

## AMF Position-recommendation 2013-23

### Guidelines on the notion of politically exposed persons in connection with anti-money laundering and counter-terrorist financing

**Reference texts: Articles L. 561-10 point 2, R. 561-18 and R. 561-20 paragraph II of the Monetary and Financial Code and Article 315-55 of the AMF General Regulation**

France's anti-money laundering and counter-terrorist financing (AML/CTF) procedures were profoundly reworked when the third European Directive 2005/60/EC – known as the Third Money Laundering Directive – and its implementing directive were transposed into French law<sup>1</sup>.

The purpose of these guidelines is to set out the conditions for the implementation of legal and regulatory requirements on politically exposed persons (PEPs) in relation to AML/CTF, with which establishments (hereinafter "professionals") subject to supervision by the AMF must comply<sup>2</sup>:

- **portfolio management companies and management companies**, in relation to the investment services they provide or the marketing of units or shares in collective investment schemes (CIS), whether or not they manage those schemes
- **financial investment advisers**
- **central securities depositaries (CSDs) and managers of securities clearing and settlement systems**

These guidelines, which have been drawn up after consulting with relevant industry groups, should be read in conjunction with the guidelines already available<sup>3</sup> (from <http://www.amf-france.org>) and, for financial investment advisers (FIAs), with the guide drawn up for them by the AMF, also available from the above website. These documents do not, of course, relieve professionals covered by the AML/CTF rules of the need to refer to applicable legislation and regulations to determine how to ensure strict compliance with those texts.

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<sup>1</sup> Directive 2005/60/EC of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing; Directive 2006/70/EC of 1 August 2006 laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of 'politically exposed person' and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis.

<sup>2</sup> Pursuant to Article L. 561-2-6 of the Monetary and Financial Code.

<sup>3</sup> "Guidelines regarding the prevention of money laundering and terrorist financing", "Guidelines on the obligation to report suspicious transactions to TRACFIN", "Guidelines on the concept of third party introducer with regard to the fight against money laundering and terrorist financing" and "Guidelines on the notion of beneficial owner with regard to the fight against money laundering and terrorist financing".

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## 1. Which texts govern the notion of politically exposed persons (PEPs) in relation to AML/CTF?

- **At the international level**, the notion of PEPs is covered by FATF Recommendation 12, titled “Additional measures for specific customers and activities”.
- **At the European level**, the definition of PEPs is touched on in Recitals 24 and 25 of the Third European Directive (Directive 2005/60/EC) and set out in Article 13-4 of that directive. It is supplemented by Recitals 1 to 5 and Article 2 of implementing directive 2006/70/EC “laying down implementing measures [...] as regards the definition of ‘politically exposed person’ [...]”. The draft “Fourth European Directive” aims, in particular, to take into account the provisions of FATF Recommendation 12, which extends the scope of PEPs, by targeting domestic PEPs<sup>4</sup>.
- **In domestic law**, the notion of PEPs, and the obligations with regard to PEPs, are defined by certain provisions of the Monetary and Financial Code<sup>5</sup> and clarified by the AMF General Regulation which, in particular, requires professionals to establish written internal procedures covering their arrangements for complying with due diligence obligations in relation to PEPs<sup>6</sup>.  
The applicable French texts can be consulted via the Legifrance website for the Monetary and Financial Code and via the AMF website for the AMF General Regulation.

### Important note:

These guidelines cover the implementation of **texts in force as at the publication date of these guidelines (current substantive law)**. However, certain points of AMF policy (in the form of recommendations or positions inserted in boxes, for example under question 3) refer to progress made by FATF in 2012, which the Fourth Directive – currently being drafted – aims to adapt to the EU’s legal framework to improve the effectiveness of European AML/CTF arrangements.

Once the Fourth Directive is published, its provisions will need to be transposed into domestic law (within the Monetary and Financial Code), under conditions to be laid down in the directive, in order to become applicable to professionals.

## 2. Why be interested in customers corresponding to the notion of PEPs?

The complexity of international challenges and the reality of the (political, financial, economic or social) situation in certain countries have an impact on the risk of money laundering and terrorist financing<sup>7</sup>.

Indeed, because of the influence that may be exerted by individuals holding prominent positions and those close to them in the broadest sense<sup>8</sup>, risks relating to financial support for terrorism, attempted corruption and the circulation of fraudulently obtained capital for the purposes of money laundering justify the application by professionals of specific due diligence measures for those of their customers who are PEPs.

