



LEVEL 1 POLICY

MANAGEMENT OF POLITICALLY EXPOSED PERSONS POLICY

DOCUMENT DETAILS	
Document Title	Management of politically exposed persons policy
Document Owner	Group Risk Assurance
Document Classification	Unrestricted
Document Category	Level 1 Policy
Version Number	V 1.00
Approved Date	24 November 2016
Implementation Date	25 November 2016
Next Review Date	24 November 2018

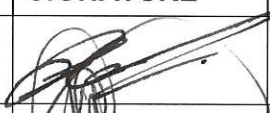


APPROVAL SIGNATURE RECORD			
APPROVALS	NAME	SIGNATURE	DATE
PREPARED BY:	Group Risk Assurance		8/3/2017
RECOMMENDED BY:	Chief Executive Officer		13/03/2017
APPROVED BY:	DBSA BOARD		15/03/2017

TABLE OF CONTENTS

1.	INTRODUCTION	3
2.	DEFINITIONS	3
3.	BACKGROUND TO POLITICALLY EXPOSED PERSONS (PEP)	6
4.	POLICY	6
5.	KNOW YOUR CLIENTS REQUIREMENT ("KYC")	7
6.	TREATMENT OF PEPs	9
7.	PROCUREMENT MATTERS	10
8.	SCREENING OF EMPLOYEES AS PART OF HUMAN RESOURCES PROCESS	10
9.	MONITORING AND REPORTING	11
10.	TRAINING AND AWARENESS	12
11.	APPROVAL	13
 <i>ANNEXURE A: Pre- approval discovery process</i>		<i>14</i>
<i>ANNEXURE B: Definition of PEPs.....</i>		<i>17</i>
<i>ANNEXURE C: Politically Exposed Persons (PEPs) Reporting Form.</i>		<i>19</i>
<i>ANNEXURE D: PEP due diligence and monitoring workflow.....</i>		<i>23</i>
<i>ANNEXURE D: PEP recruitment screening workflow.....</i>		<i>24</i>

1. INTRODUCTION

The objective of this document is to provide a policy on the acceptance, management and monitoring of clients which are considered to be Politically Exposed Persons. This is done in order to mitigate reputational risk, operational risk and legal risk, based on internationally accepted best practice, standards and guidelines on the management of Politically Exposed Persons “hereinafter referred to as (“PEP”)), whilst simultaneously meeting regulatory compliance standards as imposed by the Financial Intelligence Centre Act “FICA”.

This policy applies to all Politically Exposed Persons (“PEPs”) who may have an interest in obtaining any form of financing from the DBSA. The policy also applies to any employees of the Bank that are Politically Exposed Persons.

2. DEFINITIONS

2.1 **“Politically exposed person”** - definitions of Politically Exposed Persons are wide-ranging. According to the Financial Intelligence Centre “FIC” a politically exposed person (PEP) is the term used for an individual who is or has in the past been entrusted with prominent public functions in a particular country.

The following examples serve as aids in defining PEP’s. The examples apply to individuals that may have previously held the said position.

- 2.1.1 Heads of State and their deputies
- 2.1.2 Heads and Deputies of Regional Government (Premier);
- 2.1.3 Heads of Government agencies and cabinet Ministers;
- 2.1.4 Regional/Provincial Government Ministers;
- 2.1.5 Members of National Parliament;
- 2.1.6 Members of Provincial Legislature;
- 2.1.7 Senior Civil Servants (National/Regional/Provincial Government);
- 2.1.8 Local Government officials (City Mayors, Councillors and Municipal Managers);
- 2.1.9 Senior Embassy and Consul staff;

- 2.1.10 Members of Houses of Traditional Leadership (Kings and Chiefs);
- 2.1.11 Senior members of the army and/ or influential officials, functionaries and military leaders and people with similar functions international or supernatural organizations;
- 2.1.12 Senior members of the Police Services;
- 2.1.13 Senior members of the Secret Services;
- 2.1.14 Senior members of the Judiciary (Judges, Magistrates and Prosecutors);
- 2.1.15 Senior and/ or influential representatives of religious organisations;
- 2.1.16 Political Leaders;
- 2.1.17 Labour Group Officials;
- 2.1.18 Influential functionaries in the private sector and public services administration;
- 2.1.19 Key leaders of State owned Enterprises;
- 2.1.20 Private companies, trusts, foundations, or other juristic persons owned or co-owned by PEP's, whether directly or indirectly; and
- 2.1.21 Any business/ and or joint venture that has been formed by, or for the benefit of a senior political figure.

