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**Lanka Credit and Business Finance PLC**  
**POLITICALLY EXPOSED PERSONS (PEPS)**  
**POLICY & PROCEDURES**

**Owner - Compliance Department**  
**Approval – Board of Directors**  
**Date of Approval – 27/10/2023**

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## Purpose

Based on the Three lines of defense Model, the business line as the first line of defense need adequate action to identify and classify Politically Exposed Persons (PEPs) as HIGH-Risk customers. The Compliance Department has been requested for guidance on who is PEP and how to identify PEP, as such – this memorandum is issued for all staff as a guidance and reference purpose.

### 1.0 Politically Exposed Persons (PEPs)

#### 1.1 PEP Definition

##### Individual PEP:

The FIU definition of a "Politically Exposed Person" or PEP means an individual who is entrusted with prominent public functions either domestically or by a foreign country, or in an international organization and includes a Head of a State or a Government, a politician, a senior government officer, judicial officer or military officer, a senior executive of a State owned Corporation, Government or autonomous body **but does not include middle rank or junior rank individuals**.

The **CDD Rule** is also applicable to family members and close associates of a PEP as well.

##### Corporate PEP:

If a PEP customer or his/her Close Associate is a shareholder of a corporate entity or having equity interest of more than 10% (ten percent) the specified corporate account should be categorized as a Corporate PEP account.

##### A Close Associates means:

- The Spouse, Siblings, Children and Parents
- A natural person having joint beneficial ownership of legal entities and legal arrangements, or any other close business relationship;
- A legal person or legal arrangement whose beneficial owner is a natural person and is known to have been set up for the benefit of such person or his immediate family members

#### 1.2 PEP Definition Method II

##### a) Domestic PEPs:

Individuals who are entrusted with prominent public functions in Sri Lanka.

##### b) Foreign PEPs:

Individuals who are entrusted with prominent public functions by a foreign country.

##### c) International organization PEPs:

persons who are entrusted with a prominent function by an international organization.

**d) Immediate Family members:**

individuals who are related to a PEP either directly (on grounds of consanguinity) or through marriage or similar (civil) forms of partnership.

**e) Close associates:**

individuals who are closely connected to PEP, either socially or professionally

**1.3 Immediate family members of PEPs include any of the following relations:**

- i. Spouse (current and past);
- ii. Siblings, (including half-siblings) and their spouses;
- iii. Children (including step-children and adopted children) and their spouses;
- iv. Parents (including step-parents);
- v. Grand children and their spouses.

**1.4 Close associates of PEPs or their family members includes;**

- i. A natural person having joint beneficial ownership of legal entities and legal arrangements, or any other close business relationship with any person identified in above; and
- ii. A legal person or legal arrangement whose beneficial owner is a natural person and is known to have been set up for the benefit of such person or his immediate family members.
- iii. A PEP's widely- and publicly-known close business colleagues or personal advisors, in particular, persons acting in a financial fiduciary capacity.

For the purposes of the PEP definition, "international organizations" are organizations established by formal political agreements between its member countries, where such agreement has the status of an international treaty, and the organization is recognized in the law of the member countries. The examples of international organizations provided by FATF include:

- a) the United Nations and its affiliates such as the International Maritime Organization;
- b) regional international organizations;
- c) international military organizations such as the North Atlantic Treaty Organization;
- d) economic organizations such as the World Trade Organization, International Monetary Fund, World Bank, Asian Development Bank, etc.

**1.5 Beneficial owners**

A natural person who ultimately owns or controls a customer or the person on whose behalf a transaction is being conducted and includes the person who exercises ultimate effective

control over legal persons or arrangements whose ultimate beneficial owners or controllers are PEPs or their family members or associates.

If there are reasonable grounds to believe that a beneficial owner is a PEP, Branch required to verify if the beneficial owner is a PEP.

Branches are required to inquire the reason for a person purporting to act on behalf of a beneficial owner in order to determine whether the beneficial owner of the customer or client is a PEP and required to apply all the requirements applicable to a PEP for:

- a) A person who is acting on behalf of a PEP, or
- b) A customer or beneficial owner of a customer who is identified as a family member or close associate of a PEP.

