



POLICY FOR MANAGEMENT OF POLITICALLY EXPOSED PERSONS



Business Unit / Division		Risk			
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1 PURPOSE

- 1.1 The objective of the PEP policy is to provide a framework and a process within which acceptance, maintenance and monitoring of clients with PEP implications are managed by the Bank. This is done in order to mitigate reputational operational and legal risk, based on internationally accepted best practice standards, whilst simultaneously meeting regulatory compliance standards imposed by the FIC on Accountable institutions.

2. DEFINITIONS

CDD	Customer due diligence also known as know your customer (KYC) measures that are used: <ul style="list-style-type: none">• To identify and verify the identity of a customer (CIV process);• To understand the customer's intended use of the business service; and• To monitor the customer's transactions to ensure that they are consistent with the institution's knowledge of that customer.
CIV	Client Identification and verification
Close family	Close Family members are defined as individuals who are related to the PEP either directly or through marriage or similar (civil) forms of partnership. The following relationships will be regarded as close family :

- Direct family members, including, Spouses and life partners, Children, Parents and grandparents and siblings.

Close associates	Close associates are individuals who are closely connected to a PEP, either socially or professionally. The category of closely associated persons should include close business associates and or personal advisors and or persons acting in a financial fiduciary capacity, partners (especially those that share beneficial ownership of legal entities with the PEP or who are otherwise connected.
Chairpersons	refers to chairpersons for Credit or Procurement committees respectively.
EDD	Enhanced Due Diligence
FATF	Financial Action Task Force
Improper influence	personal power that induces another person to give consideration or to act on any basis other than the merits of the matter.
PEP	Politically Exposed Person
Politically Exposed Person	According to the Financial Intelligence Centre (FIC) a politically exposed person (PEP) is the term used for an individual who is or has in the past been entrusted with prominent public

functions in a particular country. (See examples in annexure B)

3. CONTEXTUAL BACKGROUND

3.1 Why Screening of PEP's?

3.1.1 PEPs are categorized as high risk clients and as a consequence all financial institutions must mitigate the risk by ensuring that they have rigorous processes to screen for PEPs and that the organization is not exposed legally and its reputation is adequately protected.

3.1.2 One of the main objectives of screening PEPs is to ensure that the Bank complies with the various guidelines and directives issued by FIC, which are aimed at combating money laundering and the prevention and detection of fraud and other corrupt practices.

3.2 What is the PEP Risk?

3.2.1 PEPs are perceived to be one of the high-risk categories of customers, particularly with regard to money laundering and corruption. As a result, they are considered high risks in today's regulatory environment. Thus, business relationships with PEPs may constitute high risk relationships for the Bank if not managed properly.

3.2.2 Relationships with PEPs may give rise to increased risks due to the possibility that individuals holding such political/ influential positions may misuse their power and influence for personal gain or advantage of family and/ or close associates. Regulatory requirements requires financial institutions to conduct an enhanced due diligence when establishing a business relationship with a PEP.

3.3 This Policy must be read in conjunction with the following:

a) FICA Internal Rules;

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- b) Credit Policies;
- c) Procurement Policy;
- d) Whistleblowing Policy
- e) Fraud and Corruption Prevention Policy
- f) Code of Ethics and Business Conduct
- g) Ethics Policy

4. POLICY

- 4.1 It must be borne in mind that, the fact that a PEP has been identified or found to be involved in a transaction, should not by itself create a reasons for the declining or rejection of the application. In principle, there is nothing wrong with doing business with a PEP, provided that an enhanced due diligence has been conducted prior the establishment of a business relationship.
- 4.2 According to the FAFT recommendations, refusing a business relationship with a PEP simply based on determination of the client as a PEP, is contrary to letter and spirit of the recommendations. Additionally, the FIC guidance notes regarding the management of PEPs are intended to assist financial institutions to develop appropriate controls in order to verify PEPs before establishing a business relationship with them.
- 4.3 The Bank does not intend to create reasons for declining of transactions or applications by clients who fall within the definition of PEPs. Furthermore, there is no legislation that prohibits financial institution from establishing a business relationship with a PEP.
- 4.4 The PEP policy ensures that there are preventative measures put in place in respect of establishing business relationships with PEPs and that there are also procedures to prevent the misuse of the Banks systems.

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5. Verification and Client Identification Process

5.1 Collection of documents from clients

5.1.1 For each new business relationship, know your customer information is obtained during the customer onboarding process and when assessing potential opportunities. This is the information that will assist the Bank when conducting background screening of customers.

5.1.2 The customer facing employees are not expected to make enquiries regarding PEP status of prospective customers during the onboarding process.

5.2 Pre-approval – Client due diligence (CDD)

5.2.1 CDD is the key source of information used for the purpose of determining whether a client is a PEP.

5.2.2 By conducting a CDD you can identify and know your client better. CDD must be conducted when –

- a) establishing a business relationship with a client;
- b) When you doubt the authenticity or adequacy of documents, data, or other information previously obtained for the purpose of “KYC” in question.

5.2.3 The Bank has acquired a screening system, which is used for identifying PEPs and conducting a client due diligence on clients.

