



Getting to grips with proliferation financing one year on

The webinar will begin soon

**The webinar is being recorded and
you will receive the recording after
the webinar**

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Ask us questions in the chat or Q&A

**Write 'demo' if you want to know
more about our proliferation
financing course**

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A group of three business professionals in white shirts are seated around a wooden table, reviewing financial documents. The documents feature various charts, including bar graphs and pie charts. One person is pointing at a document titled "Comparison of Competitors". Another person is using a calculator. The scene is brightly lit, suggesting a professional office environment.

Proliferation financing: the basics

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What is proliferation financing?

- Proliferation financing is known as PF for short
- Provision of funds for manufacture, development, export, use of nuclear, chemical or biological weapons - e.g. weapons of mass destruction (WMDs)
- Includes technology, dual-use goods and component parts of weapons
- Could process a payment or act for a client that is a PF risk

The regulated sector and PF

- Regulated entities are required to undertake a PF risk assessment
- Some areas are high risk for PF - financial transfers, insurance, loans, vessels, maritime insure and reinsurance, lines of credit for shipping etc
- Obfuscation methods of trust and company formation, acting as agents, or facilitating those



Poll 1:

How confident do you feel about proliferation financing?

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Do these answers reflect your experience? Tell us in the chat

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The PF risk assessment

- Undertake a standalone PF risk assessment
- OR incorporate PF into your firm-wide risk assessment
- Regulators can ask to see these risk assessments
- SRA wrote to a thousand firms to check their sanctions compliance
- FCA wrote to a thousand firms warning assessments weren't good enough

A blue binder is open, showing a document with a 'Monthly Product Sales Chart'. A magnifying glass is placed over the chart, and a pen lies on the document. The chart features a bar graph with a line overlay and a line graph below it. The text 'Poll 2: How are you managing your proliferation financing risk assessment?' is overlaid on the image.

Poll 2:

How are you managing your proliferation financing risk assessment?

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A blue binder is open, showing a document with a 'Monthly Product Sales Chart' and a line graph. A magnifying glass is placed over the chart, and a pen is visible in the foreground. The text 'Do these answers reflect your experience? Tell us in the chat' is overlaid on the image.

Do these answers reflect your experience? Tell us in the chat

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The background features a dark, blurred image of a financial market display. It contains several overlapping line charts with various colors (blue, green, red, orange). Numerous numerical data points are scattered across the screen, including 51.44, 49.07, 51.09, 8.04, 4.61, 6.44, 25.42, 6.91, 4.52, and .08. The overall aesthetic is that of a busy trading floor or a complex data visualization.

Examples of proliferation financing

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PF and insurance

- UK underwriter who provided re-insurance policy for a North Korean-linked vessel
- Both the vessel and owner subsequently sanctioned
- Promptly reported breach to OFSI
- Contract enabled a swift exit due to sanctions
- Underwriter froze any future premium payment
- If not, significant PF risk

PF prosecution of UK national

- UK national who purchased US and Russian parts for Iran via a Singaporean company
- Company directors indicted and jailed in US
- UK national set up more fronts in UK, UAE, Malaysia and BVI to re-establish procurement network
- UK company beneficiary through payments made via Cyprus opened by BVI business
- Malaysian entity exported to Iran

PF prosecutions of US & Canadian nationals

- 2023, US and Canadians charged with sanctions and export breaches
- Used corporate entities registered in NYC to source dual-use goods directly from manufacturers
- Shipped from NYC to Turkey, Hong Kong, India, China and UAE, then shipped to Russia

The risks of PF

- PF is between a financial crime and a sanctions risk
- Similar characteristics, but unique factors
- Should be seen as co-equal - AML/CTF/**PF**
- PF more linear than ML, focused on specific goods needed by specific countries
- Where there is a PF breach, likely to be a sanctions breach too



The background of the slide is a complex financial chart. It features a central candlestick chart with red and green bars, overlaid with several colored moving average lines (green, yellow, red, blue). The x-axis is labeled with months: 'mar', 'apr', 'may', and 'jun'. Below the main chart, there is a secondary bar chart with red and green bars. The overall aesthetic is dark with a grid pattern.

Three stages of proliferation financing

Stage 1 - raising funds

- Financing sourced from legitimate and illegitimate activities
- Trading, dual-use goods, trade in natural resources, forex, illegal export/import, smuggling
- North Korea illegally trading in sand and coal
- North Korea conducts cyber attacks, drug trafficking
- Stole \$1.7bn in virtual assets in 2022

Stage 2 - obscuring funds

- Sophisticated methods to obscure source of funds
- Second stage like money laundering, aim to legitimise funds
- False documentation, opaque ownership, middlemen, front companies
- But the ultimate aim is to use those funds to procure WMDs

Stage 3 - procuring goods

- WMD parts like electronics or dual-use goods purchased and shipped or smuggled back to sanctioned country
- Transactions to be processed, parts to be purchased, contracts drawn up, sending items and logistics of shipping and storage
- Many risk factors for regulated sector

UK as a PF hub

- London a key hub for foreign investment and prime target for PF networks
- UK firms tend to have international reach, UK branches can be touch points
- Financial transactions from or via the UK a risk
- Maritime sector of particular risk given UK size
- Reinsurance and poor awareness of PF in UK

UK involvement in PF

- Companies House cracking down on PF risks
- UK entities sanctioned for owning North Korea-linked vessels
- UK shell companies used by Chinese entities to trade with North Korea
- ECCTA gave Companies House more powers to cross-check data
- New verification requirements to improve accuracy of data

Download your free, customisable proliferation financing policy template



Ask us questions in the chat or Q&A

**Write 'demo' if you want to know
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financing course**

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A person in a white shirt is working at a desk. They are holding a pen over a calculator and looking at several papers with charts and graphs. The scene is dimly lit, with the person's hands and the desk items being the main focus.

