

# Proliferation Financing

## What is Proliferation Financing (PF)?

Proliferation financing refers to the act of providing funds or financial services which are used, in whole or in part, for the manufacture, acquisition, possession, development, export, trans shipment, 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 obligation.

- **Financial Action Task Force (FATF) 2012**

### PF can be -

- **terrorism financing** - the provision of financial support to terrorist organisations that would want to acquire and/or use weapons of mass destruction;
- **financing from** a state, or a state-controlled or state-sponsored entity with the aim of providing a state with a WMD, or to enhance, improve or replace an existing one; or
- **trading of** dual-use goods such as triggered spark gaps and thermostats for non-legitimate purposes.

PF activity, in many cases, has the sole aim of generating access to foreign currency and the international financial system. It may look like a legitimate trading transaction. Firms must have a full understanding of a customer's activity and be able to identify something unusual or suspicious.

**In complex structures PF may not necessarily be directly connected to the physical flow of goods. PF can include, although not be limited to, the following:**

- Financial transfers
- Provision of loans
- Ship mortgages and registration fees
- Insurance and re-insurance services
- Credit lines for shipment of illicit sensitive goods
- Trust and corporate services
- Acting as an agent for, to, or on behalf of someone else
- Facilitation of any of the aforementioned activities

1. Raising of funds

2. Obscuring of funds

3. Procurement and shipping of goods and technology

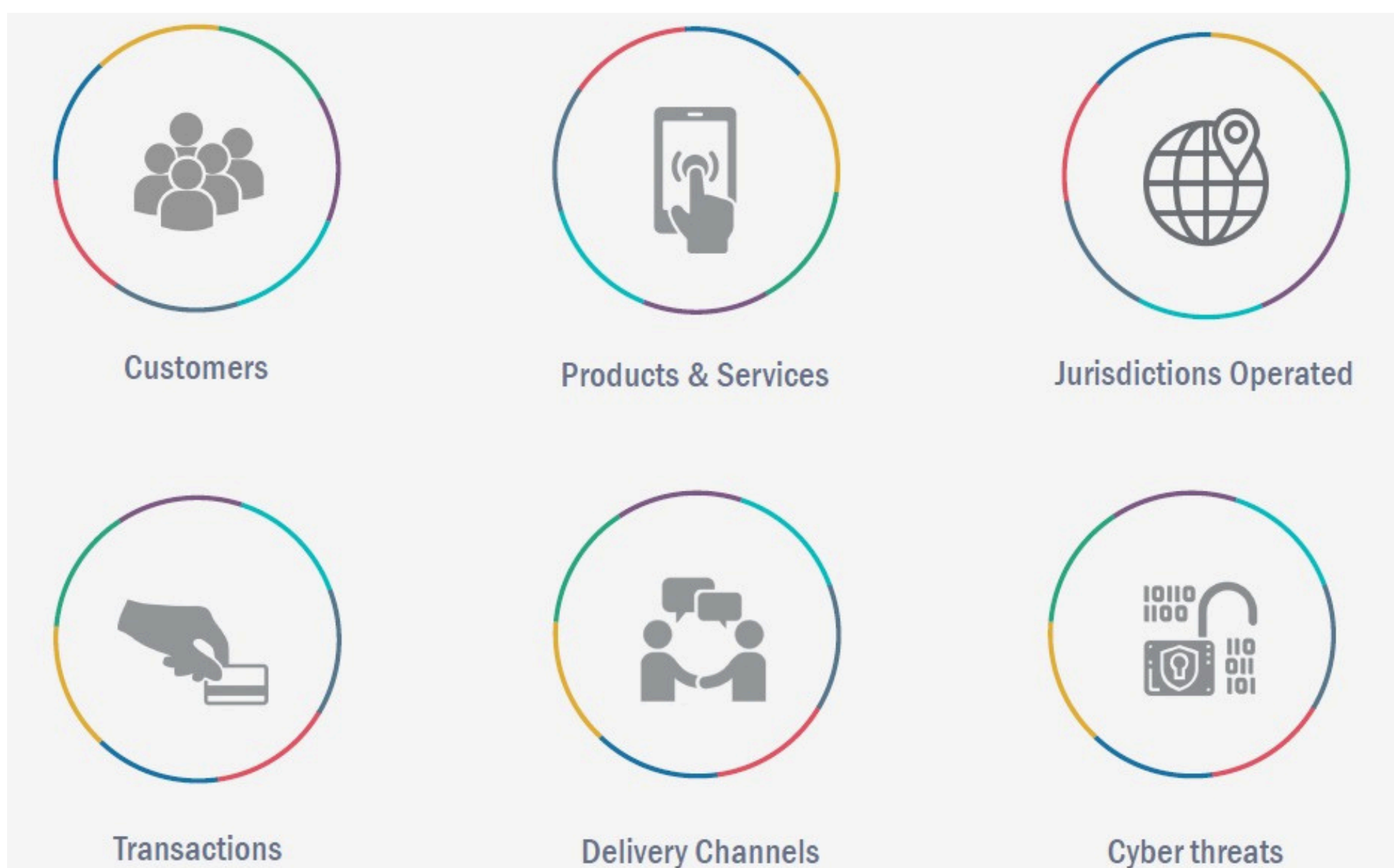
### Stages of PF

## Addressing PF in the Isle of Man

As a small jurisdiction, the Island benefits from collaborative working across industry and the public sector to combat PF. To ensure that these offenses are recognised, reported, investigated and prosecuted, every sector, organisation and individual must therefore play their part.

- The Isle of Man has a strong technical framework of legislation and regulations that is currently largely compliant with 39 of the FATF's 40 recommendations. This will reduce avenues that facilitate legal persons and arrangements to be used or misused for PF.
- Businesses are encouraged to be vigilant and uphold strong processes and governance structures. A robust customer risk assessment is vital to identify links with jurisdictions with high PF activities.

## PF Risks for Financial Institutions



## What should I do if I suspect PF?

- If you form your suspicion as part of work within the regulated sector, make a report to your Money Laundering Reporting Officer (MLRO) or Deputy Money Laundering Reporting Officer (DMLRO).
- If you are an individual and wish to make a disclosure to the FIU please contact 686000.

## Further information :

- [IoM Financial Crime Strategy 2024 - 2026 IoM](#)
- [Financial Sanctions Guidance Proliferation](#)
- [Financing IoM Proliferation Financing Risks](#)