“Close family”

Close Family members are defined as individuals who are related to the PEP either directly (consanguinity) or through marriage or similar (civil) forms of partnership.

The following examples serve as aids in defining and identifying close family members:

- a) Spouses and life partners;
- b) Children and siblings;
- c) Parents and grandparents;
- d) Uncles and aunts;
- e) Nephews and nieces; and
- f) Relatives by marriage.

“Close associates”

Close associates are individuals who are closely connected to a PEP, either socially or professionally. The category of closely associated persons should include close business associates/ partners (especially those that share beneficial ownership of legal entities with the PEP or who are otherwise connected e.g. through joint membership of a company board). It's also personal/ financial advisors/consultants or persons acting in a fiduciary capacity to the politically exposed person as well as any other person(s) who benefit significantly as a result of being close with such a person.

“Improper influence”

Improper influence is defined as personal power that induces another person to give consideration or to act on any basis other than the merits of the matter.

“Senior Management”

Senior Management is defined as a team of individuals at the highest level of management of an organization who have the day-to-day tasks of managing that organization. This includes top Management, general managers, Chief Executive & General Executives.

“Key leaders of State owned Enterprises”

This is a team of individuals who exercise general control over and management of the activities of the whole or significant portion of the business, regularly participate to a material degree in the control over and general management of the business and activities of the organisation. They are responsible for ensuring that they map out values of the organisation, build the organisation's vision and set direction on the future of the organisation. These individuals include, but are not limited to, the Head/ the CEO, Chief Financial Officer, Directors, Board members, Chairman/ Chairperson etc.

3. BACKGROUND TO POLITICALLY EXPOSED PERSONS (PEPs)

PEP's are considered to be high risk as they hold positions of power and influence that may be abused for private gain or to benefit family members or close associates. Family members and close associates may also be abused to conceal funds or assets that were gained corruptly.

Due to these risks, it is imperative that the Bank takes steps to identify whether a client or prospective client is a PEP and ensure the necessary Enhanced Due Diligence ("EDD") and enhanced monitoring processes are applied. By setting up these processes the DBSA will ensure that it is able to appropriately manage any legal and reputational risks that may arise from entering into business relationships with PEP's. It will also ensure compliance with various guidelines and directives issued by FIC which are aimed at combating money laundering and the prevention and detection of fraud and other corrupt practices including financing of terrorist activities.

4. POLICY

The DBSA is not precluded from doing business with a PEP therefore the identification of a PEP does not on its own create an automatic reason to decline or reject an application for funding. However, when a PEP is identified an EDD should be conducted prior to a decision on whether to establish a business relationship or not.

According to the Financial Action Task Force ("FATF") recommendations, refusing a business relationship with a PEP based on the determination of a client as a PEP, is contrary to the letter and spirit of the recommendations. Furthermore, the FIC guidance notes on the management of PEP's are intended to assist Financial Institutions to develop appropriate controls in order to verify PEP's before establishing a business relationship with them.

4.1. Identification of a PEP

The DBSA identifies PEP's by:

- Screening clients against identified PEP lists;

- Risk profiling a client as a PEP utilising the salutation, occupation and industry of the client;
- Considering other reputable sources of information such as industry publications, government publications or press releases and/or company issued updates etc.

4.2. Entities in which PEPs have beneficial interest:

In the event that a PEP is an associated party to an entity and holds more than 25% voting rights in the entity, the entity itself will be regarded as high risk due to the association with a PEP. The PEP designation stems from the beneficial owner or shareholder, it is not driven by the entity itself.