In practice, money laundering and terrorist financing activities conducted by PEPs tend to involve transactions with an international dimension. PEPs may either conduct money laundering transactions themselves or use intermediaries to transact on their behalf (for example by using shell companies, offshore centres and non-financial professionals).

<sup>4</sup> See question 3 below (Article 3, point 7 and Articles 19 to 21 of the current draft directive).

<sup>5</sup> In particular, Articles L. 561-10-2, R. 561-18, R. 561-20 and R. 561-38 III of the Monetary and Financial Code.

<sup>6</sup> For portfolio management companies via the application of Article 315-55-2, and particularly paragraph (c), of the AMF General Regulation; for management companies by reference to Articles 321-31, 321-48 and 321-57; for FIAs by reference to Article 325-12; and for CSDs and managers of securities clearing and settlement systems via the application of Articles 550-9 to 550-11 and 560-12 to 560-14 of the aforementioned regulation.

<sup>7</sup> Cf. for information TRACFIN alerts issued at the time of the events that took place in 2011 in Tunisia, Egypt and Libya. TRACFIN encouraged professionals to take care to apply the additional due diligence measures laid down in Article L. 561-20 of the Monetary and Financial Code in respect of all activities liable to relate, directly or indirectly, to PEPs linked to those countries (Articles L. 561-10-2 and R. 561-18 of the aforementioned code).

<sup>8</sup> Cf. Article L. 561-10-2 of the Monetary and Financial Code.

Professionals who maintain relationships with customers holding senior public positions and those clearly linked to them may be exposed to specific risks, starting with reputational risk.

As such, for a professional, a customer who is a PEP is not simply the same as any other customer.

### **3. What is the definition of a politically exposed person?**

In domestic law, point 2, Article L. 561-10 of the Monetary and Financial Code defines PEPs as follows: “The customer is a person residing in another European Union Member State or a third country and who is exposed to specific risks by virtue of political, judicial or administrative functions he or she exercises or has exercised on behalf of another country or those exercised currently or in the past by direct family members or persons known to be closely associated with him or her.”

That being the case, for a French professional:

A PEP is a person of French<sup>9</sup> or foreign nationality, who resides outside of France and

- either exercises or has exercised powers on behalf of a foreign State (question 4 below); or
- one of whose direct family members or unrelated close associates is himself or herself a PEP (see question 5 below).

#### **Recommendation**

**The AMF recommends that professionals take into account FATF Recommendation 12 on politically exposed persons (PEPs), which introduces the notion of “domestic PEPs”<sup>10</sup> to whom additional due diligence obligations may apply<sup>11</sup>. The AMF reiterates, however, that the definition of domestic PEPs as used in the current draft Fourth Directive<sup>12</sup> is distinct from that used by FATF, and encourages professionals to prepare to manage this change.**

<sup>9</sup> For example, persons of French nationality who reside outside of France (members of the European Commission or the European Parliament referred to in points 1 and 2, paragraph 1, Article R. 561-18 of the Monetary and Financial Code).

<sup>10</sup> In February 2012, FATF decided to extend the scope of due diligence in relation to PEPs as follows:

- Additional due diligence measures already systematically applicable to foreign PEPs were extended to domestic PEPs on the basis of a risk-based approach.
- The heads of international organisations became PEPs, subject to the rules on domestic PEPs.
- Members of PEPs’ families and associates of PEPs are now clearly treated as PEPs.

According to the FATF glossary:

*Domestic PEPs* are individuals who are or have been entrusted domestically with prominent public functions, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. 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. The definition of PEPs is not intended to cover middle ranking or more junior individuals in the foregoing categories.

Currently, the extension of due diligence measures to domestic PEPs is reflected neither at the European level (in the Third Directive) nor at the domestic level (Article L. 561-10 of the Monetary and Financial Code), but is included in the draft Fourth Directive.

<sup>11</sup> Based on the “enhanced” obligations linked to an assessment of risks by the professional (the risk-based approach).

<sup>12</sup> The Commission believes it necessary for the EU to be considered a domestic space, and for EU PEPs also be considered domestic PEPs. For FATF, domestic PEPs are defined by each country.