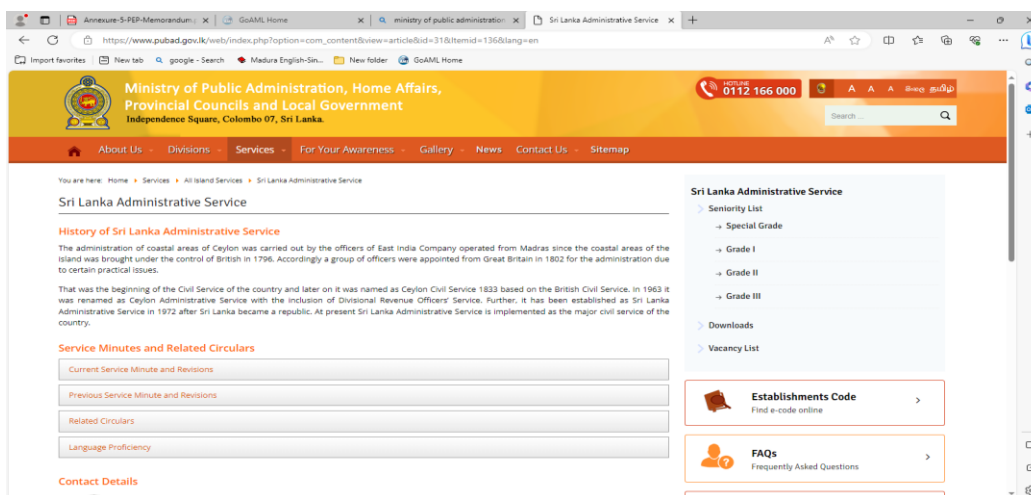
## 1.6 Duration of Treating a Person as a PEP

- Members of Parliament/ Provincial Councils/ Pradeshiya Sabas/ Municipal Councils immediate family members and close associates- **as PEPs for life time**
- Government/ Judicial/ Military officers, immediate family members and close associates - **as PEPs only during the time they hold their offices and for a further period of six months after removal from office.**
- Members, immediate family members and close associates of Government appointed Commissions/ Boards/ Corporations - **as PEPs only during the time they hold their offices and for a further period of six months after removal from office.**

