

Central Bank of Kenya

Guidance on Politically Exposed Persons (PEPs)

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ACRONYMS

AG	Attorney General
AML	Anti-Money Laundering
BO	Beneficial Ownership
BRS	Business Registration Service
CEO	Chief Executive Officer
CDD	Customer Due Diligence
CBK	Central Bank of Kenya
CFT	Countering the Financing of Terrorism
CPF	Countering Proliferation Financing
EDD	Enhanced Due Diligence
ESAAMLG	Eastern and Southern African Anti-Money Laundering Group
FATF	Financial Action Taskforce
FI	Financial Institution
FRC	Financial Reporting Centre
FXB	Foreign Exchange Bureau
KDF	Kenya Defence Forces
KYC	Know Your Customer
MER	Mutual Evaluation Report
ML	Money Laundering
NPS	National Police Service
NRA	National Risk Assessment
OECD	Organization for Economic Cooperation and Development
PEP	Politically Exposed Person
POCAMLA	Proceeds of Crime and Anti-Money Laundering Act
POCAML Regulations	Proceeds of Crime and Anti-Money Laundering Regulations 2023
RBA	Risk- Based Approach
STR	Suspicious Transaction Report
TF	Terrorism Financing
UBO	Ultimate Beneficial Owner
UNCAC	United Nations Convention against Corruption

PART I: PRELIMINARY

1.1 Title

Guidance on Politically Exposed Persons (PEPs)

1.2 Application

This Guidance applies to financial institutions (FIs) licensed under the Banking Act, the Microfinance Act, the Central Bank of Kenya (CBK) Act and the National Payment Systems Act: These are:

- i) Commercial banks;
- ii) Mortgage finance companies;
- iii) Microfinance banks;
- iv) Money remittance providers;
- v) Foreign exchange bureaus;
- vi) Payment service providers; and
- vii) Non-deposit taking credit providers (formerly known as digital credit providers).

1.3 Authorisation

This Guidance is issued under Section 36C (1)(d) of the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA), which empowers the CBK to issue guidelines, directions or rules for combating money laundering, combating terrorism financing and countering proliferation financing facing reporting institutions regulated or supervised by it.

1.4 Definitions¹

“Politically exposed person” means a person who has been entrusted with a prominent public function in Kenya or another jurisdiction, including:

- (a) Members of Cabinet;
- (b) Senior executives of state-owned corporations;
- (c) Important political party officials;
- (d) Senior military officials and other senior members of the disciplined forces;
- (e) Members of the Judiciary;
- (f) State Officers;
- (g) Senior Public Officers;
- (h) Senior Officials of International Organizations;
- (i) Heads of State or Government;

¹ Regulation 26 of the POCAML Regulations

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- (j) Any family member or close associate of a person referred to under this definition; and
 - (k) Any other category of persons as the Financial Reporting Centre may determine.²

“Foreign PEP” means an individual who is or has been entrusted with prominent public functions by a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations and important political party officials.³

“Domestic PEP” means an individual who is or has 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 and important political party officials.³

“Persons who are or have been entrusted with a prominent function by an international organization” refers to members of senior management, i.e. directors, deputy directors and members of the board or equivalent functions.

² Regulation 25 of the POCAML Regulations

³ FATF (2012-2025), *International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation*, updated February 2025, FATF, Paris, France

PART II: STATEMENT OF POLICY

2.1 Purpose

The purpose of this Guidance is to:

- i) Enhance and deepen the knowledge of institutions on PEPs and the ecosystem within which PEPs perform their public functions.
- ii) Provide more clarity on PEPs requirements under POCAMLA and Proceeds of Crime and Anti-Money Laundering (POCAML) Regulations, 2023.
- iii) Guide institutions on measures they need to take to ensure full compliance with PEPs requirements.

2.2 Scope

This Guidance applies to FIs licensed and regulated by the Central Bank of Kenya and outlines expectations for identifying, assessing, and managing risks associated with PEPs. It covers both foreign and domestic PEPs, including their close associates and family members, and supports compliance with anti-money laundering, countering the financing of terrorism and countering proliferation financing (AML/CFT/CPF) obligations in line with a risk-based approach as outlined in the POCAMLA and POCAML Regulations.

2.3 Responsibility

It is the responsibility of the Board of Directors and senior management of an FI to establish a robust governance framework, complete with clear policies and controls, to identify, assess, and manage risks related to PEPs. Additionally, they must ensure that PEP-related risks are integrated into the institution's overall AML/CFT/CPF risk management strategy, with ongoing reviews to ensure compliance with regulatory requirements.

2.4 Background

A politically exposed person is defined under Regulation 26(5) of Proceeds of Crime and Anti-Money Laundering Regulations (POCAML), 2023 as a person who has been entrusted with a prominent public function in Kenya or another jurisdiction. Due to their public functions and influence, they have the potential to abuse their positions through commission of money laundering, terrorist financing and proliferation financing offences, and other predicate offences such as corruption, economic crimes, fraud and forgery. In Kenya, corruption is a serious offence as it has permeated the socio-economic and political fabric of the society.

The Money Laundering (ML) National Risk Assessment (NRA) conducted in 2023 established that corruption and economic crimes are the highest proceeds generating crimes in Kenya. Corruption by its nature, involves the misuse of public funds by persons entrusted with prominent public functions. Some PEPs as the culprits, are therefore at the centre of the fight against corruption. The money laundering, proliferation and terrorist financing (ML/TF) risks posed by PEPs justify the application of AML/CFT preventive measures on business relationships entered into with PEPs.

As per the findings of the NRA of 2021, the banking sector is the most preferred avenue for channeling proceeds of crime. This is due to the diversified products and services, wide customer base including PEPs, diversified delivery channels, high velocity of transactions, connectivity to the international financial system and other geographical locations.

Use of legal persons and legal arrangements to open accounts, own property, perform transactions and to conceal identity of beneficial owners, provide a conducive environment for PEPs to launder proceeds of crime and to finance terrorism. Given these vulnerabilities, FIs have a legal duty to implement AML/CFT measures to prevent PEPs from abusing or misusing the financial systems for ML/TF purposes.

FIs have an obligation to ensure that risks relating to business relationships with PEPs, their family members and close associates are timeously identified, assessed and mitigation measures put in place to prevent PEPs from abusing the financial system for ML/TF purposes.

The Kenya Government enacted POCAMLA and issued POCAML Regulations, 2023 to provide AML/CFT requirements FIs should comply with. This includes requirements relating to PEPs which are provided for in Regulation 26 of POCAML Regulations.

The two pieces of legislations have adopted AML/CFT Standards issued by the Financial Task Force (FATF) to fight money laundering and its predicate offences including corruption and TF. The AML/CFT law requires FIs to have appropriate risk management systems in place to determine whether customers or beneficial owners are foreign PEPs, or related or connected to a foreign PEP. Where it is determined that a customer or a beneficial owner is a foreign PEP, an institution should take additional measures set out in Regulation 26, beyond performing normal customer due diligence (CDD) (as defined in Regulation 14).

For domestic PEPs and international organization PEPs, FIs are required to take reasonable measures to determine whether a customer or beneficial owner is a domestic/international organization PEP and then assess the risk of the business relationship. For higher risk business relationships with domestic PEPs and international organization PEPs, FIs should take additional measures consistent with those applicable to foreign PEPs.

As per the findings of mutual evaluation of Kenya, implementation and/or application of the PEPs requirements have presented some challenges especially for the small to medium FIs. This includes identification of PEPs, scope of family members and close associates covered by PEPs requirements, nature of prominent public functions covered, obtaining information on source of funds, and source of wealth for PEPs, among others. The need to provide guidance to institutions on the implementation of PEPs requirements is therefore necessary to improve the level of compliance by FIs with the PEPs requirements.

2.5 Overview of the landscape of Politically Exposed Persons in Kenya

Kenya has domestic PEPs, given the nature of public services that the Government renders to the public. Kenya also has international organization PEPs, as Kenya hosts a number of international organizations. Kenya being a regional powerhouse, financial hub, its geographical location and being an active member of the international community, hosts foreign PEPs from time to time. Some of the foreign PEPs partake of various services including financial services, while in Kenya or outside Kenya. Given the strategic position, Kenya's financial sector is vulnerable to abuse by foreign PEPs for ML/TF purposes.

2.5.1 Findings of the Mutual Evaluation of 2022

Kenya's AML/CFT/CPF framework was assessed by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a body affiliated with the Financial Action Task Force (FATF), between 2021 and 2022.

The mutual evaluation report (MER), published in 2022, assessed the level of technical compliance with FATF AML/CFT Standards including Recommendation 12 on politically exposed persons. It also assessed the level of effectiveness of implementation of AML/CFT preventive measures, including customer due diligence and PEPs.

Implementation of the PEPs requirements under the AML/CFT law has proved challenging to some FIs particularly the medium to smaller institutions. The mutual evaluation of Kenya conducted in 2022 by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) noted that corruption poses a serious ML risk to Kenya, particularly through procurement fraud and embezzlement of public funds.

The mutual evaluation report (MER) revealed a number of deficiencies relating to treatment of PEPs by FIs. Systems and measures to determine whether a customer or BO is a PEP are effective to a limited extent. ML risks posed by PEPs and how these risks manifest are not fully understood across the spectrum of institutions.

There are challenges in identifying domestic PEPs, and in undertaking enhanced due diligence (EDD) measures on them. Smaller institutions do not have adequate screening systems and often rely on manual methods to screen customers. They are therefore not able to identify PEPs on a real-time basis.

Given the absence of a comprehensive local database for domestic PEPs, institutions tend to rely on international databases which do not cover some domestic PEPs. While publications in the Kenya Gazette are helpful, not all appointments to public offices are gazetted.

