

MOODY'S

**ORIGINAL RESEARCH
BY MOODY'S ANALYTICS**

moody.com/kyc

**What do
the public
understand
about PEPs
and PEPs by
association?**





Introduction

A politically exposed person (PEP) is an individual who holds a prominent public position. PEPs can come from any area of public life and can include government officials, military officers, senior judges, high-ranking sporting officials, and senior executives of state-owned enterprises. Those closely connected to a PEP, such as a spouse, family members, or business partner can also become PEPs by association.

While guidance from FATF and others is clear that PEPs should not be discriminated against or denied service purely based on their PEP status, PEPs should be subject to enhanced due diligence. This is because they can pose a higher risk of being or becoming involved in financial crime due to their position of power and influence, and their authority over public funds. PEPs and PEPs by association can influence and make decisions about large government contracts and locations for lucrative events for example, which makes them attractive targets for bribery, corruption, fraud, and money laundering.

Because of this elevated risk, regulated businesses need

to screen for politically exposed persons - it is a critical part of any anti-financial crime compliance program. This process is carried out, not to identify and exclude PEPs from the economy or a business network, but to ensure they are correctly risk-assessed and monitored.

Managing risks associated with PEPs is a focus for regulators around the world. The US Patriot Act Section 312, Financial Action Task Force Recommendations 12 and 22, the EU's AML Directive, Foreign Corrupt Practices Act (FCPA), and the UK Bribery Act all talk about PEPs.

Given the importance of PEPs, their role in public life, and their presence throughout society, Moody's Analytics wanted to understand how well known the concept of PEPs was outside the world of regulators and regulated businesses. We also wanted to know if the risks associated with PEPs were understood by the general public. We therefore commissioned a piece of independent global research that spanned the US, Europe, and Asia. The findings from our research are in the body of this report.

Executive Summary



The findings of our original research into politically exposed persons (PEPs), PEPs by association, and the risks they can be connected to show there are significant gaps in public understanding on the subject. Given the role PEPs play in society, their influence in public life, and their access to decision making structures, this information gap is important to address.

Our research showed that:

- Only 45% of respondents said they know what a PEP is before being provided a definition
- Fewer than 50% of respondents correctly answered that a person can be a PEP by association
- 33% incorrectly believed having a friendship with a PEP would not qualify someone as a PEP by association

A good understanding of PEPs and the link to third party risk management is clearly in the public interest, and there are two additional reasons why it's important for members of the public to understand what...

1. An individual may be asked if they are a PEP during an onboarding process – for example when making a mortgage application, or opening a new bank account
2. A person may be a PEP or more likely a PEP by association without realizing it and this could impact their access to, for example, financial products

To further illustrate the point, the survey results showed that nearly a third (33%) of respondents incorrectly believed having a public friendship would not qualify someone as a PEP by association. And very few respondents - only 19% - correctly identified that senior representatives in the sporting sector could be considered politically exposed persons.

This research highlights that globally there is no clear understanding of what a PEP is, who might be considered politically exposed in a compliance process, and crucially whether someone connected to a PEP could also be considered a PEP by association.

It's true that definitions and standards relating to PEPs differ worldwide, so it's important for organizations to consider this when structuring their approach to informing customers about due diligence. However, given the importance of PEPs in public life and PEP screening in compliance, this area of risk management needs to come further out of the shadows. Hopefully, this new research from Moody's Analytics can shine a light for regulated businesses and their customers.