## 2.0 Identifying Local PEPs

### 2.1 Listed PEP Authorities

#### 1. Administrative service

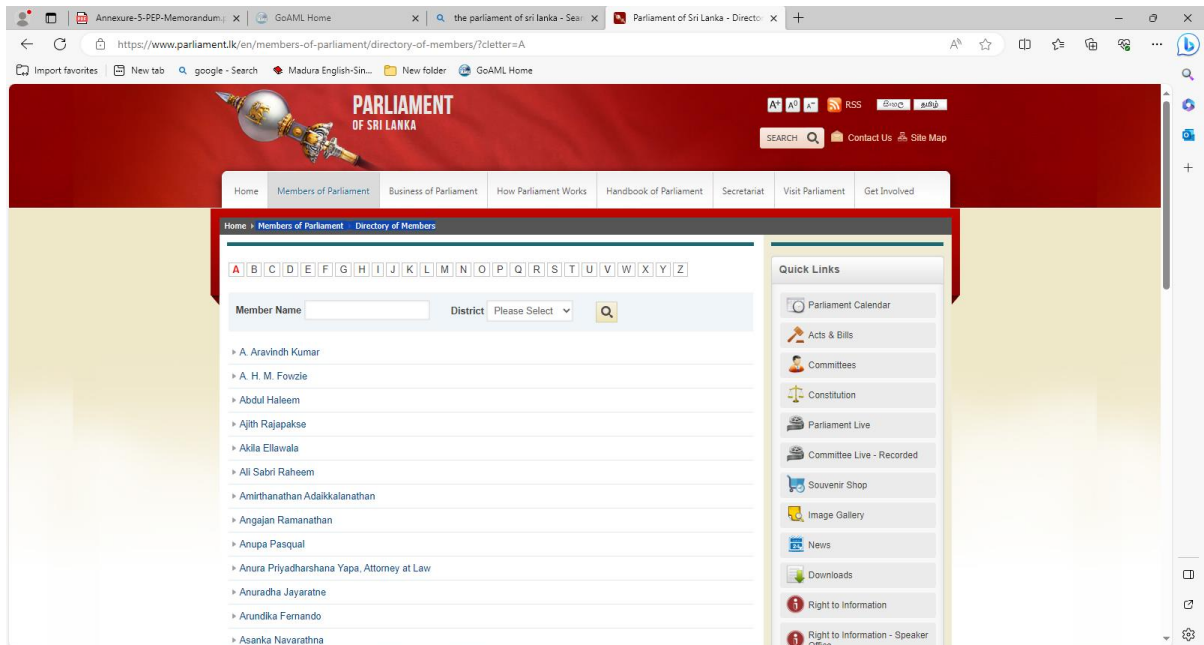


## 2. Members of Parliament

<https://www.parliament.lk>

Members of Parliament

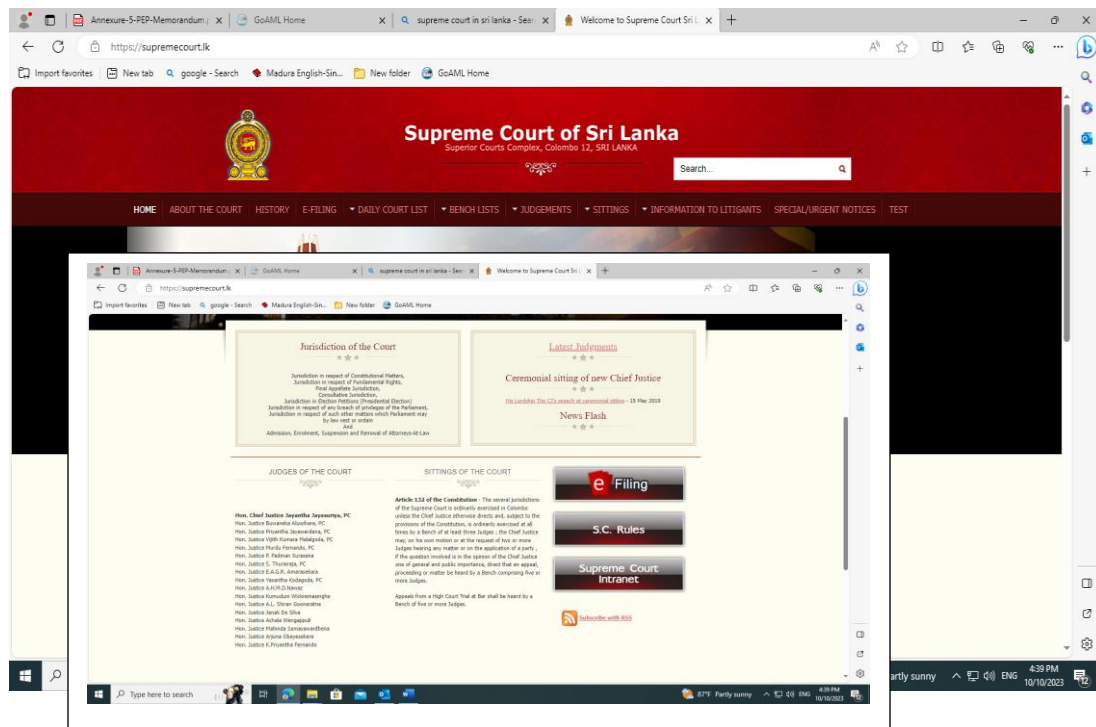
Directory of Members



## 3. Judicial Service

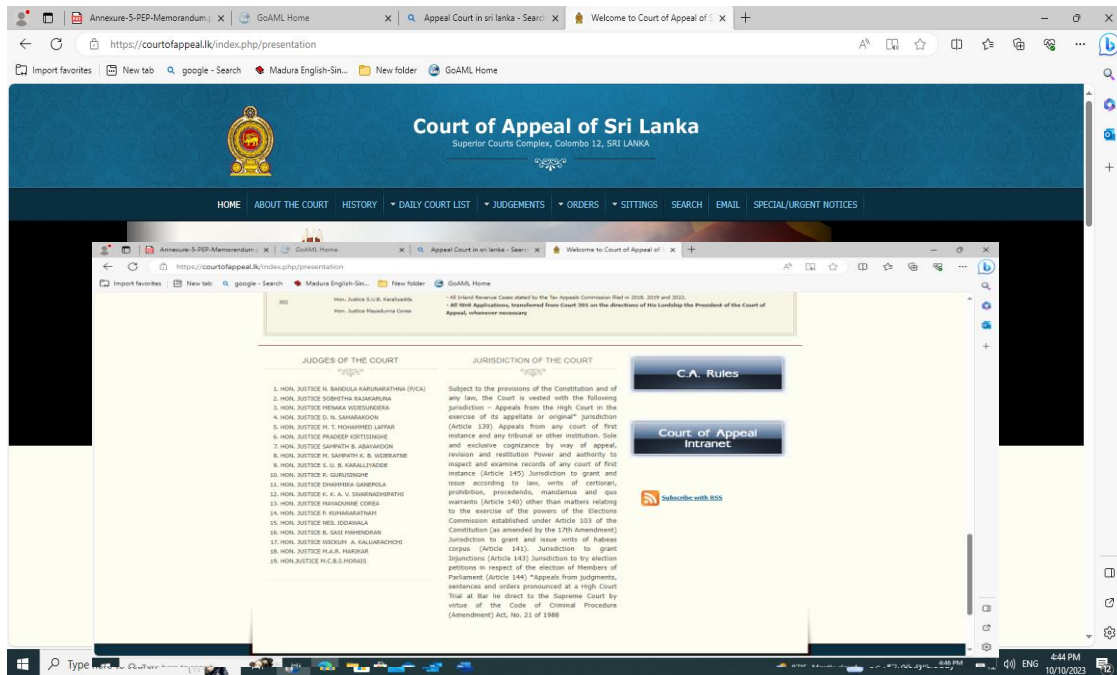
### 3.1 Supreme Court

<https://supremecourt.lk>



### 3.2 Appeal Court

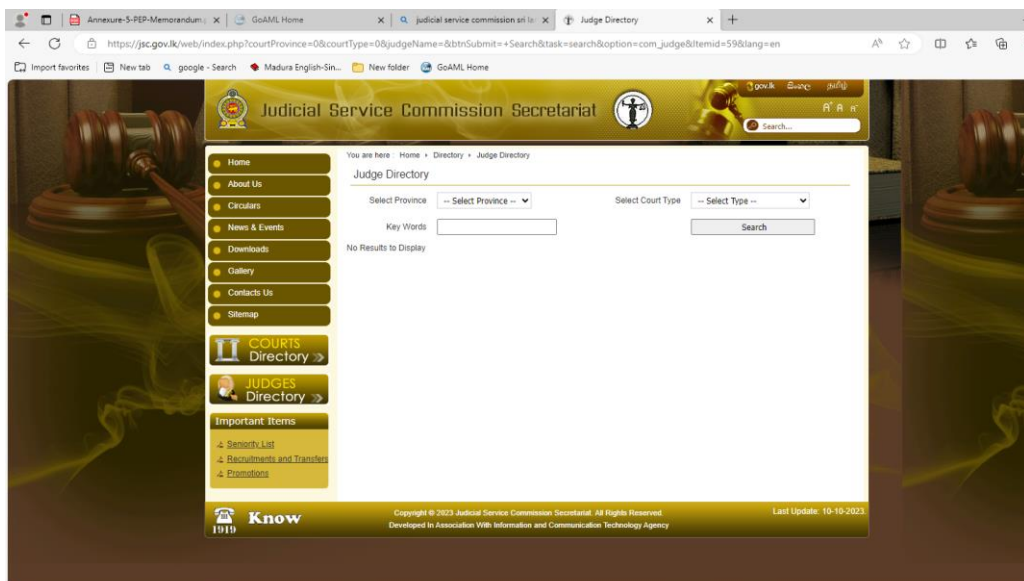
