

**GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTEMENT OF REVENUE**

**LOK SABHA  
UN-STARRED QUESTION NO. 2477**

**TO BE ANSWERED ON MONDAY, THE 18<sup>th</sup> DECEMBER, 2023  
AGRAHAYANA 27, 1945 (SAKA)**

**Politically Exposed Persons**

**2477. SHRI MANISH TEWARI:**

Will the Minister of FINANCE be pleased to state:

- (a) the definition of a Politically Exposed Person (PEP);
- (b) whether the PEP concept stems from Financial Action Task Force (FATF) which focuses on terror and narcotic financing, should PEP due diligence only apply when there's reason to suspect involvement in these illicit activities and if so, the details thereof;
- (c) whether the Government is considering expanding the PEP definition, potentially encompassing PM, Union Ministers, MPs, Chief Ministers, Ministers of State, MLAs, Judges of Supreme and High Courts, IAS/IPS, IFS, and other All India Service officers, through amendments to RBI Master Circular, PMLA rules and relevant statutes;
- (d) the details of the Governments pre-Mutual Evaluation Review efforts of the Government to align with FATF recommendations for anti-money laundering and anti-terror financing laws?
- (e) whether the FATF has made any comments or recommendations on India's compliance and if so, the details thereof;
- (f) whether the MER discussion was inclusive of the shadow report on alleged weaponization of laws against NGOs and if so, the details thereof; and
- (g) the details of the Governments post-2010 actions addressing financial institution assessments and NPO sector risk for terror financing?

**ANSWER**

**MINISTER OF STATE IN THE MINISTRY OF FINANCE  
(SHRI PANKAJ CHAUDHARY)**

(a) The definition of 'Politically Exposed Person' as per clause (db) of sub-rule (1) of rule 2 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005 is as under:-

"Politically Exposed Persons" (PEPs) are individuals who have been entrusted with prominent public functions by a foreign country, including the heads of States or Governments, senior politicians, senior government or judicial or military officers, senior executives of state-owned corporations and important political party officials;

(b) Recommendation 12 of the FATF recommendations concerns Politically exposed persons. As per the said Recommendation, in respect of clients who are PEPs, Financial institutions are required to perform certain additional and enhanced due diligence measures.

(c) No such proposal is currently under consideration.

(d) The government reviewed the technical compliance with the FATF recommendations and notified various amendments to the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 vide the following notifications in the last ten months:

- (i) Gazette Notification No.S.O.1074(E) dated 07.03.2023 amended the Prevention of Money-laundering (Maintenance of Records) Rules, 2005.
- (ii) Gazette Notification No.S.O.1072(E) dated 07.03.2023 under the Prevention of Money-laundering Act, 2002.
- (iii) Gazette Notification No.S.O.2036(E) dated 03.05.2023 under the Prevention of Money-laundering Act, 2002.
- (iv) Gazette Notification No.S.O.2135(E) dated 09.05.2023 under the Prevention of Money-laundering Act, 2002.
- (v) Gazette Notification No.G.S.R.652(E) dated 04.09.2023 amended the Prevention of Money-laundering (Maintenance of Records) Rules, 2005.
- (vi) Gazette Notification No.G.S.R.745(E) dated 17.10.2023 amended the Prevention of Money-laundering (Maintenance of Records) Rules, 2005.

(e) No such comments or recommendation have been made as of now. Any such recommendations or comments will be part of the FATF Mutual Evaluation Report, which is likely to be adopted in June 2024.

(f) The MER discussion was conducted in accordance with the Procedures for the FATF Fourth Round of AML/CFT Mutual Evaluations document and the FATF and the 2013 FATF Methodology.

(g) (i) Sectoral risk assessments of the financial sectors were undertaken as part of the Risk, Trends and Methodologies Report, 2019 and the National Risk Assessment, 2022.

(ii) On the basis of identified risk theaters for terrorist financing and multiple other data sources, the risk for TF abuse of the NPO sector was also assessed.