Proliferation Financing Risk Module

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The proliferation of weapons of mass destruction (WMD) and their delivery systems, poses a significant threat to international peace and security. The term 'proliferation' is often associated with the efforts to counter the spread of nuclear, chemical, and biological weapons and the prevention of 'proliferation financing', means detecting and disrupting any financial support being given to individuals or entities that are engaged in the development, production, acquisition, or use of WMD or their means of delivery.

The **Financial Action Task Force (FATF)** requires countries and the private sector to identify, and assess the risks of potential breaches, non-implementation or evasion of targeted financial sanctions related to proliferation financing and take appropriate and proportionate measures to mitigate and manage these risks.

What is Proliferation Financing Risk?

Proliferation financing risk refers to the potential exposure or vulnerability of financial institutions, businesses, and individuals to activities that support the proliferation of WMD and their delivery systems. This risk arises from the possibility of providing financial assistance, knowingly or unknowingly, to entities or individuals involved in the development, production, acquisition, or use of WMD or their means of delivery.

What is a Proliferation Financing Risk Assessment?

A proliferation financing risk assessment is a systematic process conducted by entities, such as financial institutions, businesses, or government agencies, to identify, assess, mitigate, and manage proliferation financing risks. The goal of the risk assessment is to understand and manage the potential exposure to activities that support the proliferation of WMD and their delivery systems.

The proliferation financing risk assessment involves examining various factors, such as customer profiles, transaction patterns, geographic locations, and the nature of products or services offered, to determine the likelihood and potential impact of these risks occurring.

Who should consider conducting a Proliferation Financing Risk Assessment?

Financial Institutions

- Asset managers, hedge funds and fund managers
- Banks, building societies, credit unions & mutuals
- Cash in transit and safety deposit box providers
- Corporate finance and private equity
- Cryptocurrency & digital currency exchanges
- FinTechs
- Foreign exchange & MSBs (money remitters)
- Financial planners
- Insurance companies
- Investment managers
- Leasing & hire purchase financing businesses
- Non-bank financial institutions
- Payment processing services
- Stockbrokers
- Superannuation, retirement & pension

Other Sectors

- Bookmakers & betting agencies
- Casinos
- Physical gaming venues
- Online gambling
- Accountants & bookkeepers
- Lawyers & conveyancers
- Trust & company service providers (TCSPs)
- Real estate professionals
- Antique & fine art dealers
- Auctioneers & broker
- Bullion & precious stone dealers & jewellers
- Motorised vehicle dealers (cars, boats, planes)
- Luxury goods dealers
- Pawnbrokers & secondhand dealers
- Other sectors (i.e. marijuana businesses, NGOs)

About Arctic Intelligence's Risk Assessment Platform

Arctic Intelligence's Risk Assessment Platform has been designed for larger companies to conduct risk assessments for financial crime and other risk domains. The platform is highly-configurable and can be tailored to your organisation's risk assessment methodology, risk and control libraries relevant to your business and execute these across multiple countries, operating groups or business units. This process produces real-time dashboards and reports aggregated across the organisation.

The Risk Assessment Platform is commonly used to digitise manual spreadsheet-based models and also to automate the inherent risk assessment process by ingesting data from file uploads or API feeds.

Play Video Demo *Digitisation*

Play Video Demo *Automation*

Download Brochure

Key Features

To help manage your enterprise-wide risks, whatever the risk domain you're assessing

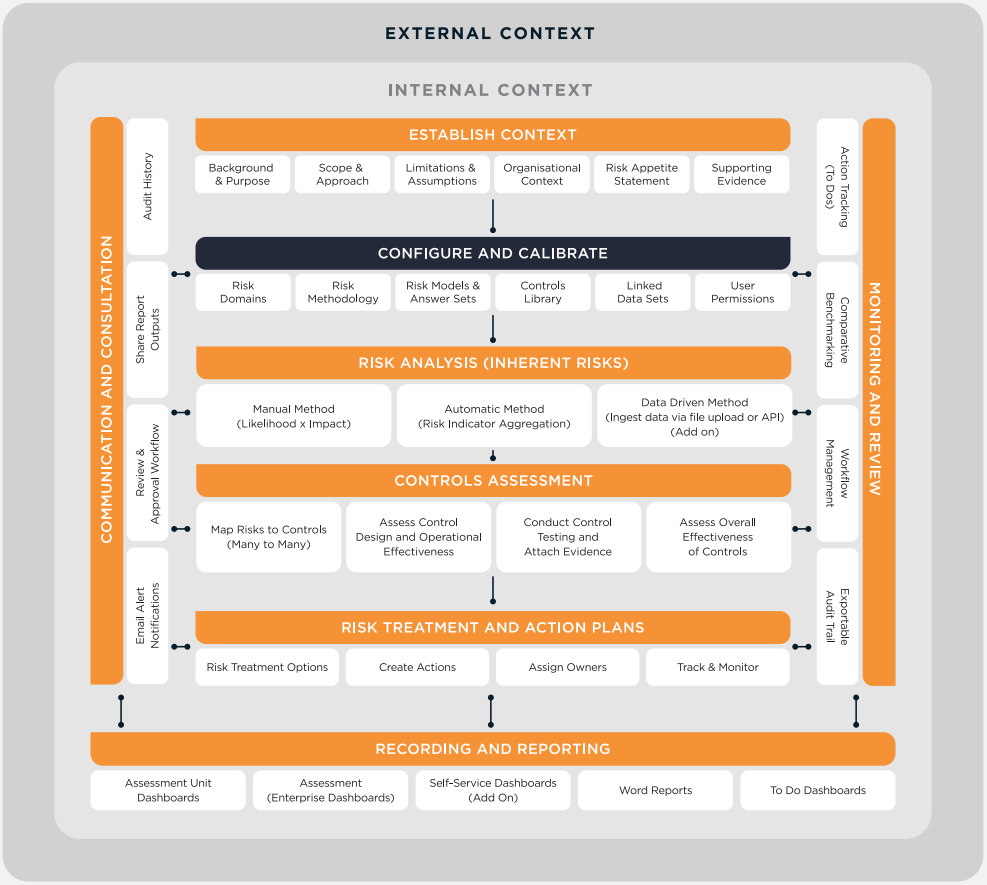
- Highly configurable so you can tailor the platform to suit your needs
- Import your own risk and controls or use our expert-built risk domains
- Flexible risk methodology, tailored to your risk-based approach
- Auditable workflow process for conducting risk analysis and controls assessment
- Digitise and automate by ingesting data via API or file upload
- Track, monitor and report on actions, issues and incidents
- Real-time dashboards and analytics, with exportable reports
- Fully hosted in a secure cloud with dedicated support