<https://courtofappeal.lk>



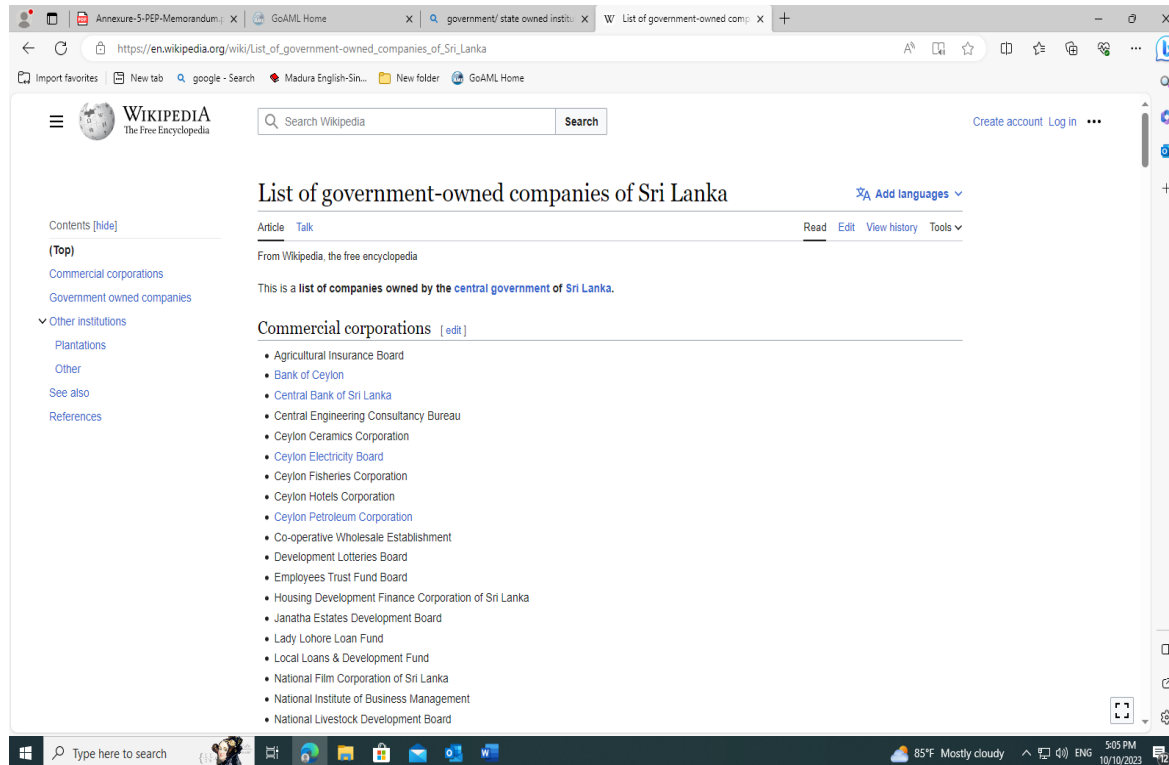
### 3.3 Other

<https://jsc.gov.lk>

Judge Directory



## 4. Government/State Owned Institutions



## 5. Police Ranks Structure

- Inspector General of Police
- Senior Deputy Inspector General of Police
- Deputy Inspector General of Police
- Senior Superintendent of Police
- Superintendent of Police
- Assistant Superintendent of Police
- Chief Inspector of Police
- Inspector of Police
- Sub Inspector of Police
- Sergeant Major

## 6. Military Officers

- Sri Lanka Army – Lieutenant Colonel and above.
- Sri Lanka AirForce – Wing Commander and above.
- Sri Lanka Navy – Commander and above

Kindly note that this is a indicative list of Local PEPs only and is not exhaustive. But one to assist you in your daily routine of identifying PEPS in account opening and continuous monitoring for KYC and CDD purpose.