5.2.4 The Commercial bankers are required to perform screening on the system in order to verify and ensure that the customers are not listed on any sanction lists, and to determine whether they or their family members, close associates or beneficial owners are PEPs.

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- 5.2.5 When conducting a CDD on PEPs, the beneficial owners may be uncovered and should be verified accordingly by Compliance Department.
- 5.2.6 During the search, the system will flag out any PEPs, their family members and close associations that can be identified and are publicly known.
- 5.2.7 CDD should be conducted before the transaction is submitted to the Credit Committees for approval by following the process as stipulated in annexure A.
- 5.2.8 Where there are positive identification of a customer as a PEP, the Commercial banker will complete form as provided in annexure C and ensure that the information is forwarded to Compliance Department for EDD to be conducted.
- 5.2.9 Once an EDD has been concluded, Compliance Department will complete annexure "C" form advising the Committees about the information discovered regarding the identified PEP.
- 5.2.10 It must be noted that despite the need to ensure that an EDD is conducted on PEPs to ensure compliance with the FATF recommendations and other various guidelines and directives issued, in the application and implementation of this policy, caution must be exercised to ensure that the basic rights of all clients to privacy and the presumption of innocence are not infringed.

5.3 Post approval discovery – CDD

- 5.3.1 If any employee uncovers a PEP during the day to day activities as and when they perform activities on accounts, the employee is expected to inform Compliance Department formally using the form provided in annexure C.

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- 5.3.2 Before the Bank gives its approval for a change in shareholding in a client's organization, the new shareholders must be sent to the Compliance Department in order to conduct a CDD and an EDD if necessary and ensuring updating of the PEP register.
- 5.3.3 There are instances where Compliance Department will also uncover PEPs, this will occur mostly through the quarterly screening of existing client's database and the PEP register will be updated accordingly.
- 5.3.4 When the existing client re-applies for further additional funding or when a client's facility is being restructured, the employee responsible should follow steps as provided in annexure A.
- 5.3.5 Once an EDD has been concluded, Compliance Department will complete annexure "C" form advising the Committees about the information discovered regarding the identified PEP.
- 5.3.6 Compliance Department should maintain updated register of the PEPs.

6 Treatment of PEPs

- 6.1 The chairpersons of respective committees will provide senior management approval for establishing a relationship with the PEP taking into consideration report provided by Compliance Department on specific PEP.

7. Procurement Matters

- 7.1 In line with procurement policy the procurement officers have to screen the shortlisted prospective supplier and or service providers.
- 7.2 When PEPs are identified in the procurement process, the Procurement Department is required to forward the details of PEP's to the Compliance Department in order to conduct an EDD.

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7.3 Once this has been done, the department will be required to complete annexure "B" and attach it to the procurement submission advising the Procurement Committee about the information that was discovered concerning the PEP.

8 Monitoring and Reporting

8.1 Once the Bank has established a business relationship with a PEP, the compliance function is required to conduct an enhanced ongoing monitoring on the PEPs and advise business on any changes that may be identified.

8.2 The compliance function will then provide EXCO, Procurement Committee Credit Risk Committee and Board Risk Committee with quarterly reports on all approved transactions with PEPs or an urgent report and when there is any known and verified adverse report about a PEP.

8.3 Compliance Department will ensure that there is ongoing employee training programmes to address effective ways of determining whether clients are PEP and to understand, assess and handle the potential risks associated with PEPs.

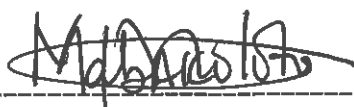
9 Approval

This policy was recommended for approval by EXCO on the ____ of _____ 2016



CEO on behalf of EXCO

The policy was approved by the Board on the _____ of _____ 2016



Chairperson on behalf of the Board

ANNEXURE A

Pre-approval discovery process

The following is a step by step illustration of the process to be followed when a PEP has been discovered/identified in the CDD process prior to approval of the transaction.

Step 1

- 1.1 When a PEP, family member, or associate has been discovered during the CDD stage, responsible employee must send the information to Compliance Department using form provided in Annexure C. The responsible employee must then as part of its submission complete Annexure C and attach it to its report advising the Credit Committee of all relevant known information regarding the identified PEP.
- 1.2 The compliance officer should perform a risk assessment of the PEPs business relationship. The risk assessment should be a composite assessment of all the risk factors to determine if the business relationship with the PEP is of a higher risk.ⁱ
- 1.3 The following should be taken to account when conducting assessment:
 - Customer risk factors;
 - Kind of facility; and
 - Nature of the prominent public function that the PEP has, (e.g. his/her level of seniority, access to or control over public funds and the nature of the position held. ⁱⁱ
- 1.4 If the risk assessment establishes that the business relationship with the PEP presents a low risk, the Compliance Department will classify it accordingly and less continuous EDD will be conducted.

