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**GUIDELINES FOR FINANCIAL INSTITUTIONS AND
DESIGNATED NON-FINANCIAL BUSINESSES AND PROFESSIONS
GUIDELINES NO. FIU/G-1/2025/1**

**GUIDELINES ON IDENTIFICATION AND MANAGEMENT OF
HIGH-RISK CUSTOMERS AND POLITICALLY EXPOSED PERSONS**



1. INTRODUCTION

- 1.1. These Guidelines are pursuant to section 30 (c) of the Criminal Asset Recovery Order, 2012 (CARO) and applies to financial institutions (FIs) and designated non-financial businesses and professions (DNFBPs).
- 1.2. These Guidelines are meant to aid FIs and DNFBPs on the identification and profiling of high-risk customers and politically exposed persons (PEPs), the execution of enhanced customer due diligence measures and establishing internal controls and governance structures to support overall compliance. The overarching objective of these Guidelines is to emphasise the importance of a risk-based approach in the identification and handling of high-risk customers and PEPs.
- 1.3. These Guidelines are general in approach to fit the context of all FIs and DNFBPs. Each FI and DNFBP will be responsible for tailoring the anti-money laundering and combatting the financing of terrorism (AML/CFT) requirements proportionate to the nature, size, and complexity of its business and operations.
- 1.4. The following should be read in conjunction with these Guidelines:
 - 1.4.1. Notice and Guidelines on Measures for Non-Face-to-Face Customer Onboarding and Ongoing Customer Due Diligence;
 - 1.4.2. Notice on Obligations to Conduct Actions in Respect of Designated Persons;
 - 1.4.3. Obligation to Submit a Suspicious Transaction Report (STR) under Section 15 of the Criminal Asset Recovery Order, 2012 and Section 47 of the Anti-Terrorism Order, 2011;
 - 1.4.4. Obligations to Submit a Cash Transaction Report (CTR) under Section 16 of the Criminal Asset Recovery Order, 2012.

2. DEFINITIONS

- 2.1. For the purposes of these Guidelines, the following terms have the following meanings except where the context otherwise requires –
 - 2.1.1. “Close associate” has the same meaning as section 2, CARO, 2012;
 - 2.1.2. “Enhanced Due Diligence” has the same meaning as section 2, CARO, 2012;
 - 2.1.3. “Family member” has the same meaning as section 2, CARO, 2012;
 - 2.1.4. “High risk customer” refers to a customer, either a natural or legal person, that pose a higher risk exposure to the FI or DNFBP as a result of their background, transaction



behaviour and activity, or affiliations with specific individuals or organisations that are of higher exposure or vulnerability to illicit or criminal activity;

- 2.1.5. “Politically-exposed person” has the same meaning as section 2, CARO, 2012; and
- 2.1.6. “Senior management” refers to an individual within the FI or DNFBP who has sufficient knowledge of the FI or DNFBP’s ML/TF risks, and has authority to make decisions based on such risks. This may include owners, partners, directors, or designated managers or heads of function/department responsible for compliance, depending on the size and structure of the FI or DNFBP.

3. IDENTIFICATION OF HIGH RISK CUSTOMERS

- 3.1. FIs and DNFBPs are advised to adopt a risk-based approach for the identification and handling of high risk customers. The risk-based approach should be conducted in a way that all risk factors have been considered before coming up with an overall risk rating of the customer. For example, customers from high-risk jurisdictions should not be automatically classified as high risk solely because he/she is from a high-risk jurisdiction, but instead risk rated as high after other existing risk indicators have been identified.
- 3.2. Appendix 1 of these Guidelines provides a list of indicators an FI or DNFBP should consider when identifying customers or beneficial owners as high risk. This list is non-exhaustive and will be updated periodically, whenever necessary, to reflect new and/or emerging threats and risks without requiring any amendments to these Guidelines.

4. IDENTIFICATION OF POLITICALLY EXPOSED PERSONS

- 4.1. Section 9 [2] [b] of CARO provides flexibility in risk profiling PEPs, as it makes the following distinction:
 - 4.1.1. Foreign PEPs are to be automatically considered as higher risk, due to inherent risks of cross-border transactions and limited local information on foreign sociopolitical landscapes.
 - 4.1.2. Domestic PEPs are to be considered as high risk only when their activities pose a higher risk for money laundering and terrorism financing [ML/TF]. Not all domestic PEPs would be high risk, therefore a risk-based approach should be taken.