Keith Berry

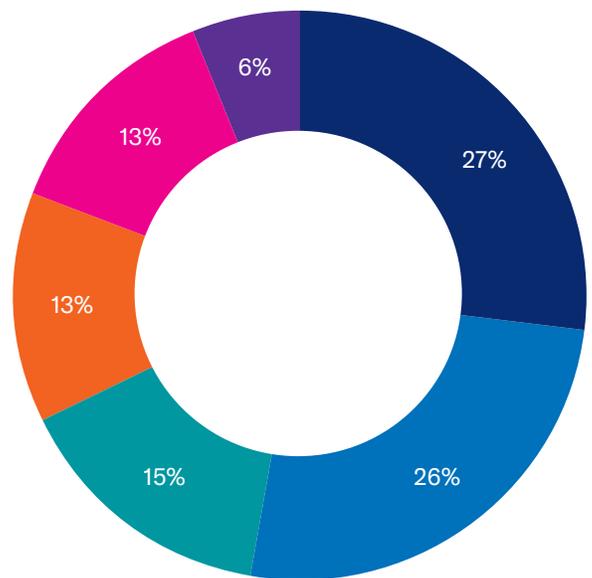
General Manager of Know Your Customer Solutions at Moody's Analytics

About the research

Compliance & third-party risk management UK PR consultancy, Resonance, partnered with research consultancy, Censuswide in conjunction with Surveyplanet, to design and conduct the study on its behalf. The research is based on a survey of 7,688 members of the general public spanning North America, Europe, and Asia Pacific. Data was collected throughout July and August 2023.



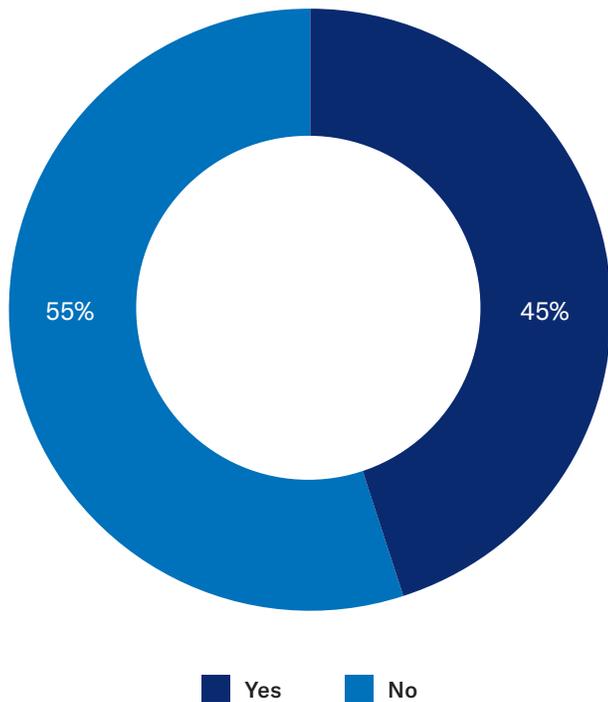
GLOBAL SURVEY RESULTS REGIONAL REPRESENTATION



WHICH COUNTRY ARE YOU FROM?

- UK
- US
- Germany
- Singapore
- Australia
- France

Do you know what a PEP is?



OPTION 1

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

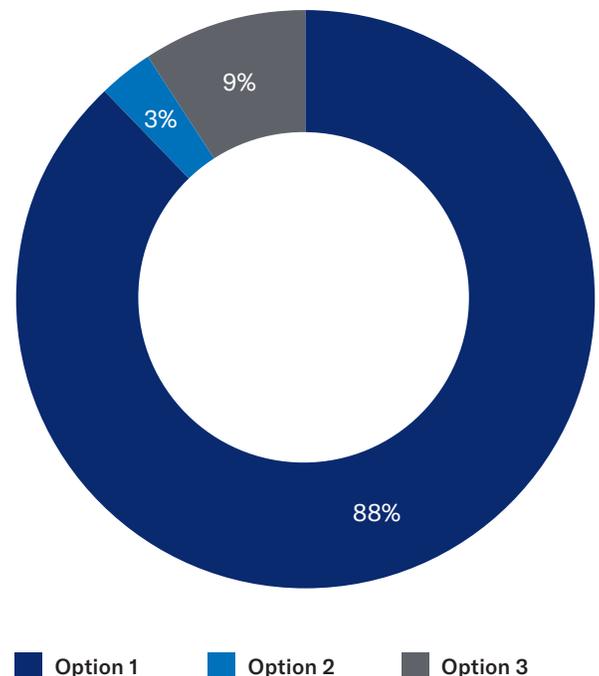
OPTION 2

Individuals who are or have been entrusted domestically with public functions, such as janitors, gardeners, grocery store clerks, or fast-food workers

