
Situations indicating possible Proliferation Financing Activities

The FATF typologies report on proliferation financing provides a starting point to the public and private sectors in understanding the threats and situations where customers, transactions and other account activities may be involved in proliferation financing. In addition to the aforementioned, national authorities and academic institutions have identified a number of situations below, which may indicate possible proliferation financing activities. However, information below is not uniquely determinative of proliferation financing, and proliferation financing activities may share similar traits with money laundering (especially trade based money laundering) and terrorist financing activities.

Elements that may indicate proliferation financing

- (i) Transaction involves person or entity in foreign country of proliferation concern.
- (ii) Transaction involves person or entity in foreign country of diversion concern.
- (iii) The customer or counter-party or its address is similar to one of the parties found on publicly available lists of “denied persons” or has a history of export control contraventions.
- (iv) Customer activity does not match business profile, or end-user information does not match end-user’s business profile.
- (v) A freight forwarding firm is listed as the product’s final destination.
- (vi) Order for goods is placed by firms or persons from foreign countries other than the country of the stated end-user.
- (vii) Transaction involves shipment of goods incompatible with the technical level of the country to which it is being shipped, (e.g. semiconductor manufacturing equipment being shipped to a country that has no electronics industry).
- (viii) Transaction involves possible shell companies (e.g. companies do not have a high level of capitalization or displays other shell company indicators).
- (ix) Transaction demonstrates links between representatives of companies exchanging goods i.e. same owners or management.
- (x) Circuitous route of shipment (if available) and/or circuitous route of financial transaction.
- (xi) Trade finance transaction involves shipment route (if available) through country with weak export control laws or weak enforcement of export control laws.
- (xii) Transaction involves persons or companies (particularly trading companies) located in countries with weak export control laws or weak enforcement of export control laws.
- (xiii) Transaction involves shipment of goods inconsistent with normal geographic trade patterns (e.g. does the country involved normally export/import good involved?).

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- (xiv) Transaction involves financial institutions with known deficiencies in AML/CFT controls and/or domiciled in countries with weak export control laws or weak enforcement of export control laws.
 - (xv) Based on the documentation obtained in the transaction, the declared value of the shipment was obviously under-valued vis-à-vis the shipping cost.
 - (xvi) Inconsistencies in information contained in trade documents and financial flows, such as names, companies, addresses, final destination etc.
 - (xvii) Pattern of wire transfer activity that shows unusual patterns or has no apparent purpose.
 - (xviii) Customer vague/incomplete on information it provides, resistant to providing additional information when queried.
 - (xix) New customer requests letter of credit transaction awaiting approval of new account.
 - (xx) Wire instructions or payment from or due to parties not identified on the original letter of credit or other documentation.

Potential indicators of sanctions evasion activity

- (i) Involvement of items controlled under WMD export control regimes or national control regimes.
- (ii) Involvement of a person connected with a country of proliferation concern (e.g. a dual-national), and/or dealing with complex equipment for which he/she lacks technical background.
- (iii) Use of cash or precious metals (e.g. gold) in transactions for industrial items.
- (iv) Involvement of a small trading, brokering or intermediary company, often carrying out business inconsistent with their normal business.
- (v) Involvement of a customer or counter-party, declared to be a commercial business, whose transactions suggest they are acting as a money-remittance business.
- (vi) Transactions between companies on the basis of “ledger” arrangements that obviate the need for international financial transactions.
- (vii) Customers or counterparties to transactions are linked (e.g. they share a common physical address, IP address or telephone number, or their activities may be coordinated).
- (viii) Involvement of a university in a country of proliferation concern.
- (ix) Description of goods on trade or financial documentation is nonspecific, innocuous or misleading.
- (x) Evidence that documents or other representations (e.g. relating to shipping, customs, or payment) are fake or fraudulent.
- (xi) Use of personal account to purchase industrial items.
