Proliferation, Proliferation Financing, Sanctions and Sanctions Evasion

NOÉMI TAMBÉ

Understanding the differences and the overlap

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Four concepts answer four different questions

PROLIFERATION

What strategic capability is being developed or transferred?

PROLIFERATION FINANCING

What financial activity supports that capability or its network?

SANCTIONS

What actor, asset, transaction, good or service is legally restricted?

SANCTIONS EVASION

How is an applicable restriction being concealed or circumvented?

The same facts can engage more than one concept, but one label does not automatically prove the others.

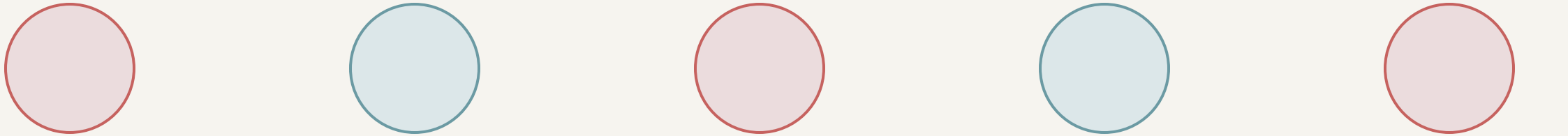
Conceptual synthesis based on FATF (2021; 2025) and RUSI (També, 2023)

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Proliferation is the underlying strategic activity

FATF working definition

Manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons, their means of delivery and related materials.



NUCLEAR

materials, enrichment, weaponisation

RADIOLOGICAL

radioactive sources and dispersal risks

CHEMICAL

toxic precursors and production

BIOLOGICAL

agents, equipment and know-how

DELIVERY SYSTEMS

missiles, guidance and propulsion

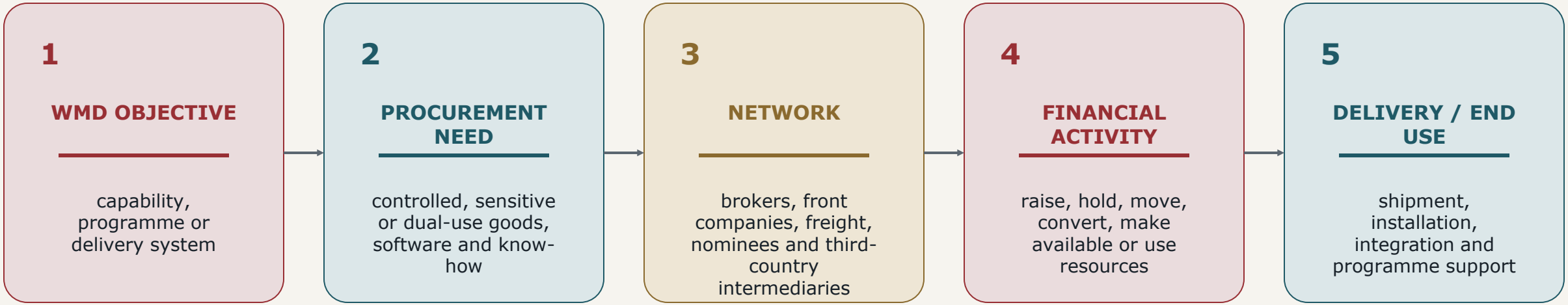
CBRN is the operational umbrella

FATF expressly names nuclear, chemical and biological weapons—not radiological weapons. Keep that distinction visible when translating CBRN practice into a PF definition.

Dual-use does not mean illicit: end user, end use, specification and diversion path determine relevance.

FATF (2025), p. 9; També (RUSI, 2023), pp. 7–8

Proliferation programmes depend on a procurement ecosystem



Why the sequence matters

The payment is rarely self-explanatory. A credible PF enquiry connects the financial function to the actor, item, route, end user and proliferation purpose.

Export controls and trade intelligence provide the technical context that financial data often lacks.

