

Proliferation Financing

Proliferation financing is the provision of funds or financial services to support the illegal proliferation of weapons of mass destruction (e.g. chemical, biological and nuclear weapons), as well as their means of delivery, storage and any related materials.

This includes technologies and dual-use items (i.e. goods or services that can be used for a civilian or military purpose) used for non-legitimate purposes.

#1

Risk assessment

It is important that firms **take a risk-based approach to proliferation financing**.

Make sure you are aware of the areas of proliferation financing risk for your firm, including the risks and red flags related to your firm's:

- Products and services
- Customers and associated persons
- Countries of operation
- Transactions
- Distribution channels

#2

Understand the impact

Proliferation financing may not necessarily be directly connected to the **physical flow of goods**. It could also include **other support** such as:

- Financial transfers
- Providing loans or credit lines
- Ship mortgages and registration fees
- Insurance and re-insurance services
- Trust and corporate services

So, it is important that all staff understand how proliferation financing impacts their activities.

#3

Follow procedures

Proliferation financing may or may not use the proceeds of crime, so it may not exhibit the same characteristics as money laundering. It is both a distinct financial crime risk and a sanctions risk (as sanctions are often part of a country's counter-proliferation financing strategy).

It is, therefore, vital that you understand and **follow your firm's procedures** (e.g. in relation to due diligence, screening, ongoing monitoring and suspicious activity reporting).