The gazette notices also do not capture family members and close associates of PEPs.

The gazette notices also do not capture PEPs who are beneficial owners. PEPs at regional and county levels are not being consistently identified. Many institutions are having unidentified PEPs in their customer databases who are not being subjected to enhanced due diligence (EDD).

Some institutions do not take reasonable measures to determine whether the beneficiaries and/or the beneficial owners of the beneficiaries are PEPs in relation to life insurance policies. PEPs who are BOs are not appropriately identified. Institutions do not have access to BO information at the Business Registration Service (BRS).

Identification of all PEPs is a challenge as some of the PEPs use proxies/nominees to hide their identity. Similarly, obtaining information from PEPs on source of funds and source of wealth information is a challenge as some PEPs attempt to obfuscate identification. PEPs also tend to use lawyers as their trustees. However, application of EDD on lawyers in Kenya, currently, is still work in progress.

The MER however acknowledges good practices, especially in large and some medium institutions where automated and real time screening of PEPs is noted. Use of name screening tools such as World Check, Dow Jones, Arachis, Veritas and Lexus Nexus among others to identify PEPs and designated persons is also noted in some institutions.

Reliance on self-declarations, individual knowledge of customers and information in Kenya Gazette is noted to provide information on PEPs. Where a PEP is identified (or a family member or close associate), institutions must take enhanced measures including requesting for more information, establishing source of funds and wealth, determine whether the PEP is a beneficial owner, conduct enhanced ongoing monitoring of the business relationship and seek senior management approval before establishing a business relationship.

Some institutions use various sources to obtain information on source of funds and source of wealth. These sources include declarations and proof of source of funds and source of wealth like property titles, vehicle registration books and bank statements endorsed by a bank. They also make use of open sources to establish source of funds and source of wealth.

2.5.2 ML/TF National Risk Assessment Findings on Predicate Offences, Legal Persons and Legal Arrangements, lawyers and real estate

In 2021, Kenya conducted an ML/TF national risk assessment, during which proceeds-generating predicate offences were assessed. In 2023, Kenya updated the ML NRA and established that corruption and economic crimes were the highest proceeds-generating predicate offences followed by fraud and forgeries, environmental and wildlife crimes, cybercrime offences, human trafficking and smuggling of person's offences, tax offences, counterfeiting and piracy of products, terrorism and related offences and money laundering, in that order. Corruption involves laundering of public funds by persons entrusted with public functions (PEPs).

In 2023, Kenya also conducted ML and TF risk assessment of legal persons and legal arrangements, and the results indicated that trusts and private limited companies are at a higher risk of abuse for ML and TF than other structures. With a view to concealing or hiding their identity, PEPs prefer to use third party vehicles such as legal persons, legal arrangements, lawyers, family members and close associates to launder corruption and fraud-related proceeds. Legal persons and legal arrangements are safer vehicles for PEPs as they are able to use nominees to hold shares or interests in these vehicles on their behalf.

The 2021 NRA established that lawyers are medium high risk for money laundering. PEPs use lawyers as trustees to hold proceeds of crime on their behalf. Because of advocate-client confidentiality, PEPs use lawyers to transact on their behalf without the fear of their identity or nature of transactions being disclosed to law enforcement agencies and the Financial Reporting Centre (FRC). This privilege is only overridden by the requirement to file a suspicious transaction report with the FRC where there is suspicion covered under Section 44 of POCAMLA.

People entrusted with prominent public functions have the propensity to abuse their positions for unjust enrichment, given their proximity to public funds. Institutions therefore have a duty to guard against PEPs taking advantage of their products and services, delivery channels and geographical locations to launder illegally acquired public funds.

2.5.3 Findings from onsite inspections

Periodic inspections conducted by the CBK have noted violations by institutions relating to PEPs in a number of areas including failure to identify PEPs, failure to classify certain customers as PEPs, failure to identify source of funds and source of wealth of PEPs and other PEP-related violations.

These violations may be arising due to a number of factors including misunderstanding or limited understanding of PEPs requirements, inability to identify the full spectrum of PEPs, lack of clarity on family members and close associates of PEPs. It is against this background that the CBK issues this Guidance to institutions to guide them in the implementation of PEPs requirements of the law.

2.5.4 CBK Survey of Politically Exposed Persons

A survey conducted in December 2024 by the CBK on PEPs revealed that:

- The level of compliance with PEPs requirements differed across FIs.
- There is no common understanding of the definition of PEPs.
- Policy documents of some institutions do not make reference to POCAMLA or FATF on PEPs requirements.
- Not all institutions have integrated PEP identification into their KYC/CDD processes.
- Not all staff have been adequately trained on PEPs requirements and controls.
- In some cases, PEP screening and monitoring is done manually.
- Some institutions have not applied EDD and enhanced ongoing monitoring on PEPs.
- Institutions cited a number of challenges in the implementation of PEPs requirements. These included:
 - Inadequate technology and resources.
 - Complex regulatory requirements.
 - Lack of centralized National PEP Database.
 - Identification of PEPs and; family members and associates.
 - Lack of comprehensive PEP Records.
 - Delays in information provision especially on sources of wealth.
 - Limited public access to PEP information.

While the shortcomings and challenges were noted, it was also noted that the level of compliance with PEPs requirements has significantly improved since the date of publication of Kenya's mutual evaluation report. PEP screening has increased, with a reasonable number of institutions making reference to commercial databases and other sources. A reasonable percentage of the institutions seek to obtain information on identities of PEP's family members and close associates, source of funds and source of wealth. They also take steps to establish PEPs at county levels.

2.5.5 Why are PEPs considered high risk?

PEPs are entrusted with prominent public functions. Some of these functions involve handling or management of public funds. Some PEPs have direct access to public funds while others have direct control or oversight of people who handle public funds. They can therefore influence the use of such funds for illegal purposes.

In other cases, some PEPs have close association with people who handle public funds. By virtue of their positions and influence therefore, PEPs have the potential to abuse their positions by committing offences relating to public funds under their trust, custody or control.

Corruption and bribery are some of the most common predicate offences involving PEPs. The ranking of corruption and economic crimes as the highest proceeds-generating crimes is a stark pointer to the fact that PEPs pose a serious threat to Kenya's AML regime.

The socio-economic impact of corruption can be devastating as funds meant for public purposes are diverted to personal use by officers entrusted with such funds. Corruption hinders and undermines Government's efforts to better lives of Kenyans.

Public funds may also be the subject of other predicate offences such as fraud and forgery. It is the responsibility of all Kenyans to protect and safeguard public funds and other public resources for the present and future generations. FIs are centrally placed to play a key role in preventing money laundering and terrorism financing involving public funds.

2.5.6 Financial Action Task Force Recommendation 12 on PEPs

In recognition of ML/TF risks posed by PEPs, FATF has in Recommendation 12 prescribed standards to be adhered to by countries to mitigate PEP risks. Recommendation 12 requires FIs to take reasonable measures to determine whether a customer or beneficial owner is a domestic PEP or a person who is or has been entrusted with a prominent function by an international organization. In cases of a higher risk business relationship with such persons, FIs are required to:

- (a) obtain senior management approval for establishing (or continuing, for existing customers) such business relationships;
- (b) take reasonable measures to establish the source of wealth and source of funds; and
- (c) conduct enhanced ongoing monitoring of the business relationship.

In respect of foreign PEPs (whether as customer or beneficial owner), FIs are required in addition to performing normal customer due diligence, to:

- (a) have appropriate risk-management systems to determine whether the customer or the beneficial owner is a PEP;
- (b) obtain senior management approval for establishing (or continuing, for existing customers) such business relationships;
- (c) take reasonable measures to establish the source of wealth and source of funds; and
- (d) conduct enhanced ongoing monitoring of the business relationship.

The main aim of Recommendation 12 is to fight money laundering and predicate offences including corruption and TF. FATF therefore requires countries to implement measures to prevent the misuse of the financial system by PEPs, and to detect such potential abuse if and when it occurs. In line with FATF requirements under Recommendations 12 and 22, Kenya has adopted these requirements vide Regulation 26 of the Proceeds of Crimes and Anti- Money Laundering Regulations, 2023. All FIs, as reporting institutions, have a duty to comply with and implement these requirements.

2.5.7 Nature of PEPs requirements

PEP requirements in POCAML Regulations are preventive measures in nature and should not be deemed to be criminal. As a result, no financial institution should decline to establish a business relationship with or to continue a business relationship with or to complete a transaction involving a PEP, merely because the person is a PEP. The decision to decline or terminate a business relationship should be informed by the risk assessment conducted by the institution, the level of risk and the potential of the PEP abusing the financial institution for ML/TF purposes.

PART III: LEGAL REQUIREMENTS RELATING TO PEPs

3.1 Proceeds of Crime and Anti-Money Laundering Regulations, 2023

In Kenya, the legal requirements for PEPs are set out under Regulation 26 of POCAML Regulations, 2023. Regulation 26(1) covers foreign PEPs requirements. It provides that:

1. In relation to foreign politically exposed persons, a reporting institution shall, in addition to performing the customer due diligence measures —
 - (a) put in place risk management systems to determine whether a customer or the beneficial owner is a politically exposed person;
 - (b) obtain senior management approval before establishing such business relationships; (or continuing,) such business relationships for existing customers;
 - (c) take reasonable measures to establish the source of wealth and the source of funds of the customer and beneficial owner identified as politically exposed person; and
 - (d) conduct enhanced ongoing monitoring on that relationship.⁵

Regulation 26 (2) provides for requirements relating to domestic PEPs and international organization PEPs. It provides that:

2. In relation to a domestic politically exposed person or a person who has been entrusted with a prominent function by an international organization, a reporting institution shall, in addition to performing the customer due diligence —
 - (a) take reasonable measures to determine whether a customer or the beneficial owner is a politically exposed person; and
 - (b) in cases when there is higher risk business relationship with such a person, adopt the measures in regulation 26 (1) (b), (c) and (d).