#### **4. What present or past functions lead to a customer being classed as a PEP?**

These functions are listed in Article R. 561-18-I of the Monetary and Financial Code, which also specifies that they must be either presently being exercised or have been exercised within the past year<sup>13</sup>:

- “1. Head of State, head of government, or member of a national government or of the European Commission;
2. Member of a national parliamentary assembly or of the European Parliament;
3. Member of a supreme court, a constitutional court or another high court whose decisions are not open to appeal, apart from in exceptional circumstances;
4. Member of a court of auditors;
5. Head or member of the executive body of a central bank;
6. Ambassador, chargé d'affaires, consul-general or career consul;
7. General or senior officer in command of an army;
8. Member of the board of directors, executive board or supervisory board of a public corporation;
9. Head of an international public institution established by treaty.”

#### **Position**

**The definition of PEPs should not include nationals who exercise, or who have exercised, the functions listed under points 8 or 9 above in particular<sup>14</sup> as representatives appointed by the French government or the Banque de France. However, it is up to each professional to assess the risk represented by such customers and to determine what due diligence measures are appropriate.**

#### **5. What is meant by persons who are direct family members or known close associates of a PEP?**

- ⇒ The following are considered direct family members of a PEP (Article R. 561-18 II of the Monetary and Financial Code):
- “A spouse or de facto spouse”;
  - “A partner bound by a French civil partnership or similar partnership registered under foreign law”;
  - “Parents, children, sons-in-law and daughters-in-law, together with their spouses and civil partners bound by a French civil partnership or similar partnership registered under foreign law.”
- ⇒ The following are considered as known close associates of a PEP (Article R. 561-18 III of the aforementioned code):
- “Any individual identified as the joint beneficial owner, with the customer, of a legal entity”;

<sup>13</sup> While Article L. 561-18 of the Monetary and Financial Code specifies that functions must have been exercised within the past year, professionals may extend this period with regard to “enhanced” obligations as part of a risk-based approach.

<sup>14</sup> And potentially under points 3, 4 and 5.

- “Any individual known to maintain a close business relationship with the customer.”

## **6. How can I determine whether a customer is a PEP?**

Unless a customer volunteers that he or she is a PEP, professionals must use a risk-based approach to determine whether customers or beneficial owners<sup>15</sup> are PEPs. A risk-based approach<sup>16</sup> serves to assess the level of risk inherent in a business relationship, which includes both customers and beneficial owners. Under such an approach, professionals must undertake standard due diligence measures before entering into a business relationship:

- Identify the customer and check identity details upon presentation of any documentary proof, in accordance with the provisions of Articles L. 561-5 and R. 561-5 of the Monetary and Financial Code.
- Gather information on the purpose and nature of the relationship and any other relevant information about the customer, in accordance with the provisions of Articles L. 561-6 and R. 561-12 of the aforementioned code.
- Where the customer is a legal entity, checks should be carried out to determine whether any beneficial owners are PEPs<sup>17</sup>.

Article R. 561-12 of the same code specifies that the information needed to ensure proper knowledge of customers and, where applicable, beneficial owners, which may be gathered not only at the outset but throughout the relationship, is listed in the Order of 2 September 2009<sup>18</sup>. For natural persons, this information includes, in particular, the following:

- proof of home address, so that customers not resident in France can be identified
- professional activities undertaken, so that customers/beneficial owners who should be classed as PEPs can be identified

Following this, professionals should, in particular:

- Maintain their knowledge of PEP customers or PEP beneficial owners. To this end, point 1, paragraph II, Article R. 561-20 leaves the responsibility to professionals to “define and implement appropriate anti-money laundering and counter-terrorist financing procedures to determine whether their customers are PEPs”. To comply with this provision, a written contractual commitment from customers (recommended below) to indicate that they are PEPs (e.g. by completing a questionnaire laid down in a procedure) may form part of the process of identifying and ensuring proper knowledge of customers by providing professionals with additional information. However, since it relies on the customer’s good faith, such a commitment is not sufficient to release professionals from their obligation of ongoing due diligence, which they alone are responsible for exercising. Such commitments may not, therefore, take the place of the due diligence measures laid down in law.

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<sup>15</sup>Cf. AMF guidelines on the notion of beneficial owner. FATF Recommendation 12 expressly applies to PEPs who are beneficial owners.

<sup>16</sup> Strictly, Article L. 561-10 does not lay down any obligation to determine whether a beneficial owner is a PEP. This obligation arises from the risk-based approach.

