



## **The Enabling PEP: Source and Summit of Corruption-Aided Money Laundering**

A simple Google search for “political figures charged with money laundering” returns several hits of named politicians who would have either been charged and or prosecuted for money laundering related offences. Names such as United States of America (USA) former Congressman George Santos, charged with Fraud, Money Laundering, Theft of Public Funds and False Statement (May 2023, Department of Justice, USA); India’s Gandhis charged in money laundering case amid opposition outcry (April 2025, BBC.com); Former Finance Minister of Mozambique convicted of \$2B Fraud and Money Laundering Scheme (April 2024, Department of Justice, USA); and Asif Ali Zardari, Ex-President of Pakistan, indicted in Money Laundering Charges (September 2020, New York Times), among several other named politicians, the world over.

In April 2025, Peru's former president Ollanta Humala and his wife, Nadine Heredia, were convicted and sentenced to 15 years in prison for money laundering (fincrimcentral.com). The charges stemmed from their 2011 election campaign financing. The court found that their campaign was funded with illicit contributions from two foreign sources: Venezuela under President Hugo Chávez and the Brazilian conglomerate Odebrecht.

According to court findings, the funds were funneled through family members and associates. In some cases, they were disguised as personal donations or payments for fictitious services. The purpose was to avoid scrutiny and disclosure. Evidence showed that household employees and acquaintances were used as financial conduits to hide the real source of the money.

### **FATF Standards on Politically Exposed Persons (PEPs)**

The Financial Action Task Force (FATF) recognizes the elevated risk posed by PEPs. FATF Recommendation 12 requires financial institutions to apply enhanced due diligence (EDD) when dealing with PEPs, their family members, and close associates.



A PEP is defined as an individual who is or has been entrusted with a prominent public function. This includes heads of state, government officials, judges, military officers, and leaders of state-owned enterprises. The definition extends to their immediate family members and close associates due to the potential for abuse of position.

PEPs pose heightened money laundering risks because of:

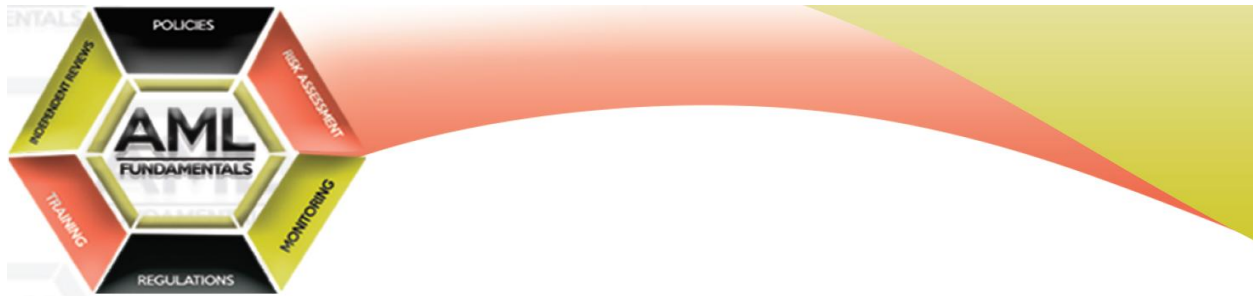
- Access to State Resources
- Influence over regulatory decisions
- Ability to control or manipulate financial channels.

Enhanced due diligence is critical in identifying, monitoring, and mitigating these risks.

#### **Jamaica's Joint Select Committee and Section 40 of the Integrity Commission Act**

In Jamaica, the Joint Select Committee reviewing the Integrity Commission Act rejected a proposal to amend Section 40 of the Act. The proposal sought to mandate public officials to declare gifts from family members. Senator Sherene Golding Campbell, in expressing her concerns, was of the view that there should be some "protection given to the families to have their relationships without all being made known to the state." She was further of the view that the law required sufficient disclosures to assess where public officials were operating within their means and is not the beneficiary of illicit gains.

The absence of full disclosure leaves a potential gap which could be exploited and abused. The Peruvian case demonstrates how family members were used to move illicit campaign funds. Similarly, low-income associates and domestic workers were employed as nominees in financial transactions. The use of front companies and fictitious services further concealed the origin and destination of funds.



The Trafigura scandal which emerged in Jamaica ahead of the 2007 general elections presents a comparable scenario to the Peruvian example. Foreign political contributions were allegedly funneled through CCOC Association, a bank account held by a former officer of the Peoples National Party (PNP), raising questions about transparency and accountability. The funds were said to be a donation from Trafigura Beheer, a firm which had an oil lifting contract with the Jamaican government. According to reporting in the Jamaica Gleaner (“Dutch investigators say satisfied with Trafigura result” - March 11, 2022), the funds were wired to CCOC’s account and later transferred to an account, SW Services, which represented the PNP’s campaign financing account.

The comparison shows how unchecked gaps in legislation or oversight can enable corruption-linked money laundering through campaign financing and the misuse of public office.

### **The PEP as Source and Summit of Corruption-Aided Money Laundering**

PEPs sit at the intersection of power and privilege. This position potentially allows them to create and exploit loopholes in governance and financial systems. The use of family and associates to move funds provides cover for laundering the proceeds of corruption.

When a PEP abuses his/her office:

- They can direct state resources to preferred entities.
- They can influence institutions responsible for oversight.
- They can avoid detection through insider access.

This makes it essential for institutions to apply the highest level of scrutiny to PEPs. The absence of robust controls compromises financial integrity and democratic accountability. PEPs must be subject to full



disclosure obligations, including declarations of assets, income, gifts, and liabilities, with independent verification.

### Key Takeaways and Conclusion

PEPs can become central figures in money laundering schemes, particularly when linked to campaign financing.

- Family members and associates are frequently used to disguise beneficial ownership and fund flows.
- FATF recommends enhanced due diligence for all PEP-related transactions.
- Jamaica's legislative framework has room for improvement in capturing familial transactions such as gifts.
- Transparency, asset declarations, and monitoring are vital to preserving institutional integrity.

### Conclusion

When the PEP becomes the enabler, source, and summit of corruption, the damage extends beyond financial loss. It erodes public trust, weakens institutions, and facilitates criminal networks. The solution lies in applying strong, consistent, and enforceable standards—beginning with full transparency and accountability of those in public office.

How effective are current frameworks in holding PEPs accountable in your jurisdiction?