REAL ESTATE ADVISORY COUNCIL

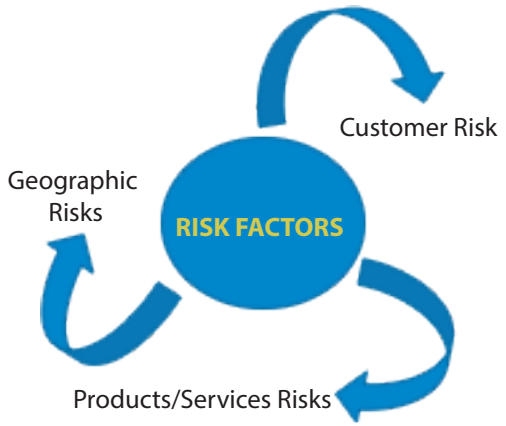
PROLIFERATION AND PROLIFERATION FINANCING

What is Proliferation?

The Real Estate Advisory Council is a Supervisory Authority In accordance with the Financial Intelligence Act 2019. Proliferation means the manufacture, acquisition, possession, development, export, transshipment, brokering, transport, transfer, stockpiling or use of any arms of war or NBC weapons in contravention of the Arms and Ammunition Act, Nuclear Weapons (Prohibition) Act, Biological and Toxin Weapons (Prohibition) Act or Chemical Weapons (Prohibition) Act.

Proliferation can take many forms, but ultimately it commonly involves the transfer or export of technology, goods, software, services, or expertise that can be used in programs involving nuclear, biological, or chemical weapons, and their delivery systems - which may involve sophisticated technology, such as in long-range missiles; or it may involve a relatively simple, or even crude, device.

Risks Associated with Proliferation Financing



i)Geographic Risks

REPs must assess whether or not their customer is from a country that is subject to relevant UN sanctions.

ii) Customer Risk

REPs at the inception of a business relationship and ongoing due diligence process, must determine the type of business the customer is engaged in to assess whether it poses potential proliferation risk.

iii) Product/ Service Risk

REPs must determine if the products and services they offer have the potential to contribute to proliferation and proliferation financing. Variables specific to the customer or the transaction, such as the duration of the business relationship, purpose, corporate structure and the volume of the transaction must be considered.

Mitigating Proliferation Financing Risks

REPs have an obligation to conduct risk assessments of the risk of commission of financial offenses and to take appropriate measures to manage and mitigate the identified risks as per section 11 of the F.I Act 2019. It is based on their risk assessments that REPs can manage their potential proliferation financing risks by implementing a Risk Based Approach that incorporates controls to mitigate the risk of proliferation financing within their current AML/CFT structures. REPs must adopt policies preventing client relationships that expose the REPs to countries, customers, and products that are higher risk for proliferation financing.

Targeted Financial Sanctions

The Counter-Terrorism (Implementation of United Nations Security Council Resolutions) Regulations, 2020 under regulation 10 states that;
REPs are required to implement targeted financial sanctions related to proliferation by freezing without delay, the funds, or other assets of designated persons and entities, record property or economic resources frozen against the names of the owners and beneficial owners for proper management.

Proliferation Financing Differs from Money Laundering

Proliferators operate globally, try to mask their activities as legitimate trade, and exploit global commerce by trading in countries with weak export controls or free trade zones. The stages of proliferation financing differ from the placement-layering - integration cycle associated with money laundering. Rather, the pattern used by proliferators is a linear Raise – Obscure – Procure & Ship. Unlike money laundering, which is concerned about funds raised by illegitimate means, the source of funds used to finance proliferation can be both legal and illegal. The destination or use of those funds is for advancing the ambitions of sanctioned states. In many cases the financing source is from a state or a person acting as an indirect agent of the state.

FATF On Terrorist Financing and Money Laundering

FATF suggests several measures which can be implemented by REPs to mitigate the risk posed by high risk customers. All REPs should possess adequate policies and processes including strict customer due diligence (CDD) rules to promote high ethical and professional standards in the financial sector and prevent the REPs from being used, intentionally or unintentionally, for criminal activities. REPs must have a robust ML/FT/PF Risk Management program in place that incorporates screening, monitoring and reporting of suspicious transactions.