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# Policy Brief:

## Recommendations for Combatting Corruption of Politically Exposed Persons

### FALCON – GA101121281

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#### 1. Who is this for?

This brief seeks to inform EU policymakers, financial regulators, anti-corruption authorities, Law Enforcement Agencies (LEAs), Financial Intelligence Units (FIUs), and officials involved in preparing legislation and policy initiatives to detect, prevent and combat corruption involving Politically Exposed Persons (PEPs).

#### 2. Context

FALCON (Fight Against Large-scale Corruption and Organised Crime Networks) is a three-year Horizon Europe research project in anti-corruption. FALCON develops new data-driven indicators and AI-based tools to strengthen the global fight against corruption by following an evidence-based interdisciplinary approach. This policy brief summarises key findings and recommendations concerning corruption risks associated with Politically Exposed Persons (PEPs).

PEPs are individuals who are or have been entrusted with prominent public functions. The Financial Action Task Force (FATF) distinguishes between three main categories of PEPs: (FATF Guidance 2013)

1. **Foreign PEPs:** Individuals who are or have been entrusted with prominent public functions by a foreign country, for example:

#### Executive Summary

- ▶ Inconsistent implementation and fragmented enforcement of EU anti-corruption and AML frameworks reduce the effectiveness of identification of PEP corruption.
- ▶ Expanding PEP datasets, improving interoperability, and strengthening cross-border cooperation can enhance responses to corruption involving PEPs.
- ▶ Investment in artificial intelligence and advanced analytics can significantly improve the detection of corruption risks, hidden financial relationships, and suspicious transactions involving PEPs.



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- Heads of State or of government.
  - Senior politicians.
  - Senior government.
  - Judicial or military officials.
  - Senior executives of state-owned corporations.
  - Important political party officials.
2. **Domestic PEPs:** Individuals who are or have been entrusted domestically with prominent public functions, such as those listed above.
  3. **International organization PEPs:** Persons who are or have been entrusted with a prominent function by an international organization. This may refer to members of senior management or individuals who have been entrusted with equivalent functions, i.e., directors, deputy directors, and members of the board or equivalent functions.

PEPs can present a heightened risk for corruption, bribery, embezzlement, abuse of office, money laundering, and illicit financial flows, with potentially significant societal, economic, and institutional consequences.

Corruption involving PEPs poses a serious threat to the stability and security of societies, undermining the institutions and values of democracy, ethical values and justice and jeopardizing sustainable development and the rule of law (United Nations 2004). The increasing complexity of financial networks, cross-border corporate structures, beneficial ownership arrangements, and digital financial systems make identifying illicit activity linked to PEPs increasingly difficult.

As highlighted in the FALCON policy analysis, companies with PEP connections are more likely to award high-risk tenders at higher prices, indicating that political exposure can be an important corruption risk indicator in procurement markets.

The EU has implemented several anti-money laundering (AML) directives and transparency measures, with the 5th Anti-Money Laundering Directive (Directive (EU) 2018/843) requiring enhanced due diligence for PEPs. Specifically, EU member states must compile and publicly release a functional PEP list made up of prominent politically exposed public functions. This makes it easier to identify the PEPs that should be screened and monitored for ongoing changes. However, there are still several fundamental gaps in policy that can be rectified.

### 3. Policy Recommendations

#### 3.1. Improving Data for Anti-Corruption and PEP Risk Detection

The lack of standardised, high-quality, and interoperable datasets across key governance domains significantly hinders the detection of corruption risks involving PEPs. Fragmented information concerning company ownership, procurement participation, asset declarations, financial transactions, sanctions exposure, and political affiliations makes it difficult for authorities to identify hidden relationships, conflicts of interest, and illicit enrichment schemes (Mineva et al. 2023, p.52).

The European Commission should prioritise the creation of a fully interoperable EU-wide data ecosystem that goes beyond the fragmented deployment of functional PEP lists mentioned previously. This would involve linking existing national and EU-level databases through common technical standards and introducing additional datasets such as:

- Company registries;
- Beneficial ownership registers;
- Public procurement databases;
- Sanctions databases;
- Asset declaration systems;
- Lobbying transparency registers.

In addition, access to these datasets should be expanded for competent authorities, including FIUs and LEAs, under clearly defined legal conditions. While respecting data protection requirements, the EU should also facilitate secure cross-border data sharing between Member States.

The importance of data integration is well established in the literature on corruption risk detection, which highlights the value of combining administrative datasets to identify anomalies and high-risk patterns (Fazekas et al., 2016). Specifically, companies that have or had at least one owner or manager holding a political office at any point in time were designated as politically connected firms and had a higher corruption risk index (CRI) by 0.01 on average than companies without political connections.

The FALCON project similarly demonstrates through the use of the FALCON knowledge base and the development of Corruption Intelligence Pictures (CIPs), that linking company, financial, and asset data to PEPs can rapidly enhance the detection of suspicious activities.

#### 3.2. Strengthening the PEP Anti-Corruption Legal Framework

Certain administrative procedures and institutional arrangements are inherently vulnerable to corruption involving PEPs due to high levels of personal discretion, weak oversight mechanisms, and limited transparency.

When creating and awarding public tenders, emergency procurement procedures, politically influenced appointments, discretionary licensing systems, and opaque lobbying practices create

opportunities for politically connected actors to exercise undue influence or obtain illicit advantages.

In parallel, The FALCON project's analysis demonstrates that corruption involving PEPs frequently relies on hidden relationships, family or close associate networks and intermediaries, and opaque ownership structures such as shell companies. The case-study analysis conducted within FALCON identified the repeated use of these mechanisms to conceal beneficial ownership, unfair and illegal tender awards, and even bribery chains.