Regulation 26 (3) sets out requirements on life insurance policies. It provides that:

3. In relation to life insurance policies, a reporting institution shall —
 - (a) take reasonable measures to determine whether the beneficiary and the beneficial owner of the beneficiary is a politically exposed person at the latest, at the time of the payout;
 - (b) where higher risks are identified in addition to performing normal customer due diligence measures;
 - (i) inform senior management before the payout of the policy proceeds;
 - (ii) conduct enhanced scrutiny on the whole business relationship with the policyholder; and
 - (iii) consider making a suspicious transaction report.

Regulation 26(5) defines the term “PEP” and outlines categories of PEPs. It provides that:

4. In these Regulations, a politically exposed person means a person who has been entrusted with a prominent public function in Kenya or another jurisdiction, including:
 - (a) members of Cabinet;

⁵ *ibid*

-
- (b) senior executives of state-owned corporations;
 - (c) important political party officials;
 - (d) senior military officials and other senior members of the disciplined forces;
 - (e) members of the Judiciary;
 - (f) State Officers;
 - (g) senior Public Officers;
 - (h) senior Officials of International Organization;
 - (i) Heads of State or Government;
 - (j) any family member or close associate of a person referred to under this sub regulation; and
 - (k) any other category of persons as the Centre may determine.

The Financial Reporting Centre has so far not specified any additional category of PEPs for purposes of Regulation 26(5).

Regulation 26 raises a number of issues that require clarification and further elaboration, for ease of implementation.

3.2 The link between customer due diligence requirements and the specific requirements for PEPs

It is important to note that both Sub – Regulation 26(1) and (2) are instructive that application of PEPs requirements is in addition to performing CDD measures. Regulation 14 of POCAML Regulations sets out basic CDD requirements which institutions must apply:

- (a) when establishing initial business relations;
- (b) when undertaking occasional or one-off transactions;
- (c) when carrying out occasional transactions that are wire transfers in the circumstances covered by Regulation 32;
- (d) when there is cause to be suspicious of money laundering and terrorism financing;
- (e) when there is doubt about veracity or adequacy of previously obtained customer information including identification data.

Identification, verification, and ongoing due diligence requirements are critical processes an institution must carry out in order to ensure effective implementation of CDD requirements. Without proper and accurate identification and verification of the identity of a person, an institution may not discover that a person is a PEP or a beneficial owner is a PEP. A false start at CDD level is likely to lead to a failure to identify a PEP. This as a result affects the risk-based approach required in dealing with PEPs. Effective implementation of CDD requirements is therefore the first step in establishing the foundation for implementing PEP requirements.

The relationship between Regulation 14 on customer due diligence and Regulation 26 can be described in three steps as below:

Step 1: Full and effective implementation of Regulation 14 on customer due diligence

For foreign and domestic/international organization PEPs

- Implement effective CDD measures in line with requirements of Regulation 14.
- Customer due diligence requirements under Regulation 14 are the indispensable starting point for the effective implementation of PEPs requirements under Regulation 26.
- Regulation 26 imposes additional requirements for PEPs and these are outlined in Step 2 and 3.

Step 2: Determine if a customer is a PEP

For foreign PEPs	For domestic/international organisation PEPs
<ul style="list-style-type: none"> • Regulation 26(1)(a) of POCAML Regulations requires an institution to put in place risk management systems to determine whether a customer or the beneficial owner is a foreign PEP. • This means that proactive steps must be taken, such as assessing customers on the basis of risk criteria, risk profiles, the business model, verification of CDD information, and the institution's own research, to determine whether a customer or a beneficial owner is a foreign PEP. 	<ul style="list-style-type: none"> • Regulation 26(2)(a) of POCAML Regulations requires an institution to take reasonable measures, based on the assessment of the level of risk, to determine whether the customer or beneficial owner is a domestic PEP. • This means reviewing, according to relevant risk factors, CDD data collected pursuant to Regulation 14, in order to determine whether a customer or beneficial owner is a domestic PEP. • Determine the risk of the business relationship and, in low-risk cases, no further steps to determine if a customer is a PEP are required.

Step 3: Take risk mitigation measures

For foreign PEPs	For domestic/international organisation PEPs
<ul style="list-style-type: none"> • Apply the enhanced risk mitigation measures of Regulation 26 (1) in all cases. 	<ul style="list-style-type: none"> • In cases of a higher risk business relationship with the PEP, apply the enhanced risk mitigation measures of Regulation 26 (2).

Judging from the three steps above, the levels of risks between foreign PEPs and domestic/international organization PEPs are different. In respect of domestic PEPs who do not pose higher risk, there is no need to apply enhanced risk mitigation measures.

Nonetheless, it should be noted that a domestic PEP may not pose higher risk at a given time but the situation can rapidly change, warranting full application of enhanced risk mitigation measures set out in Regulation 26. Ongoing monitoring, reviewing and updating of customer risk profiles are therefore necessary to avoid unintended consequences with regards to domestic PEPs who have been assessed initially as not posing higher ML/TF risks, but the status changes in the course of time.

The overriding consideration in determining whether or not to establish a business relationship with a PEP or to continue with such relationship is the level of risk and whether the institution has adequate internal control measures to mitigate risks to ensure that the PEP does not abuse the institution for ML/TF purposes.

Customer due diligence conducted should guide in making the decision. The characteristics of the public functions of the PEP in question should be considered. It is, however, emphasized that the final decision on whether or not to establish or continue with a customer relationship with a PEP should be based on results of ML/TF risk assessment, even if other factors such as regulatory risk, reputational risk or commercial interests, are taken into account.

Institutions should consider whether they are exposed more to domestic PEPs, foreign PEPs or both. A small institution not having foreign customers and not exposed to international financial markets may properly establish that it is more exposed to domestic PEPs than foreign PEPs. Where a small institution not exposed to international financial markets finds itself dealing with a foreign PEP, it should find out the reasons why the foreign PEP seeks to start the relationship.

Institutions operating in an environment where corruption is an issue, such as the case in Kenya, should be alive to the risks posed by domestic PEPs. It is noted that corruption is perpetrated more often than not, through domestic PEPs together with their family members and close associates. While cases of domestic PEPs posing higher ML/TF risks than foreign PEPs may be more, institutions should not just focus on domestic PEPs only. The obligation to identify and verify identities of customers and beneficial owners who are foreign PEPs remains a key requirement under Regulation 14 and 26.

Where an institution suspects that funds forming part of a transaction may be proceeds of crime, the institution should file a suspicious transaction report (STR) with the FRC. This applies in all cases including cases where PEPs are involved.

3.3 Foreign PEPs

The difference between a foreign PEP and a domestic PEP lies in the country which has bestowed on the person prominent public function. Domestic PEPs are therefore persons who have been entrusted with prominent public functions by public bodies in Kenya. Regulation 26(1)(a) of POCAML Regulations requires institutions to put in place risk management systems to determine whether a customer or the beneficial owner is a foreign PEP.

The nature of risk management systems to be put in place depends on many factors including the nature of the institution's business, the nature of its customer profiles, expected transactions and on other ML/TF risk factors. An institution should therefore ensure that appropriate risk management system is in place to ensure effective identification of foreign PEPs.

Challenges in accessing information on foreign PEPs are noted, particularly on areas such as what a reasonable income would be for a foreign public official at a particular level or in a particular position. This may pose challenges at account opening stage and during monitoring of customer relationship. As a result, risk management systems should be put in place to address these risks at the account opening/CDD stage, and when existing foreign customers become PEPs.

Foreign PEPs are always considered a high-risk customer factor and enhanced due diligence measures should always be applied as in the case of higher-risk customers. The decision to establish a business relationship with a foreign PEP customer or to continue a relationship over time with such a person should be made at the level of senior management, and not at first-line or middle level management.

This should automatically set in the need for increased monitoring of the business relationship and the transactions in order to determine whether those transactions or activities appear unusual or suspicious. Institutions should also take reasonable measures to establish the source of wealth and the source of funds of foreign PEPs.

3.4 Domestic and international organization PEPs

As part of their customer due diligence process, institutions should establish whether a person/entity is a domestic or international organization PEP. They should take reasonable measures consistent with their internal controls to determine if a customer or beneficial owner is a domestic/international organization PEP. Upon determining that a customer is a PEP, institutions should undertake risk assessment of the business relationship based on the information collected under Regulation 14 in order to establish the level of risk posed by the domestic or international organization PEP. This should include gathering sufficient information on the nature and characteristics of the public function being performed by the PEP.

For international organization PEPs, the institution should seek to understand the business model of the international organization. Part of the information can be obtained directly from the PEP, the organization's website and other available and credible sources. An institution should use the widest sources of information as possible to enable it to reach an accurate conclusion.

In undertaking risk assessment, the institution should seek to establish if the business relationship will pose a higher risk. Some of the risk factors to be considered include:

- i) customer risk factors.
- ii) country risk factors.
- iii) product, service, transaction or delivery channel risk.
- iv) the nature of the prominent public function that the PEP has, such as his or her level of seniority, access to or control over public funds and the nature of the position held.

