



Financial Analysis and Supervision Unit

Guidance for Reporting Entities to Raise Awareness on Obligations under the *Anti-Money Laundering and Counter Terrorist Financing Act 2015* for “*Conducting Enhanced Due Diligence on Politically Exposed Persons*” (No. 2 of 2025)

Issued by the Financial Analysis and Supervision Unit on 26th of September 2025

Disclaimer: This Guidance is issued in accordance with Section 72(1)(b),(2)(b) of the *Anti-Money Laundering and Counter Terrorist Financing Act 2015* (Act) for awareness raising purposes only and cannot be relied on as evidence of complying with the obligations of the Act. It does not constitute legal advice and cannot be relied on as such. Nor is it intended to be guidance for the purposes of a Compliance Rule under Sections 73 and 74 of the Act. After reading this Guidance, if you do not fully understand your obligations or have any questions, you should contact the Financial Analysis and Supervision Unit on email fasu@bankpng.gov.pg or telephone number +675 322 7147.

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Table of Acronyms

Act	Anti-Money Laundering and Counter Terrorist Financing Act 2015
AML/CTF	Anti-Money Laundering/Counter Terrorist Financing
CDD	Customer (or Client) Due Diligence
DNFBPs	Designated Non-Financial Businesses or Professions
ECDD	Enhanced Customer Due Diligence
FASU	Financial Analysis and Supervision Unit
FATF	Financial Action Task Force
FI	Financial Institution
ID	Identification
KYC	Know Your Customer (or Client)
ML	Money Laundering
PEP	Politically Exposed Person
PNG	Papua New Guinea
RBA	Risk-based Approach
SMR	Suspicious Matter Report
TF/FT	Terrorist Financing/Financing of Terrorism

1. Key Concepts and Terms



A number of terms used in this Guidance are defined in Section 5 of the [Anti-Money Laundering and Combating Terrorist Financing Act 2015](#). You must rely on the technical definitions of these terms as stipulated in the Act. Only for the purpose of assisting reporting entities in understanding their obligations, this Guidance provides a lay explanation of some of these key terms below.

- 1.1. **Beneficial Owner** in the context of **legal persons**, refers to the natural person(s) who ultimately owns¹ or controls², directly or indirectly, a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those natural persons who exercise ultimate effective control over a legal person. Only a natural person can be an ultimate beneficial owner, and more than one natural person can be the ultimate beneficial owner of a given legal person.

In the context of **legal arrangements**, beneficial owner includes: (i) the settlor(s); (ii) the trustee(s); (iii) the protector(s) (if any); (iv) each beneficiary, or where applicable, the class of beneficiaries and objects of a power; and (v) any other natural person(s) exercising ultimate effective control over the arrangement. In the case of a legal arrangement similar to an express trust, beneficial owner refers to the natural person(s) holding an equivalent position to those referred above. When the trustee and any other party to the legal arrangement is a legal person, the beneficial owner of that legal person should be identified.

- 1.2. **Customer (or client)** as defined in Section 5 of the Act means a customer, person³ or unincorporated entity for whom a reporting entity carries out a transaction; or with whom a reporting entity conducts a business relationship, and includes such people or entities who/that attempt to carry out a transaction or business relationship, as well as a new or existing client.
- 1.3. **Criminal conduct** is a conduct which constitutes an offence in Papua New Guinea (PNG) for which the maximum penalty is death or a term of imprisonment for at least six months; or would constitute an offence in PNG if it occurred in PNG and for which the maximum penalty under the law of PNG is death or a term of imprisonment for at least six months.
- 1.4. **Criminal property** adopts the same definition as the definition given in Section 508A of the *Criminal Code Act Chapter 262* as amended⁴, and means property that is, in whole or in part and whether directly or indirectly, derived from, obtained or used in connection with criminal conduct and includes any interest, dividends or other income on or value accruing from or generated by such property, regardless of who carried out the criminal conduct or who benefited from it.

¹ "Owns" means ownership, either directly or indirectly, of 25% or more of a person or unincorporated entity.

² "Control" includes control as a result of, or by means of, trusts, agreements, arrangements, understandings and practices, whether or not having legal or equitable force and whether or not based on legal or equitable rights, and includes exercising control through the capacity to make decisions about financial and operating policies.

³ Person as defined under Section 5 of the Act means a natural person and a body corporate.

⁴ Amended by section 2 of the *Criminal Code (Money Laundering and Terrorist Financing) (Amendment) Act 2015*.

- 1.5. **Customer Due Diligence (CDD)** is, at a minimum, the process of:
- a). identifying a customer and ensuring that they are who they claim to be, i.e. verifying the customer;
 - b). maintaining current and up to date information and records relating to the customer and (where relevant) their beneficial owners, and the nature and purpose of the business relationship, and the customer's commercial or personal activities; and
 - c). ensuring that transactions carried out on behalf of a customer are consistent with the financial institution's knowledge of the customer, the customer's commercial or personal activities and risk profile, and where necessary, the source of the funds.
- 1.6. **Designated Non-Financial Businesses or Professions (DNFBPs)**, as defined in Section 5 of the [Anti-Money Laundering and Combating Terrorist Financing Act 2015](#) (hereinafter referred to as "Act"), includes a casino, real estate agent, dealer in precious metals or precious stones, lawyers, notary public, other independent legal professional and an accountant when undertaking certain transactions on behalf of a client, a trust or company service provider, and a motor vehicle dealer.
- 1.7. **Financial Analysis and Supervision Unit (FASU)** is established under Section 61 of the Act whose functions are set out in Section 72(1)(2)(3) of the Act which are to:
- 1.7.1. carry out financial intelligence and analysis concerning suspected money laundering and associated predicate offences, terrorist financing and proceeds of crime;
 - 1.7.2. monitor and enforce compliance with the Act; and
 - 1.7.3. receive reports and information provided to it under PNG's proceeds of crime law and disseminate such reports and information in accordance with PNG's proceeds of crime law and the Act.
- 1.8. **Financial Institutions (FIs)**, as defined in Section 5 of the Act, includes a commercial bank, micro bank, finance company, savings and loans society, insurance company, insurance agency and broker, brokerage firm, superannuation fund, leasing company, funds management company and money changer.
- 1.9. **Money Laundering (ML)** is the process of hiding the illegal origin of money and making it appear to come from legitimate sources. It usually happens in three stages: (1) Placement – putting the illegal money into the financial system, (2) Layering – moving it around through different transactions to hide its origin, and (3) Integration – bringing it back into the economy as "clean" money that appears to have come from a legitimate source.
- 1.10. **Politically Exposed Person (PEP)**, as defined in Section 5 of the Act, means a person who has been entrusted with prominent public functions in PNG or another country, and an immediate family member or close associate of that person.
- 1.11. **Proliferation Financing (PF)** is the act of providing funds or financial services which are used, whole or in part, for the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biochemical weapons and their means of delivery and related materials (including both technologies and

dual-use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations.