OPTION 3

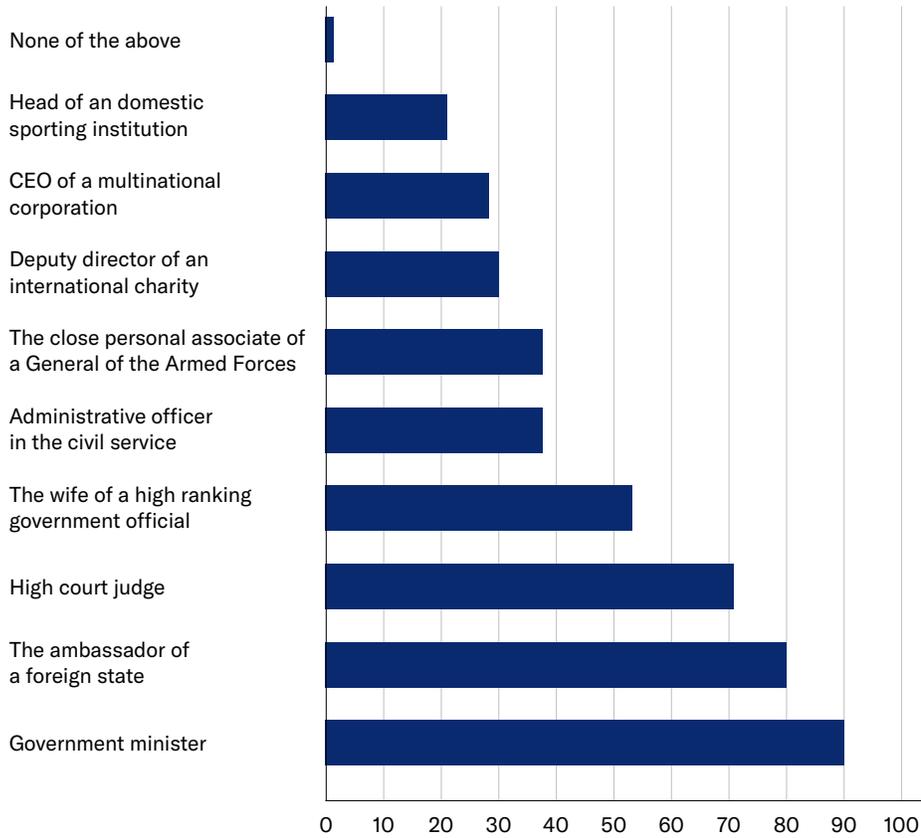
Those who have been assigned important public roles within their own countries, including head teachers of schools, prominent media figures and influential figures in business.

WHICH OF THE FOLLOWING MOST ALIGNS WITH YOUR UNDERSTANDING OF A POLITICALLY EXPOSED PERSON (PEP)? (SELECT ONE)

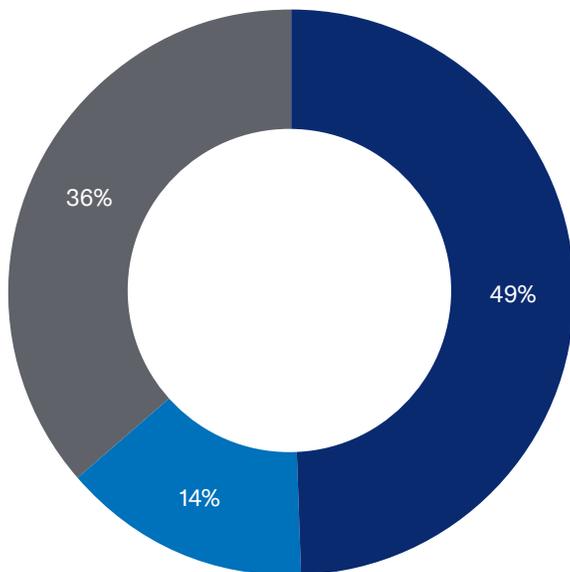


*A politically exposed person is an individual who holds a prominent public position (option 1).