Why choose the Risk Assessment Platform?

- Fully configurable risk analysis and controls assessment platform
- Expert-built content modules with hundreds of risks and controls
- Digitise spreadsheet-based approaches, improving quality
- Automate risk assessments by ingesting data, improving efficiency
- Real-time analytics, approval workflows and fully auditable
- Save time and money, reducing compliance costs

How it works

The diagram below visualises recognised industry best risk assessment practices overlaid against the features within the Risk Assessment Platform that supports these processes.



What is the structure of the Proliferation Financing risk and control module?

We've developed a proliferation financing risk and control module based around the following risk areas:

1. Environmental Risk

Environment risk is the vulnerability of your organisation to proliferation financing risks because of the external environment your business operates in and internal environment within your business.

2. Business Risk

Business risk is the proliferation financing risk resulting from your organisation's business operations. The types of Business Risks are further broken down into business location risk, internal control frameworks, employee risk, new or significant changes to the business, emerging or forward-looking risk and outsourcing risk.

3. Customer Risk

Customer risk is the risk that your customers may be involved in proliferation financing and includes customer base profile, changing customer base profile, age of relationships, customer legal entity type, Politically Exposed Person (PEP) status, customer location, adverse / negative media coverage, customer industry/occupation and higher risk scenarios.

4. Product and Services Risk

Product and Services risk relates to attributes that can increase the vulnerability of a product or service being used for proliferation financing purposes. An example is dual-use goods and technologies that have the potential for weaponisation such as those described below:

- **Nuclear Weapons -** Centrifuges, High speed cameras, Composites, Maraging steel, Mass spectrometers, Pulse generators, X-ray flash apparatus, Pressure gauges, Ignition systems and Vacuum pumps.
- **Chemical Weapons -** Scrubbers, Mixing vessels, Centrifuges, Elevators, Condensers, Connectors, Cooling systems, Precursors, Pumps, Reactors and Heat exchanges.
- **Biological Weapons -** Bacterial strains, Fermenters, Filters, Mills, Presses, Pumps, Spray dryers, Tanks and Growth media.
- **Ballistic / Missile Weapons -** Accelerometers, Aluminium alloys, Aluminium powders, Gyroscopes, Isostatic presses, Composites, Maraging steel, Homing devices, Oxidants and Machine tools.

5. Channel Risk

Channel risk relates to the way that your customers access or buy your products and services may increase the proliferation financing risk. Channel risks include, customer onboarding channels, channels used for ongoing customer relationship management and the use of third -party intermediaries (i.e., sales agents, brokers).

6. Transaction Risk

Transaction risk relates to the types of transactions that your customers are engaged in based on the customer type, transaction risk rating, transaction volumes and value by customer type, transaction type, country type and changes in transaction volumes and/or values, as well as the number of alerts, cases, and suspicious activity reports.

7. Country Risk

Country risk relates to the exposure your organisation has to different countries and territories based on customers, for example, their residency, nationality of citizenship for individual customers or their country of registration, incorporation, or business operations for non-individual customers. Country risk is also relevant based on the origin country of products and services, including components used within the supply-chain, cross-border distribution channels, and transactions in or through higher risk countries, particularly from a proliferation perspective.

About Arctic Intelligence

Arctic Intelligence is a multi-award winning, RegTech firm that specialises in audit, risk and compliance software related to financial crime compliance and risk management.

We've helped hundreds of clients in over 20 industry sectors and multiple countries strengthen their defences against financial crime.

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