

Public Statement on Counter Proliferation Financing

Paris, 23 October 2020 - The Financial Action Task Force today adopted amendments to Recommendations 1 and 2 and their Interpretive Notes that require countries and the private sector to identify, and assess the risks of potential breaches, non-implementation or evasion of the targeted financial sanctions related to proliferation financing, as contained in FATF Recommendation 7, and to take action to mitigate these risks, as well as to enhance domestic co-ordination.

By adopting these measures, the FATF has significantly strengthened the global response to Weapons of Mass Destruction (WMD) proliferation financing, a serious threat posed to international peace and security, as long identified by the relevant United Nations Security Council Resolutions (UNSCRs). This is in response to the June 2019 call by the G20 in Fukuoka, which looked forward to further action by the FATF to strengthen the global response to proliferation financing.

These new obligations adopted by the FATF today do not substitute or undermine the existing strict requirements [for countries to implement targeted financial sanctions to comply with the relevant UNSCRs relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing.] These existing obligations contained in the FATF Recommendation 7 remain strict rule-based obligations on all natural and legal persons. The new obligations are not intended to cover broader issues of counter proliferation and relevant activity-based prohibitions, which are out of scope of Recommendation 7. The new amendments also do not change the existing obligations on financial institutions and DNFBPs with respect to combating money laundering and terrorist financing set out in the FATF Recommendations 9 to 23.

The new obligations seek to ensure that apart from implementing the existing requirements under Recommendation 7, financial institutions and DNFBPs should identify and assess the risks of potential breach, non-implementation or evasion of targeted financial sanctions when dealing with their customers, and take appropriate mitigating measures commensurate with the level of risks identified. This will ensure that these entities are aware of the risks involved in their businesses and professions, and do not unwittingly support or become part of the proliferation financing networks or schemes, in contravention of the relevant obligations. This will also ensure appropriate allocation of resources by countries and the private sector entities to their counter proliferation financing efforts, commensurate with the level of risks faced.

In this context, the FATF reiterates its strong support to financial inclusion goals. Ensuring that financially excluded or under-served groups have access to regulated financial or non- financial services without compromising the measures that exist for the purpose of AML/CFT/CPF is a key policy priority. The FATF encourages countries to implement the new requirements in a manner that is consistent with these objectives and apply measures proportionate to the risk of the relevant institutions.

The FATF will develop Guidance to assist countries and the private sector in assessing and mitigating the proliferation financing risk. The FATF will also begin the process of revising its Methodology for assessing these new obligations. As part of a phased approach, the FATF will begin assessing jurisdictions for implementation of these requirements at the start of the next (fifth) round of mutual evaluations, to allow time to put the necessary domestic measures in place.

The FATF expects all countries and regions to take concrete steps to ensure implementation of these new obligations, and to determine the appropriate sequence and timeframe for implementation at national level, including by providing guidance to their private sector and sharing relevant PF related information, as appropriate, to enhance compliance with the FATF Standards and better safeguard the international financial system from abuse. The FATF will continue to work with the global network to raise awareness of the new obligations and to improve the effectiveness of their implementation.