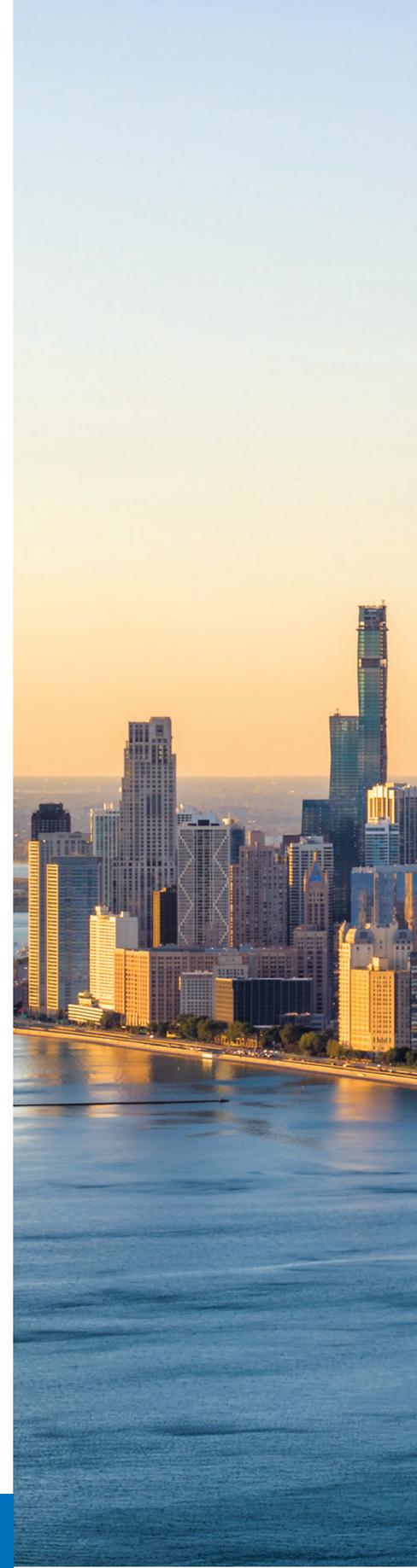
**WHICH OF THE FOLLOWING WOULD COUNT AS POLITICALLY EXPOSED?
(SELECT ALL THAT APPLY)**



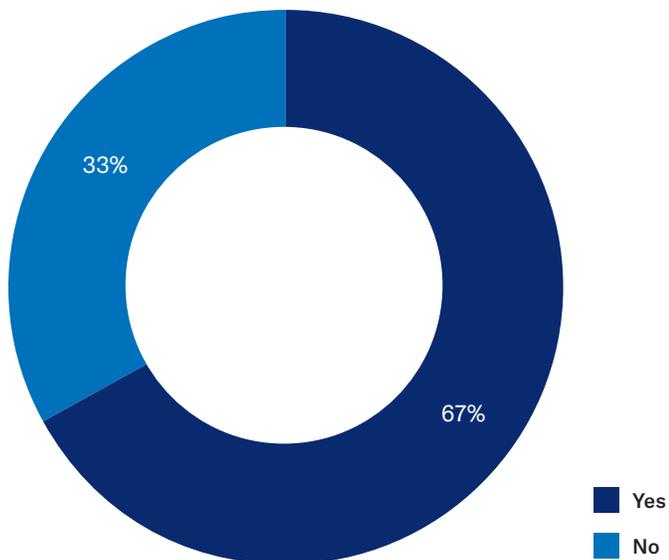
DO YOU THINK IT IS TRUE OR FALSE THAT YOU BE A PEP BY ASSOCIATION?