<sup>17</sup> Such checks are based on the risk-based approach.

<sup>18</sup> Order defining information linked to the proper knowledge of customers and business relationships for the purposes of assessing the risk of money laundering and terrorist financing.

**Recommendation**

**Upon entering into a relationship, although not in itself sufficient<sup>19</sup>, it may be helpful for professionals to use a thorough identification questionnaire, requiring customers to contractually commit to declaring when they meet the criteria for being a PEP or when they have ceased meeting such criteria.**

- Continuously detect and update connections between persons exercising any of the aforementioned functions and their family members, as well as persons with whom they may maintain close relationships. To this end, professionals should, in performing their analysis, take into account all information obtained from their PEP customers, from available publicly accessible databases (e.g. public registers), via other reliable and independent sources or via leading national and international media.

**Position**

**Professionals must exercise due diligence in respect of customers or transactions linked to non-equivalent third countries<sup>20</sup> or countries identified by two credible sources as having significant levels of corruption and/or organised crime.**

Under their risk-based approach to anti-money laundering and counter-terrorist financing, professionals may consider that the degree to which a customer is exposed to risk<sup>21</sup> is comparable to the level of risk associated with a customer exercising a function included in the aforementioned list from Article R. 561-18 of the Monetary and Financial Code. In such cases where the professional considers the level of risk to be high, the measures most appropriate to the level of risk may prove to be the additional due diligence measures laid down for PEPs. In any event, professionals must be able to provide the AMF with evidence that the measures adopted are appropriate to the risk incurred<sup>22</sup>.

**Recommendation**

**The AMF recommends that professionals consider whether customers not falling under the legal definition of a PEP should be subject to enhanced due diligence measures equivalent to the additional measures applicable to PEPs whenever the nature and level of the risk of money laundering and terrorist financing presented by the customer is similar to that associated with a PEP.**

A customer may appear not to be a PEP by virtue of the functions he or she exercises (or has exercised) or those exercised currently or in the past by direct family members as defined in point 2 of Article L. 561-10 and paragraph III of Article R. 561-18 of the Monetary and Financial Code. However, where a professional identifies that a beneficial owner, known to be a close associate of the customer, exercises or has exercised such functions, that professional should then assess the resulting risk for the business relationship and undertake any additional due diligence measures that may be required.

Where the beneficial owner of a customer does not meet the aforementioned criteria (identifying a PEP: functions + known to be a close associate of the customer), the professional may nevertheless consider that the beneficial owner presents a high level of risk and may thus decide to apply enhanced due diligence measures<sup>23</sup> in relation to that beneficial owner and classify him or her as being high-risk<sup>24</sup>.

<sup>19</sup> In any event, professionals must exercise ongoing due diligence as laid down in Articles L. 561-5, L. 561-6 and R. 561-12 of the Monetary and Financial Code.

<sup>20</sup> Order issued by the Minister for the Economy on 27 July 2011.

<sup>21</sup> Particularly where the customer's function within the country in which it is exercised appears similar to those listed in Article R. 561-18 of the Monetary and Financial Code. Cf. also Recital 3 of Directive 2006/70/EC.

<sup>22</sup> Where the customer does not fall under the definition of a PEP, the professional will need to apply enhanced due diligence measures based on the risk-based approach (Article L. 561-10-2) by adopting, if appropriate, measures similar to those laid down for PEPs.

<sup>23</sup> Pursuant to Article L. 561-10-2 of the Monetary and Financial Code.

<sup>24</sup> Furthermore, where the beneficial owner in question is a joint beneficial owner, with the customer, of a legal entity, that beneficial owner should then be classed as a PEP (point 1, paragraph III, Article R. 561-18 of the aforementioned code).

In such cases, this affects the level of risk associated with the customer, and the most appropriate measures for that customer could prove to be due diligence measures equivalent to those laid down for PEPs.

**Recommendation**

**The AMF recommends that professionals consider, at the very least, whether customers represent a high level of risk and apply, where they appear appropriate<sup>25</sup>, measures similar to those laid down in paragraph II of Article R. 561-20 of the Monetary and Financial Code:**

- where the beneficial owner of the aforementioned customer is a PEP as defined in Article R. 561-18 of the aforementioned code
- where the professional considers that beneficial owner of the aforementioned customer to represent a high level of risk as defined in Article L. 561-10-2 of that same code.

