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Circular to Money Service Operators
Anti-Money Laundering / Counter-Terrorist Financing
FATF Guidance on Counter Proliferation Financing

The Customs and Excise Department would like to draw the attention of money service operators (“MSOs”) to a guidance paper recently issued by the Financial Action Task Force (“FATF”) entitled “Guidance on Counter Proliferation Financing – The Implementation of Financial Provisions of United Nations Security Council Resolutions to Counter the Proliferation of Weapons of Mass Destruction” ^{Note 1}, which is available on the FATF’s website (<http://www.fatf-gafi.org/publications/financingofproliferation/documents/guidance-counter-proliferation-financing.html>).

The paper provides guidance to facilitate both public and private sector stakeholders in understanding and implementing proliferation financing-related Targeted Financial Sanctions made under United Security Council Resolutions. Various sections of the guidance are relevant for MSOs to better understand and mitigate proliferation financing risks, including:

- Taking note of circumstances where customers and transactions are more vulnerable to be involved in proliferation financing activities, including factors that are relevant to the sanctions regime on the Democratic People’s Republic of Korea;
- Identifying high risk customers and transactions, and applying enhanced scrutiny, using a risk-based approach; and
- Undertaking reasonable efforts to collect additional information (e.g. available typologies of proliferation finance) related to identified high-risk customers and transactions in order to identify, and avoid engaging in, prohibited activities, and to enable follow-up actions.

MSOs are recommended to review the paper carefully to enhance the understanding of proliferation financing-related Targeted Financial Sanctions and the range of possible approaches that can be adopted, depending on individual MSO’s own situation, risk profile and risk appetite.

Should you have any queries regarding the contents of this circular, please contact us at 2707 7819.

Money Service Supervision Bureau
Customs and Excise Department

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^{Note 1} This paper updates two earlier FATF guidance papers: The Implementation of Financial Provisions of United Nations Security Council Resolutions to Counter the Proliferation of Weapons of Mass Destruction (2013) and Best Practices Paper to Recommendation 2 Information Sharing and Exchange Related to the Financing of Proliferation Among Relevant Authorities at the Domestic Level (2012).