy)
High	Canada Post Corporation http://www.canadapost.ca	Canada	Wholly state-owned mail company. The board is appointed by the government.
High	China Investment Corporation (CIC) http://www.china-inv.cn/cicen/	China	Investment institution established as a wholly state-owned company under the Company Law. Headquartered in Beijing.
High	Ecopetrol S.A. http://www.ecopetrol.com.co/	Columbia	Ecopetrol S.A. (Colombian Petroleum Company) is the largest and primary petroleum company in Colombia. 88,5 % state-owned energy company.
High	Port Autonome de San Pedro (PASP) http://www.sanpedro-portci.com/	Cote D'Ivoire	Wholly-owned by the government. Company supervised by the Ministry of Economy and Finance and Ministry of Economic Infrastructure.
High	Natural Gas Public Company (DEFA) http://www.defa.com.cy/en/	Cyprus	Wholly-owned natural gas company, the sole importer and Distributor of Natural Gas in Cyprus. The board is appointed by the Council of Ministers
High	Suez Canal Authority (SCA) http://www.suezcanal.gov.eg/	Egypt	Wholly-owned state company established on 26 July 1956 as a public and an independent authority of a juristic personality reporting to the Prime Minister.
High	Électricité de France SA (EDF) http://www.edf.com/	France	Major integrated electricity group with 84% owned by the French state. The Government is represented on the board of EDF.
High	Oil and Natural Gas Corporation http://www ONGCIndia.com/	India	Energy company 80% owned by the Indian government.
High	Ferrovie dello Stato Italiane S.p.A. http://www.fsitaliane.it/	Italy	Wholly state-owned national rail company.
High	Samruk-Kazyna http://sk.kz/?lang=en	Kazakhstan	National welfare fund, wholly owned by the government.
High	Petroleum Nasional Berhad (PETRONAS) http://www.petronas.com	Malaysia	Petronas is wholly owned by the Government of Malaysia, and the corporation is vested with the entire oil and gas resources in Malaysia under the Petroleum Development Act 1974.
High	Syarikat Prasarana Negara Berhad (Prasarana) http://www.prasarana.com.my	Malaysia	Wholly-owned government company incorporated by the Ministry of Finance to facilitate, undertake and expedite public infrastructure projects approved by the government of Malaysia.
High	Bancomext (Banco Nacional de Comercio Exterior) http://www.bancomext.com/	Mexico	Bank wholly-owned by the Mexican Government.
High	Mighty River Power Limited http://www.mightyriver.co.nz/	New Zealand	Wholly-owned by the New Zealand Government
High	Nigerian Petroleum Development Company Ltd (NPDC) http://npdc.nnpigroup.com/	Nigeria	100% owned subsidiary of Nigerian National Petroleum Corporation (NNPC) (Wholly State-Owned)
High	Statoil ASA http://www.statoil.com/	Norway	Oil company, majority owned by the government (67%). The ownership interest is managed by the Ministry of Petroleum and Energy
High	Transgaz SA http://www.transgaz.ro/	Romania	Gas transport company, majority owned by the government (75%).
High	Temasek Holdings Limited http://www.temasek.com.sg	Singapore	Investment company owned by the Government of Singapore and incorporated in 1974 by the Act of Parliament. The Singapore Ministry of Finance is the sole shareholder of Temasek Holdings.
High	Government of Singapore Singapore Investment Corporation Private Limited (GIC) http://www.gic.com.sg/	Singapore	Sovereign wealth fund establish by the Singapore government in 1981 to manage Singapore's foreign reserves.