By proceeding in this way, professionals are liable to facilitate the achievement of FATF's objectives: FATF considers that, with regard to PEPs (whether they be customers or beneficial owners), professionals should adopt due diligence measures over and above the standard measures ("additional" measures in French law).

**7. What due diligence measures are required with regard to persons referred to in Article L. 561-10 of the Monetary and Financial Code?**

According to point 2 of Article L. 561-10, where the customer is a person residing in another European Union Member State or a third country and who is exposed to specific risks by virtue of political, judicial or administrative functions he or she exercises or has exercised on behalf of another country or those exercised by direct family members or persons known to be closely associated with him or her, the professional is required to undertake additional due diligence measures<sup>26</sup> over and above the standard due diligence measures<sup>27</sup>:

- 1. Define and implement appropriate AML/CTF procedures to determine whether their customers are PEPs as defined in Article R. 561-18 of the aforementioned code (cf. question 6 above). These may be specific procedures or form part of the new customer relationship/acceptance procedure.
- 2. Require the decision to enter into a business relationship with the person in question to be sanctioned by a member of the executive body or any person duly authorised by the executive body (question 8 below).
- 3. In order to assess AML/CTF risk, seek to identify the source of assets and funds involved in the business relationship or transaction (question 9 below).

These additional due diligence measures are applicable both while the person is exercising his or her functions<sup>28</sup> and for a period of one year thereafter.

**Recommendation**

**Where a professional considers that a customer who has ceased to be a PEP nevertheless represents a high level of risk according to that professional's risk classification, the AMF recommends that the professional continue to apply enhanced due diligence measures appropriate to the risk involved, based on Article L. 561-10-2 of the Monetary and Financial Code. In this context, these measures could be similar to the additional measures laid down in Article R. 561-20 II of the aforementioned code.**

<sup>25</sup> Under the risk-based approach.

<sup>26</sup> Article R. 561-20 of the Monetary and Financial Code.

<sup>27</sup> Articles L. 561-5 and L. 561-6 of the Monetary and Financial Code.

<sup>28</sup> They also apply to customers who come to meet the criteria laid down in point 2 of Article L. 561-10 during the course of the relationship.



**8. Why is it necessary to involve senior executives in the decision to enter into a business relationship with a PEP?**

The need to involve a senior individual is found in FATF Recommendation 12 (question 1 above) and point 4 (b), Article 13 of the Third Directive (Directive 2005/60/EC).

In domestic law, point 2, paragraph II, Article R. 561-20 of the Monetary and Financial Code stipulates that “the decision to enter into a business relationship with a PEP may only be made by a member of the executive body or any person duly authorised by the executive body”.

This requirement is fully justified by the following:

- the need for particularly rigorous identification and verification procedures
- the nature of the risks associated with such customers throughout the relationship
- the need for professionals to be able to measure and manage those risks (e.g. the cost of computer systems that need to be installed if such customers are accepted)
- the sensitivity of information about this type of customer, particularly with regard to its circulation within a group for AML/CTF purposes (Article L. 511-34 of the Monetary and Financial Code)

In these conditions, the PEP acceptance process, which must be formalised by the professional in a procedure<sup>29</sup>, must state that it is mandatory to obtain a decision from a member of the executive body (or any person duly authorised by the executive body). In addition, for management companies, the procedure must require that the compliance function be advised of decisions made by members of the executive body so that this function can perform its duties appropriately.

**Position**

**To ensure that all risks are properly managed, executive decisions are required not only when accepting new PEP customers but also when an existing customer becomes a PEP during the course of the relationship.**

**In addition, management companies<sup>30</sup> must also ensure that the compliance function is advised as part of the PEP acceptance/rejection procedure and must establish a written procedure detailing this process, which may require an opinion from the compliance function prior to obtaining the executive decision.**

**9. Why seek to identify the source of assets and funds involved in a business relationship or transaction with a PEP customer?**

The law that gives rise to this requirement is based on the need for professionals to assess the AML/CTF risk associated with PEP customers. This requirement, which applies to all relationships and transactions involving PEPs<sup>31</sup>, is especially important for business relationships with PEPs exercising prominent functions in countries in which corruption is very widespread.

The functions exercised by PEPs can make them susceptible to corruption<sup>32</sup> since, in most cases, funds laundered by PEPs arise from corruption and, to a lesser extent, from other types of criminal activity such as organised crime, arms trafficking, embezzlement, etc.

