



FINANCIAL ACTION TASK FORCE  
*THE PRESIDENT*

H.E. Mr Juan Ramón de la Fuente Ramírez  
Chair, Security Council Committee established  
pursuant to UNSC Resolution 1540 (2004)

3 June 2022

Our Ref. : 20222406AsK01

Subject : Comprehensive Review of the Implementation of the UNSCR 1540 (2004)

Your Excellency,

Thank you for your letter reference SCA/5/22 (02) dated 14 April 2022, inviting the Financial Action Task Force (FATF) to participate in the open consultations on the Comprehensive Review of the Implementation of the UN Security Council Resolution 1540 (2004) being conducted by the 1540 Committee.

The FATF is grateful for the opportunity to contribute to the Comprehensive Review, informed by our experience of conducting peer reviews of countries' implementation of the FATF standards, which include reviewing the effectiveness of their counter-proliferation targeted financial sanctions.

#### Contribution of measures targeting financial flows to countering proliferation

Financing is an essential component of proliferation, and measures targeting financial flows are one of the most effective tools for combating proliferation of weapons of mass destruction. We have seen from FATF's Mutual Evaluations that effective implementation of preventive measures, particularly targeted financial sanctions, by national authorities and by the private sector, can disrupt and restrict the capacity of proliferation networks and their facilitators. The combination of preventive measures by the financial sector, and "following the money" by law enforcement and security agencies, is an essential and highly effective tool for combating terrorism and transnational organised crime, and these tools are valuable in combating other threats to international peace and security.

FATF's mutual evaluations have shown that financial intelligence can provide valuable information on illicit financial transactions as well as exposing the networks of front companies used by proliferators and raising their risk of detection. Such measures can have an effect on proliferation networks through trade finance, correspondent banking, company formation, maritime insurance, and other activities, placing pressure on illicit proliferation networks from multiple sides. Overall, there is a significant potential to use measures targeting financial flows as an effective tool for countering proliferation by state and non-state actors. However, their potential role is not reflected in UNSCR 1540 (2004).

#### FATF activity on countering proliferation financing

The FATF has since 2012 set out requirements for the implementation of targeted financial sanctions imposed by the UN Security Council with regard to Iran and DPRK, and recently incorporated wider counter proliferation financing measures into its standards. In October 2020, the FATF revised its Recommendations 1 and 2, to require countries and the private sector to identify and assess the risks of potential breach, non-implementation or evasion of the targeted financial sanctions related to

proliferation financing; and to take action to mitigate these risks, as well as to improve domestic co-ordination and co-operation.

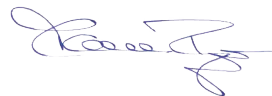
It is important to note that these new FATF's requirements on risk assessment and mitigation relate to the implementation of targeted financial sanctions applied by the UN Security Council under the Iran and DPRK sanctions regimes, and do not include general obligations to counter proliferation financing. The FATF's role is to set out detailed standards for consistent and effective implementation of the legal obligations set out in UN instruments (including conventions and Security Council Resolutions), but not to go significantly beyond those instruments. Neither UNSCR 1540 nor related resolutions set out specific proliferation financing provisions, and therefore the FATF standards on counter proliferation financing remain limited to only a small subset of the broader obligations for countries and are applied only to two UN sanctions regimes .

#### Considerations for the comprehensive review

I understand that the Committee will consider proposals that a successor resolution to UNSCR 1540 should define proliferation financing and could set out obligations on countries to prevent and detect such activity. The FATF has always been responsive to the changing risk environment, as signalled by the UN Security Council, and such a step would inform the discussion at FATF with regard to keeping its standards in line with the relevant UN provisions, in order to contribute to the effective global implementation of any new requirements. It could also potentially enable harmonisation of national counter-proliferation regimes with counter-terrorism regimes, by applying the same range of measures targeting financial flows, in order to combat both proliferation and terrorism, reducing the complexity of national laws and regulations. And such changes would enable better integration and coherence between training and technical assistance programs by the FATF and other bodies.

The FATF stands ready to support the 1540 Committee as it progresses its work on these important issues. The FATF supports and shares the common understanding that the resolution continues to play a central role in the maintenance of international peace and security.

Yours sincerely,



Dr. Marcus Pleyer  
FATF President

<sup>1</sup> Counter-proliferation financing measures include implementation of targeted financial sanctions under UN Iran and DPRK regimes, and risk assessment and mitigation of the breach, evasion, and non-implementation of such sanctions. They do not include criminalisation; asset recovery, preventive measures by financial and non-financial businesses and supervision of such, suspicious transaction reporting, use of financial intelligence, investigative powers of law enforcement, or international cooperation.