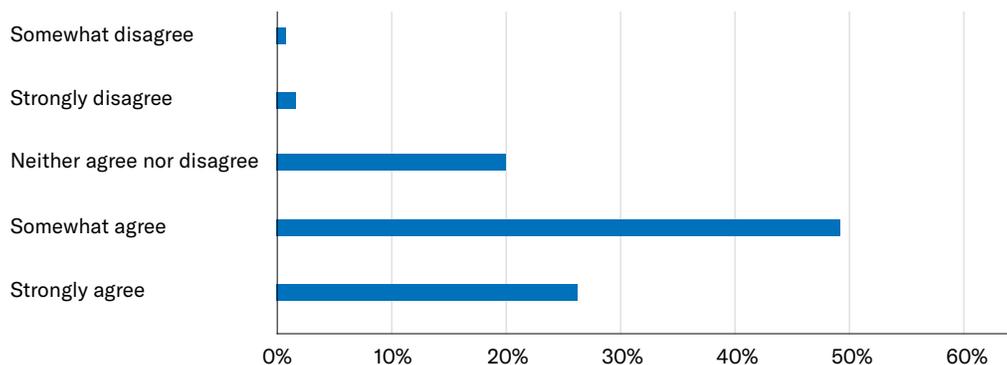
■ TRUE
 ■ FALSE
 ■ Unsure



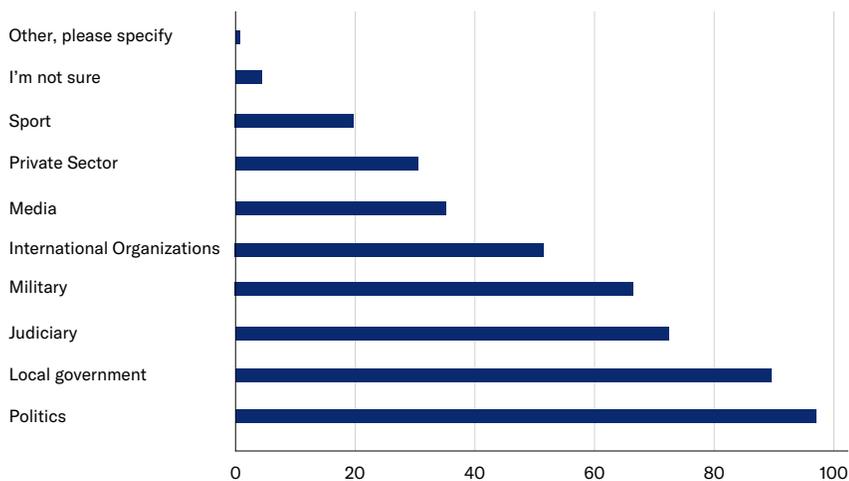
YOU ANSWERED THAT IT'S TRUE YOU CAN BE A PEP BY ASSOCIATION, WOULD HAVING A PUBLIC FRIENDSHIP WITH A PEP MAKE YOU A PEP BY ASSOCIATION?



TO WHAT EXTENT DO YOU AGREE OR DISAGREE WITH THE FOLLOWING STATEMENT: 'POLITICALLY EXPOSED INDIVIDUALS ARE MORE VULNERABLE TO CORRUPTION'

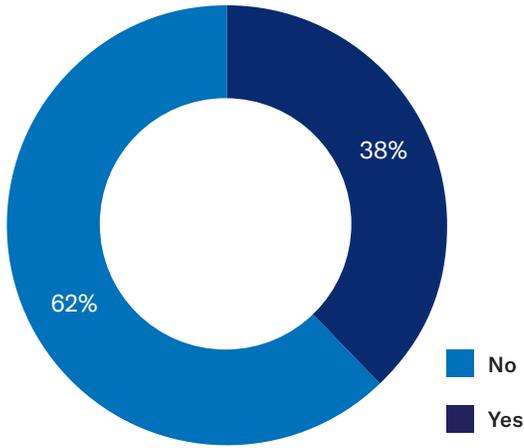


WHAT SECTORS DO YOU THINK AN INDIVIDUAL WOULD COUNT AS POLITICALLY EXPOSED? (SELECT ALL THAT APPLY)

