

Information Note¹

Events: Financial Action Task Force Project Team meeting on Proliferation Finance

Organizers: Financial Action Task Force (FATF)

Date and Venue: 10 May 2019, Vienna, Austria

Participants: Representatives from Governments of the UK and Germany (Meeting Co-Chairs), Canada, China, France, India, Japan, Portugal, Russian Federation, Portugal, Switzerland and the USA. Representatives of the European Commission and the FATF Eurasian Group on Combating Money Laundering and Financing of Terrorism. The 1540 Expert. FATF Policy Development Group (PDG) Co-Chairs (Singapore, Spain). The FATF Secretariat.

Background

Resolutions 1540 (2004) and 2325 (2016) include the following requirements to control the financing of WMD proliferation:

- Operative paragraph 2 of resolution 1540 (2004) requires all States, in accordance with their national procedures, to 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 these activities, participate in them as an accomplice, assist or finance them.

¹ For information – not an official report. The views expressed here do not necessarily represent those of the 1540 Committee nor the organizers or participants in the event.

- Operative paragraph 3 requires all States to implement 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, inter alia, 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.
- Operative paragraph 12 of resolution 2325 (2016) requires the 1540 Committee to promote the full implementation by all States of resolution 1540 (2004) and in particular enforcement measures; measures relating to biological, chemical and nuclear weapons; proliferation finance measures; accounting for and securing related materials; and national export and trans-shipment controls.
- In addition, operative paragraph 25 of resolution 2325 (2016) encourages relevant international, regional and sub-regional organizations to highlight the obligations of resolution 1540 (2004) in their model legislation and/or guidelines, where appropriate, pertaining to instruments under their mandate relevant to the resolution.

FATF Recommendations set international standards for combating money laundering and the financing of terrorism and proliferation. The current standards were agreed in 2012, and those relating to proliferation finance (PF) are Recommendation 7 (that requires countries to implement targeted financial sanctions (TFS) required by Security Council resolutions relating to financing of proliferation of WMD), and 2 (that requires countries to have effective mechanisms in place to cooperate and coordinate domestically to inter alia combat the financing of WMD). FATF set up a Project Team at the end of 2018 to consider ways to strengthen FATF's work on PF. The first meeting of the Team took place on 16 January (2016). Following that meeting, an interim report was provided to

the FATF Policy Development Group for discussion during the FATF Plenary meeting 20-22 February.

Highlights and Discussions

Following the FATF Plenary meeting in February concept notes were drafted regarding five specific possible areas to strengthen FATF's work on proliferation finance. The purpose of the meeting on 10 May was to consider and revise these concept notes as appropriate, with a view to providing recommendations for discussion at the next FATF PDG and Plenary meetings, 16-21 June. The concept notes covered the following:

- Note 1: National Risk Assessment and mitigation
- Note 2: Application of the risk-based approach to the private sector
- Note 3: Financial intelligence (e.g. STR) reporting and information sharing related to PF, domestic and international
- Note 4: Criminalising PF
- Note 5: National targeted financial sanctions powers.

The meeting agreed to revise these notes in accordance with the results of the discussions, and further comments that members of the Project Team might wish to submit. After the revised versions were circulated one final time, they would then be submitted to the PDG.

Ideally, FATF's work on PF, which currently is focused on targeted financial sanctions required by Security Council resolutions relating to financing of proliferation of WMD, should extend to the PF requirements of resolution 1540 (2004). This would further incentivise states to implement the relevant requirements.

Additional Comments

For further information, please contact the 1540 Committee experts by e-mail at 1540experts@un.org.