### 3.0 Relationships with PEP

This category of customers known as PEPs and are required to be categorised as **HIGH Risk** from an AML Compliance perspective. However regulatory guidelines do not prohibit dealings with PEPs. But Enhanced Due Diligence (EDD) is required to be carried out on such customers.

This is to check and confirm whether the PEP Match has negative information against the respective Individual. In all such events pertaining to PEPs, the branch/business team need to **obtain approval from Corporate Management and the Compliance team if to proceed with the account relationship or not.**

It is to be noted that a negative EDD of the PEP exposes the Bank to risks and therefore it is recommended to decline the request in order to mitigate AML risks. However, if the EDD is satisfactory, the branch/business team can proceed with the PEP classification subject to adequate **Enhanced Due Diligence measure**

## 4.0 Obtain KYC for PEPs

Completion of KYC in the Account Opening Form Customers are required to complete the mandatory section made available in the Account Opening Application on PEPS.

[illegible]

**Branch staff/account opening staff are required to check whether the customer has filled this section and in case of a “PEP” indication, to obtain accurate information as part of Enhanced Due Diligence.**

**5.0 PEP Classification has to be concluded as per the following procedure (Summary);**

- Complete the Risk Profiling
- Obtain the Corporate Management and Compliance approval
- The system to be updated - Categorization of PEP and as a High-Risk customer.
- Conduct Enhanced Due Diligence on an on-going basis.

## 5.1 Risk Profiling

The account opening staff / Tab account opening staff need to complete a Risk Profile document. (Please refer Risk Profiling Process on our Savings & Term Deposit Policy & Procedure manual)

## 5.2 Obtain the Corporate Management and Compliance approval

The branch staff / account opening staff need to submit a fully completed mandate with a justification and recommendation to the Branch Manager shall submit it with his/her comments and approval to the DGM – Business Development, who shall review same and circulate it to the Managing Director/CEO and the Corporate Management approval/endorsement subsequent to the Compliance sign-off

## 5.3 Core banking system to be updated - Categorization of PEP and as a High Risk customer.

The branch staff / account opening staff need to update Core banking System by **categorizing of PEP and as a High-Risk customer**

## 5.4 Conduct Enhanced Due Diligence on an on-going basis.

For those classified as PEPs the Company should conduct, EDD on an on going basis on the sources of funds and wealth or beneficial ownership of funds and wealth and be satisfied of the legitimacy of it by appropriate means.

If the Name Match found is for a PEP and the individual is no longer entrusted with a prominent public function/higher rank in Military or any other related function, it is required that the same steps be followed as an Existing PEP and the **“Once a PEP always a PEP”** rule applies.

## 5.5 PEP reviews

Preliminary check to be conducted by the Branch Manager at the time of on-boarding customer or upon a trigger event. As specified in Master Circular on Account Opening procedure manual, the required steps to be followed mandatorily. PEPs are subject to the Annual review by the Business/Branch.

## NON-EXHAUSTIVE LIST CATEGORIES OF CUSTOMERS THAT CAN BE CONSIDERED AS PEPS

### DOMESTIC PEPS

A.	1	The President
	2	The Prime Minister
	3	The Speaker and the Deputy Speaker of the Parliament
	4	Cabinet Ministers, Non-Cabinet Ministers, State Ministers, Deputy Ministers
	5	Members of Parliament
	6	Leaders of Political Parties

B	7	Governors of Provinces
	8	Chief Ministers of Provinces
	9	Mayor, Chairman of Municipal Councils
	10	Chairman of Provincial Councils
	11	Members of Municipal Councils/ Provincial Councils / Local Government Bodies
	12	Commissioners/ Secretaries to Municipal Councils/ Provincial Councils / Local Government Bodies

C	13	Chief Justice
	14	Attorney General
	15	Judges of Supreme Court
	16	Judges of the Court of Appeal
	17	Solicitor General of the Attorney General's Department
	18	Judges of High Courts/Provincial High Courts
	19	Judges of District Courts
	20	Judges of Magistrate Courts
	21	Registrar of Supreme Court
	22	Registrar of the Court of Appeal
	23	Registrars of Judges of High Courts/Provincial High Courts
	24	Registrars of District Courts
	25	Registrars of Magistrate Courts