Identification of family members and close associates of a PEP

- 4.2. FIs and DNFBPs are encouraged to identify and keep a record of family members and close associates of a PEP within a database. This would be useful as reference when updating customer information of a PEP and, if the family members and close associates are also



customers of the FI or DNFBP, update their customer information and risk rating where necessary.

Declassification of PEP

4.3. With regards to declassifying a PEP who no longer holds any prominent function, FIs and DNFBPs are advised to take a risk-based approach that considers all relevant factors, such as but not limited to the following:

4.3.1. The rank and seniority of the role(s) held by the individual throughout the period of holding a prominent public function.

4.3.2. The amount of time that has passed since the last prominent function held by the individual.

4.3.3. The level of influence the PEP could still have, both formal and informal, including existence of professional or personal relationships with other PEPs.

4.3.4. Exposure to media attention and publicity, including any existence of adverse information.

4.4. In declassifying a PEP, the risk-based approach taken should be based on existing and other information obtained during the customer onboarding and ongoing due diligence process.

5. ENHANCED DUE DILIGENCE

Verification of identities

5.1. Depending on the size and operations of an FI or DNFBP, the process of obtaining and verifying the identities and additional information of high risk customers can either be done:

5.1.1. **Manually:** Such as involving an analyst to perform investigations through request and verification of physical documents, conducting searches on publicly available records, social media pages and news websites; or

5.1.2. **Through an automated process:** Such as adoption of technology that allows system to perform real-time and regular screening of a customer against identification and media databases as well as sanctions lists. In some cases, such systems would also have other capabilities such as transaction monitoring, which would be a useful tool for conducting ongoing monitoring and identification of potential changes in customer risk profiles. These systems with such capabilities are usually made available by third-party service providers on a subscription or one-off payment basis.



Monitoring

- 5.2. It is important that high risk customers and PEPs are monitored on an ongoing basis to detect any changes to their risk profile, such as:
- 5.2.1. **Enhanced transaction monitoring:** scrutinise all transactions made by the high risk customer to ensure the customer's activities are consistent with the business and risk profile. FIs and DNFBPs with more sophisticated and complex business activities with more number of high risk customers are encouraged to implement an automated transaction monitoring system to customise the scenarios for detecting unusual or suspicious activities of high risk customers.
 - 5.2.2. **Periodic review:** Conduct scheduled and in-depth reassessment on the risk profile and account activity of high risk customers to ensure their risk ratings remain accurate. Frequency of periodic review should be based on the risk rating, where high risk customers are typically reviewed on an annual and trigger basis.
- 5.3. For FIs that provide life insurance or takaful products/services, where a beneficiary is rated as high risk, the FI should always inform its senior management before the payout of its policy.

6. INTERNAL CONTROLS AND GOVERNANCE

Implementation of policies and procedures

- 6.1. The Board and/or senior management of an FI or DNFBP are responsible for overseeing implementation of the policies and procedures pertaining to the identification, handling and management of high risk customers and PEPs. It is advised they are kept informed on an ongoing basis regarding ML/TF risks associated with such customers and effectiveness of existing measures. Examples of this could include approving the methodology adopted for assessing the risks of such customers, endorsing the relevant AML/CFT policies and procedures, and also ensuring sufficient resources are allocated to the compliance function and other relevant personnel in dealing with high risk customers and PEPs.
- 6.2. FIs and DNFBPs are advised to implement robust systems and procedures to allow ongoing monitoring of business relationships with all high risk customers and PEPs. This would include periodic review of customer information and updates to customer risk profiles, which should be done on an annual basis at the minimum.

Record-keeping

- 6.3. All information and documentation obtained during the customer risk profiling and Enhanced Due Diligence process, including any STRs filed on high risk customers and PEPs, should be recorded and kept by the FI or DNFBP according to the 7-year period as required under section 14 of CARO.



Written policies and procedures

- 6.4. To ensure consistency in approach, FIs and DNFBPs are advised to establish written policies and procedures for the identification, management, and ongoing monitoring of high risk customers and PEPs. These procedures should be documented and recorded, and be made readily available when requested for purposes of audit or supervisory inspection.

Compliance testing arrangements

- 6.5. FIs and DNFBPs are advised to have independent compliance testing arrangements to provide assurance on measures implemented for customer risk profiling and handling of high risk customers and PEPs.

Training and competency

- 6.6. Employees that are responsible in handling customer risk profiling are advised to undergo relevant AML/CFT training and be adequately competent in the process of identifying and managing high risk customers and PEPs, and the conduct of EDD.

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