If the risk assessment establishes that the business relationship poses normal or low risk, then there is no need to apply enhanced due diligence measures. If the results of the risk assessment show that the business relationship will present or presents a higher risk, then the institution should apply the measures set out under in Regulation 26(2)(b) of POCAML Regulations and in particular:

- (a) obtain senior management approval before establishing the business relationships; (or continuing) such business relationships for existing customers.
- (b) take reasonable measures to establish the source of wealth and the source of funds of the customer and beneficial owner identified as PEP.
- (c) conduct enhanced ongoing monitoring on that relationship with senior management.

Institutions should be satisfied, based on reasonable measures that the domestic/international organization PEP is not a higher risk customer at the account opening stage or at a later stage.

Where an institution assesses a customer as a higher risk customer because of other risk factors, not relating to PEP status, then the enhanced due diligence measures which Regulation 14 requires to be applied, could lead to the establishment that the customer is a PEP, thereby leading to the application of enhanced measures under Regulation 26.

Institutions should not assume that risks for all domestic PEPs are the same. They should also not assume that the risks for domestic PEPs are always lower. A business relationship with a domestic PEP may initially not be high risk but it may at a later stage evolve into a higher risk status.

Institutions should therefore conduct ongoing due diligence on the business relationship, in accordance with Regulation 14, to ensure that they identify any changes to the risk of the customer relationship. If the risk changes to become high, then measures prescribed in Regulation 26 should be applied. In Kenya, where changes in appointments to public offices take place often, it is the responsibility of institutions to ensure that they keep abreast of all public appointments and changes in these appointments.

3.5 Identification of beneficial owners

Regulation 26 requires institutions to establish whether a customer is a PEP. A PEP could be the customer or the beneficial owner (BOs) of the corporate entity which is the customer.

Public officials engaged in proceeds generating activities may use legal persons, legal arrangements and other intermediaries to circumvent AML/CFT requirements and anti-corruption safeguards to hide their identity. They may use these third parties to open accounts, establish business relationships or conduct transactions.

In Kenya, legal persons have been used by public officers to commit proceeds generating predicate offences such as corruption, economic crimes and fraud. The Updated National ML/TF Risk Assessment, 2023 provides case studies in this regard.

<https://www.frc.go.ke/wp-content/uploads/2024/02/Update-on-NRA-of-ML-1-1.pdf>

When conducting CDD, institutions have a duty to identify the beneficial owner and take measures to independently verify the identity of BOs. Given the different categories of BOs as defined in law, institutions should note that there may be BOs who exercise ultimate effective control of a legal person or legal arrangement without any formal shareholding relationship or direct control of the third party/legal entity. Institutions should therefore device ways of identifying such persons.

Where there are grounds to believe that a beneficial owner is a PEP, then requirements of Regulation 26 should apply.

Whenever a person is acting on behalf of a beneficial owner (or is acting on behalf of a natural person), an institution should inquire about the reason for doing so. It might as well turn out that the beneficial owner of the customer is a PEP.

If the person who is acting on behalf of a PEP, or if a customer or beneficial owner is identified as a family member or close associate of a PEP, then the requirements for PEPs under Regulation 26 should equally apply to such a person.

3.6 Beneficiaries of life insurance policies

FIs should take reasonable measures to determine whether the beneficiaries of a life insurance policy and/or, where required, the beneficial owner or the beneficiary are PEPs. This should occur at the latest at the time of the pay out and should be covered by the internal controls of the financial institution. The financial institution that processes payments purporting to be from life insurance policy pay-outs should apply risk-based monitoring of such payments to determine if the recipient of the funds is a PEP.

Where higher risks are identified, FIs should be required to inform senior management before the pay out of the policy proceeds, to conduct enhanced scrutiny on the whole business relationship with the policyholder, and to consider making a suspicious transaction report.

3.7 Obligations to apply enhanced due diligence measures on higher risk persons

In their AML, CFT and CPF risk assessments and in their risk-based approach, institutions should take into account NRA findings on the level of risk relating to legal persons, legal arrangements, real estate, lawyers and high proceeds generating predicate offences particularly corruption, economic crimes, fraud and forgery. Institutions should pay keen attention to transactions involving public funds. Similarly, institutions should pay keen attention to customers who are PEPs including their family members and close associates.

Institutions should further take into account customers whose beneficial owners are PEPs. Institutions are reminded of the mandatory requirements of Regulation 20(2) of POCAML Regulations which oblige institutions to apply the following measures where higher risks have been identified at national, sectoral or institutional levels:

- (a) applying enhanced measures to manage and mitigate the identified risks.
- (b) ensure that the information is incorporated into its risk assessments.

PEPs are known to pose higher risks and are therefore covered under Regulation 20(2). In their institutional risk assessments required by Regulation 7 of POCAML Regulations, institutions should take into account ML/TF NRA findings and their application to PEPs.

It is against this background that the CBK issues this Guidance to guide institutions on the implementation of PEP requirements of AML/CFT laws.

PART IV: IDENTIFICATION OF PEPs

Regulation 26 (5) identifies categories of persons who are regarded or deemed to perform prominent public function and are therefore considered as PEPs. These include:

- (a) Members of Cabinet.
- (b) Senior executives of state-owned corporations.
- (c) Important political party officials.
- (d) Senior military officials and other senior members of the disciplined forces.
- (e) Members of the Judiciary.
- (f) State Officers.
- (g) Senior Public Officers.
- (h) Senior Officials of International Organization.
- (i) Heads of State or Government.
- (j) Any family member or close associate of a person referred to under this clause.
- (k) Any other category of persons as the FRC may determine.

FRC has so far not specified additional PEPs for purposes of Regulation 26.

While the names outlined in Regulation 26(5) may sound familiar, the true scope of the public offices falling under the specified PEP categories may be extensive. Institutions have a responsibility to unpack the list and determine with accuracy and completeness, all public officers covered under the offices cited. CBK has made an effort to unpack the list, though with no finality or exhaustiveness.

(a) Members of Cabinet

Article 152(1) of the Constitution provides a list of members of the Cabinet and these are: the President, Deputy President, Attorney General (AG) and Cabinet Secretaries. Appointment of persons to these positions is usually gazetted in Kenya Gazette hence there is no challenge in identifying the officeholders at any given time. Institutions should update their PEP database whenever changes occur to these positions.

(b) Senior executives of state-owned corporations

Institutions should take note of the definition of “state corporation” under Section 2 of the State Corporations Act (Cap 446 of the Laws of Kenya). Some state corporations may be established by statute while some state corporations may be established through Government shareholding in companies incorporated under the Companies Act.

The Regulations do not provide a definition of “senior executive”. This is because of the different set-ups in different state corporations. Consistent with this approach, CBK does not advocate for a closed list. However, some examples of senior executives of state-owned corporations include chair of the board, directors of the board, directors in senior management, board secretary, chief executive officer (CEO), head of procurement/ supplies, head of finance, head of budget, amongst others. Deputies in these offices fall under the same category.

Different state corporations have different terminologies for some of the offices. A proper risk assessment by an institution should determine whether a particular office within a state corporation should be treated as a senior executive office. Institutions should consult relevant Government bodies and other credible and reliable sources to determine true status of a Government body or office, and the officeholders thereof. Developing a clear and comprehensive database of the offices is strongly advised.

(c) Important political party officials

Kenya is a Multi-Party Democracy and to this end, there are many political parties in operation. Some are standalone political parties while others are coalition parties. Some are Parliamentary parties by virtue of having Members of Parliament in the National Assembly and Senators in the Senate respectively, while others are not.

Some political parties get funded through funds provided by Parliament while others fund their own activities. A number of political parties raise funds through member subscriptions and/or contributions. Some political parties are in the Majority while others are in the Minority. Officials of political parties especially the Majority or coalition party exert a lot of influence within Government circles.

The Regulations do not break down political party structures to enable institutions determine or identify “important political party officials” within a political party. Here again, CBK cannot provide an exhaustive list but can only give examples. Article 91(1)(b) of the Constitution requires every political party to have a governing body. As noted in Section 9(1A) of the Political Parties Act, political parties have organs, bodies and committees.

It is the responsibility of an institution to look at the structure of a political party and determine which organs, bodies and/or committees of the party fall within the terminology “important political party office”. For example, members of the governing body should be treated as important political party officials and are therefore PEPs. A risk assessment by an institution should determine whether officials that handle party funds, nominations, elections, procurement/supplies, dispute resolutions and/or other key roles should be treated as PEPs.

(d) Senior military officials and other senior members of the disciplined forces

The Regulations have left the list of senior military officials and senior members of the disciplined forces open. It is however envisaged that these are positions of influence. Section 149 of the Kenya Defence Forces (KDF) Act provides that *“For purposes of this Act, the appropriate superior authority is the Chief of the Defence Forces, Service Commander or such officer, not below the rank of Lieutenant-Colonel or corresponding rank, as may be prescribed but an officer of a prescribed rank shall not be the appropriate superior authority for the purposes of a case in which the accused is above the prescribed rank.”* This Section provides a glimpse of the levels of seniority within the KDF ranks.

For purposes of this Guidance, a position in the KDF from the rank of Lieutenant-Colonel would be deemed senior and should be subjected to PEPs requirements. This should not preclude an institution from going even lower depending on its risk assessment of a particular person holding a particular rank which may be lower than the rank of Lieutenant-Colonel.

Institutions should assess the various levels of seniority within the National Police Service, and determine whether positions above or below the rank of Chief Inspector should be deemed senior for purposes of PEPs requirements. Reference should be made to Sections 4, 22 and 25 of the National Police Service (NPS) Act and the First Schedule to the Act which set out the ranks within the NPS. Institutions should note that in some cases, officers below the rank of Chief Inspector are allocated duties which require them to handle public funds, especially in far flung outstations.