D	26	Ambassadors /High Commissioners
	27	Consul-General/ Deputy Head of Mission/Charge d'affaires/Honorary Consul
	28	Ministers plenipotentiary and Envoys Extraordinary
	29	Representatives of UN agencies and Heads of other international organizations

E	30	Secretary/ Senior Additional Secretaries/ Additional Secretaries to the President
	31	Secretary/ Senior Additional Secretaries/ Additional Secretaries to the Prime

		Minister
	32	Secretary /Senior Additional Secretaries/ Additional Secretaries to the Cabinet of Ministers, Non-Cabinet Ministers, State Ministers, Deputy Ministers
	33	Deputy Secretary to the Treasury
	34	Secretary/ Senior Additional Secretaries /Additional Secretaries/ Deputy Secretaries to Ministries
	35	Members of the Monetary Board
	36	Governor / Deputy Governors / Assistant Governors and Heads and Additional Heads of Department of the Central Bank of Sri Lanka
	37	Advisors to the President/ Prime Minister / Ministers/ Ministries
	38	Chief of staff of presidential secretariat
	39	Auditor General
	40	Secretary General of Parliament
	41	District Secretaries/ Government Agent and Secretaries
	42	Heads and Senior Officials of Government Departments
	43	Chairmen and Senior Officials of State Enterprises
	44	Chairmen and Senior Officials of State Corporations / Statutory Boards/ Authorities/ Public Corporations

F	45	Field Marshall / Admiral of the Fleet/ Marshal of the Air Force
	46	Chief of Defence Staff
	47	General of Sri Lanka Army/Admiral of Sri Lanka Navy/ Air Chief Marshal of Sri Lanka Air Force
	48	Officers in the Rank of Lieutenant Colonel and above of Sri Lanka Army
	49	Officers in the Rank of Commander and above of Sri Lanka Navy
	50	Officers in the Rank of Wing Commander and above of Sri Lanka Air Force
	51	Inspector General of Police
	52	Police officers above the rank of Asst. Superintendent of Police

G	53	Chairman/ members and senior officers of the Public Service Commission
	54	Chairman/ members and senior officers of the National Police Commission
	55	Chairman/ members and senior officers of the Human Right Commission
	56	Chairman/ members and senior officers of the Commission to Investigation Allegations of Bribery or Corruption
	57	Chairman/ members and senior officers of the Finance Commission
	58	Chairman/ members and senior officers of the Election Commission
	59	Members of Constitutional Council
	60	Chairman/ members and senior officers of the Audi Service Commission
	61	Chairman/ members and senior officers of the Delimitation Commission
	62	Chairman/ members and senior officers of the National Procurement Commission
	63	Members of Cabinet appointed committees

H	64	Chairman, Members and senior officers of University Grant Commission
	65	Chairman, members of University Councils
	66	Chancellor
	67	Vice Chancellor
	68	Registrar of universities

#### **FOREIGN PEPS**

I	69	Officials of international organizations who hold or have held, in the course of the last 5 years, management positions in such organizations (directors, heads of the boards or their deputies)
	70	Officials of international organization who perform or performed any other management functions on the highest level, particularly in international and intergovernmental organizations,
	71	Members of international parliamentary assemblies,
	72	Judges and management officials of international courts



## **DETECTING MISUSE OF THE FINANCIAL SYSTEM BY PEPs – RED FLAGS AND INDICATORS FOR SUSPICION**

### **A. PEPs attempting to shield their identity:**

1. Use of corporate vehicles (legal entities and legal arrangements) to obscure i) ownership, ii) involved industries or iii) countries.
2. Use of corporate vehicles without valid business reason.
3. Use of intermediaries when this does not match with normal business practices or when this seems to be used to shield identity of PEP.
4. Use of family members or close associates as legal owner.