- I.12. **Record** means information recorded or retained in any form which can be accessed in or from PNG and which can be read or understood by a person, computer system or other device.
- I.13. **Reporting Entity** means financial institutions and DNFBPs that are legally required to comply with the Act and includes entities that are required to be registered with FASU pursuant to Section 57 of the Act.
- I.14. **Risk** occurs when a threat successfully takes advantage of a vulnerability to produce a consequence. Simply, risk in the context of money laundering (ML) and terrorist financing (TF) can be seen as a function of three factors: threat, vulnerability, and consequence.
 - a). **threat** is a person or group, object or activity with the potential to cause harm to the state, society or the economy. In the context of ML/TF, 'threat' includes criminals, terrorist groups and their facilitators, their funds, as well as past, present and future ML or TF activities
 - b). **vulnerability** refers to those characteristics of a business that can be exploited by the threat or that may support or facilitate its activities. This includes features of a particular sector that can be exploited, such as customer types, products and services, delivery channels and the foreign jurisdictions with which it deals. Vulnerability is also influenced by the AML/CTF systems and controls in place by the business
 - c). **consequence** refers to the potential impact or harm that ML/TF activity may cause if it materialises and includes the effect of the underlying criminal activity or terrorist on you and your business or profession.
 - d). **likelihood** of a risk manifesting is based on the combined assessment of the **threat** to and **vulnerability** of your business or profession to ML and TF activity.
- I.15. **Risk Assessment** is the process of identifying, analysing and evaluating, and mitigating and managing risks.
- I.16. **Terrorist Financing (TF)** is providing or collecting property to finance terrorist activities, individual terrorists or terrorist organisations.

2. Note to Reading this Guidance



This Guidance intends to raise awareness to reporting entities on the requirements of the Act and relevant international standards set by FATF. It is not legal advice, and as such, does not intend to replace the Act.

- 2.1 This Guidance is developed in accordance with Section 72(1)(b),(2)(b) of the *Anti-Money Laundering and Counter Terrorist Financing Act 2015* (hereinafter referred to as 'Act') to raise awareness of money laundering and terrorist financing and obligations on financial institutions (FIs) and designated non-financial businesses or professions (DNFBPs).
- 2.2 This Guidance applies to both FIs and DNFBPs (hereafter jointly referred to as 'reporting entities').
- 2.3 This Guidance aims to assist reporting entities to accurately, consistently and effectively conduct Enhanced Customer Due Diligence (ECDD) checks on politically exposed persons (PEPs) in compliance with Sections 26 to 29 of the Act. These sections place requirements on reporting entities to undertake ECDD measures in relation to customers where they 'take the view' that the customer is a politically exposed person (PEP).
- 2.4 This Guidance is meant to provide practical assistance, clear direction, and a basis for reporting entities to more effectively comply with their anti-money laundering and counter terrorist financing (AML/CTF) obligations under the Act by enhancing their ability to:
 - a). understand the concept of PEPs, including their various types
 - b). determine whether a customer or a beneficial owner of a customer is a PEP
 - c). apply a risk-based approach to identifying PEPs
 - d). utilize various sources of information to identify and verify PEPs
 - e). implement ECDD measures for PEPs
 - f). conduct risk-assessments and effectively manage risks associated with PEP customers
 - g). review existing customers using a risk-based approach to identify PEPs
- 2.5 Additionally, the Guidance provides a detailed list of occupations and roles that indicate political exposure or prominent public functions, key risk factors to consider when assessing a PEP's risk level, and an in-depth analysis of source of wealth and source of funds to strengthen the risk assessment process.
- 2.6 This Guidance elaborates on and provides more clarification on ECDD measures and targeted financial sanctions (TFS) related to terrorist financing (TF), specifically in connection with PEPs-related obligations outlined in the FASU Guidance below, which are on the website of the Bank of PNG:
 - a) [*Guidance for Financial Institutions on their Obligations under the Anti-Money Laundering and Counter Terrorist Financing Act 2015 \(No. 1 of 2019\) \(issued on 20 May 2019\)*](#); and

- b) [Guidance for Designated Non-Financial Businesses or Professions on their Obligations under the Anti-Money Laundering and Counter Terrorist Financing Act 2015 \(No. 2 of 2019\) \(issued on 20 May 2019\).](#)

- 2.7 For ease of reference, in each Section, where appropriate, you will also find references to the relevant provisions of the [Act](#) and cross-references to [other related Guidelines](#).
- 2.8 Reporting entities should develop their own AML/CTF internal policies, procedures and controls tailored to their business needs.
- 2.9 Some of the 'marks' used in the textboxes of this Guidance should be read as below:

<i>i</i>	Textbox in this format provides information to assist reporting entities understand their obligations and the provisions in the Act to which those obligations relate.
<i>e.g.</i>	Textbox in this format provides appropriate examples.
!	Textbox in this format stresses important information for reporting entities, including on penalties for non-compliance with obligations under the Act.

3. Definition and Requirements under the Act

3.1. Definition and Types of PEPs

Section 5 of the Act defines a PEP as:

- i*
- (a) a person who is or has been entrusted in a foreign country with prominent public functions, including but not limited to, a Head of State or the head of a government, a senior politician, a senior government official, a senior judicial official or a senior military official; or
 - (b) a person who is or has been a senior executive in a foreign country of a state-owned company of that foreign country; or
 - (c) a person who is or has been a senior political party official in a foreign country; or
 - (d) a person who is or has been entrusted with a prominent function by an international organisation, including but not limited to directors, deputy directors and members of the board or equivalent positions; or
 - (e) a person who is or has been entrusted in Papua New Guinea with prominent public functions, including but not limited to a Head of State, a politician, a senior political party official, a senior government official, a senior judicial official, a senior military official or any person who is or has been a senior executive of a State-owned company; or
 - (f) any person who is a family member or close associate of a person mentioned in Paragraphs (a) to (e).

3.1.1. Generally, PEPs fall under the following three categories:

- a). **Domestic PEPs**⁵ – these are individuals who hold or have held a prominent public function within PNG.
- b). **Foreign PEPs**⁶ – these are individuals who hold or have held a prominent public position in a foreign country i.e., in a country other than PNG. This would also include foreign PEPs working or residing in PNG.
- c). **International Organization PEPs**⁷ – these refer to individuals who hold or have held a prominent public position within international organizations, such as the United Nations (UN), the World Trade Organization (WTO) or the North Atlantic Treaty Organization (NATO).

3.1.2. Additionally, any person who is a ‘family member’ or a ‘close associate’ of a PEP shall also be treated as a PEP for the purposes of applying CDD measures.

3.2. PEP-related requirements in the Act

3.2.1. Sections 26 of the Act outlines the obligation for reporting entities to apply ECDD measures when they take a view that a customer or a beneficial owner of a customer is a PEP.

⁵ Section 5 of the Act

⁶ Ibid.

⁷ Ibid.

Definition and Requirements under the Act

- 3.2.2. Additionally, Section 26 requires reporting entities to apply ECDD measures detailed in Sections 27 and 28 of the Act for their PEP customers. Section 29 sets out further additional obligations specific to PEPs.

i

The Act sets the requirements to establish a risk-based AML/CTF Program under Section 7 and circumstances where ECDD applies to PEPs under Sections 26 to 29.