An entity should also be considered as high risk if significant influence over the policy, business and strategy of that entity is performed by a PEP. To determine if a PEP exercises significant influence over the policy, business and strategy of an entity, regard needs to be had to the nature of the position held by the individual concerned i.e. day to day management position versus an individual in an isolated consultative role or a non-executive role.

5. KNOW YOUR CLIENTS REQUIREMENTS ("KYC")

5.1 Identification and Identification Process

- 5.1.1 For each new business relationship, Know Your Client ("KYC") information should be obtained during the on-boarding process and when assessing potential opportunities. This information will be used by the Bank to conduct background screening of the client.
- 5.1.2 Client facing employees are required to make sure that the correct information is obtained from clients as per the applicable KYC checklists. These checklists are contained in the DBSA's Internal Rules and they can also be obtained from the Compliance Department.

5.2 Pre-approval - Client Due Diligence ("CDD")

- 5.2.1 CDD is the key and primary source of information used for the purposes of determining whether a client is a PEP or not.
- 5.2.2 CDD must be conducted when:
- (a) Establishing a new business relationship with a client;
 - (b) There is a valid reason to doubt the authenticity of information or documentation or data or other information previously obtained for the purpose of KYC in question.
- 5.2.3 Client facing employees are required to bring all the information concerning a potential transaction/ deal to Compliance Department for screening in order to verify and to ensure that clients are not listed on any sanctions lists, to determine whether they or their family members or relatives or close associates or beneficial owners are PEPs.
- 5.2.4 When conducting CDD on PEP's, beneficial owners may be uncovered and will be verified accordingly by the Compliance Department.
- 5.2.5 CDD should be conducted before a transaction is submitted to the Investment Committee and BCIC for approval, by following the process as stipulated in Annexure A.
- 5.2.6 Where there's a positive identification of a PEP, the Compliance Department will complete the required form as provided in Annexure C and will ensure that an EDD is conducted.
- 5.2.7 Once an EDD has been conducted, the Compliance Department will complete the Annexure C form advising the relevant committees of the information discovered.
- 5.2.8 It must be noted that despite the need to ensure that an EDD is conducted on PEPs to ensure compliance with the FATF recommendations and other various guidelines and directives issued, in the application and implementation of this policy, caution must be exercised to ensure that the basic right of all client to privacy are not infringed.

5.3 Post approval discovery- CDD

- 5.3.1 If any employee uncovers that a client is a PEP during the day-to-day activities as and when they perform an activity on the client's account, the employee is required to inform the Compliance Department formally using the forms provided in Annexure C.
- 5.3.2 If there are any changes in the shareholding structure of a client, the new shareholder/s must be sent to the Compliance Department in order to conduct CDD and an EDD if necessary and the PEP register must be updated accordingly.
- 5.3.3 When a PEP has been established by the Compliance Department, which would normally occur during the pre-approval stage and through a quarterly screening of existing client's database and sometimes on a case- by- case basis as deemed necessary, a PEP register will be updated accordingly.
- 5.3.4 When the existing client re-applies for further additional funding or when a client's facility is being restructured, the employee responsible should follow the steps in Annexure A.
- 5.3.5 Once an EDD has been conducted, the Compliance Department will complete a Politically Exposed Person's Reporting Form ("Annexure C form") advising the Committees about the information discovered regarding the identified PEP.

A process flow diagram detailing the processes outline above is included as Annexure D.

6. TREATMENT OF PEPs

In making the decision to approve or not approve a funding application, where a PEP is involved, the approving committee shall take into consideration information discovered regarding the identified PEP.

7. PROCUREMENT MATTERS

- 7.1 In line with the DBSA's Procurement Policy, the Procurement Officer must ensure that shortlisted prospective suppliers and or service providers are screened accordingly.
- 7.2 When PEPs are identified in the procurement process, the Procurement Department is required to forward the details of PEP's to the Compliance Department in order to conduct an EDD.
- 7.3 Once an EDD has been conducted, the Compliance department will complete a Politically Exposed Person's Reporting Form ("Annexure "C" form") to be attached as part of submission to the Procurement Committee, advising the Committee about the information that was discovered (if any) concerning the PEP.