Institutions should also establish the identity of other disciplined forces within the Kenyan Government, assess the organizational structures and determine, with such flexibility as possible, taking risks into account, positions which should be treated as senior. Just like in other offices, holders of positions overseeing funds, finance, procurement, recruitment, key service areas, among others should be properly risk weighted.

(e) Members of the Judiciary

Chapter Seven of the Constitution sets out the structure of the Judiciary. As per Article 161(1) of the Constitution, the Judiciary consists of the judges of the superior courts, magistrates, other judicial officers and staff. The Judiciary is headed by the Chief Justice and deputized by the Deputy Chief Justice. The Chief Registrar of the Judiciary is the accounting officer of the Judiciary.

Judges of the Supreme Court, Court of Appeal and High Court are all members of the Judiciary. This applies also to other judges who occupy positions equal in rank to that of the High Court. Magistrates preside over subordinate courts and are the highest in number of the key judicial officers in Kenya. There are standing and ad hoc tribunals presided over by persons who are judicial officers or occupy positions similar to that of a judge or a magistrate. They should be treated as members of the judiciary.

Article 161(1) of the Constitution refers to “other judicial officers and staff”. This is quite broad. Institutions should therefore determine which other judicial officers and staff should fall within the definition of a PEP. Institutions should develop a comprehensive list of members of the Judiciary, guided by the definitions in the Constitution to ensure that all members of the Judiciary are covered by PEPs risk management frameworks. Risk assessment by the institution officers should determine which of the members of the Judiciary pose a higher risk, warranting enhanced due diligence measures.

(f) State Officers

The term “state officer” is defined under Article 260 of the Constitution as follows:

“State officer” means a person holding a State office;

The term “state office” is defined under Article 260 of the Constitution to include the following offices:

- (a) President
- (b) Deputy President
- (c) Cabinet Secretary
- (d) Member of Parliament
- (e) Judges and Magistrates
- (f) Member of a commission to which Chapter Fifteen of the Constitution applies
- (g) Holder of an independent office to which Chapter Fifteen of the Constitution applies
- (h) Member of a county assembly, governor or deputy governor of a county, or other Member of the executive committee of a county government
- (i) Attorney-General
- (j) Director of Public Prosecutions

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- (k) Secretary to the Cabinet
 - (l) Principal Secretary
 - (m) Chief of the Kenya Defence Forces
 - (n) Commander of a service of the Kenya Defence Forces
 - (o) Director-General of the National Intelligence Service
 - (p) Inspector-General, and the Deputy Inspectors-General, of the National Police Service
 - (q) An office established and designated as a State office by national legislation Chapter Fifteen of the Constitution applies to the following Commissions as set out in Article 248(2) of the Constitution:
 - (i) Kenya National Human Rights and Equality Commission
 - (ii) National Land Commission
 - (iii) Independent Electoral and Boundaries Commission
 - (iv) Parliamentary Service Commission
 - (v) Judicial Service Commission
 - (vi) Commission on Revenue Allocation
 - (vii) Public Service Commission
 - (viii) Salaries and Remuneration Commission
 - (ix) Teachers Service Commission
 - (x) National Police Service Commission

Members of these Commissions are state officers as per Clause (f) above on the definition of “state office.”

Chapter Fifteen of the Constitution applies to the following Independent Offices as set out in Article 248(3) of the Constitution:

- (i) Auditor-General
- (ii) Controller of Budget

Members of these two Independent Offices are state officers as per Clause (g) above on the definition of “state officer.”

Holders of state offices are automatic PEPs. It should be noted that a number of state officers listed under Article 260 of the Constitution are listed independently as PEPs under Regulation 26(5) of POCAML Regulations. Institutions should take note of this overlap and should develop a clear list of categories of PEPs which is devoid of the overlaps.

For example, President, Deputy President and Cabinet Secretaries listed in Article 260 as state officers are members of the Cabinet and are referred to independently as such under Regulation 26(5)(a) of POCAML Regulations, yet Regulation 26(5)(f) lists state offices as PEPs in a general term.

Industry associations may consider spearheading the development of a comprehensive list of PEP offices and ranks of senior officers deemed to be PEPs, for the reference and use by institutions. This will significantly resolve the problem of a number of PEPs not being included in the database of institutions because they have not been identified as such. It is easier to identify an individual holding a public office once you have identified the public office. Failure to identify the public office automatically leads to failure to identify the holder of the office as a PEP. This compromises compliance with PEP requirements.

(g) Senior Public Officers

The term “public officer” is not defined in the Regulations. The term is, however, defined in Article 260 of the Constitution as follows:

“public officer” means —

- (a) any State officer; or
- (b) any person, other than a State Officer, who holds a public office;

The term “public office” is defined in Article 260 of the Constitution as:

“public office” means an office in the national government, a county government or the public service, if the remuneration and benefits of the office are payable directly from the Consolidated Fund or directly out of money provided by Parliament.”

This definition provides sufficient guidance to institutions on what constitutes a public office. Not every holder of a public office is a PEP. Only those entrusted with prominent public functions and are “senior public officers”. Whether a particular public officer is a senior public officer performing a prominent public function is left to the risk assessment and judgment of an institution. Institutions ought to know which public offices exist at national level, county level and public service.

In addition, institutions ought to know whether a particular public office gets its funding from the Consolidated Fund or directly out of money provided by Parliament. There are some public bodies which exclusively generate their own funds such as the Central Bank of Kenya. There are also some public bodies which get partial funding from their own resources and Government funding. There are those public bodies that exclusively rely on Government funding. Institutions should therefore analyse the budget process of public bodies and how they are funded.

Part of this information can be obtained from the constitutive instruments such as statutes or directly from the public bodies in question. Where a public body funds its operations exclusively from its own generated funds but has the leeway under its law to get funding from the Government, such a public body falls under the category defined here as a public office.

(h) Senior Officials of International Organizations

The Regulations have not given any glimpse of the organizational structures of international organizations, given the different structures in different international organizations. Titles for functional units are also named differently. Level of seniority with the international organizations are also different.

To get a full understanding of the organizational structure of an international organization, institutions should request and obtain from them, information on their organizational structures and business models, as well as the type of functions that their senior management is entrusted with.

They should also obtain information, where relevant, the type of institutional measures taken by an international organization to prevent the misuse of the functions. Institutions may also

obtain information from other sources including websites of international organizations, internet and other credible sources. Institutions should then assess the level of seniority within a particular international organization to which PEP requirements should apply. The requirement for risk assessment in each case is emphasized.

(i) Heads of State or Government

Under Article 131(1)(a) of the Constitution, the President is the Head of State and Government. In some jurisdictions, the Head of State is different from the Head of Government. Similarly, in some jurisdictions, terminologies for these two offices are different. Terms like Prime Minister, King, Queen, Governor, among others are used in some jurisdictions. When dealing with foreign PEPs, institutions should take into account the different political structures obtaining in those jurisdictions. Diverse information sources may be used to obtain the required information.

(j) Family members of a PEP

POCAML Regulations do not define the scope of family members covered. This is influenced by the social-economic and cultural structures within Kenya where the concept of “family member” is understood differently in different cultures. In some cultures, the family comprises of the father, mother and children, while in others, family membership extends to grandparents, grandchildren, cousins, nephews, aunts, among others. Yet in other cultures, a clan or a sub-clan can be considered as a family.

It should be noted that families are established through consanguinity (blood relations) or marriage. Kenya permits various forms of marriages as set out under the Marriage Act and these include Christian marriages, civil marriages, customary marriages, marriages under Hindu Law and marriages under Islamic Law. Under customary marriages, one man can have many wives. These are called polygamous marriages.

Under Section 2(2)(b) of the Banking Act, a family member is defined to include a parent, spouse, brother, sister, child, uncle, aunt, nephew, niece, stepfather, stepmother, stepchild, adopted child and adopter. The list is not exhaustive but is only indicative of the scope of family membership, in the context of this Guidance.

Institutions should understand the concept of family within different cultures from which their customers come. As a starting point and a guide; and for purposes of implementing PEP requirements relating to family members, a family member should be considered to include a parent, spouse, brother, sister, child, grandparent, grandchild, uncle, aunt, nephew, niece, cousin, mother-in-law, father-in-law, sister-in-law, brother-in-law, stepfather, stepmother, stepchild, adopted child and adopter. Institutions should ensure at all times that all family members of PEPs are identified and treated as PEPs and dealt with accordingly, on a risk-based basis.

Challenges in identifying family members of a PEP are noted. Institutions should therefore use their best endeavours to obtain all relevant information on family members of PEPs from all sources, including the PEP himself.

CDD information requested at the time of establishing business relationship with a PEP is critical in lessening the challenges in identifying family members of PEPs. Similarly, CDD information requested from individuals at account opening or when updating CDD records should help in revealing relationships with PEPs. Institutions should therefore re-look at their CDD data collection forms to ensure that they capture information necessary to identify PEPs, family members and close associates of PEPs.

Institutions should remain cognizant of the fact that PEPs tend to use family members to hold or move the proceeds of crime, or facilitate their placement and disguise, as well as for terrorist financing purposes.

(k) Close associates of PEPs

Regulations do not define the term “close associates”, neither do they give guidance on how these associates should be identified. For purposes of this Guidance, close associates include known sexual partners outside the family unit (e.g. girlfriends, boyfriends, mistresses); prominent members of the same political party, civil organization, labour or employee union as the PEP; business partners or associates, 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)⁶.

Institutions should note that close association may be brought about by circumstances outside those described in this paragraph. In the case of personal relationships, the social, economic and cultural context may also play a role in determining how close those relationships generally are. Relationships established through employment, religious activities, educational activities, political activities, social activities and cultural activities involving the PEP and the associate should be taken into account.

