

## PEPs Lessons to be learnt from Tunisia

Every now and again we are reminded of why FATF has highlighted PEPs for enhanced due diligence measures. Since January, the media has been reporting on the removal of the President of Tunisia, Zine El Abidine Ben Ali and his flight to Saudi Arabia on 15<sup>th</sup> January 2011 where he has been given political asylum.

Widespread reporting highlighted rampant corruption by the President and his family. His wife was reported to have removed 1.5 tonnes of gold from the central bank on her departure when she fled to Dubai en route to Saudi Arabia.

On 4<sup>th</sup> February 2011 the EU Council placed restrictive measures on any assets and named persons from the extended Ben Ali family, this can be found at [http://www.hm-treasury.gov.uk/d/fin\\_sanc\\_notice\\_tunisia070211.pdf](http://www.hm-treasury.gov.uk/d/fin_sanc_notice_tunisia070211.pdf).

What lessons can be learnt from this affair in the context of PEPs management? Perhaps the first is that the money laundering regulations need to be applied diligently. The Ben Ali regime had strong cultural connections with at least one EU member state. It is unlikely that he held his (allegedly) corruptly obtained wealth within Tunisia to any great extent, it seems to be the norm that corrupt rulers hold their wealth outside their country for obvious reasons. One has to ask the question that if he held bank accounts in an EU State what enhanced due diligence was performed? There was ample open source reporting before his abdication of him and his family's corruption.

If it is shown that an EU institution held accounts for him and his family what does that say about the application of EDD? Surely one must conclude that either they didn't do it, or if they did and were cognisant of the allegations then one must also conclude that they didn't care or took a policy decision to ignore them. In the circumstances one would hope, for the institutions sake, that they made a SAR to their FIU.

Another lesson to be learnt is that PEPs account managers need to regularly review open source reporting on their clients, you should not need to wait for mass protests against a leader to be aware of unrest in a country and the reasons behind it. If there are strong and clear allegations of corruption then an institution can make a reasoned decision on whether they wish to continue to do business with the PEP.

What now? Former President Ben Ali is believed to be resident in Jeddah. What has happened to the billions of dollars he is alleged to control? It will be in a bank account somewhere. What EDD has been applied to him now that the corruption allegations have been formerly made? What did the authorities in Dubai think of the 1.5 tonnes of gold that arrived with Mrs Ben Ali? There are no reports of it being impounded or restrained.

Corrupt PEPs need compliant bankers to manage their loot. Without bankers co-operation or their wilful blindness they cannot easily hide the extent of their graft and corruption. In this day it is not acceptable that bankers do this in the face of

knowledge of the Peps corrupt activities, and those that continue to shield PEPs from the international communities' efforts to seize and repatriate stolen funds to affected states should be prosecuted wherever possible.

Tunisia will not be the last state where an autocratic ruler is shown to be corrupt, there are others highlighted daily in press reporting. Who are their family's bankers? Until a ruler is overthrown the full extent of Presidential theft is rarely known and internal reporting to that countries FIU is unlikely to be acted upon. This is not the case where as indicated earlier, funds are held elsewhere. Its time for those banks to take a strong moral position before they face reputational ruin.

Cedric Woodhall

Cedric is a former Senior Manager in the UKFIU in SOCA. He was responsible for international financial intelligence, PEPs reporting and asset recovery. Cedric is now a Partner in O22G LLP, the October22Group - a consultancy specialising in assisting small and medium firms with AML and SARs training. He can be contacted via [cedric@october22group.co.uk](mailto:cedric@october22group.co.uk)