A process flow diagram detailing the processes outline above is included as Annexure E.

8. SCREENING OF EMPLOYEES AS PART OF THE HUMAN RESOURCES PROCESS

- 8.1 Identification of a PEP
 - 8.1.1 PEP verification will be incorporated into the Human Resource's process and all new employees will be screened as confirmation of their PEP status.
 - 8.1.2 If a staff member's PEP status changes they are required to notify both Human Capital and the Compliance Department of such a change in their PEP status.
- 8.2 **Approval process for employees**
 - 8.2.1 For the appointment of the non-executive employees with a PEP status, the employing Group Executive will recommend the appointment of such a PEP to the Chief Executive Officer (CE) and the CE will exercise his discretion on whether to approve/ decline the appointment.

- 8.2.2 In the case of a senior position, such as the appointment of an Executive or a position with a direct reporting line to the CE, a recommendation must be made to HRNSEC for approval.

A process flow diagram detailing the processes outline above is included as annexure E.

9. MONITORING AND REPORTING

- 9.1 Once the Bank has established a business relationship with a PEP, the Compliance Department is required to conduct on-going monitoring on the PEPs and advise the business on any changes that may be identified.
- 9.2 Ongoing monitoring of PEP clients is required to be conducted:
- Every 12 months (i.e. periodic review) as part of the compliance monitoring process; or
 - As a result of a trigger event (whichever is the sooner).
- 9.3 Periodic reviews must be completed for all clients, identified as a PEP or those clients with an indirect relationship through their association with a PEP. A trigger event could include, but is not limited to:
- A change in the PEP's role;
 - A change in the PEP's residency;
 - A new application involving the same PEP;
 - Adverse media report;
 - The receipt of a court order/subpoena etc. against the client;
- 9.4 The following information and documentation must be reviewed/ reconfirmed/ updated when conducting a periodic review of a PEP client:
- All KYC information;
 - The relevance of the EDD conducted initially
 - Where adverse information such as ongoing litigation or regulatory proceedings were noted as part of the on-boarding information,

further checks must be undertaken to ascertain any outcomes or obtain updated information.

10. TRAINING AND AWARENESS

The Compliance Department will ensure that there is ongoing training of employees and awareness will be created around this policy to ensure that employees have a better understating of PEP's, the risks associated with PEPs and how the Bank is dealing with PEPs.

11. APPROVAL

This policy was recommended for approval by EXCO on theday
of.....2016.

.....

CEO on behalf of EXCO

This policy was approved by the Board on the.....day
of.....2016.

.....

Chairperson on behalf of the Board.

ANNEXURE A: PRE- APPROVAL DISCOVERY PROCESS

The following is a step-by-step illustration of the process to be followed when a PEP has been identified in the CDD process prior to approval of the transaction,

Step 1

- 1.1 When a PEP, family member, or associate has been discovered/ identified during the CDD stage, responsible employee must send the information to Compliance Department using the Annexure C form. The responsible employee must then as part of its submission complete Annexure C and attach it to the report to Investment Committee and BCIC advising the committees of all the relevant known information regarding the identified PEP.
- 1.2 The Compliance Officer should perform a risk assessment of the PEP's business relationship. The risk assessment should be a composite assessment of all the risk factors to determine if the business relationship with the PEP is of higher risk.
- 1.3 The following should be taken into account when conducting an assessment:
 - Customer risk factors;
 - Kind of facility; and
 - Nature of the prominent public function that the PEP has such as the PEP's level of involvement on the transaction (is he/ she the decision maker), access to or control over public funds, history / profile of the PEP (any adverse media reports, regulatory issues or criminal record of the PEP concerned) and the nature of the position held?
- 1.4 If the risk assessment establishes that the business relationship with the PEP presents a low risk, the Compliance Department will classify it accordingly and a less stringent EDD will be conducted.
- 1.5 If the risk assessment suggests that the business relationship with the PEP will be of high risk, Compliance Department will have to ensure continuous monitoring of that account.
- 1.6 EDD will comprise of the following:

- 1.6.1 Seeking more information from the PEP for purposes of identifying and verifying whether there are any other beneficial owners in the transaction;
- 1.6.2 Understanding the ownership and control structure of a legal person, trust or similar arrangement where there is a PEP involvement;
- 1.6.3 When conducting an EDD, Compliance Department should take into account such factors, as whether the PEP:
 - (a) Has business interests which are related to his/ her public functions (conflict of interest);
 - (b) Whether the PEP holds several (related and unrelated) prominent public functions which may enable influence to be exerted at several key decision making points in a process.
- 1.7 Once an EDD has been concluded, Compliance Department will have to complete Annexure "C" from advising the relevant committee(s) about the information discovered regarding the identified PEP.

Step 2

- 2.1 Pursuant to FATF recommendations, financial institutions are required to obtain senior management approval for establishing or continuing an existing business relationships with PEPs.
 - 2.1.1 The approving committee will review the information at hand and make a decision based on all information presented to it, including any other additional information that may be presented verbally or confirmed by any member of the Committee.
 - 2.1.2 Furthermore the committee that will be approving a business relationship with a PEP, when assessing a PEP, should take into consideration the PEP's risk profile before they can approve that transaction.

Step 3

- 3.1 If the transaction is approved by the relevant Committees, the business unit concerned will continue with the transaction as per relevant internal processes.
- 3.2 If the transaction is rejected by the relevant Committees, the business unit concerned will then follow relevant processes for all rejected applications.

ANNEXURE B: DEFINITION OF PEPs

“Politically exposed person” - definitions of Politically Exposed Persons are wide-ranging. According to the Financial Intelligence Centre (FIC) a politically exposed person (PEP) is the term used for an individual who is or has in the past been entrusted with prominent public functions in a particular country.

- 1.1 The following examples serve as aids in defining PEPs:
- 1.2 Heads of State and their deputies
- 1.3 Heads and Deputies of Regional Government (Premier);
- 1.4 Heads of Government agencies and cabinet Ministers;
- 1.5 Regional/Provincial Government Ministers;
- 1.6 Members of National Parliament;
- 1.7 Members of Provincial Legislature;
- 1.8 Senior Civil Servants (National/Regional/Provincial Government);
- 1.9 Local Government officials (City Mayors, Councillors and Municipal Managers);
- 1.10 Senior Embassy and Consul Staff;
- 1.11 Members of Houses of Traditional Leadership (Kings and Chiefs);
- 1.12 Senior members of the army and/ or influential officials, functionaries and military leaders and people with similar functions international or supernatural organizations;
- 1.13 Senior members of the Police Services;
- 1.14 Senior members of the Secret Services;
- 1.15 Senior members of the Judiciary (Judges, Magistrates and Prosecutors);
- 1.16 Senior and/ or influential representatives of religious organisations;
- 1.17 Political Leaders;

- 1.18 Labour Group Officials;
- 1.19 Influential functionaries in the private sector and public services administration;
- 1.20 Key leaders of State owned Enterprises;
- 1.21 Private companies, trusts, foundations, or other juristic persons owned or co-owned by PEP's, whether directly or indirectly; and
- 1.22 Any business/ and or joint venture that has been formed by, or for the benefit of a senior political figure.