Therefore, EU Member States should limit the scope of discretionary procedures, strengthen oversight over politically sensitive decision-making processes, and ensure that emergency exceptions are narrowly defined and subject to rigorous review mechanisms. Alongside this, EU Member States should also strengthen and harmonise conflict-of-interest (COI) frameworks, requiring comprehensive disclosure of assets, business interests, beneficial ownership links, gifts, outside activities, and close family relationships. These procedures should be implemented historically, ensuring that ties and benefits received are scrutinised before appointment to a political position.

### **3.3. Integrating AI and Machine Learning Tools for PEP Corruption Detection**

AI and machine learning tools can significantly improve the efficiency, transparency, and effectiveness of anti-corruption investigations involving PEPs.

The FALCON project demonstrates that combining procurement data, corporate ownership information, financial indicators such as crypto assets, and PEP datasets can support the identification of suspicious patterns and hidden relationships. The FALCON policy brief on high-level corruption (Cascone et al 2025) specifically notes that companies with PEP connections are more likely to be associated with high-risk tenders and inflated procurement prices, highlighting the value of integrated corruption risk indicators and linked administrative datasets.

AI-driven analytical systems can support:

- Detection of unexplained wealth accumulation;
- Identification of conflicts of interest and politically connected suppliers;
- Analysis of hidden ownership structures and offshore arrangements;
- Detection of unusual procurement or financial transaction patterns;
- Prioritisation of high-risk investigations.

FALCON is developing a robust data-driven platform for risk assessment and investigation prioritisation to support LEAs and anti-corruption bodies in the real-time or near-real-time detection of corruption-related risks.

The deployment of these systems should remain aligned with the EU AI Act, GDPR requirements, and ethical AI principles, ensuring human oversight, transparency, explainability, and accountability. The FALCON project has deployed the Accountability Principles for Artificial Intelligence (AP4AI) self-assessment platform and accountability framework (AP4AI, 2026) to ensure that the AI-based tools developed within the FALCON project conform with these alignment requirements. In addition, AI systems can sometimes generate inaccurate predictions or even fabricated results. Therefore, they must remain under human oversight and include explainability features that clarify how decisions are made.

## 4. Policy Implications

The implementation of these recommendations can help policymakers, regulators, and law enforcement agencies respond more effectively to corruption involving PEPs by improving transparency, harmonising oversight mechanisms, and strengthening institutional resilience.

Enhanced interoperability between datasets, combined with AI-supported analytical capabilities and stronger accountability frameworks, would improve the early detection of corruption risks and illicit financial activity linked to politically connected individuals. A more harmonised European framework would also facilitate cross-border cooperation, reduce regulatory fragmentation, and strengthen the EU's overall anti-corruption architecture.

By increasing transparency, strengthening oversight, and improving risk detection capabilities, policymakers can reduce opportunities for illicit enrichment, abuse of office, and political influence over public resources and democratic practices.

## 5. References

AP4AI. (2026.). *AP4AI initiative*. <https://ap4ai.eu/>

Cascone, G., Paternoster, C., Riccardi, M., Poltoratskaya, V., Tóth, B., Baez-Camargo, C. & Costa, J. (2025). High-level Corruption: an Analysis of Schemes, Costs and of Policy Recommendations. Policy Brief of Project FALCON. Milan: Transcrime – Joint Research Centre on Innovation and Crime.

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Financial Action Task Force. (2013). *Guidance: Politically exposed persons (Recommendations 12 and 22)*. FATF. <https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/Guidance-PEP-Rec12-22.pdf>.

Mineva, D., Fazekas, M., Poltoratskaia, V. & Tsabala, K. (2023). *Rolling Back State Capture in Southeast Europe. Implementing Effective Instruments for Asset Declaration and Politically Exposed Companies*. Center for the Study of Democracy.

United Nations. (2004). *United Nations Convention against Corruption*. United Nations. [https://uncaccoalition.org/the-uncac/united-nations-convention-against-corruption/?utm\\_source](https://uncaccoalition.org/the-uncac/united-nations-convention-against-corruption/?utm_source).

## 6. Further Reading

FALCON. D2.5 Anti-corruption legislative measures and international policy landscape. [FALCON D2.5 Anti-corruption-legislative-measures-and-international-policy-landscape\\_Summary.pdf](#), 2024.

FALCON. D2.3 Comprehensive report on the cost of corruption in the EU. [FALCON D2.3 Comprehensive-report-on-the-cost-of-corruption-in-the-EU\\_public.pdf](#), 2024.

## Glossary

<b>AI</b>	Artificial Intelligence
<b>ACRA</b>	Advanced Corruption Risk Assessment
<b>AML</b>	Anti Money Laundering
<b>AP4AI</b>	Accountability Principles for Artificial Intelligence
<b>FATF</b>	Financial Action Task Force
<b>FIU</b>	Financial intelligence units
<b>CIP</b>	Corruption Intelligence Picture
<b>COI</b>	Conflict-of-interest
<b>CRI</b>	Corruption Risk Index
<b>LEA</b>	Law Enforcement Agency
<b>PEP</b>	Politically Exposed Person

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## Project Details

FALCON (Fight Against Large-scale Corruption and Organised Crime Networks) is a three-year Horizon Europe research project in the field of anti-corruption. It addresses the significant challenges of the global fight against corruption by developing new, data-driven indicators and tools following an evidence-based, multi-actor and interdisciplinary approach.

FALCON comprises 25 partners from 15 countries.

**Coordinator:** Jenny Adamopoulou, Institute of Communication & Computer Systems (ICCS)

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<https://www.youtube.com/@FalconProjectHE>