Appendices

Level of risk	Name of SOEs and URL	Country	Description
High	Public Investment Corporation (PIC) http://www.pic.gov.za	South Africa	Investment management company wholly owned by the South African Government.
High	Sociedad Estatal de Participaciones Industriales SEPI http://www.sepi.es/	Spain	Wholly-owned by the Spanish government, SEPI is attached to the Ministry of Finance and Public Administration.
High	Swiss Federal Railways (SBB) http://www.sbb.ch/	Switzerland	Wholly state-owned national rail company.
High	BOTA (Petroleum Pipeline Corporation) http://www.botas.gov.tr/	Turkey	State-owned crude oil and natural gas pipelines and trading company established in 1974 as a subsidiary of Türkiye Petrolleri Anonim Ortaklığı (TPAO). Since 1995, BOTAS is a wholly state-owned company.
High	Abu Dhabi Investment Authority (ADIA) http://www.adia.ae/	United Arab Emirates	Established in 1976, the Abu Dhabi Investment Authority (ADIA) is a globally diversified investment institution that is wholly owned by the Government of the Emirate of Abu Dhabi.
High	UK Financial Investment Ltd http://www.ukfi.co.uk/	United Kingdom	A Companies Act Company (Company no: 6720891), with HM Treasury as its sole shareholder. The Board is accountable to the Chancellor of the Exchequer and – through the Chancellor – to Parliament.
High	Royal Mail Holdings plc http://www.royalmailgroup.com/	United Kingdom	UK Government owns 100% shares of Royal Mail Holdings plc.
High	Fannie Mae http://www.fanniemae.com/	United States	Fannie Mae is a government-sponsored enterprise chartered by Congress. Fannie Mae is under conservatorship, with the Federal Housing Finance Agency acting as conservator, since 6 Sep 2008.
High	National Railroad Passenger Corporation (Amtrak) http://www.amtrak.com	United States	Amtrak was incorporated in 1971 and is authorized to operate a nationwide system of passenger rail transportation. The US government through the Department of Transportation (DoT) is the sole stockholder. DoT is represented on the board.
High	Yemen Petroleum Company (YPC) http://www.ypcye.com/	Yemen	Wholly-owned state company under supervision of the Yemen General Organization for Petroleum and Gas (Ministry of Oil and Minerals). YPC specializes in marketing petroleum products in the local market.
Level of risk - Medium-High	Name of SOEs and URL	Country	Description
Medium-High	Banco Macro http://ri-macro.com.ar	Argentina	Bank, 31% owned by the Social Security Administration
Medium-High	Edenor (Empresa Distribuidora y Comercializadora Norte S.A.) http://www.edenor.com.ar/	Argentina	Electric company, 26.54% owned by the Social Security Administration
Medium-High	Banco Comercial do Atlantico BCA http://www.bca.cv/	Cape Verde	10% state-owned bank. Government represented on Board.
Medium-High	Gaz de France (GDF) http://www.gdfsuez.com/	France	Major energy group, owned 36% by the French state.
Medium-High	Landesbank Baden-Wuerttemberg http://www.lbbw.de/	Germany	Bank owned 24.98% by the State of Baden-Wuerttemberg and 18.93% by State capital city of Stuttgart. The state is represented on the board.
Medium-High	Finmeccanica SpA (Italy) -30% http://www.finmeccanica.com/	Italy	Italian industrial group 30% owned by the Italian state.
Medium-High	Tenaga Nasional Berhad (TNB) http://www.tnb.com.my	Malaysia	TNB is Malaysia's largest electric utility company. Khazanah Nasional Berhad (Malaysian government investment company) currently holds 35.4% of the shares with representation on the board.
Medium-High	Telekom Malaysia Berhad (TM) http://www.tm.com.my	Malaysia	TM is Malaysia's largest telecommunication company. Khazanah Nasional Berhad (Malaysia government investment company) currently holds 28.73% of shares in TM. The state is represented on the board through the Ministry of Finance.
Medium-High	European Aeronautic Defence and Space Company N.V. (EADS N.V.) http://www.eads.com/eads/	Netherlands / Pan-European	49.34% of EADS stock is publicly traded on six European stock exchanges, while the remaining 50.66% is owned by a "Contractual Partnership". The latter is owned by SOGEADE (22.36%), Daimler AG (22.36%) and SEPI (5.44%). SOGEADE is owned by the French State and Lagardère, while SEPI is a Spanish state holding company.
Medium-High	OGMA – Indústria Aeronáutica de Portugal S.A. http://www.ogma.pt/	Portugal	35% State-owned aeronautical industry company.
Medium-High	Obshestvennoy Rossiyskoe Televidenie www.ortv.ru	Russia	Public Russian Television 39 % State-owned. Government is represented on the board.
Medium-High	Sembcorp Industries Ltd (Sembcorp) http://www.sembcorp.com/	Singapore	Leading utility, marine and offshore engineering, environmental management, and industrial parks holding company in Singapore. Temasek Holdings (Singapore government investment company) holds 49% of the shares in the company with state representation on the board of directors through the Government of Singapore Investment Corporation.
Medium-High	CapitaLand Limited (Capitaland) http://www.capitaland.com/	Singapore	Singapore based real estate company. Temasek Holdings (Singapore government investment company) holds 40% of the shares in the company with state representation on the board of directors through the Government of Singapore Investment Corporation.
Medium-High	REE (Red Eléctrica de España) http://www.ree.es/	Spain	Electric company, 20% owned by SEPI (Wholly-owned by the Spanish Government).
Medium-High	Lloyds Banking Group plc http://www.lloydsbankinggroup.com/	United Kingdom	UK Government currently owns about 43% minority share.