Poll 3:

Do you have an automated AML onboarding tool?

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Automating AML onboarding

- Improves risk assessment and document collection during onboarding
- Omnitrack is VinciWorks' no-code AML onboarding tool
- Customisable templated workflows
- Red flag monitoring of jurisdiction, entity, industry
- Incorporates industry guidance like LSAG
- Workflows work for you - no code set up

A hand holding a blue house-shaped cutout with a heart inside. The background is a blurred indoor setting.

Write “Omnitrack” in the chat for a demo of our system

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Jurisdictional risks of PF

- Initially Iran and North Korea
- US designated Russia as number one risk
- North Korea, Iran, China, Syria, Pakistan, Turkey and UAE also high risk
- Russia is the highest risk according to US due to withdrawal from nuclear treaties
- Russia providing WMDs to Syria using fronts
- Russia working closely with North Korea and Iran

Country risks affecting business

- North Korea engages in cyber crime to raise money for their WMD programme
- Stolen billions in crypto laundered through the international financial system
- Use overseas banks, corporate entities and illicit businesses
- Weapons exporters, financial institutions and fronts all linked to North Korea

Knock-on jurisdictional risks

- Syria uses chemical weapons bought with selling sanctioned oil
- Iran also siphons cash from Syrian oil
- Pakistan developing missiles with Chinese tech
- Turkey grey-listed by FATF and hub for Russia trade
- UAE removed from grey list, but still has links to Russia and proximity to Iran

Understanding geographic PF risks

- Understand your geographic risks and exposure
- Score countries on their risk levels
- **Restricted** countries subject to UN sanction
- **Medium-high** countries with geographic proximity to a proliferation financing **restricted** country
- **Medium-low** countries with large diasporas from or connected trade hubs to **restricted** countries
- **Low risk** country has strong PF enforcement

Download your free, comprehensive guide to proliferation financing



A blurred background image of a business meeting. Two people are seated at a table, looking at several documents. The documents feature various financial charts, including bar graphs and pie charts. One person is holding a pen over a document, and another is holding a pen over another document. The overall scene is dimly lit, with a focus on the documents and the hands of the participants.

Poll 4:

**Does your organisation roll out
proliferation financing training?**

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A blurred background image of a business meeting. Two people are seated at a table, looking at several documents. The documents feature various data visualizations, including donut charts, bar graphs, and line graphs. One person is pointing at a donut chart with a silver pen, while the other is holding a black pen over a bar graph. The overall scene is dimly lit, with a focus on the documents and the interaction between the two individuals.

**Do these answers reflect your
experience? Tell us in the chat**

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The importance of PF training

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Why train on PF?

- Risks similar but distinct to money laundering
- Regulated sector **must** understand PF red flags
- Maritime and insurance aren't traditional AML risks, but they are PF risks
- Training should also encompass sanctions and dual-use goods
- Dual-use is software and tech which can be used for civil or military purposes

Download your free guide to every item under trade sanction - the Common High Priority List

Monthly Budget

HOW TO USE: Enter your budget for each category in the **Summary By Category** table below. Enter transactions on the **Transactions** sheet to see how your actual spending compares to your budget.



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PF and the risk based approach

- Risk based approach means wide screening of clients
- During onboarding and throughout the relationship
- Consider geographic risks and beneficial owners
- Beneficial owners could be a PF risk
- Build your internal intelligence and watch list
- Consider adverse media and indirect relationships
- Investigate any red flags thoroughly

Understanding PF risks

- Understand the PF risks relevant to your firm
- Dual-use items or shipping controlled goods
- Higher risk will require more detailed or enhanced ongoing monitoring
- Flag anyone in countries of concern
- Red flags include new types of transactions or things that don't make sense with their client profile

Write 'demo' if you want to know more about our proliferation financing course

Write 'Omnitrack' for more about our AML onboarding system

A person wearing a light blue blazer is seated at a desk. They are holding a white pen in their right hand and looking at a tablet computer. The desk is covered with various documents, including a report titled 'REPORT' and several charts and graphs. A brown notebook is also visible on the desk to the right. The background shows a window with a grid pattern, possibly a window blind or a wall panel.

Poll 5:

**What is the main challenge you face
in proliferation financing?**

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A person in a grey suit is sitting at a desk, looking at a tablet displaying charts. A calculator and a notebook are also on the desk. The background shows a window with a grid pattern. A large white text overlay is centered on the image.

**Do these answers reflect your
experience? Tell us in the chat**

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Q: What are the key factors to consider in a PF risk assessment?

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Q: What is the difference in the source of funds for proliferation financing as opposed to AML?

A group of business professionals in white shirts are gathered around a wooden table, reviewing financial documents. One person is pointing at a document titled "Comparison of Competitors" which features a bar chart. Other documents on the table include pie charts and bar graphs. A smartphone is also visible on the table.

Q: To what extent is the UK affected by proliferation financing?



Q: What are the risks of proliferation financing for Australian firms?

The background features several overlapping financial charts. A prominent blue line chart at the top shows a fluctuating trend with a peak and a subsequent dip. Below it, a green and red line chart shows more volatility. Various numerical values are scattered across the image, including 51.44, 49.07, 51.09, 8.04, 4.61, 6.44, 25.42, 6.91, 4.52, and .08. The overall aesthetic is dark with glowing blue and green highlights, typical of a financial data visualization.

Q: How are logistics and shipping affected by proliferation financing?

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