



## **CIRCULAR NO: 04 of 2025**

(Issued under Section 12B (2)(g) of the Capital Markets Act)

December 31, 2025

To: All Capital Market Intermediaries

RE: CIRCULAR ON POLITICALLY EXPOSED PERSONS (PEPS)

---

### **1. Definition and Risk**

Individuals who hold or have held prominent public office or a high political profile pose a higher money laundering risk to market intermediaries due to vulnerability to corruption. This risk also extends to their family members and close associates. Regulation 26(5) of the *Proceeds of Crime and Anti-Money Laundering Regulations, 2023* defines who qualifies as a PEP. Note: PEP status does not imply criminal activity

#### **1.1 Foreign PEPs**

Foreign PEPs present a greater money laundering risk because they may attempt to move illicit funds offshore, making identification and enforcement more difficult.

#### **1.2 Corruption Risk**

Corruption-related money laundering risk increases when dealing with PEPs. Relationships with family members or close associates carry similar risks. Even after leaving office, a PEP may remain high-risk if they continue to exert political influence.

#### **1.3 Identification of PEPs**

Market intermediaries should use available information sources such as government websites, parliamentary sites, and commercial databases to identify PEPs, their family members, and close associates.

#### **1.4 Risk Assessment**

When a customer or beneficial owner is identified as a PEP, intermediaries must assess the risk and determine the level of due diligence. If risk is too high or cannot be mitigated, the relationship should not be established.

#### **1.5 Compliance and Enforcement Legal Basis**

Issued under Section 12B(2)(g) of the *Capital Markets Act* and enforced under Section 12B(2)(f). Non-compliance will result in regulatory intervention and enforcement action.

## 2. Measures Applicable to PEPs

### 2.1. Mandatory Measures

For foreign and domestic PEPs, market intermediaries must:

- i. Put in place risk management systems to determine whether a customer or the beneficial owner is a PEP
- ii. Obtain senior management approval
- iii. Establish source of wealth and funds
- iv. Conduct enhanced ongoing monitoring

### 2.2. Potential Money Laundering Indicators

#### a. Identity Concealment

Use of corporate vehicles, legal arrangements, or family members to obscure beneficial ownership.

#### b. Suspicious Behaviour

Reluctance to provide information on source of funds or wealth; inconsistencies with public records.

#### c. Authority and Access

PEPs may have control over state assets, regulatory approvals, or government/corporate accounts.

#### d. Unusual Transactions

- i. Large cash deposits or withdrawals
- ii. Use of bearer instruments
- iii. Heavy reliance on cash
- iv. Sudden surge in account activity after dormancy
- v. Large international transfers
- vi. Transactions involving non-client corporate vehicles

#### e. Other Red Flags

- i. Termination of relationships by other firms
- ii. Regulatory actions involving the PEP
- iii. Difficulty distinguishing personal and business money flows
- iv. Financial activity inconsistent with expected patterns
- v. PEP identified by credible sources as high-risk
- vi. Foreign PEP from a high-risk country

### 2.3. Regulatory Basis for PEP

PEP due diligence requirements are outlined in **Regulation 26** of the Proceeds of Crime and Anti-Money Laundering Regulations, 2023.

## 3. Additional Reference Information

To ensure full compliance with the Anti-Money Laundering (AML), Countering the Financing of Terrorism (CFT), and Counter-Proliferation Financing (CPF) regulatory framework, market intermediaries are strongly encouraged to consult the following official resources:

- i. **Financial Reporting Centre (FRC):** Provides the most current Kenyan legislation, regulations, and guidance relevant to AML/CFT/CPF compliance.
- ii. **Financial Action Task Force (FATF):** Offers the FATF Forty Recommendations, implementation guidance, and internationally recognized best practices for combating money laundering, terrorist financing, and proliferation financing.
- iii. **Capital Markets Authority (CMA):** Provides guidelines and circulars issued by the CMA on AML/CFT/CPF obligations applicable to capital market intermediaries.
- iv.

*These resources should be reviewed regularly to remain informed of updates and emerging global standards.*

#### **4. Enforcement and Effective Date**

This circular is enforceable under Section 12B (2)(f) of the Capital Markets Act. Failure to adhere to this circular will result in regulatory intervention and enforcement action. All market intermediaries' staff must ensure strict compliance and report any suspicious activity promptly. This circular takes effect immediately.

#### **Contact Information**

For clarifications, contact:

#### **Director, Market Operations**

Capital Markets Authority  
Embankment Plaza, 3rd Floor  
Longonot Road, Upper Hill, Nairobi  
Email: [ms@cma.or.ke](mailto:ms@cma.or.ke)

Yours Sincerely,



FCPA Wycliffe Shamiah, MBS  
**CHIEF EXECUTIVE OFFICER**

CC. Director General  
Financial Reporting Centre  
UAP Towers Upper Hill  
Private Bag 00200  
**NAIROBI.**