Appendices

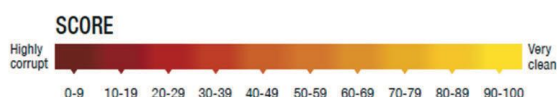
Medium-High	NATS Holdings http://www.nats.co.uk/	United Kingdom	NATS is owned by a Public Private Partnership: the Government (49%); The Airline Group (42%); Heathrow Airport Holdings Ltd (4%) and an Employee Share Trust (5%). Three Partnership directors are appointed by the Crown Shareholder (the state).
Medium-High	URENCO Ltd http://www.ureenco.com	United Kingdom	URENCO's shares are ultimately held one-third by the UK Government (through Enrichment Holdings Limited) one-third by the Dutch Government (through Ultra-Centrifuge Nederland Limited) and one-third by German utilities (through Uranit UK Limited).
Medium-High	Working Links (Employment) Ltd http://www.workinglinks.co.uk/	United Kingdom	UK Government currently owns 33.3% minority share.
Level of risk - Medium	Name of SOEs and URL	Country	Description
Medium	CNSG Jilantai Salt Chemical (Group) Co. Ltd. 中盐吉兰泰盐化集团有限公司 http://baike.baidu.com/view/2457084.htm	China	Subsidiary company (96.92% ownership) of China National Salt Industry Corporation (100% Central SOE). Members of the Communist Party of China (CPC) are represented on the board.
Medium	Changchun Railway Vehicles Company Limited 长春轨道客车股份有限公司 http://www.crc.chinacnr.com/	China	Subsidiary of China Northern Locomotive and Rolling Stock Industry (Group) Corporation (中国北方机车车辆工业集团公司), a 100% Central SOE. Members of the Communist Party of China (CPC) are represented on the board.
Medium	Kazakhtelecom JSC http://www.telecom.kz/	Kazakhstan	Majority owned (51%) by the State Welfare Fund Samruk-Kazyna JSC.
Medium	Qatar International Islamic Bank http://www.qiib.com.qa/	Qatar	16% Owned by the Qatar Investment Authority a (Qatari sovereign wealth fund). State officials represented on the board.
Medium	Endesa, S.A. (Empresa Nacional de Electricidad) http://www.endesa.com/	Spain	Majority-owned subsidiary of the Italian utility company Enel SpA (the largest shareholders of which are the Italian Ministry of Economy & Finance with 13.9% and the state-run bank Cassa Depositi e Prestiti (17.4%).
Medium	CalMac Ferries Ltd http://www.calmac.co.uk	United Kingdom	CalMac Ferries Ltd (CFL) is a wholly-owned subsidiary of David MacBrayne Ltd, which is wholly owned by Scottish Ministers.
Level of risk - Low	Name of SOEs and URL	Country	Description
Low	Transporte Colectivo Urbano de Luanda http://www.tcul.co.ao/	Angola	Entirely owned by the Provincial Government of Luanda. City government represented on the Board.
Low	Banco de Chubut http://www.bancochubut.com.ar/	Argentina	Bank owned by the provincial government of Chubut.
Low	Port of Townsville Limited http://www.townsville-port.com.au/	Australia	Port of Townsville Limited is a company Government Owned Corporation (GOC) established in its current form on 1 July 2008.
Low	Société wallonne des eaux http://www.swde.be/	Belgium	Walloon Water Company was established by the Walloon Parliament on 23 April 1986.
Low	IPLANRIO http://www.rio.rj.gov.br/web/iplanrio/principal	Brazil	Municipal Planning and Information Agency (Empresa Municipal de Informática da Cidade do Rio de Janeiro) owned by the Rio de Janeiro Municipal Government.
Low	Ontario Power Generation (OPG) http://www.opg.com/	Canada	OPG is an Ontario-based electricity generation company. OPG was established under the Business Corporations Act (Ontario) in 1999 and is wholly owned by the Province of Ontario.
Low	Beijing Yanjing Brewery 燕京啤酒 http://www.yanjing.com.cn/	China	Controlled under Beijing SASAC where the chairperson is also representing the Communist Party of China (CPC) on the board as Secretary of the Leading Party Members' Group (for CPC).
Low	Shanghai Whitecat (Group) Co., Ltd. http://baike.baidu.com/view/1136460.htm	China	Shanghai Whitecat is owned by Shanghai SASAC. Members of the Communist Party of China (CPC) are represented on the board
Low	Tianjin Pharmaceutical Holdings Ltd 天津市医药集团有限公司 http://www.pharm.com.cn/	China	Changchun Railway Vehicles Company Limited is a subsidiary company of China Northern Locomotive and Rolling Stock Industry (Group) Corporation (中国北方机车车辆工业集团公司), a 100% Central SOE. Members of the Communist Party of China (CPC) are represented on the board
Low	Empresas Públicas de Medellín (EPM) http://www.epm.com.co/	Columbia	Public utilities company owned by Medellín Municipal Government.
Low	Greater Cairo Water Company http://www.gcwc.com.eg/	Egypt	Affiliated and works under the supervision of the Cairo Governorate.
Low	Tbilisi Transport Company http://ttc.com.ge/	Georgia	Tbilisi Transport Company (former "Tbilisi Metro" Ltd) is 100% owned by the Tbilisi City Council.
Low	City of Athens IT Company (DAEM SA) http://www.cityofathens.gr/	Greece	Local government development company owned by the City of Athens.
Low	Susisiekimo Paslaugos http://www.vilniustransport.lt/	Lithuania	Public transport company owned by the City Municipality of Vilnius
Low	Abuja Investments Company Limited http://www.abujainvestments.com/	Nigeria	A business development and investment holding company created by the state government of Abuja (FCT).
Low	Warsaw Municipal Water Supply and Sewerage Company (MPWiK) http://www.mpwik.com.pl/	Poland	Company Owned by Warsaw Council.
Low	Jeddah Development and Urban Regeneration Co http://www.jdurc.com/	Saudi Arabia	Wholly owned by the City of Jeddah.