FATF (2025), pp. 9, 22–52; També (RUSI, 2023), pp. 7–11; També & Alsancak (RUSI, 2024), pp. 17–24

PF connects resources to a proliferation purpose in the procurement chain

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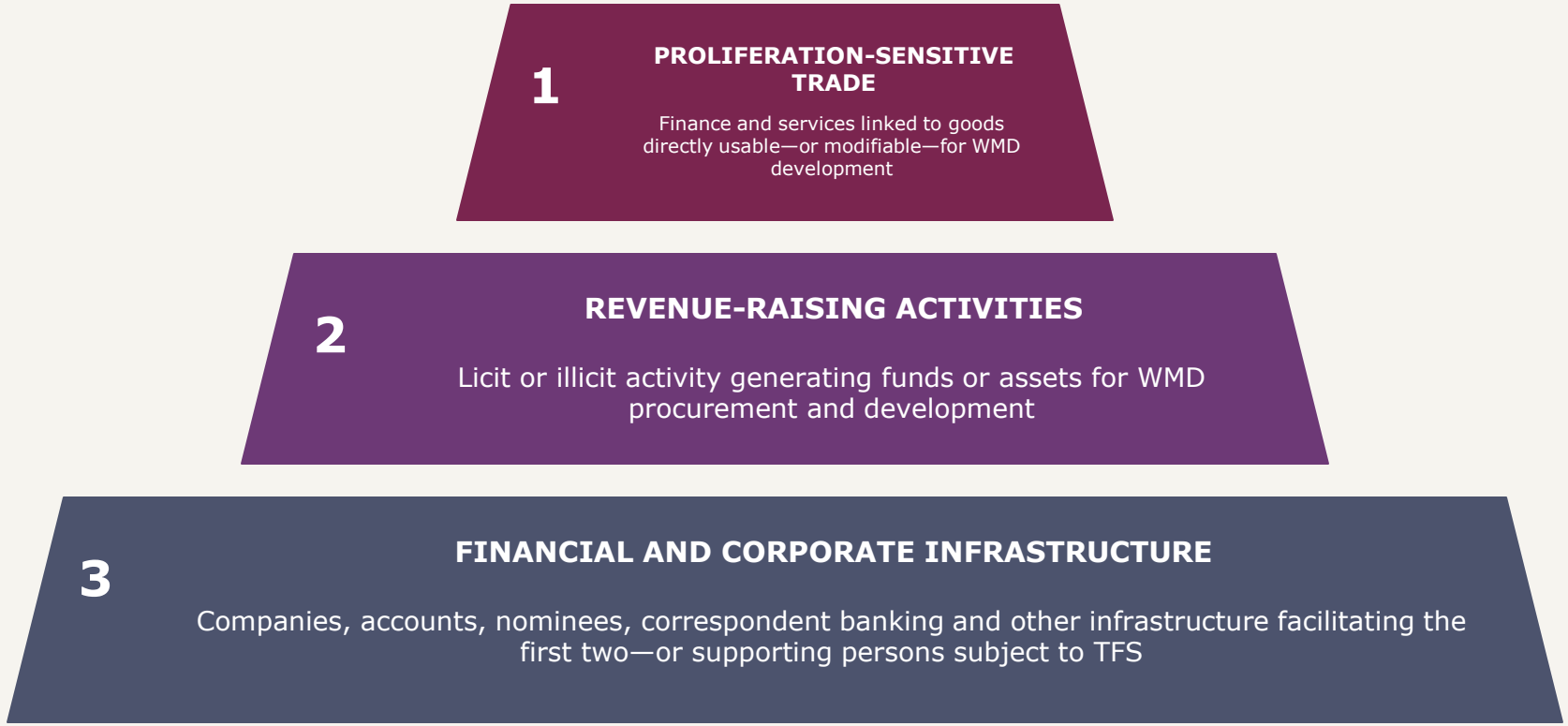
Raising, moving or making available funds, assets or economic resources, wholly or partly, for WMD proliferation and related materials

RAISE OR GENERATE	STORE, MOVE OR DISGUISE	PAY OR PROCURE
state budgets, legitimate trade, labour, crime, cyber theft	accounts, cash, companies, virtual assets, intermediaries	goods, technology, expertise, logistics, services

The money can be lawful in origin and the transaction can look commercially ordinary

FATF working definition (2025), p. 9; També (RUSI, 2023), pp. 8–9

A wider PF risk assessment can cover three forms of financial support



FATF R.1 minimum	**Risk of breach, non-implementation or evasion of R.7 targeted financial sanctions**
Wider institutional lens	**May assess all three categories when governance states the purpose, evidence threshold and response**

Adapted from Noémi També, RUSI Institutional PF Risk Assessment Guide (2023), Fig. 1, p. 9

UN obligations differ for non-state actors, DPRK and Iran

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NON-STATE ACTORS

UNSCR 1540 (2004)

States must prohibit WMD-related conduct, attempts, participation, assistance and financing by non-state actors.