- 3.2.3. Briefly, the reporting entities are required under Sections 27 to 29 of the Act to apply the following ECDD measures where a customer or beneficial owner of a customer meets the definition of a PEP, or a family member or known close associate of a PEP:
- a). obtain written approval of the senior management before establishing or continuing business relationships with such persons;
 - b). collect information relating to and take reasonable steps to establish the source of assets and source of wealth that are or will be the subject of business relationships or transactions with such persons;
 - c). conduct enhanced, ongoing monitoring of those business relationships, transactions or funds and other business activities of such persons, upon entering into a business relationship.

4. When must a reporting entity “take the view”?

4.1. What is the criterion to ‘take the view’?

- 4.1.1. Section 26 of the Act requires reporting entities to conduct ECDD in circumstances where the entity “takes the view” that a customer or beneficial owner(s) of a customer i.e., an individual who ultimately owns or controls a customer – whether individual, legal entity or legal arrangement, is a PEP.
- 4.1.2. The Act requires that a reporting entity must carry out proper customer identification and verification procedures to identify a PEP before establishing a business relationship or carrying out an occasional transaction.
- 4.1.3. To identify or ‘take the view’ that an individual is a PEP, the foremost requirement for reporting entities is to know and understand the type of prominent public functions (i.e., roles and occupations) that fall within the scope of PEP definition.

4.2. Types of prominent public functions

4.2.1. Domestic PEPs

- 4.2.1.1. According to Section 5 of the Act, the **types of prominent public functions**⁸ (i.e., roles and occupations) to qualify as a domestic PEPs include the following:
 - a). head of State or head of government;
 - b). senior politician;
 - c). senior government official;
 - d). senior judicial officer;
 - e). senior military official;
 - f). senior executive of a state-owned company; or
 - g). senior political party official.
- 4.2.1.2. In addition to the primary domestic PEPs listed above, a PEP also includes:
 - a). a family member of a domestic PEP, and
 - b). a close associate of a domestic PEP

4.2.2. Foreign PEPs

- 4.2.2.1. According to Section 5 of the Act, the **types of prominent public functions**⁹ (i.e., roles and occupations) to qualify as a foreign PEPs include the following:

⁸ Definition of Public Office Holders in PNG. Section 221 of the PNG Constitution defines a constitutional office holder to mean “a Judge, the Public Prosecutor or Public Solicitor, the Chief Magistrate, a member of the Ombudsman Commission, a member of the Electoral Commission, the Clerk of Parliament, a member of the Public Services Commissioner, the Auditor General or the holder of any other office declared by an Organic Law or an Act of Parliament to be a constitutional office.”

⁹ Definition of Public Office Holders in PNG. Section 221 of the PNG Constitution defines a constitutional office holder to mean “a Judge, the Public Prosecutor or Public Solicitor, the Chief Magistrate, a member of the Ombudsman Commission, a member

When must a reporting entity “take the view”?

- a). a head of State or head of government;
- b). a senior politician;
- c). a senior government official;
- d). a senior judicial; or
- e). a senior military official;
- f). a senior executive of a state owned company; or
- g). a senior political party official.

4.2.2.2. In addition to the primary foreign PEPs listed above, a PEP also includes:

- c). a family member of a domestic PEP, and
- d). a close associate of a domestic PEP.

4.2.3. International Organisation PEPs

4.2.3.1. According to Section 5 of the Act, the **types of prominent public functions**¹⁰ (i.e., roles and occupations) to qualify as an international organisation PEPs include the following:

- h). Managers or directors of organs of international organisations, their deputies and holders of equivalent functions in international organisations;
- i). Members of governing bodies or holders of equivalent functions in international organizations.

4.2.3.2. In addition to the primary international organisation PEPs listed above, a PEP also includes:

- e). a family member of a domestic PEP, and
- f). a close associate of a domestic PEP.

4.3. Who shall be considered as a ‘family member’ of a PEP?

4.3.1. In addition to primary PEPs i.e., domestic, foreign and international organization PEPs listed above under 4.2.1., 4.2.2. and 4.2.3, ‘family members’ of a PEP shall also be treated as PEPs for the purposes of applying ECDD measures by the reporting entities.

4.3.2. According to the FATF Guidance on PEPs, family members of PEPs are “individuals who are related to PEP either directly (consanguinity) or through marriage or similar (civil) forms of partnership”.¹¹

of the Electoral Commission, the Clerk of Parliament; a member of the Public Services Commissioner; the Auditor General or the holder of any other office declared by an Organic Law or an Act of Parliament to be a constitutional office.”

¹⁰ Definition of Public Office Holders in PNG. Section 221 of the PNG Constitution defines a constitutional office holder to mean “a Judge, the Public Prosecutor or Public Solicitor, the Chief Magistrate, a member of the Ombudsman Commission, a member of the Electoral Commission, the Clerk of Parliament; a member of the Public Services Commissioner; the Auditor General or the holder of any other office declared by an Organic Law or an Act of Parliament to be a constitutional office.”

¹¹ FATF (2013) *FATF Guidance on Politically Exposed Persons (Recommendations 12 and 24)* (FATF: Paris), p. 5 (hereinafter referred to as “The 2013 FATF Guidance on PEPs”). Available at: <https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/Guidance-PEP-Rec12-22.pdf.coredownload.pdf> (accessed 20 July 2025).

When must a reporting entity “take the view”?

- 4.3.3. For the purposes of this Guidance, the ‘family members’ of a PEP¹² include the following:
- a). a spouse(s) or a person(s) in registered partnership or civil union or in a similar arrangement with a PEP;
 - b). children and a spouse(s) of, or a person(s) in registered partnership or civil union or in a similar arrangement with, the children of a PEP;
 - c). parents of a PEP; and
 - d). a sibling(s) of a PEP.

4.4. Who shall be considered as ‘close associates’ of a PEP?

- 4.4.1. In addition to primary PEPs i.e., domestic, foreign and international organization PEPs listed above under 4.2.1., 4.2.2. and 4.2.3, ‘close associates’ of a PEP shall also be treated as PEPs for the purposes of applying ECDD measures by reporting entities.
- 4.4.2. According to the FATF Guidance on PEPs, close associates of PEPs are “individuals who are closely connected to a PEP, either socially or professionally”.¹³
- 4.4.3. The ‘close associates’¹⁴ of a PEPs include the following:
- a). natural persons known to have joint beneficial ownership of legal persons or legal arrangements or any other close business relationships with a PEP;
 - b). natural persons who are the sole beneficial owners of a legal entity or legal arrangement known to have been created for the de facto benefit of a PEP.

4.5. Who should not be considered as PEPs?

- 4.5.1. Middle ranking and junior officials are not PEPs.
- 4.5.2. Only those who hold truly prominent public positions should be treated as PEPs and the definition should not be applied to junior local government officials, more junior members of the civil service or military officials other than those holding the most senior ranks. This should be borne in mind as many commercially available PEPs checking tools may have a much lower threshold for considering an individual a PEP.

4.6. Time limits for PEP status

- 4.6.1. Reporting entities shall apply ECDD measures to PEPs, their family members and close associates for at least 12 months from the date a PEP has left his/her prominent political function(s).

¹² The FATF Recommendation does not define the scope of the term ‘family members’. It provides discretion to the countries to define these terms in accordance with their own socio-economic and cultural structures. However, in line with international best practices, this Guidance offers working definition of family members of PEPs for reporting entities.

