

Information Note¹

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

Organizers: Financial Action Task Force

Date and Venue: 16 January 2018, Paris, France

Participants: Representatives from Governments of the UK and Germany (Meeting Co-Chairs), Canada, China, France, India, Japan, Portugal, Russian Federation, Singapore, 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.

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.
- Operative paragraph 3 requires all States to implement effective measures to establish domestic controls to prevent the proliferation of nuclear, chemical,

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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.

The FATF Recommendations are the international standard for combating money laundering and the financing of terrorism and proliferation. Standards on proliferation finance (PF) are set out in Recommendations 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).

Highlights and Discussions

The Project Team's mandate was broadly to consider the value of modifying FATF Recommendations in order to strengthen international efforts to counter PF. Options included the following:

- To require National Risk Assessments to include PF risks, and apply a Risk Based Assessment to PF;
- To consider adopting a definition of PF for FATF purposes;
- To require countries to criminalise PF and evasion of PF-related TFS;
- To require financial institutions to file Suspicious Transaction Reports regarding suspected PF activity;
- To require countries to have legal powers and mechanisms to apply TFS against proliferators and their facilitators on a national basis, to entities not designated under UNSCRs;
- To require international cooperation in relation to PF;
- Application of PF preventive measures to specialised maritime and cargo insurers.

Although some states expressed reservations about the feasibility of effectively countering PF, and the extent to which FATF's mandate extended to PF, there was general agreement that several of these options should be developed with a view to submitting firm proposals to FATF in June 2019.

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.