Identifying close associates of PEPs may be challenging. Institutions should therefore employ all means possible to identify the associates. The initial step is for the PEP to disclose this information to the institution in his CDD information, based on the parameters provided in this Guidance and those that may be specified by the institution.

Institutions should also refer to other sources including public registries such as company registry, land registries, for any useful information. Information from newspaper publications, government publications (e.g. Kenya Gazette), internet sources including social media should not be ignored, however additional corroboration is more reliable.

For the assessment of risk, it is the links between the close associate and/or family member with the PEP that determine the level of risk.

FIs may not have first-hand information on cultural contexts of Foreign PEPs. Sources such as other FIs within the same financial group, internet and other relevant sources may be consulted for useful information.

As to when a family member or close associate should cease to be considered to be a PEP, on account of the PEP having ceased to hold a prominent public function, this depends on the level of risk still being posed by the PEP who has ceased to hold a prominent public function.

The close associate of a domestic PEP should be treated as a domestic PEP, even if that associate does not qualify as a PEP in his/her own right, for as long as the status of the domestic PEP remains.

⁶ FATF Guidance on Politically Exposed Persons (Recommendations 12 and 22), June 2013

If an institution establishes that a domestic PEP has family members or close associates, the institution should take steps to establish from its records whether it is providing financial services to such persons (family members and close associates). If so, the institution should treat the family members and close members as PEPs and should apply enhanced due diligence measures, where a higher risk has been established.

(l) PEPs at County Level

The Mutual Evaluation Report of Kenya noted that institutions do not identify all PEPs at regional and county levels. County Governments are a creation of the Constitution and operate under specific statutes. Institutions have a responsibility to understand government structures at county levels, based on the Constitution, relevant laws and their operations.

Institutions need to understand the nature of public offices existing at county levels and their functions. County Governments have governing structures almost similar to the structures at the National Government, though different terminologies are used.

While the CBK cannot exhaustively list the public offices within county governments to which PEP requirements should apply, institutions are advised to consider key offices such as those of Governor, Deputy Governor, county secretary, county executive committee members (CECs), county assembly members, speaker of county assembly, clerk of county assembly, members of county public service board, chief officers, directors, amongst others.

Heads of finance, procurement/supplies and key service delivery units are persons to be considered for PEP status. County governments receive public funds annually, as allocated by Parliament. Due to the potential risk of these funds being used for money laundering, institutions should broaden their oversight to ensure that all officers who handle or influence the management of county funds are appropriately risk-rated. Appointments to these county offices should be closely monitored and timeously updated whenever changes occur.

(m) What constitutes a prominent public function?

The law does not define what constitutes a prominent public function. This may be intentional as this depends on the size (e.g. number of staff, size of the budget), particular organizational framework of government or international organization concerned, and the powers and responsibilities associated with particular public functions and other factors that are considered as part of the risk assessment under Regulation 7 of POCAML Regulations.

An institution should identify the specific levels and types of PEPs which pose a higher risk. Regulation 26 describes positions covered by the Regulation as “senior”. Middle ranking or more junior individuals in the categories described in Regulation 26(5) are explicitly excluded from consideration as PEPs. But middle ranking and more junior officers could act on behalf of a PEP to circumvent AML/CFT controls. This fact should therefore be taken into account as part of customer risk factor, during risk assessment and when processing a transaction on behalf of a PEP.

In determining the level of seniority to qualify as a PEP, institutions may consider the types of responsibilities that are sufficiently prominent (e.g., final approval over government procurement processes, responsibility for budgetary spending over a certain amount, decision making powers, among others)

Institutions have challenges in accessing information relating to foreign PEPs, hence do not have first-hand knowledge of foreign PEP's domestic situation. This information may be available from other institutions within the same financial group structure which are doing business in the foreign country or, alternatively, through the internet or other relevant sources.

International organizations could also provide information on their organizational structures and business models as well as the type of functions that their senior management has been entrusted with. Where relevant, international organizations could also provide information on the type of institutional measures taken to prevent the misuse of the senior management functions.

(n) Time limits of PEP status

Regulation 26(5) defines a PEP to mean *“a person who has been entrusted with a prominent public function in Kenya or another jurisdiction”*. This creates the possibility that a person may have been a PEP by virtue of holding a prominent public function but may no longer be performing the same or a similar role. The language of Regulation 26 is open-ended, meaning “once a PEP, remains a PEP”. This may cause confusion as to whether risk-based approach applies to PEPs, especially ex-PEPs and their families and close associates.

The handling of a person who is no longer entrusted with a prominent public function should be guided by the risk assessment conducted on the business relationship with that person. An institution should assess ML/TF risks of a PEP who is no longer entrusted with a prominent public function and put in place adequate measures to mitigate the risks. Factors to consider include:

- i) level of informal influence being exerted by the PEP who is no longer holding a prominent public function.
- ii) The level of seniority of the position the person held.
- iii) Whether the person's current functions and former functions are linked in any way.

Time limit should not be a basis for determining when a person should cease to be a PEP. PEPs should generally still be classified as a PEP 12 months after they leave office and this then applies to close associates and family members. Financial institutions should, after the 12-month period, conduct and formally document a risk assessment evaluating the former PEP's residual influence, connections, and overall risk profile. The outcomes of the risk assessment should inform how the financial institutions should treat the former PEP, his family members and close associates.

Where the former PEP is determined to pose no more risk, he should be subjected to ordinary on-going monitoring as required under the law.

Over time, assessment of the risk posed by the ex-PEP, close associates and family members - should continue to be applied and then a risk-based approach applied where the ex-PEP, family member and close associate's risk level may fluctuate upwards (stay at high) or downwards (medium or low).

(o) Use of sources of information for the determination of PEPs, their family members and close associates

Establishing whether a customer or a beneficial owner is a foreign PEP can be challenging due to scarcity of information. Establishing whether a customer of an institution has become a PEP since the business relationship began can also be challenging. In some instances, an institution may come to know that a customer is a PEP but fail to apply enhanced due diligence measures because of business interests.

Customer due diligence is the key source of information for determining whether an applicant is or an existing customer has become a PEP. Establishing the occupation or employment of a person is a key factor in determining whether a person is a PEP or not. Obtaining information on source of funds and source of wealth may also point to the possibility that a person is a PEP.

Institutions should also use other sources of information to determine if a person is a PEP, especially in the case of foreign PEPs. Where all risk factors are considered, an institution should be able to establish whether a person is a PEP or not. Risk management systems or other internal control mechanisms should draw on a range of sources for establishing ML/TF risk and take this information into account. That is local, regional and international sources including publications by reputable bodies are useful.

(p) Ongoing Monitoring and Updating CDD Information

Institutions should put in place measures that enable effective and ongoing risk-based monitoring of a customer's status/profile and account activities so that an institution is able to detect quite early if the status/profile of a customer has changed since establishing the business relationship. Where a customer becomes a PEP after establishing a business relationship, an institution should take measures required by Regulation 26.

CDD information should be updated periodically to ensure that an institution's knowledge of a customer is as current as possible and covers the customer's business, risk profile and source of funds.

(q) Training of Staff or Employees

Effective implementation of PEP requirements requires a good understanding of the business of an institution, AML/CFT requirements/obligations, an effective risk management framework and an effective AML/CFT compliance regime. Understanding legal requirements relating to PEPs is key.

Undertaking proper CDD is mandatory. Additionally, undertaking risk assessments to establish customer PEP status and the level of risk cannot be overstated. Putting in place effective internal control measures that enable mitigation of risks posed by PEPs is necessary. Understanding and applying ML/TF red flags relating to PEPs is equally important. Applying enhanced due diligence measures on foreign PEPs and higher risk domestic/international organization PEPs is obligatory.

Ongoing employee training is necessary to enable an institution and its employees comply with PEP requirements described above. The training programme should include effective ways of determining whether customers are PEPs and to understand, assess and handle the potential risks associated with PEPs. The training should also use real life case studies and examples for deeper understanding of current PEP situation in the country. Human touch and approach should be adopted in these trainings.

PART V: SOURCES OF INFORMATION

5.1 Internet and media searches

FIs frequently use the internet and media as sources of information for the determination, monitoring, verification of information in relation to PEPs. While doing so, institutions should take note that information from these sources may sometimes not be comprehensive or reliable.

Media and internet searches should be combined with other searches to make the information more reliable and conclusive. Where possible and practicable, AML-specific websites may be referred to as they are more targeted and purposeful. Social media searches such as Facebook and LinkedIn may reveal useful information about a customer. An ordinary internet search can enable an institution to establish which countries prohibit certain PEPs from opening foreign accounts.

5.2 Commercial databases

Commercial databases may be used as sources of information. This is however left largely to institutions to decide based on their ability to meet the subscription costs.

The mutual evaluation of Kenya noted the use of commercial databases such as World Check, Dow Jones, Arachis, Veritas and Lexus Nexus by large institutions to screen PEPs. While this is encouraged, institutions should not transfer subscription costs to the customers.

It should however be noted that commercial databases may not have full information on PEPs, particularly domestic PEPs due to lack of full knowledge of these PEPs by the operators of the databases. Parameters used to designate persons as PEPs may also not be known or consistent with parameters used in Kenya. It may also not be clear where they get their data.

There may be PEPs in Kenya whose names are not in these databases. This should not lead to the conclusion that they are not PEPs.

In view of the highlighted limitations, use of commercial databases should be in addition to use of other information sources including the traditional CDD. Institutions should ensure that they do not rely on incomplete, inaccurate, or misleading information.