¹³ The 2013 FATF Guidance on PEPs, p. 5.

¹⁴ The FATF Recommendation does not define the scope of the term ‘close associates’. It provides discretion to the countries to define these terms in accordance with their own socio-economic and cultural structures. However, in line with international best practices, this Guidance offers working definition of close associates of PEPs for reporting entities.

When must a reporting entity “take the view”?

- 4.6.2. After these initial 12 months, reporting entities shall apply a risk-based approach (RBA) to determine the appropriate level of CDD measures to be applicable to PEPs that left their prominent public position.
- 4.6.3. The CDD measures that are applied to such PEPs shall be determined on a case-by-case basis depending upon the risks associated with each PEP.
- 4.6.4. While applying the RBA, reporting entities may identify certain higher risk PEPs for whom ECDD measures will be warranted indefinitely. For other categories, ECDD measures may be continued for a longer period, or reporting entity may decide to declassify the individual as a PEP and apply standard due diligence measures after a certain period of time, once it is satisfied that the risks associated with such a PEP are non-existent.

Example of Factors to Determine the Post-Departure Risk Period for PEPs: The Wolfsberg Group

The following are a few examples of considerations/factors that reporting entities should take into account when determining the length of time appropriate to apply ECDD measures post departure of a PEP from prominent public function (the list is not exhaustive):

- The level of inherent corruption risk in their country of political exposure
- The position held and its susceptibility to corruption or misappropriation of state funds or assets
- Length of time in office and likelihood of return to office in future
- e.g. • The level of transparency about the source of wealth and origin of funds, in particular those funds generated as a consequence of office held
- Links to any industries that are high risk for corruption
- The overall plausibility of the stated customer profile and their net worth
- The level of transparency and plausibility of transactions processed through the account
- Whether there is relevant adverse information about the customer widely published in reputable sources
- How politically connected they remain once they have left office

Source: The Wolfsberg Guidance on PEPs, 2017¹⁵

¹⁵ The Wolfsberg Group, *Wolfsberg Guidance on Politically Exposed Persons (PEPs)* (2017) (hereinafter ‘Wolfsberg Guidance on PEPs’), p.9. Available from: <https://db.wolfsberg-group.org/assets/a0f0d60a-4aab-4711-9c82-2f220589d7cd/110.%20Wolfsberg-Publication-Statement-on-PEPs-May-2017.pdf> (accessed 20 July 2025).

Example of Factors to Determine the Post-Departure Risk Period for PEPs: The FATF Guidance:

According to the FATF Guidance on PEPs, some possible risk factors that reporting entities should take into consideration to assess the ML/TF risks associated with a PEP who is no longer entrusted with a prominent public function include:

- e.g.
- the level of (informal) influence that the individual could still exercise;
 - the seniority of the position that the individual held as a PEP; or
 - whether the individual’s previous and current function are linked in any way (e.g., formally by appointment of the PEPs successor, or informally by the fact that the PEP continues to deal with the same substantive matters).

Source: *The FATF Guidance on PEPs, 2013*¹⁶

4.7. Identifying Beneficial Owner of a Customer as a PEP

- 4.7.1. Reporting entities are required to identify when a PEP is a beneficial owner of a customer. It does not require that a body corporate or unincorporated entity should be treated as a PEP just because a PEP might be a beneficial owner.
- 4.7.2. Once a reporting entity “takes the view” or is satisfied that a PEP is a beneficial owner then, in line with the RBA, it should assess the risks posed by the involvement of that PEP and, after making this assessment, the reporting entity should apply appropriate measures in accordance with this guidance, including ECDD.
- 4.7.3. Where a PEP is a beneficial owner of a corporate customer, the beneficial owner should not automatically treat other beneficial owners/shareholders of the customer as a PEP or known close associate, but it may do so having assessed the relationship based on information available to the reporting entity.
- 4.7.4. To identify and verify beneficial owners of a legal entity or legal arrangement, the reporting entities should follow FASU’s [Guidance for Reporting Entities to Raise Awareness on Identifying and Verifying Beneficial Owners under the Anti-Money Laundering and Counter Terrorist Financing Act 2015 \(No.11 of 2025\)](#).

¹⁶ Ibid.

5. Risk-based Approach to Identifying and Verifying PEPs

- 5.1. Reporting entities shall take RBA in identifying and verifying PEPs to ensure their effective compliance with the Act. This means taking the necessary measures to identify compliance risks for a reporting entity and setting the right processes and controls for risk management.
- 5.2. It is important to emphasize that standard CDD is the key source of information for the purposes of determining that a customer or a beneficial owner of a customer is a PEP. The data which is collected as a part of CDD (e.g., full name, address, date of birth, place of birth, nationality, unique identification number (ID), occupation and position) is foundational and determines the effectiveness and accuracy of subsequent measures. *For example*, a key factor in this ongoing process of identifying PEPs is the customer's principal occupation or employment. The customer's name, data or birth, nationality, address and photographs will also be extremely useful in running open source or commercial database searches.
- 5.3. To evaluate the likelihood of engaging with a PEP, a reporting entity should take into account its internal risk assessment, the inherent ML/TF risks within its institution/business/profession, and how these risks might increase when establishing a business relationship with a PEP.
- 5.4. For larger reporting entities or those offering specialized services (such as banks etc.) where working with PEPs is a regular occurrence, the frequency and depth of PEP screening should be heightened. This may involve utilizing established commercial databases to conduct checks both at the initiation of a business relationship and on an ongoing basis. Many entities may also use database screening services that cross-check against in-house maintained PEP lists (with further details on information sources provided in [6.2](#) of this guidance).
- 5.5. If a reporting entity faces a higher probability of having PEPs as customers or has reasons to believe that an individual may be a PEP despite previous indications to the contrary, some form of electronic verification may be considered. Regardless of the outcome of any single check, a reporting entity should take a broader view of the possibility that a client is a PEP and incorporate key considerations (examples outlined in the Table below), into its CDD process.

Examples of Questions to be asked about PEPs

e.g.

- What position(s) does the individual hold?
- What is the nature and context of business relationship?
- What services or products does the PEP wish to use?
- What is the potential for the product to be misused for the purposes of corruption?
- Do you know if they have family members or close associates and if so, what roles do they hold?
- What level of public scrutiny, exposure, governance, disclosures or accountability in their role is the PEP subject to?
- Are their accompanying geographic risks associated with the PEP relationship?
- If you have identified a PEP, were they helpful in providing this information and if not, should and how would this impact my assessment of the risk present?
- Does the nature of their PEP status impact in the level of ECDD that needs to be applied, and if so, how?

Source: LSAG AML Guidance for Legal Sector, 2023¹⁷

5.6. For reporting entities where engaging with, or undertaking work for, PEPs is uncommon or highly unlikely, it may be sufficient to rely on publicly available or open sources for PEP identification and verification. The assessment of PEP status should follow a RBA, considering other CDD information, such as occupation or employment, which may indicate the possibility of a customer being a PEP. Simple measures may include:¹⁸

- a). inquiring from the customer or their representative (as applicable) whether the customer or beneficial owner of a customer is a PEP during the customer onboarding process, while ensuring that there is no undue and sole reliance on self-declarations (further discussed in [Customer Self-Declarations](#) of PEP Status of this Guidance);
- b). conducting an online search to determine whether the individual holds or have held any position that could classify him/her as a PEP; and
- c). carefully reviewing the information provided by the customer to assess whether any available details indicate a potential PEP status.

