

RED FLAGS INDICATORS ON PROLIFERATION FINANCING

This document in an effort to assist and raise awareness to reporting entities regulated and supervised by the Real Estate Advisory Council of the risks of proliferation financing and to assist them in complying with the Financial Intelligence Act 2019. Having reviewed this guidance, REPs may wish to revisit the following areas of their business to consider whether proliferation financing is adequately addressed in the:

- Provision of staff training;
- Implementation of policies and procedures;
- Risk assessments of customers and products
- Application of enhanced due diligence in respect of higher-risk transactions and entities.

To assist with awareness of potential proliferation financing a list of red flag indicators are provided below.

CUSTOMER

- The customer is involved in the supply, sale, delivery or purchase of dual-use, proliferation-sensitive or military goods, particularly to higher risk jurisdictions.
- The customer or counter-party, or its address, is the same or similar to one of the parties found on publicly available lists.
- The customer is a military or research body connected with a higher risk jurisdiction of proliferation concern.
- Customer activity does not match the business profile.



- Customer is vague, particularly about end user and end use, provides incomplete information or is resistant to providing additional information when sought.
- A new customer requests a letter of credit from a bank, whilst still awaiting approval of its account.
- Complicated structures to conceal involvement – use of layered letters of credit, front companies, intermediaries and brokers.

TRANSACTIONS/ORDERS

- The transaction concerns dual-use, proliferation-sensitive or military goods, whether licensable or not.
- The transaction involves an individual or entity in a foreign country of proliferation concern.
- Transaction demonstrates a link between representatives of companies exchanging goods e.g. same owners or management, in order to evade scrutiny of the goods exchanged.
- Transaction involves the shipment of goods inconsistent with normal geographic trade patterns i.e. where the country involved does not normally export or import the types of goods concerned.
- Order for goods is placed by firms or individuals from foreign countries, other than the country of the stated end-user.

JURISDICTION

- Countries with weak financial safeguards and which are actively engaged with a sanctioned country.
- A presence of an industry that produces dual-use goods, proliferation-sensitive items or military goods.
- Deliberate insertion of extra links into the supply chain e.g. diverting shipments through a third country.

OTHER



- Final destination or end-use unclear.
- Project financing and complex loans, where there is a presence of other objective factors such as an identified end-user.
- Declared value of shipment under-valued in relation to shipping cost.
- Inconsistencies in information contained in trade documents and financial flows e.g. names, addresses, final destination.
- Use of fraudulent documents and identities e.g. false end-use certificates and forged export or re-export certificates.
- Use of facilitators to ensure the transfer of goods avoids inspection.
- Innocuous commercial wording on customs declaration/export licence e.g. pump (without further explanation of purpose/use).
- A freight forwarding firm being listed as the product's final destination.
- Wire instructions or payment from or due to entities not identified on the original letter of credit or other documentation.
- Pattern of wire transfer activity that shows unusual patterns or has no apparent purpose

PROLIFERATION AND PROLIFERATION FINANCING

GLOSSARY

Consignee	The person or organization to which goods are exported. Literally, "the person to whom the goods are consigned". Not necessarily the end user.
Correspondent Bank	A financial institution that provides services in a market on behalf of another financial institution that does not have access to that market.
Dual-Use Goods	Items, including software and technology that can be used for both civil and military purposes. For example certain machine tools used for repairing automobiles can also be used to manufacture component parts of missiles.



End-Use	The final use of exported goods.
End-User	The intended user of the goods. Not necessarily the consignee.
Forfeiter	In international trade, the selling of an exporter's receivables (money due) for a particular transaction. Generally, the exporter forfeits the receivable at a discount. This improves cash flow but reduces income. The buyer is known as a forfeiter, and assumes all the risks associated with collecting the receivables.
Free Trade Zone	Also known as a foreign-trade zone (formerly free port), is an area within which goods may be landed, handled, manufactured or reconfigured, and re-exported without the formalities of complex customs examinations and regulations, or the intervention of customs authorities.
Letter of credit	A binding document that a buyer can request from his bank in order to guarantee that the payment for goods will be transferred to the seller. A letter of credit gives the seller reassurance that he will receive the payment for the goods.
Means of delivery	Missiles, rockets and other unmanned systems capable of delivering nuclear, chemical, or biological weapons that are specially designed for such use.
Proliferation	The manufacture, acquisition, possession, development, export, transshipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both technologies and dual-use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations.



	<p>Includes technology, goods, software, services or expertise.</p>
<p>Proliferation financing</p>	<p>The act of providing funds or financial services which are used, in whole or in part, for the manufacture, acquisition, possession, development, export, transshipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both technologies and dual-use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations.</p>
<p>Proliferation-sensitive goods</p>	<p>Nuclear, chemical or biological equipment, material, or technology used in the research, design, development, testing, or production of nuclear, chemical or biological weapons.</p>
<p>Related materials</p>	<p>Materials, equipment and technology which could be used for the design, development, production or use of nuclear, chemical and biological weapons and their means of delivery.</p>
<p>Trade Finance</p>	<p>The institutions or transactions involved in the financing of international trade. Trade finance looks at banks, credit agencies, insurers, forfeiters, and any other person or institution who enables importers and exporters to trade across borders.</p>
<p>Transshipment</p>	<p>Goods which are not destined for end-use in country, but are passing through it en route to another country.</p>
<p>UNSCR</p>	<p>United Nations Security Council Resolution - imposing sanctions on targeted country.</p>
<p>WMD</p>	<p>Weapons of Mass Destruction.</p>