ANNEXURE C: POLITICALLY EXPOSED PERSONS (PEPS) REPORTING FORM

IDENTIFICATION PARTICULARS

Primary Particulars	First Names	Surname	Middle Name	ID/ Passport Number	
Country Details	Country of Origin	Citizenship	Current Country of Residence		
CURRENT STATUS AND BACKGROUND					
Current Occupation	Occupational Title		Status		
			Active	Non-Active	
<p style="text-align: center;">Is the client (tick whichever is applicable):</p> <div style="display: flex; justify-content: space-around; align-items: flex-start;"> <div style="text-align: center;"> <input style="width: 50px; height: 20px; border: 1px solid black;" type="checkbox"/> A PEP? </div> <div style="text-align: center;"> <input style="width: 50px; height: 20px; border: 1px solid black;" type="checkbox"/> Closely Related to a PEP? </div> <div style="text-align: center;"> <input style="width: 50px; height: 20px; border: 1px solid black;" type="checkbox"/> Closely Associated to a PEP? </div> </div>					
KNOWN BUSINESS INTERESTS:					
No.	Name of Entity	Role in Entity	Shareholding %	Status	
				Active	Non-Active

1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					

POLITICALLY EXPOSED PERSONS (PEPS) REPORTING FORM

MEDIA REPORTS/ OTHER SOURCES OF INFORMATION (Please reference all known adverse media reports associated with the PEP)

Reporting Person/s:


Full Names:		
Designation:		
Business Unit/ Department:		
Business Unit GM:		
GM's Signature:	Date:	
Reporting Person's Signature:	Date:	

COMPLIANCE VERIFICATION REPORT (Compliance to verify all known adverse media reports/ information associated with the PEP)

Compliance Particulars:

Full Names: (Compliance Manager/ Officer)		
Business Unit GM:		
Business Unit GM Signature:	Date:	
Compliance Manager/ Officer Signature	Date:	