5.7. Additional indicators that may indicate a customer or beneficial owner of a customer is a PEP include:¹⁹

- a). receipt of funds from a government account;
- b). communication on official letterhead from the customer or an associated person;
- c). information provided by the customer or related person indicating a connection of the customer to a PEP; and
- d). any other information which comes to the attention of a reporting entity, suggesting the customer is either a PEP or has links to one.

¹⁷ Legal Sector Affinity Group Anti-Money Laundering Guidance for Legal Sector, 2023 (Solicitors Regulation Authority, UK), Available at: <https://www.sra.org.uk/globalassets/documents/solicitors/firm-based-authorisation/lsag-aml-guidance.pdf> (accessed 20 July 2025).

¹⁸ Ibid.

¹⁹ Ibid.

Risk-based Approach to Identifying and Verifying PEPs

- 5.8. If a reporting entity suspects that a customer may be a PEP but cannot confirm this with certainty, it should explore additional steps to clarify the situation. This may include consulting alternative sources of information (as outlined in [6.2.](#) of this guidance).
- 5.9. In the context of PNG, domestic PEPs pose a significantly high risk, given THAT the main sources of criminal property in PNG are from domestic corruption.
- 5.10. If a reporting entity is unable to resolve the uncertainty to its satisfaction, it may, based on RBA, implement elements of ECDD, as ambiguity regarding a person's PEP status could itself indicate an increased risk of money laundering.
- 5.11. Additionally, it is important to emphasize here that family members and close associates of PEPs must be treated as PEPs for due diligence purposes. The same level of scrutiny applied to identifying a PEP's status should also be used when determining whether an individual is a family member or close associate of a PEP.

6. Sources of Information to Identify and Validate PEP Status

6.1. Customer Self-Declarations of PEP Status

- 6.1.1. As stated earlier, standard CDD is an essential part of PEP identification as it helps create an accurate customer profile. As reporting entities establish business relationships, relevant document collection and verification allows them to check the legitimacy of information provided and assess potential risks, including identifying PEPs.
- 6.1.2. As a part of CDD documents, customers can be required to self-declare their PEP status when establishing a business relationship or carrying out an occasional transaction with a reporting entity. Effectively, this gives reporting entities insight on the legitimacy of their sources of funds, the nature of their business activities, and financial behaviour.
- 6.1.3. However, ***the self-declaration forms should not be the sole basis of determining the PEP status of a customer***, which may in fact be false even when they are backed by civil, administrative or criminal actions. Such a procedure shifts the reporting entities' obligation to identify PEPs to their customer, which is not an acceptable practice. Moreover, many customers may be unaware of whether they qualify as a PEP, often due to a lack of understanding of the definition.
- 6.1.4. Instead of relying on customers to self-identify, reporting entities should proactively engage with them to gather relevant information that aligns with the various aspects of the PEP definition. Achieving this requires well-trained staff and effective information collection processes.
- 6.1.5. In addition to standard CDD measures and self-declaration forms, reporting entities shall also use other alternative sources of information to identify and/or verify PEPs, while applying RBA. [6.2.](#) of this Guidance below outlines additional information sources that can assist reporting entities in this process.

6.2. Alternative sources of information to validate PEP status

6.2.1. Subscription-based services/Commercial databases

- 6.2.1.1. Depending upon the nature, size, and risk of the business/institution, reporting entities may opt for subscribing to third-party databases that list known PEPs. These commercial databases have a wealth of information on international and domestic politicians, high-ranking military officials, senior figures in state-owned companies, and more. However, the subscription costs of these databases may also be (too) high for some reporting entities, which makes their uniform use by all reporting entities difficult.
- 6.2.1.2. It is important to emphasize here that the use of these commercial databases is not a requirement under the Act, and it is not sufficient for ensuring compliance with the law, which will not replace the traditional CDD processes.
- 6.2.1.3. Commercial databases have several limitations. For instance,

Sources of Information to Identify and Validate PEP Status

- a). they rely solely on publicly available information, making their accuracy, comprehensiveness, and timeliness uncertain, especially with frequent political changes;
- b). the definitions of PEPs in these databases may not align with national or international standards, and users may not fully understand the database's parameters or technical limitations;
- c). issues like inconsistent name transliterations and inadequate identifiers can lead to false positives, increasing the risk of missing true matches and requiring additional resources for verification;²⁰ and
- d). in the context of PNG, an audit of proprietary PEP databases indicated that domestic PEPs are not accurately represented or recorded within such databases. In addition to not containing the correct names and dates of birth of domestic PEPs, commercial databases typically do not include the entities that are owned and controlled by domestic PEPs and do not include the names of family members and close associates.

6.2.1.4. In light of the above limitations, reporting entities using commercial databases should use them only as an additional source of information about higher risk individuals in determining whether the person is a potential PEP or close family members or close associates of PEPs. They should also ensure that the commercial database they are using to identify PEPs is fit for the purpose and are not simply outsourcing their risk assessment.²¹

6.2.1.5. Especially in the case of domestic PEPs, reporting entities cannot rely on commercial databases for their identification.

6.2.2. *Publicly available sources*

6.2.2.1. Reporting entities should manually identify and verify whether their customers or beneficial owner of their customers are PEPs by conducting open-source searches using media, government websites, and other public records. This includes reviewing election results, government press releases, and other reputable sources where PEPs might be listed.

6.2.2.2. For domestic PEPs, the publicly available sources of information include the following:

- a). The PNG electoral roll;
- b). The Electoral Commission;
- c). Government compendiums;
- d). Investment and Promotion Authority (IPA) database; and
- e). other reliable open-source information.

²⁰ The 2013 FATF Guidance on PEPs, p. 16

²¹ Ibid.

Sources of Information to Identify and Validate PEP Status

- 6.2.2.3. While general search engines may yield an overwhelming number of results, making it difficult to filter relevant information, more targeted searches can be conducted using AML-specific free search tools.²²
- 6.2.2.4. Additionally, searching focused sources related to the customer—such as social media platforms or news websites in their country of origin—can provide valuable insights.
- 6.2.2.5. Internet searches can also help retrieve general country-specific information, which is particularly relevant for reporting entities. *For example*, in some jurisdictions, certain PEPs, such as elected officials, are prohibited from maintaining bank accounts abroad.
- 6.2.2.6. Several organizations also publish freely available lists of global political figures, such as the [CIA World Leaders List](#) and [Rulers.org](#). However, these sources may not always be comprehensive or as up to date as subscription-based services. Therefore, while open-source searches can be useful, the reliability and completeness of the retrieved information should always be carefully assessed.

