LexisNexis® RISK SOLUTIONS

DO YOU KNOW YOUR PEP RISK?

Confidently Identify PEPs and Boost Compliance

What is a Politically Exposed Person (PEP)?

A PEP is an individual who, due to their influential position or function, may pose a heightened risk of money laundering, terrorist financing, corruption or bribery. It's important to note that PEP status does not indicate wrongdoing or criminal involvement, but it does mean enhanced due diligence (EDD) is required. Knowing who your customers are is a preventative measure to mitigate risk.

PEPs cover several broad categories[1]

Foreign PEPs
Individuals who hold or have held positions of public trust in a foreign country: heads of state or government, diplomats, senior politicians, judicial or military officials, executives of state-owned corporations.

Domestic PEPs
Individuals who hold or have held influential positions in their own country: heads of state or government, senior politicians, judicial or military officials, executives of state-owned corporations.

International Organisation PEPs
Directors, senior executives, board members or other prominent officials of an international organisation.

Family Members
Spouses/partners, children, parents, siblings and other close family members related to the PEP through blood, marriage or other legal arrangements.

Close Associates
Individuals closely connected to a PEP through business or social relationships, joint beneficial ownership or other legal arrangements.

Why PEP screening is too important to ignore

Due to their function, status or connections, PEPs are uniquely positioned to influence decisions and the flow of money. This access makes them more vulnerable to involvement in corruption, money laundering and other illicit activities. PEP screening is an essential part of anti-money laundering (AML)/know your customer (KYC) compliance and recommended by the Financial Action Task Force (FATF) to prevent money laundering and terrorist financing. It also makes smart business sense.

Many factors make screening PEPs more difficult than ever

- PEP lists are constantly changing
- Definitions of PEPs vary by jurisdiction
- Multiple and often conflicting mandates for screening
- Hidden beneficial ownership
- Growing volume of PEPs

But conducting business with a PEP without carrying out the right checks can be costly[2]

- Regulatory enforcement actions
- Hefty fines and penalties
- Long-term reputational damage
- Added operational costs
- Potential legal action

Global AML enforcements reached
$4.6 billion
in 2024

The intersection of sanctions and PEP screening

PEPs and sanctions are two distinct regulatory regimes, but their screening requirements often overlap. Since sanctions are a key indicator of PEP risk, an effective PEP programme requires a coordinated approach that can adapt to the complex and dynamic risk landscape shaped by global sanctions activity.

Organisations covering sanctions and PEPs

- United Nations
- Office of Financial Sanctions Implementation (OFSI)
- Office of Foreign Assets Control (OFAC)
- European Union
- Financial Action Task Force (FATF)

5,712
net designations added to sanctions lists
January 2024 – July 2025[3]

International mandates covering sanctions and PEPs

- USA PATRIOT Act
- FinCEN regulations
- UK Sanctions and Anti-Money Laundering Act (SAMLA)
- OFSI sanctions requirements
- UK Bribery Act
- USA PATRIOT Act
- EU AML Directives

How to safely do business with PEPs

Managing PEP risk starts with understanding the network of relationships that customers, vendors, third-party suppliers and business connections bring into a transaction. By adopting a precise, risk-based approach, organisations can effectively reduce compliance risks, increase transaction efficiency and safely do business with PEPs.

Tips for managing PEP risk

Keep updated
Use multi-source intelligence, commercial databases and official registries to continually update PEP definitions based on the latest regulatory guidance.

Apply risk-based segmentation
Categorise PEPs by type and assign appropriate EDD measures. Use country-level segmentation where relevant to refine risk tiers.

Determine frequency
Align screening frequency with sanctions activity and trigger events such as status changes or adverse media.

Unify workflows
Integrate PEPs, sanctions and adverse media screening into unified workflows and regularly calibrate controls to reflect sanctions and other activity.

Streamline audits
Establish a review cadence based on risk tiers. Develop evidence trails and decision-making procedures to facilitate audits.

Adopt a risk-based approach to identify PEP risk

- Assess PEP risk at the start of the relationship or financial transaction
- Conduct enhanced due diligence on higher-risk individuals
- Establish the source of wealth and funds; identify the beneficial owner
- Automate ongoing monitoring for higher-risk profiles
- Maintain a robust and demonstrable audit trail to respond to regulator inquiry

Stay ahead of risk with the most comprehensive PEP database featuring more than 3.3 million PEP profiles from 12,000 sources, plus sanctions, adverse media, state-owned-enterprise lists and more – all continually updated by dedicated research teams working around the globe. Learn more about LexisNexis® WorldCompliance™ Data.

LexisNexis® RISK SOLUTIONS

1. https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/Guidance-PEP-Rec12-22.pdf#:~:text=1.,with%20a%20prominent%20public%20function.
2. https://resources.fenergo.com/reports/aml-enforcement-action-in-2024
3. LexisNexis® Risk Solutions Sanctions Pulse Data 2024-2025