

COMPLIANCE FOCUS



TARGETED FINANCIAL SANCTIONS RELATED TO PROLIFERATION FINANCING



Recommendation 7 of the Financial Action Task Force (FATF) Recommendations requires countries to implement Targeted Financial Sanctions (TFS) to comply with the United Nations Security Council Resolutions (UNSCRs) relating to the prevention, suppression and disruption of the proliferation of weapons of mass destruction (WMD) and their financing.

Designations

Countries should consider establishing the authority and effective procedures to propose persons and entities to the Security Council for designation in accordance with the relevant Resolutions which impose TFS with respect to the financing of the proliferation of weapons of mass destruction.

Elements of a Targeted Financial Sanctions Regime

- A Competent Authority for designation according to the criteria.
- A mechanism for identifying targets for designation.
- A legal authority and mechanisms to collect or solicit information from relevant sources to identify persons or entities that meet the criteria for designation.

UN Designation Criteria

On the Democratic People's Republic of Korea (DPRK) - Resolutions 1718 (2006), 2087 (2013), 2094 (2013), and 2290 (2016):

- Any person or entity engaged in the DPRKs nuclear-related or other WMD related and ballistic missile-related programmes.
- Any person or entity providing support to DPRK's abovementioned programmes, including through illicit means.
- Any person or entity acting on behalf of the above mentioned programmes.
- Any person or entity owned or controlled by any person designated under the above mentioned UNSCRs.

On Iran- Resolution 2231 (2015)

- Any person or entity engaged in or associated with Iran's proliferation sensitive nuclear activities or in the procurement of prohibited items, goods, equipment and technology.
- Any person or entity assisting designated persons or entities in evading or acting inconsistently with Resolution 2231 (2015).

De-Listing, Unfreezing and Making Assets and Funds Available

Countries should develop and implement publicly known procedures to submit de-listing requests to the Security Council in the case of persons and entities that no longer meet the criteria for designation.

Unfreezing procedures should be developed for persons or entities with the same or similar names that were mistakenly affected by a freezing mechanism.

Mechanisms should be in place for communicating de-listings and unfreezings to FIs and DNFBPs.

The Role of the FSRC

The FSRC regularly disseminates various sanctions lists including the UN Sanctions Lists and the Office of Foreign Asset Control (OFAC) Lists to regulated entities.

FIs and DNFBPs are required to screen their new and existing customer lists to ensure that sanctioned individuals, groups and entities are appropriately identified.

The FSRC would monitor a regulated entity's level of compliance with the aforementioned legislative requirements through onsite examinations and off-site analysis of relevant documentation.

Freezing and Prohibiting Dealing in Funds or Other Assets of Designated Persons and Entities

Countries should require all natural and legal persons within the country to freeze without delay and without prior notice the funds or assets of designated persons and entities.

There should be mechanisms for communicating designations to Financial Institutions (FIs) and Designated Non Financial Businesses and Professions (DNFBPs) immediately upon taking action.

FIs and DNFBPs are required to communicate to Competent Authorities any assets frozen or actions taken including attempted transactions.

Effective measures which protect the rights of bona fide third parties acting in good faith when implementing the obligations under Recommendation 7 should be adopted.

There should be appropriate measures in place for monitoring and ensuring compliance by FIs and DNFBPs with relevant laws governing the obligations under Recommendation 7.

Civil, administration and criminal sanctions should be applied in cases of failure to comply with the legislation.

If a sanctioned individual, group or entity is identified, the following measures would be taken:

- * Freeze funds and/or assets in accordance with Section 4 of the Anti-Proliferation (Financing of Weapons of Mass Destruction) Act (APA), No. 10 of 2020.
- * File a Suspicious Transaction Report (STR) with the Financial Intelligence Unit (FIU) within 24 hours in accordance with Section 6 of the APA.
- * Promptly notify the Attorney General and the FSRC after taking the freezing action.