

# 15th Annual International Anti-Money Laundering Conference

March 15-17, 2010 | The Westin Diplomat | Hollywood, Florida

## Preventing Money Laundering in Political Processes Challenges in PEP Enforcement

By

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## Study by Magnus Öhman and Hani Zainulbhai

1. Money is necessary for democratic politics. Regulation must not curb healthy competition.
2. Money is never an unproblematic part of the political system and regulation is desirable.
3. The context and political culture must be taken into account when devising strategies for controlling money in politics.
4. Regulators, civil society and the media must interact based upon principals of transparency

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## PEP Definitions

*If a member of a political party runs for election is he considered a PEP?*



EU 3d AML Directive does **not** include the candidate  
FATF, Wolfsberg Group & USA Patriot Act = Unless  
the candidate is a “**Senior official** of a **major foreign  
political party**” he is not a PEP

Are politicians being placed on PEP lists?

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## Funding Elections

Private Funding

Private + Public Combination

Public Funding

In varying levels, risk of political corruption  
exists in all three

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***“The classic methodology of corrupt PEPs putting fund directly into their own accounts or that of immediate family members is apparently now a rarity.” Stolen Assets” PEP Policy Paper, World Bank, 2009***

Why would a smart PEP use his family or publically known “close associates” to hide assets stolen from his people?

When PEPs use “associates” to hide corrupt funds under layers of shell companies merely screening PEP databases is insufficient

The Politician as PEP can help AML compliance transition into the new paradigm for PEP monitoring.

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With the exception of dictatorships and one-party governments, elections open windows to PEP abuse

Contested elections, even in countries with no campaign finance laws, disseminate useful information about a PEP

- Opposition parties dig deep to find misconduct
- Candidate feels compelled to reveal information to appear Trustworthy
- Media seeks to uncover newsworthy scandals

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If elected, campaign workers, contributors, loyalists, friends, businessmen, politicians that are not PEPs and many other “associates” follow the PEP into Office and become the PEP’s potential henchmen

If a PEP uses one of these “associates” to set up Shell companies to hide stolen assets, is screening a PEP database enough to uncover corruption ?

20 years after the late Ferdinand and Imelda Marcos stole billions, the Philippines is still searching

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## Some Possible Solutions

- Make political candidates for national office PEPs and systematically collect information during the campaign
- In more corrupt countries, governments and/or banks make special efforts to uncover PEP associates
- Similar to USAPA 314(a) rely more on law enforcement, intelligence agencies and inter-governmental bodies to provide banks with list including PEP associates and PEP business interests