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## Politically exposed are held to account

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JACOB Zuma, who will appear in the Durban High Court next Tuesday on corruption charges, is known to anti-money-laundering agencies as a politically exposed person. The term is used internationally to describe anyone who holds, or has held, a position of public trust.

Guidance note 3, issued recently by SA's Financial Intelligence Centre, instructs banks to take particular precautions with such people. Not only do banks have to identify and monitor politically exposed persons' accounts but also those of their family and associates. "Family" includes spouses, children, parents and siblings, as well as other blood relatives and in-laws. "Closely associated persons" includes colleagues, personal advisers and consultants, and anyone who might benefit from the close association.

The guidance note says banks should get senior management approval before accepting a politically exposed person as a client and monitor the relationship. Among other things, banks are to establish the source of their clients' wealth and the source of funds used in their transactions.

Clearly, Zuma and his adviser, Schabir Shaik, the latter convicted recently of fraud and corruption, are "politically exposed persons and associates". And Absa's actions, as Shaik and Zuma's bankers at the time of the events described at Shaik's trial, fell short of what is expected of banks today. It was because of Zuma's political influence that Absa was prepared to accept clients who were otherwise high risk. John Dwyer, former Durban manager of Absa Private Bank, said he had accepted them as clients in 2001 because they had a "high political profile". And the bank was not alerted to the possibility of irregularity in Zuma's business dealings by the ebbs and flows in his account.

Absa group money-laundering control officer Roy Melnick says the operating environment has changed since 2001, when the Financial Intelligence Centre Act was passed. Absa now complies with the act "in relation to the establishment of business relationships and record-keeping".

The head of money-laundering control at Standard Bank says the guidance note has made politically exposed persons a priority. "While PEP (politically exposed person) checking has been an international standard for money-laundering control for some time, this is the first formal indication that we have received from the local regulators that we are required to identify PEPs."

SA's major banks are turning to global databases. "The real problem is not in identifying PEPs but in identifying their family and associates," says Standard Bank. Standard and Nedcor are among those banks using databases, while Absa is considering their use, says Melnick.

A pioneer is World-Check, established in 2000 by David Leppan, a South African based in Europe. He started compiling a database of high-risk clients,

including families and associates, to meet the Swiss financial industry's rules.

While databases assist in uncovering misuse of the banking system and help call to account people who are abusing positions of trust, they may also discourage both. As politically exposed persons and their associates become aware that there is such a system in place, they may be less willing to risk their jobs and reputations by testing its effectiveness.

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