

Banks using 'politically exposed persons' database

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KARACHI: In compliance with Financial Action Task Force (FATF) recommendations, banks operating in Pakistan, public and private financial institutions, organisations dealing with monetary affairs and even realtors have started keeping an eye on their clientele with the help of a recently developed database that identified over 100,000 “politically exposed persons” (PEPs) in the country, officials and sources said.

They said the trend witnessed an upward growth after June 2021 when it was announced that Pakistan despite “largely completing” 26 of the 27 FATF targets would stay on its grey list for another year and deliver on seven new parallel action points to address deficiencies in its Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) regime. The banks and other institutions, they said, were carrying out the fresh exercise under the directives of the regulatory bodies and financial market watchdogs.

A senior official of a local financial institution said his organisation had lately acquired services of the locally developed database that listed the PEPs’ details under the defined mechanism of the FATF. “So we in our daily business and transactions now keep check on individuals through that database. While dealing with the PEPs, we remain vigilant and take all the precautionary measures that the local authorities and regulatory bodies have defined. This exercise on one hand keeps us on the safe side and on the other helps [the country] in meeting FATF compliance,” he said.

The PEP, according to the FATF, is an individual who is or has been entrusted with a prominent public function. While further defining it in its document titled “Politically Exposed Persons (Recommendations 12 and 22)”, the FATF says: “Due to their position and influence, it is recognised 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).”

First Paramount Modaraba (FPM), a non-banking financial institute managed by Paramount Investments Limited (PIL) that has developed the database of some 110,000 local PEPs, says it has been extensively engaged with numerous businesses in Pakistan, facilitating their AML/CFT compliance teams in addressing common challenges for more than a year. “During this time, FPM got valuable insights about the screening practices of the industry and was able to identify hindrances that fail businesses in adequately mitigating the risks associated with financial crimes and financing of terrorism,” said FPM chief executive officer Syed Wajih Hassan.

The FPM PEPs acquisition policies were fully compliant with the guidelines given by international bodies, and the mechanism adopted for this purpose was based on the best global practices, he said. “The FPM has structured its PEP data in accordance with the definition of PEP given by FATF. Moreover, FPM has further expanded its coverage to the areas which are significant for AML compliance in consideration to the domestic norms of the country,” explained Mr Hasan.

A high-level classification of the PEPs’ data, he said, could be found in the institutions and the areas that included government, legislative bodies, judiciary, diplomats, municipalities, state owned enterprises, ministries and bureaucracy, law enforcement and security, political and religious groups.

“In terms of data update, PEP sources where frequent data updates are expected, FPM research team keeps a constant watch through automated or semi-automated means and any new information found, is scheduled for acquisition on immediate basis,” said Mr Hasan. “Sources where information is made available at regular intervals, data acquisition is planned accordingly. In cases of existing PEPs data where no new information is anticipated, the default review cycle is planned every six months. The PEPs’ data being used by FPM for AML screening purposes is acquired from various government, administrative, and third party sources.”

He said the data sources were assessed carefully for authenticity and correctness. The data obtained from these sources went through a series of transformations before it was compiled into a form suitable for screening while FPM and its partners were the sole owner of the data in its compiled form, he added.

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