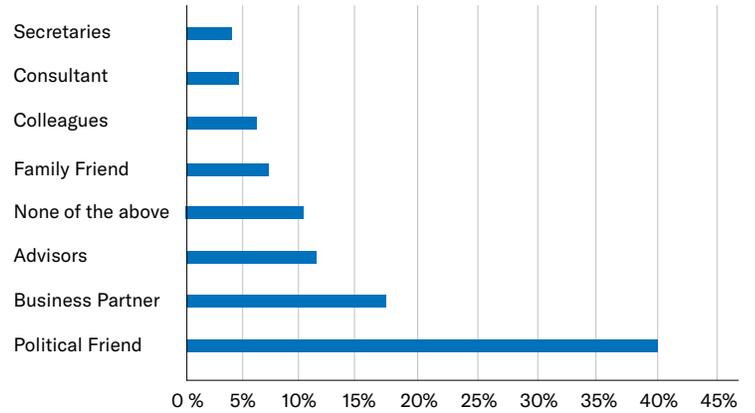


At this point in the survey, we provided the FATF definition of a PEP definition of a PEP

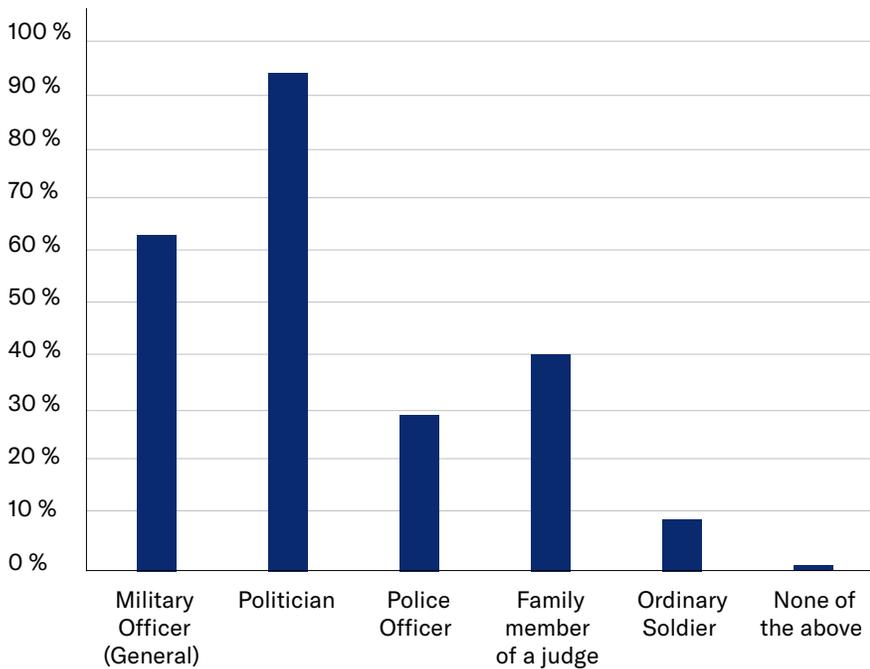
BASED ON THE DEFINITION OF A PEP, DO YOU KNOW SOMEONE WHO IS A PEP?