5.3 In-house PEP databases and information sharing within financial groups or countries

An institution should develop an in-house PEP database, based on the categories of PEPs described in this Guidance. The database should be updated from time to time taking into account changes that take place in the officeholders of the public offices and sometimes, reconstitution, re-organization or restructuring of the public offices. This is the only way to ensure that an institution covers in its database at all times all PEPs, particularly domestic PEPs.

Financial groups have the discretion to share PEP information within the group. For international financial groups, this is very useful, especially when it comes to dealing with foreign PEPs. Reliance on information on a group member operating in a jurisdiction where the foreign PEP resides, provides more reliable information than other sources such as internet and commercial databases. The group member may also provide information on the level of corruption in a particular country.

5.4 Customer self-declarations on PEP status

Customers may voluntarily disclose holding positions or having held positions which qualify them as PEPs. It is the responsibility of institutions to pose direct questions to customers at account opening stage or in the course of a business relationship whether they are or have held specified positions in Government or international organisations, by requiring knowledge from the customer of current and previous occupations.

Customer on-boarding documents should be appropriately designed to enable applicants provide this information. Where an institution discovers that a customer has provided false information, the institution should take action and his transactions should be closely monitored, consideration about submitting an STR should be noted and where suspicion is identified about the false information, submit a STR to the FRC.

Institutions should not rely solely on customer declarations on their PEP status. It is the responsibility of the institution to establish whether an applicant or customer is a PEP or not. Use of well-trained staff to gather information and to interview applicants and customers is important.

PART VI: APPLICATION OF ENHANCED DUE DILIGENCE MEASURES ON FOREIGN PEPs AND DOMESTIC AND INTERNATIONAL ORGANISATION PEPs

6.1 Enhanced due diligence measures

Institutions should have an in-depth understanding of the requirements of Regulation 26 (PEPs), Regulation 9 (policies and procedures), Regulation 10 (customer due diligence),

Regulation 7 (risk assessment), Regulation 11 (internal control obligations), amongst others to enable effective implementation of PEP requirements.

Foreign PEPs are always considered as high risk and should be subjected to enhanced due diligence measures at all times. In respect of domestic and international organization PEPs, only those domestic and international organizations PEPs which have been determined to pose higher risk should be subjected to enhanced due diligence measures. In both cases, the enhanced due diligence measures to be applied include:

- (i) put in place risk management systems to determine whether a customer or the beneficial owner is a PEP.
- (ii) obtaining additional information on the customer.
- (iii) obtaining additional information on the intended nature of the business relationship, and on the reasons for intended or performed transactions.
- (iv) senior management approval before establishing a business relationship or continuing with an existing business relationship.
- (v) taking reasonable measures to establish the source of wealth and the source of funds of the customer and beneficial owner identified as a PEP.
- (vi) conducting enhanced ongoing monitoring of the business relationship, potentially by increasing the number and timing of controls applied, and identifying patterns of transactions that warrant additional scrutiny.

Institutions should note that even though they may know a particular PEP very well, this should not provide a justification not to apply enhanced due diligence measures.

6.2 Obtain senior management approval

The Regulations do not define the level of senior management from which approval should be sought before establishing a business relationship with a PEP or continuing with an existing relationship. What constitutes senior management requires a risk-based approach and depends on the size, structure, and nature of the institution.

The main objective of this requirement is to ensure more senior people within the institution become aware of the business relationship and sufficient controls are put in place to guard against a PEP using an institution to launder money or finance terrorism. The senior management persons involved should have a deeper understanding of the institution's AML/CFT programmes (i.e., the internal control programmes), and a strong understanding of the potential or existing customer's ML/TF risk profile. They should be sufficiently trained on AML/CFT.

An institution may have a committee or structure within which senior management approval obligations are discussed and executed. Senior management should have a process to actively consider ongoing approval to maintain a PEP business relationship and manage the termination of a business relationship, as and when this is necessary. All these processes should be part of the internal control programs of an institution, as required by Regulation 11 of POCAML Regulations. Internal compliance manuals should be tailored to the type of business and PEP customers that an institution does business with.

6.3 Source of wealth and source of funds

The terms “wealth” and “funds” are not synonyms. The term “source of wealth” refers to the origin of the PEP’s entire body of wealth (i.e., total assets). It gives an indication of the volume of wealth a customer may be expected to have. This information may also give a picture of how the wealth was acquired and when it was acquired.

The term “source of funds” refers to the origin of the particular funds or other assets which are the subject of the business relationship between the PEP and the institution (e.g., the amounts being invested, deposited, or wired as part of the business relationship). An institution should seek to know how the funds were acquired or where the funds came from and the reasons for which the funds were acquired.

When conducting ongoing due diligence on a PEP, it is important for an institution to ensure that the level and type of transactions of a PEP are consistent with the institution’s knowledge of the PEP’s source of wealth and source of funds. Any deviation on the level and type of transactions should be a red flag, warranting attention and action by the institution.

The aim is to ensure that the reason for the business relationship is commensurate with what one could reasonably expect from the PEP, given his/her particular circumstances. An institution should take into account: the current income of the PEP; sources of wealth and funds which could be explained from previous positions, business undertakings, and family estates.

Deviations from knowledge of a PEP’s level and type of transactions should prompt further assessments of the situation. The outcomes of that assessment should determine if the business relationship is to be established or maintained, or whether further steps would be necessary, such as termination of the business relationship and/or filing STRs to the FRC.

Institutions should enquire into how much wealth a PEP has or controls. This information should be voluntarily disclosed by the PEP. Institutions can rely on the publicly available sources of information to verify accuracy of a customer’s declaration on source of wealth and source of funds. These include publicly available property registers, land registers, company registers, past transactions (in the case of existing customers), and other sources of information about legal and beneficial ownership, where available.

Internet searches may also reveal very useful information. Personal social media sites may also be helpful in getting relevant information about the PEP’s wealth and lifestyle and about their official income. Discrepancies between a customer’s declaration and information from other sources may be a pointer to ML suspicion and should not be disregarded and should be considered as to whether it meets the threshold of suspicion and a STR being reported to the FRC.

When trying to establish source of wealth and funds, institutions should focus on wealth or funds whose sources can be explained, rather than what is expected. It should not be presumed that PEPs are expected to have huge wealth and funds. This may lead to an institution failing to apply the desired enhanced due diligence measures on a PEP.

6.4 Conduct enhanced ongoing monitoring of the business relationship

It should be noted that the monitoring is conducted on an ongoing basis in relation to foreign PEPs and higher risk domestic and international organization PEPs. Automated monitoring would enable continuous and timely monitoring.

CDD information should be linked to an electronic monitoring system. Smaller institutions not having automated monitoring systems may have to monitor PEP transactions manually. This has the risk of an institution failing to identify PEP transactions which should be flagged out as suspicious. This may expose an institution to compliance risk.

Institutions should have systems in place that enable effective enhanced ongoing monitoring of the business relationship. When assessing the ML/TF risk level of a relationship with a domestic/international organization PEP, institutions should take into account such factors as whether the PEP:

- has business interests which are related to his/her public functions (conflict of interest).
- is involved in public procurement processes; whether the PEP holds several (related or unrelated) prominent public functions which may enable influence to be exerted at several key decision-making points in a process, especially in spending departments.
- is from a country which has been identified by the FATF or others as having strategic AML/CFT regime deficiencies or is known to have a high level of corruption.
- has a prominent public function in sectors known to be exposed to corruption levels.
- has a prominent public function that would allow him/her to exert a negative impact on the effective implementation of AML/CFT requirements.

Some red flags and indicators of suspicion are provided as **Annex I** to this Guidance.

6.5 Domestic and international organization PEPs when not higher risk

When the risk assessment establishes that a domestic/international organization PEP does not pose higher ML/TF risk, he/she should be treated like an ordinary customer. The institution should apply the normal CDD requirements and monitoring. But his/her non-high risk PEP status may change in the course of the business relationship, for example, due to an appointment to a different public office which requires him/her to perform a prominent public function.

In the course of the business relationship with that customer, his circumstances may change, warranting his change of status to a higher risk PEP. Monitoring is therefore key especially if the PEP is initially found not to present higher risk, to ensure that any change in status is recognized in time.

Institutions should therefore implement internal controls which are sufficient to mitigate the higher level of risk in all cases and situations. Where an institution is not able to implement internal controls sufficient to mitigate risks, the institution may consider declining or terminating a business relationship with a PEP. Suspicious transactions should be reported to FRC.

PART VII: FILING SUSPICIOUS TRANSACTION REPORTS ON PEPs AND IMMUNITY FROM PROSECUTION

There are some PEPs who have immunity from prosecution by virtue of the public office they hold. These include heads of state and diplomats. While Heads of State and diplomats enjoy immunity from criminal prosecution, it is emphasized that the obligation of an institution to conduct enhanced due diligence measures on such PEPs remains unchanged. By applying enhanced due diligence measures on PEPs that have immunity, institutions are able to establish other accomplices such as family members and close associates who do not enjoy immunity and ought to be prosecuted for ML/TF activities. An STR can trigger investigations of other persons who are involved in criminal activity and who could be prosecuted immediately.

PART VIII: CONCLUSION

This Guidance provides a practical approach to the implementation of Regulation 26 of POCAML Regulations and related Regulations. Institutions are strongly advised to refer to the Guidance to improve their understanding of PEPs requirements and to strengthen their PEPs compliance regime. It is recommended by the Central Bank of Kenya, that institutions also read in conjunction with this guidance, Beneficial Ownership Guidance and CDD Guidance also issued by the Central Bank of Kenya.

PART IX: EFFECTIVE DATE

The effective date of this Guidance shall be September 1, 2025.