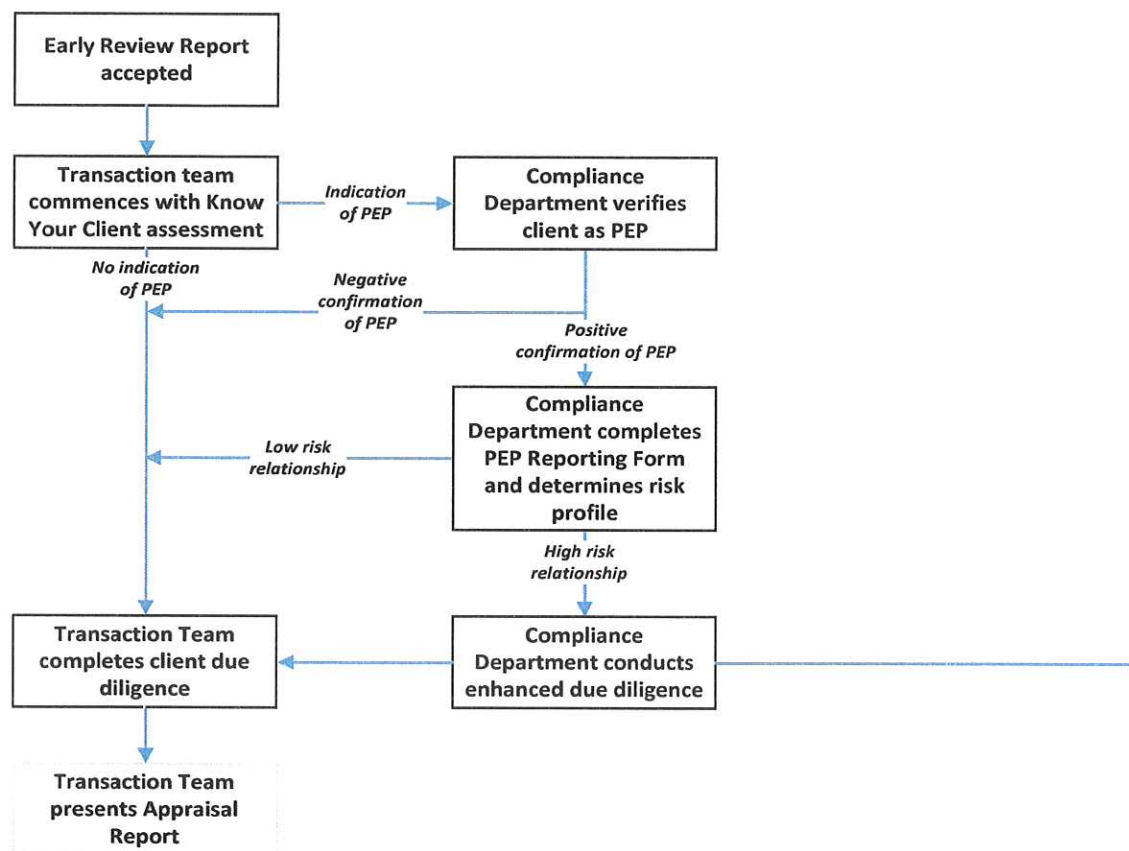
POLITICALLY EXPOSED PERSONS- REGISTER

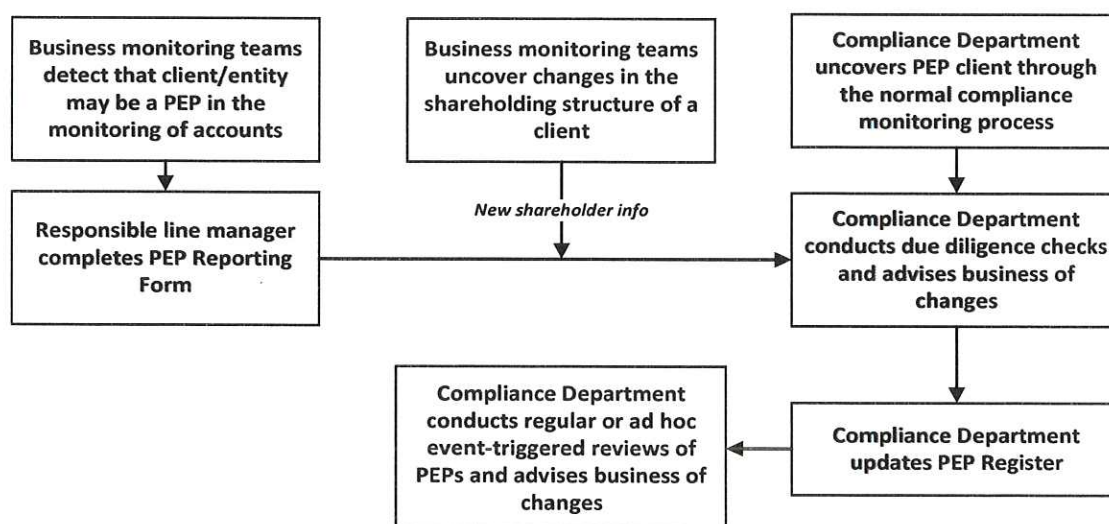
Item #	Date	Full names	Country	PEP {Yes / No}	Status (Active/ Inactive)	Shareholding %	Decision Approved/ Not approved

ANNEXURE D: PEP DUE DILIGENCE AND MONITORING WORKFLOW WORKFLOW

PEP PRE-APPROVAL CLIENT DUE DILIGENCE WORKFLOW

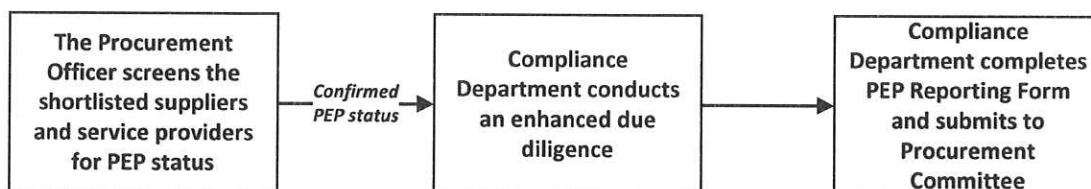


PEP POST-APPROVAL MONITORING WORKFLOW



ANNEXURE E: PEP PROCUREMENT AND RECRUITMENT SCREENING WORKFLOW

PEP PROCUREMENT WORKFLOW



PEP RECRUITMENT WORKFLOW

