



FINANCIAL ACTION TASK FORCE
GROUPE D'ACTION FINANCIÈRE

International Efforts against Proliferation Financing

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List of acronyms

ACRONYM	DESCRIPTION
AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FOP	Financing of Proliferation
FT	Financing of Terrorism
FSRB	FATF-Style Regional Body
ML	Money Laundering
OP	Operative Paragraph
TFS	Targeted Financial Sanctions
UN	United Nations
UNSCR	United Nations Security Council Resolution
WMD	Weapons of Mass Destruction

FATF and financing of proliferation (FOP)

- FATF: Inter-governmental policy-making body established by G7 in 1989 (Ministerial mandate) with 36 members/22 observers, including the UN
- Mandate: Renewed in April 2012 (through 2020)
 - Setting standards and promoting effective implementation of legal, regulatory and operational measures for combating ML, FT and FOP. Working to identify national-level vulnerabilities to protect the international financial system from misuse.
- FATF Standards: **The FATF 40 Recommendations**
 - Internationally recognised standards for an effective AML/CFT/FOP framework (revised in 2012).
 - Covering FOP in **Recommendations 2** and **7**.

FATF standards relating to FOP(1)

- **FATF Recommendation 2** (National cooperation and coordination)

Countries should ensure that policy-makers, the FIU, law enforcement authorities, supervisors and other relevant competent authorities, at the policy-making and operational levels, **have effective mechanisms in place which enable them to cooperate, and, where appropriate, coordinate domestically with each other concerning the development and implementation of policies and activities to combat** money laundering, terrorist financing and **the financing of proliferation of weapons of mass destruction.**

FATF standards relating to FOP(2)

■ FATF Recommendation 7

- A new standard to assist countries in implementing targeted financial sanctions related to proliferation.

Countries should implement targeted financial sanctions to comply with United Nations Security Council resolutions relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing.

- R7 aims to support the implementation of UNSCRs 1718, 1874, 2087, 2094(DPRK), 1737, 1747, 1803, 1929(Iran), and successor resolutions.
- Focus is prevention, to stop the flow of FOP related funds.

FATF guidance on implementation of UNSCRs to counter WMD proliferation

- **A FATF guidance** *The implementation of financial provisions of UNSCRs to counter the proliferation of WMD* updating and integrating the old guidance papers to assist implementation of the UNSCRs (June 2013).
- Guidance covers TFS, activity-based financial prohibitions, vigilance measures, and other financial provisions contained in UNSCRs to counter WMD proliferation: Guidance goes beyond Recommendation 7.
- In addition to country-specific UNSCRs, Guidance mentions broad-based financial provisions of **resolution 1540 (2004)**.

FATF tools available for FOP (1)

- **Other FATF Recommendations** also assist in the fight against FOP.
 - Customer due diligence (R10)/Record keeping (R11)/Wire transfers (R16)
 - Reporting of suspicious transactions (R20)
 - FIU and Law enforcement powers (R29 – R31)
 - Cash couriers (R32)

- On **Recommendation 2**, the best practices paper *Sharing among domestic competent authorities information related to the financing of proliferation* identifies **key agencies** (export control, customs, border control agencies, intelligence, the FIU, law enforcement/prosecution agencies, financial supervisors etc.) and sets out mechanisms by which relevant agencies co-operate/co-ordinate to combat FOP.

FATF tools available for FOP (2)

- **FATF assessment and follow-up processes**
 - FATF assesses country's implementation of the 40 Recommendations.
 - Reports and **ratings** (Compliant, largely compliant, partially compliant, no compliant etc.) are made publicly available.
 - Countries need to follow-up on the shortcomings identified in the assessment.
 - **Recommendation 2** which covers **counter-proliferation agencies** (e.g. export control agencies) and newly-added **Recommendation 7** push countries further to take measures to counter FOP: each country's implementation of targeted financial sanctions under the relevant UNSCRs will be assessed and rated in the coming years.

Selected 3rd round assessment results

Old Special Recommendation III – links to current Recommendation 7

Australia (LC)	Canada (LC)	China (NC)	France (PC)	Hong Kong (PC)	Indonesia (NC)
Japan (PC)	Korea (PC)	Macao (PC)	Malaysia (LC)	Mongolia (NC)	New Zealand (PC)
Philippines (PC)	Russia (PC)	Singapore (LC)	Thailand (PC)	United Kingdom (C)	United States (LC)

Old Recommendation 31 – links to current Recommendation 2

Australia (LC)	Canada (LC)	China (LC)	France (LC)	Hong Kong (LC)	Indonesia (PC)
Japan (LC)	Korea (LC)	Macao (LC)	Malaysia (LC)	Mongolia (PC)	New Zealand (C)
Philippines (PC)	Russia (C)	Singapore (C)	Thailand (PC)	United Kingdom (C)	United States (LC)

Synergies between the FATF and the UNSCRs (1)

- **FATF tools and UNSCRs are mutually reinforcing**
 - **Synergies** between the FATF Recommendations and UNSCRs: the latest resolution (e.g. 2094(2013)) welcomes Recommendation 7 and urges countries to apply FATF's Interpretive Note to **Recommendation 7** and related guidance papers for effective implementation of targeted financial sanctions related to proliferation.

Synergies between the FATF and the UNSCRs (2)

- **Report of the Panel of Experts established pursuant to resolution 1874 (2009)(DPRK)(June 2013)**

The Panel is highly confident that the financial measures of the resolutions are in general being effectively implemented by major banks...The Panel has continued to work closely with FATF...(paragraphs 139, 140)

Bank vigilance is the first line of defense against deception, especially know-your-customer practices that are integrated into overall compliance procedures. In one case, the Panel learned that a bank became aware of account activity inconsistent with its customer's business; it filed a suspicious transaction report which tipped off authorities in time to prevent a major illicit transaction. When there have been financial leads...the Panel was able to develop important additional evidence. Even so, most Member States' investigations of incidents of alleged non-compliance do not try to "follow the money" but rely on evidence collected about violations of export controls. **Dual-track investigations**, a recommended best practice, **are indispensable in detecting and shutting down illicit financial networks** involving the Democratic People's Republic of Korea. (paragraph 143)

Other materials

- Typologies Report on Proliferation Financing: *Proliferation financing report* (June 2008)
- Status Report on Policy Options: *Combating proliferation financing: a status report on policy development and consultation* (February 2010)



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For further information

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