

# **FINANCIAL CRIME: HOW FINANCIAL INSTITUTIONS CAN MITIGATE MONEY LAUNDERING RISK ASSOCIATED WITH POLITICALLY EXPOSED PERSONS AND IMPROVE THEIR COMPLIANCE PROGRAM**

**Artur GOLBAN<sup>1</sup>, Ghenadie GOLBAN<sup>2</sup>**

e-mail: golban.artur@yahoo.com

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## **Abstract**

The customer acceptance policy of financial institutions stipulates that the Bank shall enter in business relationship and offer banking products and services to customers based on risk appetite correlated to the reputational risk. According to Financial Action Task Force (FATF), a politically exposed person (PEP) is “an individual who is or has been entrusted with a prominent public function: Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials, etc.” The business relationship involving politically exposed persons (PEPs) is classified according to Know Your Customer and Anti Money Laundering Principles with high risk, because PEPs have the position to influence some decisions at state level, being involved in corruption, bribery schemes; they have access to significant state funds which can be laundered through companies owned by PEPs, their relatives or close associates by abusing of PEPs high position. The purpose of this scientific research is to highlight the money laundering risk indicators connected to PEPs and to propose mitigation measures to be applied by financial institutions, while strengthening their controls, as a part of an effective compliance program. .

**Key words:** Anti-Money Laundering, Politically Exposed Person (PEP), Sanctions, Compliance Program.

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