PART X: ENQUIRIES

Enquiries on any aspect of this guidance should be referred to:

Director,

Bank Supervision Department Central Bank of Kenya

P. O. Box 60000 – 00200

Nairobi

Tel: +254-20-2860000 Email: fin@centralbank.go.ke

ANNEX I

PEPS RED FLAGS / INDICATORS FOR SUSPICION

INTRODUCTION

The determination that a customer is a PEP is not an aim in itself but forms part of the process that enables FIs to assess the different types of higher risks related to PEPs.

Determining that a customer is a PEP does not absolve FIs of further ongoing due diligence specifically tailored to the fact that the client is a PEP.

Being a PEP does not prejudice a link to criminal activities or equate to being a criminal and / or subsequent abuse of the financial system. Similarly, the fact that a person is a domestic/international organisation PEP does not automatically imply that he/she poses a higher risk. FIs need nevertheless to be aware of the risks that a PEP may abuse the financial system to launder illicit proceeds, and FIs need to be aware of the red flags / indicators that can be used to detect such abuse.

The FATF has developed a collection of red flags / indicators that can be used to assist in the detection of misuse of the financial systems by PEPs during a customer relationship. This list of red flags / indicators is relevant to detect those PEPs that abuse the financial system and does not intend to stigmatize all PEPs. Often, matching one or more of these red flags / indicators may only raise the risk of doing business with a customer (red flags, risk factors), and several red flags may need to be met to create suspicion. However, in some cases and depending on the specific circumstances, matching just one or more of these red flags / indicators will directly lead to a ML suspicion (indicators of suspicion).

These PEP red flags are not an exhaustive list and are complementary to the usual ML red flags that a reporting entity may be using. The methods of those PEPs that engage in illicit activity change and therefore indicators of their activity will do so as well. Also, there may be other red flags that should be considered as equally important in Kenya or East African region.

The red flags/indicators are outlined here below.

A. PEPS ATTEMPTING TO SHIELD THEIR IDENTITY:

PEPs are aware that their status as a PEP may facilitate the detection of their illicit behaviour. This means that PEPs may attempt to shield their identity, to prevent detection. Examples of ways in which this is done are:

- Use of corporate vehicles (legal entities and legal arrangements) to obscure the beneficial owner.
- Use of corporate vehicles without valid business reason.
- Use of intermediaries when this does not match with normal business practices or when this seems to be used to shield identity of PEP.
- Use of family members or close associates as legal owner.

B. RED FLAGS AND INDICATORS RELATING TO THE PEP AND HIS BEHAVIOUR:

Specific behaviour and individual characteristics of PEPs may raise red flags / risk levels or cause a suspicion:

- Use of corporate vehicles (legal entities and legal arrangements) to obscure i) ownership, ii) involved industries or iii) countries.
- The PEP makes inquiries about the institution's AML policy or PEP policy.
- The PEP seems generally uncomfortable to provide information about source of wealth or source of funds.
- The information that is provided by the PEP is inconsistent with other (publicly available) information, such as asset declarations and published official salaries.
- The PEP is unable or reluctant to explain the reason for doing business in the country of the financial institution.
- The PEP provides inaccurate or incomplete information.
- The PEPs seeks to make use of the services of a financial institution that would normally not cater to foreign or high value clients.
- Funds are repeatedly moved to and from countries to which the PEP does not seem to have ties with.
- The PEP is or has been denied entry to the country (visa denial).
- The PEP is from a country that prohibits or restricts its/certain citizens to hold accounts or own certain property in a foreign country.

C. THE PEP'S POSITION OR INVOLVEMENT IN BUSINESSES

The position that a PEP holds and the manner in which the PEP presents his/her position are important factors to be taken into account.

Possible red flags are:

- The PEP has a substantial authority over or access to state assets and funds, policies and operations.
- The PEP has control over regulatory approvals, including awarding licences and concessions.
- The PEP has the formal or informal ability to control mechanisms established to prevent and detected ML/TF.
- The PEP (actively) downplays importance of his/her public function, or the public function s/he is related to or associated with.
- The PEP does not reveal all positions (including those that are ex officio).
- The PEP has access to, control or influence over, government or corporate accounts.
- The PEP (partially) owns or controls FIs, either privately or ex officio.
- The PEP (partially) owns or controls the financial institution (either privately or ex officio) that is a counter part or a correspondent in a transaction.
- The PEP is a director or beneficial owner of a legal entity that is a client of a financial institution.

D. RED FLAGS AND INDICATORS RELATING TO THE INDUSTRY/SECTOR WITH WHICH THE PEP IS INVOLVED:

A connection with a high-risk industry may raise the risk of doing business with a PEP. Under Regulation 7 of POCAML Regulations, FIs are required to determine which types of clients may be higher risk. For this, FIs will also be guided by national guidance or risk assessments. Which industries may be at risk depends on the risk assessments and varies from country to country, and on other industry safeguards that may be in place. Examples of higher risk industries are:

- Arms trade and defence industry.
- Banking and finance.
- Businesses active in government procurement, i.e., those whose business is selling to government or state agencies.
- Construction and (large) infrastructure.
- Development and other types of assistance.
- Human health activities.
- Mining and extraction.
- Privatisation.
- Provision of public goods, utilities.

E. BUSINESS RELATIONSHIP/ TRANSACTION, PURPOSE OF BUSINESS RELATIONSHIP

Red flags and indicators can also relate to the specific business relationship or transaction:

- Multiple STRs have been submitted on a PEP.
- (Consistent) use of rounded amounts, where this cannot be explained by the expected business.
- Deposit or withdrawal of large amounts of cash from an account, use of bank cheques or other bearer instruments to make large payments. Use of large amounts of cash in the business relationship.
- Other FIs have terminated the business relationship with the PEP.
- Other FIs have been subject to regulatory actions over doing business with the PEP.
- Personal and business-related money flows are difficult to distinguish from each other.
- Financial activity is inconsistent with legitimate or expected activity, funds are moved to or from an account or between FIs without a business rationale.
- The account shows substantial activity after a dormant period; or over a relatively short time; or shortly after commencing the business relationship.
- The account shows substantial flow of cash or wire transfers into or out of the account.

-
- Transactions between non-client corporate vehicles and the PEP's accounts.
 - A PEP is unable or reluctant to provide details or credible explanations for establishing a business relationship, opening an account or conducting transactions.
 - A PEP receives large international funds transfers to a gaming account. The PEP withdraws a small amount for gaming purposes and withdraws the balance by way of cheque.
 - A PEP uses third parties to exchange gaming chips for cash and vice versa with little or minimal gaming activity.
 - A PEP uses multiple bank accounts for no apparent commercial or other reason.

F. PRODUCTS, SERVICE, TRANSACTION OR DELIVERY CHANNELS

The FATF Recommendations (Interpretative Note to Recommendation 10) contain examples of products, industries, service, transaction or delivery channels, which are of a higher risk, irrespective of the type of customer. These examples are:

- Private banking.
- Anonymous transactions (including cash).
- Non-face-to-face business relationships or transactions.
- Payments received from unknown or unassociated third parties.

If these industries, products, service, transaction or delivery channels are used by PEPs, then this adds an additional risk factor (depending on the nature of the PEP). In addition to the examples already listed in the FATF Recommendations, there are other products, industries, service, transaction or delivery channels that can become additionally vulnerable when used by PEPs. Examples of these are:

- Businesses that cater mainly to (high value) foreign clients.
- Trust and company service providers.
- Wire transfers, to and from a PEP account that cannot be economically explained, or that lack relevant originator or beneficiary information.
- Correspondent and concentration accounts.
- Dealers in precious metals and precious stones, or other luxurious goods.
- Dealers in luxurious transport vehicles (such as cars, sports cars, ships, helicopters and planes).
- High end real estate dealers.

G. COUNTRY SPECIFIC RED FLAGS AND INDICATORS

The FATF Recommendations (Interpretative Note to Recommendation 10) contain examples of higher risk country or geographic risk factors, irrespective of the type of customer.

Additionally, the following red flags and indicators relating to countries can be taken into account when doing business with a PEP:

- The foreign or domestic PEP is from a higher risk country (as defined by the FATF in Recommendation 19, or the Interpretative Note to Recommendation 10).
- Additional risks occur if a foreign or domestic PEP from a higher risk country would in his/her position have control or influence over decisions that would effectively address identified shortcomings in the AML/CFT system.
- Foreign or domestic PEPs from countries identified by credible sources as having a high risk of corruption.
- Foreign or domestic PEPs from countries that have not signed or ratified or have not or insufficiently implemented relevant anti-corruption conventions, such as the UNCAC, and the OECD Anti-Bribery Convention.
- Foreign or domestic PEPs from countries with a mono economy (economic dependency on one or a few export products), especially if export control or licensing measures have been put in place.
- Foreign or domestic PEPs from countries that are dependent on the export of illicit goods, such as drugs.
- Foreign or domestic PEPs from countries (including political subdivisions) with political systems that are based on personal rule, autocratic regimes, or countries where a major objective is to enrich those in power, and countries with high level of patronage appointments.
- Foreign or domestic PEPs from countries with poor and/or opaque governance and accountability.
- Foreign or domestic PEPs from countries identified by credible sources as having high levels of (organized) crime.

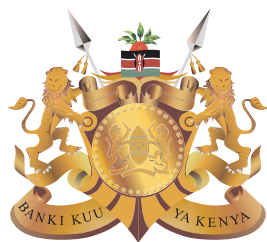
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Central Bank of Kenya

Haile Selassie Avenue P.O. Box 60000 - 00200 Nairobi | Tel: (+254) 20 - 286 0000 / 286 1000 / 286 3000