Appendices

Low	Johannesburg Water http://www.johannesburgwater.co.za/	South Africa	Wholly owned by the City of Johannesburg and is mandated to provide water and sanitation to the residents of Johannesburg.
Low	Aigües de Mataró http://www.aiguesmataro.cat/	Spain	Aigües de Mataró a service company responsible for supplying drinking water, sanitation and sewage disposal in Mataró. Owned by Mataró Municipal Government
Low	Empresa Municipal de Transporte (EMT) http://www.emtmadrid.es/	Spain	Public transport company owned by Madrid Municipal Government
Low	Transport for Greater Manchester http://www.tfgm.com/	United Kingdom	Transport for Greater Manchester operates as the delivery arm of the elected body of the Greater Manchester Combined Authority,
Low	Transport for London Limited http://www.tfl.gov.uk/	United Kingdom	Public transport company owned by the Greater London Authority.
Low	North Dakota Mill and Elevator (NMD) http://www.ndmill.com/	United States	Located in the city of Grand Forks, North Dakota, NMD is owned by the state of North Dakota being the only state-owned milling facility in the United States.

Transparency International Corruption Perceptions Index 2016

RANK	COUNTRY/TERRITORY	SCORE	24	Bahamas	66	RANK	COUNTRY/TERRITORY	SCORE	69	Greece	44
1	Denmark	90	24	Chile	66	47	Cyprus	55	70	Bahrain	43
1	New Zealand	90	24	United Arab Emirates	66	47	Czech Republic	55	70	Ghana	43
3	Finland	89	27	Bhutan	65	47	Malta	55	72	Burkina Faso	42
4	Sweden	88	28	Israel	64	50	Mauritius	54	72	Serbia	42
5	Switzerland	86	29	Poland	62	50	Rwanda	54	72	Solomon Islands	42
6	Norway	85	29	Portugal	62	52	Korea (South)	53	75	Bulgaria	41
7	Singapore	84	31	Barbados	61	53	Namibia	52	75	Kuwait	41
8	Netherlands	83	31	Qatar	61	54	Slovakia	51	75	Tunisia	41
9	Canada	82	31	Slovenia	61	55	Croatia	49	75	Turkey	41
10	Germany	81	31	Taiwan	61	55	Malaysia	49	79	Belarus	40
10	Luxembourg	81	35	Botswana	60	57	Hungary	48	79	Brazil	40
10	United Kingdom	81	35	Saint Lucia	60	57	Jordan	48	79	China	40
13	Australia	79	35	Saint Vincent and The Grenadines	60	57	Romania	48	79	India	40
14	Iceland	78	38	Cape Verde	59	60	Cuba	47	83	Albania	39
15	Belgium	77	38	Dominica	59	60	Italy	47	83	Bosnia and Herzegovina	39
15	Hong Kong	77	38	Lithuania	59	62	Sao Tome and Principe	46	83	Jamaica	39
17	Austria	75	41	Brunei	58	62	Saudi Arabia	46	83	Lesotho	39
18	United States	74	41	Costa Rica	58	64	Montenegro	45	87	Mongolia	38
