

Combating Proliferation Financing



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Overview

- ◆ Importance of Financial Measures in Comprehensive Counter-proliferation Strategy
- ◆ International Legal Framework to Combat WMD Proliferation Financing
 - UN Security Council Resolutions
 - Financial Action Task Force (FATF) Recommendations
- ◆ U.S. Strategy to Combat Proliferation Financing

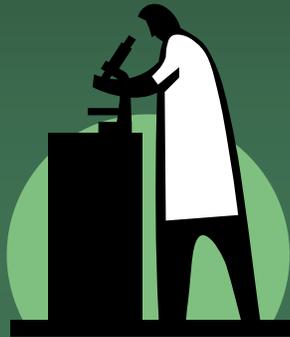
Why Use Financial Measures?

- ◆ Uncover **broader** Proliferation Support Networks
- ◆ Link **entities of concern**
- ◆ Address aspects of trade taking place in other jurisdictions

Targeting the Support Network

- ◆ Target the *entire network*, including WMD proliferators, their supporters and support structures, and their assets:

WMD Proliferators



Individual



Organization

Support Structures



Financiers



Logistical Support



Front Company



Shipping Lines & Suppliers

Importance of Financial Measures

- ◆ Proliferation support networks tend to **depend heavily on the international banking system** to carry out transactions and business dealings worldwide.
- ◆ Proliferation support networks often **operate for financial gain** and are highly vulnerable to **public exposure and disruption of funding**.

These factors make financial measures particularly effective in deterring and disrupting proliferation financial and support networks.

International Legal Framework

Financial Provisions contained in:

- ◆ **UNSC Resolution 1540 (1810; 1977)**
 - ❑ Establish controls on provision of funds and financial services that could contribute to proliferation
- ◆ **State-specific UNSCRs**
 - ❑ **Targeted Financial Sanctions**
 - ❑ **Preventive Measures**
 - Activity-based financial prohibitions
 - Enhanced scrutiny & monitoring
- ◆ **Financial Action Task Force Standards**

Financial Action Task Force

- ◆ Premier international policy-making and standard-setting body in the international effort against terrorist financing & money laundering
- ◆ 36 members (including GCC and EC)
- ◆ FATF Standards are internationally recognized as the sole standard for combating money laundering & the financing of terrorism & WMD proliferation
- ◆ Assesses compliance with standards and publicly identifies countries for non-compliance

Financial Action Task Force

- ◆ In February 2012, FATF issued revised standards including Proliferation Financing:
 1. Creation & implementation of targeted financial sanctions regime related to WMD proliferation (Recommendation 7)
 2. Domestic coordination and information sharing on proliferation financing between export control authorities, AML/CFT authorities, etc (Recommendation 2)

FATF Recommendation 7: Targeted Financial Sanctions

- ◆ Freeze designated entities funds and other assets without delay and prohibit provision of financial services
- ◆ Ensure that freeze includes all funds or assets owned or controlled, directly or indirectly
- ◆ Identify additional targets and assets for designation
- ◆ Establish necessary domestic mechanisms to ensure effective implementation

FATF Recommendation 2: National Coordination for Combating Proliferation Finance

- ◆ Identification and coordination of relevant competent authorities for combating the financing of proliferation
- ◆ Effective mechanisms to coordinate on the development and implementation of policies and activities to address proliferation financing

Assessing Effective Implementation of FATF Standards

- ◆ Mutual Evaluation: 18 month process, including a three week on-site visit that includes meetings with entire interagency and private sector representatives.
 - Public Report and Follow-up Process to Address Deficiencies Identified
- ◆ Effectiveness is evaluated through 11 Immediate Outcomes
 - Immediate Outcome 11: Persons and entities involved in WMD proliferation are prevented from raising, moving and using funds, consistent with relevant UNSCRs.
 - Immediate Outcome 1: National co-operation and co-ordination on combating WMD proliferation, including PF
- ◆ Over 180 Jurisdictions are assessed against methodology through FATF global network

U.S. Strategy to Combat PF

- ◆ Targeted Actions
- ◆ Private Sector Engagement
- ◆ Investigations
- ◆ Globalizing Campaign

U.S. Strategy to Combat PF

◆ Targeted Actions

- Financial Sanctions: Executive Order 13382
- Combine financial info with all source intelligence to develop designations
- Robust sanctions implementation & enforcement

◆ Private Sector Engagement

- Threat specific case information
- Information Sharing to Assess Risk
- Deceptive Practices

Globalizing Campaign

- ◆ **Bilateral Foreign Government**
 - Sharing threat specific information

- ◆ **Working within Multilateral Organizations**
 - Policy Making: FATF
 - Development of International Standards
 - Assessment of Effective Implementation
 - Monitoring Compliance

- **Awareness Raising: PSI & 1540 Committee Work**

Questions?