6.2.3. In-House Databases and Information Sharing within Financial Groups

- 6.2.3.1. Reporting entities may develop in-house databases to identify PEPs, but maintaining such databases is costly and resource intensive.
- 6.2.3.2. Section 13 of the Act allows members of financial groups to share data and information for the purposes of CDD and AML/CTF risk management, which extends to sharing information on customer, account, and transactions²³. This could extend to sharing PEP-related information within the financial groups.
- 6.2.3.3. Sharing general information, such as corruption levels or typical income for certain positions, can help detect potential abuse of the financial system. However, data protection and privacy laws may restrict information sharing across jurisdictions, limiting the ability to verify customer details and comply with CDD requirements.
- 6.2.3.4. Reporting entities facing repeated information-sharing challenges should seek further guidance from FASU.

6.2.4. Asset Disclosure Systems

- 6.2.4.1. Many countries require individuals in prominent public positions to disclose their assets through formal asset disclosure systems. Agencies overseeing these disclosures maintain lists of officials obligated to report their assets to ensure compliance.
- 6.2.4.2. These publicly available asset disclosure lists can assist reporting entities in identifying PEPs and understanding which public roles a country considers significant. Some systems even

²² A few example of these free AML tools include: a) Dilisense: <https://dilisense.com/en>; b) Namescan: <https://namescan.io>; c) Complytry by Complyadvantage: <https://complyadvantage.com/complytry/>; d) Open Sanctions: <https://www.opensanctions.org>; e) C4ADS PEP Explorer: <https://www.pep-explorer-dev.org>

²³ See, FASU's *Guidance for Financial Institutions on their Obligations under the Anti-Money Laundering and Counter Terrorist Financing Act 2015* (No. 1 of 2019) (issued on 20 May 2019), p. 20; and *Guidance for Designated Non-Financial Businesses or Professions on their Obligations under the Anti-Money Laundering and Counter Terrorist Financing Act 2015* (No. 2 of 2019) (issued on 20 May 2019), p. 21.

Sources of Information to Identify and Validate PEP Status

provide additional details, such as names, family members, birth dates, and identification numbers, aiding in CDD.

- 6.2.4.3. However, reporting entities should be mindful that asset disclosure criteria differ across jurisdictions and may not align with the PEP definition in PNG.
- 6.2.4.4. Furthermore, the effectiveness of asset verification varies across jurisdictions, depending on the agency's capacity, resources, and access to reliable cross-referencing sources. As asset declarations are self-reported, they may contain inaccuracies or deliberate misstatements. While some systems verify disclosures routinely or during investigations, their reliability is not uniform. While sanctions may exist for false disclosures, reporting entities should independently verify information to ensure compliance with AML/CTF requirements.

7. Application of ECDD Measures to PEPs

7.1. Application of ECDD measures to PEPs

- 7.1.1. The Act requires that for PEPs who are customers or beneficial owners of a customer, in addition to applying the standard CDD procedures provided under Sections 24 and 25 of the Act, the reporting entities are also required to undertake ECDD provided under Sections 27 to 29 of the Act.
- 7.1.2. The reporting entities are required under Sections 27 to 29 of the Act to take the following measures where a customer or beneficial owner of a customer meets the definition of a PEP, or a family member or known close associate of a PEP:
 - a). obtain written approval of the senior management before establishing or continuing business relationships with such persons;
 - b). collect information relating to and take reasonable steps to establish the source of assets and source of wealth that are or will be the subject of business relationships or transactions with such persons;
 - c). conduct enhanced, ongoing monitoring of those business relationships, transactions or funds and other business activities of such persons, upon entering into a business relationship.
- 7.1.3. The nature and extent of this due diligence should be appropriate to the risk that the reporting entity has assessed in relation to the customer.

7.2. Obtaining Senior Management Approval

- 7.2.1. According to Section 29 of the Act, reporting entities are required to obtain approval of the senior management before establishing or continuing business relationships with PEPs, their family members and close associates.
- 7.2.2. Senior management generally means *the person or group of persons who, in accordance with the law, direct and organize the business of reporting entities and are responsible for ensuring the legality of work.*
- 7.2.3. Senior management must be fully aware of any business relationships with PEPs and approved such relationships in writing. They should ensure that such relationships are not undertaken without proper AML/CTF controls.
- 7.2.4. To make informed decisions, senior management should possess a thorough understanding of the reporting entities' AML/CTF programs, internal control mechanisms, and the ML/TF risk profile of potential or existing PEP customers. Additionally, they must actively participate in approving and shaping the institution's AML/CTF policies and procedures.
- 7.2.5. Reporting entities should implement structured approval mechanisms, such as monitoring committees or equivalent decision-making bodies (depending upon the size, nature and complexity of a reporting entity), to review high-risk PEP relationships both at the customer onboarding stage and on an ongoing basis. These committees should include key personnel, such as the AML/CTF head, compliance officers, and customer service representatives. Larger

or international reporting entities may establish centralized monitoring systems for higher-risk PEPs to ensure consistency. The roles and responsibilities for final decisions on PEP customer relationships must be clearly defined, and all approvals or refusals should be properly documented in writing for compliance and audit purposes.

7.3. Source of Assets or Wealth and Source of Funds

- 7.3.1. To effectively comply with Sections 27 and 28 of the Act, reporting entities shall obtain, and take reasonable steps to verify, information relating to both the source of funds and source of information as a part of ECDD measures when applied to PEPs
- 7.3.2. The term ‘assets’ is defined under Section 5 of the Act, whereas the terms “funds” and “wealth” are not explicitly defined. However, the definition of “assets” under the Act is broad and encompasses funds, property and financial resources of any kind.

Section 5 of the Act provides that:

i

“assets” means funds, property and financial resources of every kind, whether tangible or intangible, corporeal or incorporeal, moveable or immovable, however acquired and legal documents or instruments in any form, including electronic or digital, evidencing title to, or interest in such assets, including but not limited to currency, bank credits, deposits, traveller's cheques, bank cheques, money orders, shares, securities, bonds, drafts and letters of credit, and any interest, dividends, income or value accruing from, generated by or derived from such assets;

- 7.3.3. The Act provides no further explanation with respect the “source of funds” or whether that is intended to be interpreted differently from the assets or wealth of the customer.
- 7.3.4. For the purposes of this guidance, the term “assets” (as defined in the Act) is considered synonymous of “wealth”, which is a broader term than “funds”. All deposits or “funds” into a customer’s account form part of the total assets or wealth of a customer.
- 7.3.5. Source of funds and source of wealth do not mean the same thing, although there can be significant overlap between the two and they do not exist in isolation to each other. The 2013 FATF Guidance on PEPs has explained these terms, as detailed in of this Guidance below.

Box 1: Source of Funds and Source of Wealth

Source of Funds refers to the origin of the particular funds or other assets which are the subject of the business relationship between the PEP and the financial institution or DNFBP (e.g., the amounts being invested, deposited, or wired as part of the business relationship).

Source of Wealth refers to the origin of the PEP's entire body of wealth (i.e., total assets). This information will usually give an indication as to the volume of wealth the customer would be expected to have, and a picture of how the PEP acquired such wealth.

Source: The FATF Guidance on PEPs, 2013²⁴

- 7.3.6. It is important to document the source of wealth and source of funds checks conducted on PEPs – this may be by way of the collation of information/evidence obtained, and/or the inclusion of a file note outlining what checks were undertaken, what evidence obtained, and the conclusions derived from these checks.