19	Ireland	73	41	Spain	58	64	Oman	45	87	Panama	38
20	Japan	72	44	Georgia	57	64	Senegal	45	87	Zambia	38
21	Uruguay	71	44	Latvia	57	64	South Africa	45	90	Colombia	37
22	Estonia	70	46	Grenada	56	64	Suriname	45	90	Indonesia	37
23	France	69									
RANK	COUNTRY/TERRITORY	SCORE	113	Armenia	33	RANK	COUNTRY/TERRITORY	SCORE	156	Democratic Republic of Congo	21
90	Liberia	37	113	Bolivia	33	136	Guatemala	28	156	Uzbekistan	21
90	Morocco	37	113	Vietnam	33	136	Kyrgyzstan	28	159	Burundi	20
90	The FYR of Macedonia	37	116	Mali	32	136	Lebanon	28	159	Central African Republic	20
95	Argentina	36	116	Pakistan	32	136	Myanmar	28	159	Chad	20
95	Benin	36	116	Tanzania	32	136	Nigeria	28	159	Haiti	20
95	El Salvador	36	116	Togo	32	136	Papua New Guinea	28	159	Republic of Congo	20
95	Kosovo	36	120	Dominican Republic	31	142	Guinea	27	159	Angola	18
95	Maldives	36	120	Ecuador	31	142	Mauritania	27	164	Eritrea	18
95	Sri Lanka	36	120	Malawi	31	142	Mozambique	27	164	Iraq	17
101	Gabon	35	123	Azerbaijan	30	145	Bangladesh	26	166	Venezuela	17
101	Niger	35	123	Djibouti	30	145	Cameroon	26	168	Guinea-Bissau	16
101	Peru	35	123	Honduras	30	145	Gambia	26	169	Afghanistan	15
101	Philippines	35	123	Laos	30	145	Kenya	26	170	Libya	14
101	Thailand	35	123	Mexico	30	145	Madagascar	26	170	Sudan	14
101	Timor-Leste	35	123	Moldova	30	145	Nicaragua	26	170	Yemen	14
101	Trinidad and Tobago	35	123	Paraguay	30	151	Tajikistan	25	173	Syria	13
108	Algeria	34	123	Sierra Leone	30	151	Uganda	25	174	Korea (North)	12
108	Côte d'Ivoire	34	131	Iran	29	153	Comoros	24	175	South Sudan	11
108	Egypt	34	131	Kazakhstan	29	154	Turkmenistan	22	176	Somalia	10
108	Ethiopia	34	131	Nepal	29	154	Zimbabwe	22			
108	Guyana	34	131	Russia	29	156	Cambodia	21			
			131	Ukraine	29						



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This section lists all sources consulted for this report. Any or all of the sources listed below can be provided to the client as a pdf file or in a batch as a .zip archive.

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About MemberCheck

MemberCheck is an online AML compliance service that specialises in scanning for Politically Exposed Persons (PEP) and their Relatives and Close Associates (RCA), sanctioned individuals and organisations, and persons and entities of special interest, to reduce the risks of being associated with money laundering and terrorism financing activities.

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