- 1.5 If the risk assessment suggest that the business relationship with the PEP will be of high risk, Compliance Department will have to ensure continuous monitoring that will be unpacked in the rules.
- 1.6 Compliance Department will have to provide response within two (2) days after receipt of disclosure of identified PEP.
- 1.7 EDD will comprises of the following:
 - 1.7.1 Seeking more information from the PEP for purposes of identifying and verifying whether there are any other beneficial owners in the transaction;
 - 1.7.2 Understanding the ownership and control structure of a legal person, trust or similar arrangement where there is a PEP involvement;
 - 1.7.3 When conducting an EDD, Compliance Department should take into account such factors as whether the PEP:
 - a) has business interests which are related to his/ her public functions (conflict of interest);
 - b) whether the PEP holds several (related and unrelated) prominent public functions which may enable influence to be exerted at several key decision making points in a process;
- 1.8 Once an EDD has been concluded, Compliance Department will have to complete Annexure "C" form advising the Credit Committee about the information discovered regarding the identified PEP.
- 1.9 It must be noted that despite the need to ensure that an EDD is conducted on PEPs to ensure compliance with the FATF recommendations and other various guidelines and directives issued, in the application and implementation of this policy, caution must be exercised to ensure that the basic rights of all clients to privacy and the presumption of innocence are not infringed.

Step 2

- 2.1 Pursuant to FATF recommendations, financial institutions are required to obtain senior management (chairpersons of respective committee) approval for establishing (or continuing, for existing clients) business relationships with PEPs.
 - 2.1.1 The Credit Committee will review the information at hand and make a decision based on all information presented to it, including any other additional information that may be presented verbally or confirmed by any member of the Committee.
 - 2.1.2 Furthermore, the senior management (chairpersons of respective committee) who will be approving a business relationship with a PEP, when assessing a PEP, should take into consideration the PEP's risk profile before they can approve that transaction.

Step 3

- 3.1 If the transaction is approved by the relevant Committees, business unit concerned will continue with the transaction as per relevant internal processes.
- 3.2 If the transaction is rejected by the relevant Committee, business unit concerned will then follow relevant processes for all rejected applications.

ANNEXURE B

“Politically exposed person” – definitions of Politically Exposed Persons are wide-ranging. According to the Financial Intelligence Centre (FIC) a politically exposed person (PEP) is the term used for an individual who is or has in the past been entrusted with prominent public functions in a particular country.

1.1 The following examples serve as aids in defining PEPs:

1.1.1 Heads of State and their deputies

1.1.2 Heads and Deputies of Regional Government (Premier);

1.1.3 Heads of Government agencies and cabinet Ministers;

1.1.4 Regional/Provincial Government Ministers;

1.1.5 Members of National Parliament;

1.1.6 Members of Provincial Legislature;

1.1.7 Senior Civil Servants (National/Regional/Provincial Government);

1.1.8 Local Government officials (City Mayors, Councilors and Municipal Managers);

1.1.9 Senior Embassy and Consul staff;

1.1.10 Members of Houses of Traditional Leadership (Kings and Chiefs);

1.1.11 Senior members of the army and/ or influential officials, functionaries and military leaders and people with similar functions international or supernatural organisations;

1.1.12 Senior members of the Police Services;

1.1.13 Senior members of the Secret Services;

1.1.14 Senior members of the Judiciary (Judges, Magistrates and Prosecutors);

- 1.1.15 Senior and/ or influential representatives of religious organisations;
- 1.1.16 Political Leaders;
- 1.1.17 Labour Group Officials;
- 1.1.18 Influential functionaries in the private sector and public services administration;
- 1.1.19 Key leaders of State owned Enterprises;
- 1.1.20 Private companies, trusts, foundations, or other juristic persons owned or co-owned by PEP's, whether directly or indirectly; and
- 1.1.21 Any business/ and or joint venture that has been formed by, or for the benefit of a senior political figure.

POLITICALLY EXPOSED PERSONS (PEPS) REPORTING FORM**IDENTIFICATION PARTICULARS**

Primary Particulars	First Name	Surname	Middle Name	ID/Passport Number
Country Details	Country of origin	Citizenship	Current country of Residence	

CURRENT STATUS AND BACKGROUND

Current Occupation	Occupational Title		Status	
			Active	Non-Active

Is the client (tick whichever is applicable):

a PEP?

Closely Related to a PEP?

Closely Associated to a PEP?

KNOWN BUSINESS INTERESTS

No.	Name of Entity	Role in Entity	Status	
			Active	Non-Active
1.				
2.				
3.				
4.				
5.				
6.				
7.				
10.				

POLITICALLY EXPOSED PERSONS (PEPs) REPORTING FORM

MEDIA REPORTS/ OTHER SOURCES OF INFORMATION

(Please reference all known adverse media reports associated with the PEP)

Reporting Person/s:

Full Names:		
Designation:		
Business Unit/Department		
Business Unit GM:		
GM's signature	Date:	
Reporting Persons signature:	Date:	

COMPLIANCE VERIFICATION REPORT

(Compliance to verify all known adverse media report/s/ information associated with the PEP)

Compliance Particulars

Full Names: (Compliance Officer)		
Business unit GM:		
Business unit GM signature	Date:	
Compliance Officer Signature	Date:	