7.4. Establishing Source of Funds

- 7.4.1. To establish the source of funds, reporting entities should not simply try to answer *where did the funds for the transaction come from* but also *how and from where did the customer get the funds for this transaction or business relationship*? It is not enough to know that the funds came from a bank account.
- 7.4.2. The source of funds pertains directly to the funds that are being used to fund the specific transaction in hand i.e., the origin of the funds used for the transaction(s) or activities that occur within the customer's business relationship with the reporting entity. Checking this means ascertaining where those funds came from, how they were accumulated by the customer and ensuring on RBA that they are not the proceeds of crime.
- 7.4.3. The types of data and documents that reporting entities may use for verification of source of funds will vary depending on the circumstances and the information that the customer provides to the reporting entity.
- 7.4.4. The verification of the source of funds should go beyond simply identifying the financial institution from which the funds were transferred, except in cases where the institution is directly financing the transaction, such as through a mortgage. It should also extend beyond merely confirming that the customer's name matches the name on the account. In addition to recording details such as the transaction amount, currency, and remitting account information (including the bank name, account number, sort code, and account holder's name), the reporting entity should obtain substantive information to establish the origin and purpose of the funds, such as whether they were acquired through salary, a gift, or other means.
- 7.4.5. Documents that may assist in verifying the source of funds include bank statements, a copy of will(s), full payslips, audited financial records showing disbursed funds, sales or purchase agreements, transaction receipts, and similar evidence. Identifying income derived from share capital, business activities, inheritance, or gifts can also support this verification process.

²⁴ The 2013 FATF Guidance on PEPs, p. 20.

[Annex I](#) of this guidance provides examples of documents that can help determine and validate both the source of funds and the source of wealth.

- 7.4.6. If a customer states that funds for a transaction were received from a third party, a reporting entity should also document details of that original transaction. Verification may involve requesting bank statements and other relevant supporting documents related to the transfer.
- 7.4.7. Determining the source of funds can sometimes be challenging without a broader understanding of the individual's source of wealth, particularly when funds from different sources have been combined in an account. In such cases, a reporting entity may need to assess the individual's overall wealth origin to gain clarity on the source of funds. However, the extent to which a reporting entity relies on this information should be guided by a risk-based approach.

7.5. Establishing Source of Wealth

- 7.5.1. You should seek to answer the question: *“why and how does the individual have the amount of overall assets they do – and how did they accumulate/generate these?”*
- 7.5.2. Source of wealth is a holistic appraisal as to where an individual or an entity has derived their overall wealth (i.e., the origin of their entire body of assets), rather than any specific portion of it. It describes the economic, business and/or commercial activities that generated, or significantly contributed to, the customer's overall net worth/entire body of wealth. This should recognize that the composition of wealth generating activities may change over time, as new activities are identified, and additional wealth is accumulated.
- 7.5.3. As part of your ECDD process, a reporting entity should verify the customer's source of wealth using evidence provided by the customer and/or independent sources. This verification should continue until the entity has a clear understanding of the origin of the customer's overall wealth and is reasonably assured of its legitimacy. The reporting entity should document its rationale and findings in a formal record/file note.
- 7.5.4. When verifying the source of wealth, the reporting entity should consider whether the explanation provided aligns with the customer's profile – does it logically follow that the customer has accumulated wealth in the manner they have described?
- 7.5.5. The source of wealth refers to the origin of a customer's entire body of wealth (i.e., total assets). This information will usually provide an understanding and insight into the overall volume of wealth the customer is expected to have, and how it was acquired.²⁵ However, this does not require a reporting entity to get an exhaustive account of all assets, but rather a reasoned assessment that demonstrates the legitimacy of the wealth and ensures the transaction is consistent with the customer's financial profile.
- 7.5.6. In complex cases, tracing the original source of wealth—especially if it was accumulated over a long period—can be challenging. In such instances, reasonable efforts should be made to gather relevant information from the customer, while also considering other risk factors such

²⁵ Ibid.

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as geographic or jurisdictional risks, negative media coverage, PEP status, and the nature of the transaction (particularly if it could obscure asset ownership or transfer).

- 7.5.7. Although a reporting entity may not have direct access to all assets held by a customer, general information can often be obtained from commercial databases or publicly available sources.
- 7.5.8. Where a customer's source of wealth is not immediately evident, the first step should involve direct inquiries with the customer, followed by independent verification and cross-referencing of information from multiple sources. This helps to develop a comprehensive understanding of the customer's financial background and circumstances.
- 7.5.9. All actions taken, documents reviewed, and decisions made—including the rationale behind them—must be clearly recorded, as they may be subject to review by supervisory authorities or other relevant bodies. If the source of wealth cannot be satisfactorily established, the reporting entity should consider terminating the business relationship with a PEP and assessing whether STR should be filed to the FIU.
- 7.5.10. For more detailed guidance verifying on Source of Wealth and Source of Funds, please refer to the [Wolfsberg Group Guidance](#) on this topic.²⁶

7.6. Ongoing ECDD

- 7.6.1. Under Section 29, reporting entities are required to closely monitor the transactions or funds and business activities of PEPs by applying ongoing ECDD measures.
- 7.6.2. One aspect of keeping transactions under review or monitoring is to ensure they are still in line with the ECDD information held on the PEP customer, and information contained in the customer risk assessments. Whatever controls a reporting entity have in place to monitor other business relationships, may be intensified in order to apply enhanced monitoring. This may include:
 - a). requiring a greater level of information and explanation from the customer when activity diverts from that addressed in their customer risk assessment;
 - b). greater frequency of checks on transactions, particularly source of funds; or
 - c). undertaking more frequent due diligence checks on customer.
- 7.6.3. A reporting entity should ensure that funds paid into the customer account or used for the transaction come from a reliable source and are in line with the customer's known wealth and expectations in relation to the matters on which the reporting entity is acting on their behalf.
- 7.6.4. If the reporting entity suspects that a transaction involves funds linked to corruption or other criminal activity, they must submit Suspicious Matter Report (SMR) to the FASU.
- 7.6.5. Reporting entities with adequate resources can implement electronic monitoring systems to facilitate continuous, automated oversight. *For example*, real-time monitoring and screening tools can help detect suspicious activities as they occur. However, this requires investment in

²⁶ Wolfsberg Group (2020) *Frequently Asked Questions (FAQs) – Source of Wealth and Source of Funds* (August 2020): Available at: [https://db.wolfsberg-group.org/assets/a27f9bf6-b4a8-41d2-a390-6f1aaf797241/Wolfsberg%20SoW%20and%20SoF%20FAQs%20August%202020%20\(FFP\).pdf](https://db.wolfsberg-group.org/assets/a27f9bf6-b4a8-41d2-a390-6f1aaf797241/Wolfsberg%20SoW%20and%20SoF%20FAQs%20August%202020%20(FFP).pdf)

an effective screening system capable of automating the process. The most advanced tools can scan multiple PEP databases and sanctions lists to quickly identify high-risk individuals.

