



FINANCIAL ACTION TASK FORCE
GROUPE D'ACTION FINANCIÈRE

Resolution 1540 and Proliferation Financing: FATF's Approach

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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 | Operating Paragraph |
| UN | United Nations |
| UNSCR | United Nations Security Council Resolution |
| WMD | Weapons of Mass Destruction |

Financial Action Task Force:

About us

- Inter-governmental policy-making body established by G7 in 1989 (Ministerial mandate)
- Members: 34 jurisdictions + 2 regional bodies
- 8 FSRBs (FATF-style Regional Bodies): Global network of over 180 jurisdictions
- 22 Observers: UN and other international bodies
 - Experts from the UN 1540 Committee actively participate in FATF work

Financial Action Task Force: About us (cont.)

- **Mandate**
 - When created in 1989, focus was on AML (Anti-Money Laundering)
 - Expanded to ***terrorist financing*** (2001) and ***financing of proliferation*** (2008)

- **Core activities**
 - Standard setting: standards to combat ML, FT & financing of WMD proliferation (***'FATF Recommendations'***)
 - Assessing country's compliance (***'mutual evaluations'***)
 - Studying typologies: methods/trends of ML, FT, FOP
 - Responding to new and emerging threats of illicit financing

The United Nations approach to non-proliferation

- **Two-tiered approach** to combating WMD proliferation & related financing:
 1. Global approach aimed at preventing acquisition of WMD by non-State actors: UNSCR 1540
 2. Targeted approach aimed at the proliferation activities of particular States (e.g. Iran & DPRK): UNSCR 1718, 1737, 1747 & 1803
- Financial measures are an important supplement to, but not substitute for, effective export controls



UNSCR 1540 - Financial provisions

(slide 1 of 2)

- OP 2: *Decides also* that all States, in accordance with their national procedures, shall adopt and enforce appropriate effective laws which prohibit any non-State actor to manufacture, acquire, possess, develop, transport, transfer or use nuclear, chemical or biological weapons and their means of delivery, in particular for terrorist purposes, as well as attempts to engage in any of the foregoing activities, participate in them as an accomplice, assist or finance them;



UNSCR 1540 – Financial provisions

(slide 2 of 2)

- OP 3(d): *Decides also that all States shall* take and enforce effective measures to establish domestic controls to prevent the proliferation of nuclear, chemical, or biological weapons and their means of delivery, including by establishing appropriate controls over related materials and to this end shall:
 - (d) *Establish, develop, review and maintain appropriate effective national export and trans-shipment controls over such items, including* appropriate laws and regulations to control export, transit, trans-shipment and re-export and controls on providing funds and services related to such export and trans-shipment such as financing, and transporting that would contribute to proliferation, as well as establishing end-user controls; and establishing and enforcing appropriate criminal or civil penalties for violations of such export control laws and regulations;

How financial provisions add value

- **Uncover proliferation activity** when complemented by information held by competent authorities & other sources
- **Link entities of concern together** (e.g. increasing use of front companies & transshipment points by the proliferation networks to evade export controls)
- **Demonstrate diversion or infringement** of export controls
- **Provide evidence** to support investigations or prosecutions

Implementation challenge

- AML/CFT authorities have expertise in tracing illicit financial flows
- FIUs receive large amounts of financial data that could contribute to proliferation investigations
- However, many countries may **lack mechanisms to allow effective cooperation & information sharing**, at the domestic level, among AML/CFT authorities & authorities responsible for countering proliferation

The FATF's approach

- Focus on effective implementation
- Respond to abuse of the global financial system by developing policies aimed at:
 - Prevention
 - Detection
 - Investigation / Prosecution
 - Domestic / International cooperation
- Multi-disciplinary (e.g. policy makers, financial services supervisors, FIUs, law enforcement, prosecutors, private sector)

Facilitating implementation

New FATF standards (Slide 1 of 2)

- FATF Recommendation 2:** 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.**

Facilitating implementation

New FATF standards (Slide 2 of 2)

- Countries should have **mechanisms to facilitate domestic cooperation & coordination** on the implementation of measures to combat WMD proliferation
- Aimed at ensuring better implementation of the existing international obligations
- New standards developed with active participation by experts from the UN 1540 Committee

Other FATF's work on proliferation

■ FATF Recommendation 7

- A new standard to assist countries in implementing targeted financial sanctions (e.g. freezing funds/assets of the designated persons/entities) related to proliferation

■ Guidance papers

Three guidance papers are under revision to reflect all relevant UNSCRs after 2008 (due in June 2013)

- *The Implementation of Financial Provisions of UNSCRs to counter the proliferation of WMD*
- *The Implementation of activity-based financial prohibitions of UNSCR 1737*
- *The Implementation of financial provisions of UNSCR 1803*



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For further information

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