In seeking to identify the source of funds and the economic basis for a PEP's transactions, professionals may rely on statements or supporting evidence provided to them or on publicly available information (in the press etc.). They should be particularly demanding in their examination of such information, especially for transactions that favour anonymity, and should undertake serious checks on the relevant documents by contacting the persons or entities that established them (e.g. financial institutions), consulting publicly available databases, etc.

<sup>29</sup> An ad hoc procedure must be in place (cf. point (a) of Article 315-55 of the AMF General Regulation).

<sup>30</sup> For investment advisers, the compliance function does not exist.

<sup>31</sup> Article R. 561-20 of the Monetary and Financial Code.

<sup>32</sup> See the 2011 report by TRACFIN and the January 2012 survey by its Belgian counterpart CTIF.

They should in all cases keep a record of the checks carried out, so that they can provide evidence to the AMF if required.

In any event, it is not always easy for professionals to question PEPs (heads of state, heads of governments, ambassadors, etc.) about the legality of their assets or of funds involved in planned transactions.

**Position**

**The obligation to detect the source of the assets or funds in question is a best endeavours obligation; where a professional has been unable to determine the source of assets or funds in spite of his or her best efforts and suspects money laundering or terrorist financing, he or she must submit a suspicious transaction report to TRACFIN (cf. AMF guidelines on the obligation to report suspicious transactions to TRACFIN).**

### **Appendix 1: fictitious examples provided by the AMF for illustrative purposes**

#### **Example 1**

Members of the family of a politician from an EU country go to see an FIA for advice on financial investments with a large sum to invest in products that favour anonymity. The explanations given by the interested parties for the source of the funds and the purpose of the proposed transactions lack credibility. Their goal appears to be to hamper any investigation into the source and destination of the funds.

Following investigations by the FIA to try to eliminate his suspicions, it transpires that the politician to whom the individuals in question are related is being investigated for corruption of public officials and the planned transactions could be related to this corruption.

This type of situation must be reported to TRACFIN.

#### **Example 2**

While resident in France, Mr. X, a PEP from non-EU country Z, which is not included on the list of equivalent third countries, enters into an investment management agreement in his name with a French management company. The associated account operates perfectly normally until the day when Mr. X contacts the portfolio management company to advise them that he has a large sum to invest. When asked about the source of the funds, Mr. X explains that the amount in question is due to be transferred to his account imminently from a company owned by him in country Z. Because of this vague explanation, the source of funds remains suspicious (the customer provides no explanation as to the economic basis for the transfer and provides no supporting evidence)<sup>33</sup>.

Investigations by the management company confirm the suspicion: it appears that Mr. X has not been a PEP for the past two years, no longer resides in France, and is the brother-in-law of a government minister in country Z who is being investigated for arms trafficking. In this context, it appears likely the Mr. X's account is being used to launder funds arising from arms trafficking.

The portfolio management company submits a suspicious transaction report to TRACFIN.

#### **Example 3**

X and Y from country Z reside in France, where each of them has successively opened, within one month of each other, a discretionary investment account via a French portfolio management company. The first claimed to be a caretaker and the second a chauffeur. Both accounts are credited with several transfers from X and Y's home country, for which supporting evidence is provided. Then, a transfer comes into X's account from offshore centre W. The verbal explanation given to the portfolio management company (the sale of a property) appears suspicious, and the company asks for a written document, which is provided by X. A few months later, a portion of the funds in X's account is withdrawn in cash and another portion is transferred abroad. The portfolio management company suspects that the account is being used as a transit account and submits a suspicious transaction report to TRACFIN.

Information gathered by TRACFIN from the financial intelligence unit of X's home country reveals that X and Y are linked to a former president of country A who, while in power, embezzled large amounts of public funds, a large proportion of which were placed in accounts in offshore centre W, which was the source of the transfer into X's account.

The investigation goes on to confirm that the financial transactions conducted in France by X and Y – or at least some of them – were related to the illicit activities<sup>33</sup> of the former president of country A.

Finally, the AMF encourages professionals to refer to the TRACFIN annual report, the "Key events" section of which describes corruption-related money laundering schemes linked to PEPs.

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<sup>33</sup> At this stage, a suspicious transaction report is justified: reasonable suspicion is all that is required for such a report and, in reality, professionals rarely obtain the information needed to support their suspicions (in this case, information about the customer's brother-in-law).