- 7.6.6. With ongoing monitoring, the risk assessment tool should be able to track real-time changes in existing accounts that could impact risk evaluations. When selecting a monitoring system, it is also essential to assess its ability to filter adverse media reports, which can further assist in determining whether an identified PEP presents a financial crime risk.
- 7.6.7. However, reporting entities that do not have resources to fully digitize and integrate CDD information into automated systems may lack this functionality. In these instances, ongoing monitoring must be conducted through manual processes, which can be more resource intensive.
- 7.6.8. When assessing the ML/TF risk level of a relationship with PEP, reporting entities should take into account such factors as whether the PEP:²⁷
 - a). has business interests which are related to his/her public functions (conflict of interest);
 - b). is involved in public procurement processes;
 - c). whether the PEP holds several (related or unrelated) prominent public functions which may enable influence to be exerted at several key decision-making points in a process, especially in spending departments;
 - d). is from a country which has been identified by the FATF or others as having strategic AML/CTF regime deficiencies, or is known to have a high level of corruption;
 - e). has a prominent public function in sectors known to be exposed to corruption levels, based on your national risk assessment;; or
 - f). has a prominent public function in PNG that would allow him/her to exert a negative impact on the effective implementation of the FATF Recommendations in PNG.

[Annex II](#) of this Guidance also includes a comprehensive list of red flags indicators of suspicious behavior related to PEPs, which can be valuable for reporting entities.

²⁷ The 2013 FATF Guidance on PEPs, p. 22.

8. Using RBA on Existing Customers to Identify PEPs

- 8.1. The existing customer of a reporting entity may become a PEP during the course of his/her business relationship with the reporting entity. The AML/CTF controls and ongoing CDD procedures of reporting entities should be flexible enough to allow for this possibility, especially if the customer tells the reporting entity that their circumstances have changed.
- 8.2. If customer circumstances change, the reporting entity must update their status, carry out ECDD and adjust their monitoring processes to take into account the changed ML/TF risk.
- 8.3. As discussed earlier in this Guidance, reporting entities are required to conduct an ongoing monitoring of all their customers to identify any changes in their activities, including acquiring a PEP status, and to update their CDD measures accordingly.

Annex I: Examples of Supporting Documents for Identifying Legitimate Source of Funds and Source of Wealth

Consistent with the AML/CTF obligations, including ECDD requirements, a reporting entity shall document any source of funds or source of wealth checks conducted on a customer or transaction, including the checks undertaken, the information or evidence obtained, and your determinations or conclusions. The type of documentation acceptable to verify source of funds/source of wealth will depend on the level of assessed risk.

Examples of documents and data a reporting entity could use to identify the source of funds or source of wealth in higher risk situations, including in the case of PEPs, include the following:

- bank statements
- payslips
- tax returns
- a will (or a certified copy)
- court order (e.g. divorce settlement)
- a trust deed (or a certified copy)
- audited financial accounts showing funds disbursed to the customer
- contracts (e.g. sale/purchase agreements)
- loan documents
- share registries
- asset declarations
- royalties
- records pertaining to business ownership including audited financial statements, or a letter from a legal practitioner, accountant or financial advisor
- receipts of other transactions or similar documentation
- documents detailing share transactions, business activities, bequest of a gift, insurance payouts, inheritances, gambling winnings, trading in digital currencies, compensation from a legal ruling, etc.
- searches of publicly available registers, including property or land registers, and business and company registers
- transaction records
- insurance policy documents
- mortgage
- invoices
- written confirmation from a legal practitioner or accountant
- formal and witnessed declaration (using a statutory declaration in the absence of any other supporting information – affidavit).

Note: the list above is not intended to be exhaustive.

Annex II: Red Flag Indicators of Suspicious Behaviour by PEPs

The following indicators may assist reporting entities to identify potential ML activity. Although the existence of a single indicator does not necessarily indicate illicit activity, it should encourage obliged entities to conduct further monitoring and examination.

Indicators of suspicious activity relating to PEPs include, but are not limited to:

- Using the bank accounts of dependents to move funds
- Having significant holdings in bank accounts and other high-wealth products in another country, such as in secrecy or tax haven jurisdictions
- Large withdrawals using bank cheques, made payable to a PEP or a third party
- Cash deposits made in PNG by a PEP or a family member or an associate of a PEP, followed by funds withdrawn from the account in high-risk jurisdictions
- Large cash withdrawals from a foreign PEP's PNG bank account, where the account has been funded by transfers from high-risk jurisdictions
- Bank account showing high-volume activity involving large cash transactions
- Undertaking transactions involving large, unexplained amounts of money
- Receiving multiple cash deposits into a bank account from third parties within a short time frame. The cash deposits may also consist of foreign currency
- International funds transfers where a PEP is both the ordering and beneficiary customer
- Receiving multiple international funds transfers from different ordering customers within a short time frame
- Using multiple bank accounts for no apparent commercial or other reason
- Conducting transactions through a professional facilitator (e.g. lawyers or accountants) for no apparent commercial or other reason
- Unable, or reluctant, to provide details or credible explanations for establishing a business relationship, opening an account or conducting transactions
- Using legal entity structures or corporate vehicles to undertake transactions for no apparent commercial or other reason, and to obscure ownership
- Using trust funds/structures as a vehicle to move funds
- Ownership of property is a foreign PEP's only link to PNG
- Holding a mortgage or loan account and making high-value payments into the account. Also, the account may have a large positive balance
- Foreign PEPs from countries with poor governance structures and/or known for corrupt practices
- Domestic cash deposits that may be sourced from cross border movement of funds
- Registering domestic companies or businesses that have no apparent commercial activity.

References and Contacts

PNG's AML/CTF Framework

Information on the Act and PNG's regime can be found at www.bankpng.gov.pg

- PNG's *Anti-Money Laundering and Counter Terrorist Financing Act 2015*:
<https://www.bankpng.gov.pg/sites/default/files/2024-09/1-No-20-of-2015-Anti-Money-Laundering-Counter-Terrorist-Financing-Act-2015.pdf>
- PNG's *Criminal Code Act 1974*: http://www.paclii.org/pg/legis/consol_act/cca1974115/
- PNG's *Criminal Code (Money Laundering and Terrorist Financing) (Amendment) Act 2015*:
https://www.bankpng.gov.pg/sites/default/files/2024-09/No-21-of-2015-Criminal-Code-Money-Laundering-Terrorism-Financing-Amendment_Act-2015.pdf
- PNG's *Mutual Assistance in Criminal Matters (Amendment) Act 2015*:
<https://www.bankpng.gov.pg/sites/default/files/2024-09/No-22-of-2015-Mutual-Assistance-in-Criminal-Matters-Amendment-Act-2015.pdf>
- PNG's *Proceeds of Crime Act 2005*: http://www.paclii.org/pg/legis/consol_act/poca2005160/
- PNG's *Proceeds of Crime Act (Amendment) 2015*:
<https://www.bankpng.gov.pg/sites/default/files/2024-09/No-23-of-2015-Proceeds-of-Crime-Amendment-Act-20153.pdf>
- PNG's *United Nations Financial Sanctions Act 2015*:
<https://www.bankpng.gov.pg/sites/default/files/2024-09/No-24-of-2015-United-Nations-Financial-Sanctions-Act-20151.pdf>

Asia Pacific Group on Money Laundering (APG): <http://www.apgml.org>

Financial Action Task Force (FATF): <http://www.fatf-gafi.org>

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