### **B. Red flags and indicators relating to the PEP and his behavior**

1. The PEP makes inquiries about the institution's AML policy or PEP policy.
2. The PEP seems generally uncomfortable to provide information about source of wealth or source of funds.
3. The information that is provided by the PEP is inconsistent with other (publicly available) information, such as asset declarations and published official salaries.
4. The PEP is unable or reluctant to explain the reason for doing business in the country of the FIs/DNFBs.
5. The PEP provides inaccurate or incomplete information.
6. The PEPs seeks to make use of the services of a FIs/ DNFBs that would normally not cater to foreign or high value clients.
7. Funds are repeatedly moved to and from countries to which the PEPs does not seem to have ties with.
8. The PEP is or has been denied entry to the country (visa denial).
9. The PEP is from a country that prohibits or restricts its/certain citizens to hold accounts or own certain property in a foreign country.

### **C. PEP's position or involvement in businesses:**

1. The PEP has a substantial authority over or access to state assets and funds, policies and operations.
2. The PEP has control over regulatory approvals, including awarding licences and concessions.
3. The PEP has the formal or informal ability to control mechanisms established to prevent and detected ML/TF.
4. The PEP (actively) downplays importance of his/her public function, or the public function s/he is relates to associated with.
5. The PEP does not reveal all positions (including those that are *ex officio*).
6. The PEP has access to, control or influence over, government or corporate accounts.
7. The PEP (partially) owns or controls FIs/ DNFBs, either privately, or *ex officio*.

8. The PEP (partially) owns or controls the FIs/ DNFBP (either privately or *ex officio*) that is a counter part or a correspondent in a transaction.
9. The PEP is a director or beneficial owner of a legal entity that is a client of a FIs/DNFB.

**D. Red flags and indicators relating to the industry/sector with which the PEP is involved:**

1. Arms trade and Defence industry.
2. Banking and finance.
3. Businesses active in government procurement, *i.e.*, those whose business is selling to government or state agencies.
4. Construction and (large) infrastructure.
5. Development and other types of assistance.
6. Human health activities.
7. Privatization.
8. Provision of public goods, utilities.

## **GLOSSARY**

### **Beneficiary**

A person to whom or for whose benefit the funds are sent or deposited in or paid to a Financial Institution and may include a beneficiary Financial Institution.

### **Beneficiary Financial Institution**

An institution which receives wire transfers from the ordering institution directly or through an intermediary institution and makes the funds available to the beneficiary customer.

### **Beneficial Owner**

A natural person who ultimately owns or controls a customer or the person on whose behalf a transaction is being conducted and includes the person who exercises ultimate effective control over a legal person or a legal arrangement.

### **Board of Directors**

In relation to a Financial Institution incorporated outside Sri Lanka means the senior management authority of such Financial Institution.

### **Close Associate Includes**

- (a) A natural person having joint beneficial ownership of legal entities and legal arrangements, or any other close business relationship; and
- (b) A legal person or legal arrangement whose beneficial owner is a natural person and is known to have been set up for the benefit of such person or his immediate family members.

### **Controlling Interest**

An interest acquired by providing more than ten percent (10%) of the capital of a Financial Institution.

**Existing Customer**

A customer who has commenced a business relationship on or before these rules come into force.

**Financial Action Task Force**

An independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing for proliferation of weapons of mass destruction.

**Immediate Family Member –**

Includes the spouse, children and their spouses or partners, parents, siblings and their spouses and grandchildren and their spouses.

**Intermediary Financial Institution**

An institution in a payment chain that receives and transmits a wire transfer on behalf of the Ordering Financial Institution and the beneficiary institution, or another intermediary institution.

**Legal Person**

Any entity other than a natural person that is able to establish a permanent customer relationship with a financial institution or otherwise owns property and includes a company, a body corporate, a foundation, a partnership or an association

**Approval Sought**

We seek the approval of the Board of Directors to adopt this manual to meet the rules and regulations of the Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka (Financial Transaction Reporting ACT No.06 of 2006)

**Recommended**

**Head of Compliance**

**CEO. Executive Director**