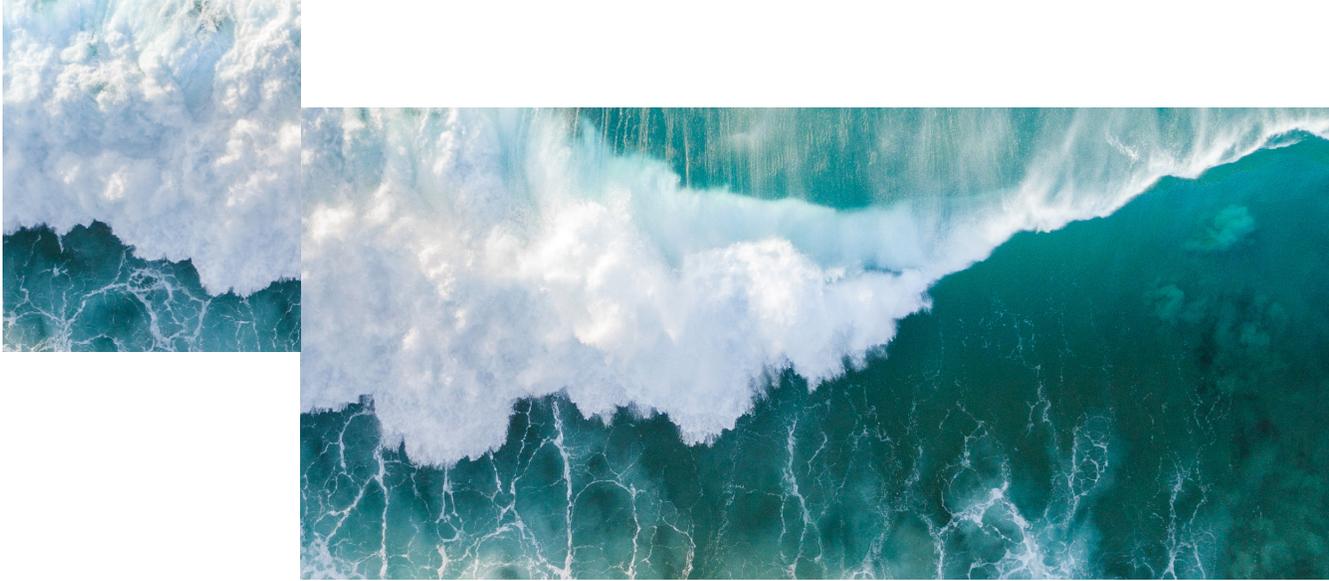


WHICH, IF ANY, OF THE FOLLOWING DO YOU THINK WOULD COUNT AS A PEP BY ASSOCIATION?

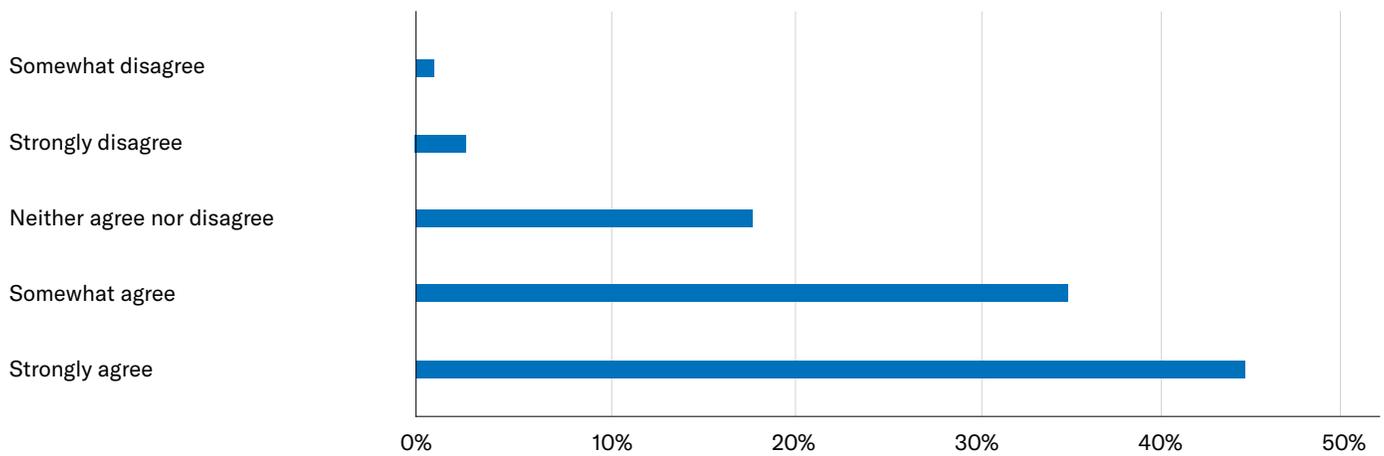


WHICH OF THE FOLLOWING INDIVIDUALS DO YOU BELIEVE WOULD BE A PEP?

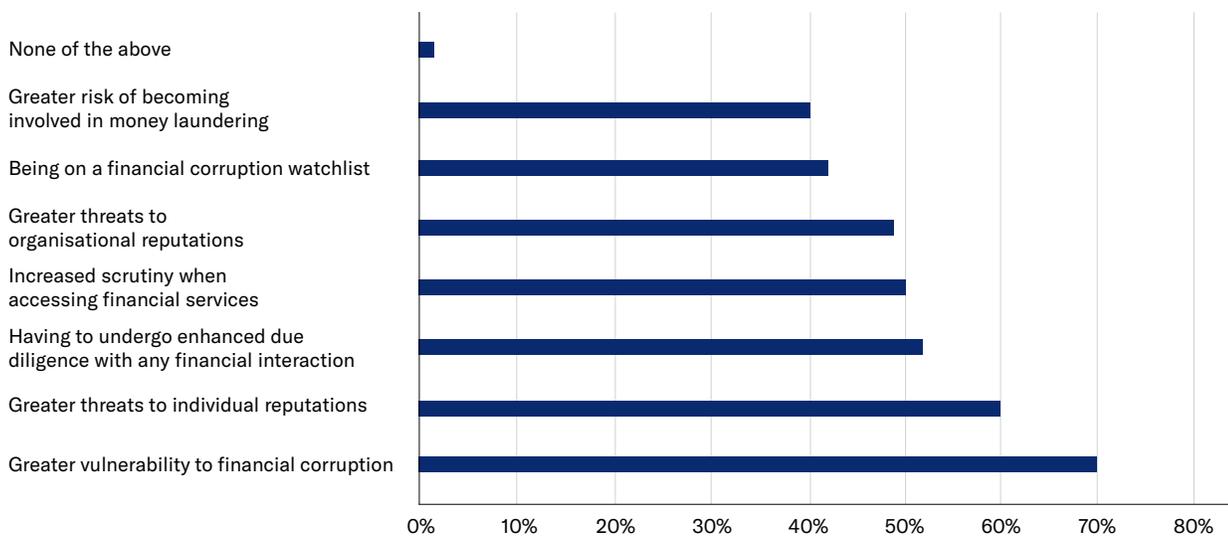




**TO WHAT EXTENT DO YOU AGREE OR DISAGREE WITH THIS STATEMENT:
“THERE SHOULD BE MORE PUBLIC TRANSPARENCY OF HIGH PROFILE PEPs”?**



**WHICH, IF ANY, OF THE FOLLOWING DO YOU THINK ARE CONSEQUENCES OF
BEING A PEP? (SELECT ALL THAT APPLY)**





About Moody's Analytics KYC

Moody's Analytics KYC is transforming risk and compliance; creating a world where risk is understood so decisions can be made with confidence. Our politically exposed persons (PEPs) screening leverages award winning data and a unique risk-rating system that considers the country, position, level, and event risks associated with PEPs.

Customers build their own KYC eco-system using our workflow orchestration platform, award-winning data, intelligent screening, and integrations with 25+ other leading global providers.

Our end-to-end suite of KYC solutions enable customers to execute efficient, effective, digital risk management and compliance processes for onboarding, off-boarding, and ongoing risk monitoring.

Harnessing our innovative technology and industry expertise, Moody's Analytics automates accurate screening of individuals, entities, and third-party suppliers. Then supports perpetual monitoring of counterparty risk across any business network in near real-time.

Moody's Analytics KYC is helping customers automate compliance journeys in 197 countries, across 211 jurisdictions: completing +45 million new customer and third-party checks each day, including screening against our database of 19 million risk profiles, +460

million entities with beneficial ownership information, and +17,000 sanctioned entities.

Our configurable solutions empower risk and compliance professionals to deliver compliance efficiency and excellent customer experiences – no compromise.

AMERICAS

+1.212.553.1653

clientservices@moodys.com

EMEA

+44.20.7772.5454

clientservices.emea@moodys.com

ASIA (Excluding Japan)

+852.3551.3077

clientservices.asia@moodys.com

JAPAN

+81.3.5408.4100

clientservices.japan@moodys.com

Moody's EDF-X Platform:

moodys.com/kyc