They must establish domestic controls over materials, borders, exports, trans-shipment and related funds and services.

DPRK

UNSCR 1718 + successors

Broad programme, trade, transport, maritime and financial measures.

Asset freezes extend to designated and linked actors; measures address ownership/control, correspondent banking and financial support.

IRAN

UNSCR 2231 (2015) + snapback

UNSCR 2231 endorsed the JCPOA and established the procurement and snapback framework.

UN materials record re-application from 27 September 2025; some members dispute the process.

These are obligations on states. Financial-institution duties arise through applicable national or regional law.

UNSCR 1540 (2004), paras. 1–3; UNSCR 1718; UNSCR 2231 and current 1737 materials

FATF separates risk, coordination, virtual assets and effectiveness

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R.1

RISK

Countries—and, through them, FIs and DNFBPs—identify, assess and mitigate PF risk. FATF's R.1 PF scope is strictly R.7 breach, non-implementation or evasion.

R.2

COORDINATION

National CPF policy, designated leadership, operational cooperation and timely information exchange among relevant authorities.

R.15

VIRTUAL ASSETS

PF requirements appear in the Interpretive Note for VA/VASPs: assess and mitigate PF risk alongside ML/TF risk.

IO.11

EFFECTIVENESS

Persons and entities involved in WMD proliferation are prevented from raising, moving and using funds, consistent with relevant UNSCRs.

R.7 remains the strict targeted-financial-sanctions obligation; risk-based measures complement it, never dilute it.

FATF Recommendations (updated June 2026), pp. 10, 17, 32–37, 78; Methodology (June 2026), pp. 166–167

A firm's PF definition must guide decisions and cover edge cases

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WORKING DEFINITION

Financial activity that raises, holds, moves, converts, makes available or uses resources for a WMD programme, delivery system, related materials or procurement network.

CORE / MANDATORY	R.7 breach, non-implementation or evasion
EXTENDED / RISK LENS	credible WMD-linked procurement finance
ADJACENT / ESCALATE	broader revenue or enabling infrastructure

STRESS-TEST THE DEFINITION

01 Does it capture non-designated, pre-designation and domestic activity?

02 Does it exclude sanctions evasion with no credible WMD nexus?

03 Can it handle dual-use trade without labelling all dual-use trade PF?

04 Can teams map customers, products, transactions, geographies and controls to it?

05 Does it set evidence, escalation and ownership rules for extended or adjacent cases?

Separate the regulatory minimum, analytical coverage and escalation rules.

FATF (2021; 2026); També (RUSI, 2023), pp. 8–11

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Three analytical lenses for the same activity

COUNTER-PROLIFERATION FINANCE (CPF)

RISK-MANAGEMENT OBJECTIVE

Does the customer, activity, transaction or network provide financial support to proliferation?

Proliferation nexus + financial function

SANCTIONS COMPLIANCE

LEGAL DUTY

Does an applicable designation, ownership/control rule, prohibition or activity restriction apply?

Applicable law + scope + licence

SANCTIONS-EVASION DETECTION

BEHAVIOURAL ENQUIRY

Is conduct concealing or circumventing an applicable restriction?

Restriction + evasion indicators + legal test

Recommendation 7 targeted financial sanctions form a mandatory area of overlap. They do not define the whole CPF universe.

FATF (2021), pp. 4–9; FATF (2025), pp. 9, 12; RUSI (2023), pp. 8–10

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CPF and sanctions differ across purpose, perimeter and decision

DIMENSION	COUNTER-PROLIFERATION FINANCE	SANCTIONS COMPLIANCE
OBJECTIVE	Identify and disrupt financial support to proliferation	Implement the applicable legal or policy restriction
TRIGGER	Credible proliferation nexus plus a financial function	Designation, ownership/control or restricted activity within scope
PERIMETER & TIMING	Can include non-designated, pre-designation, domestic and dual-use activity	Rule, list, regime and jurisdiction in force at the decision point
DECISION	Risk treatment, EDD, monitoring, escalation and intelligence reporting	Freeze, block, reject, report, license or permit—depending on law
FALSE COMFORT	A clean name screen does not resolve the PF enquiry	No match means only that the screening test found no identified match

Same transaction; different legal test, evidence threshold and response.

FATF (2021), pp. 4–9; RUSI, També & Alsancak (2024), pp. 17–24

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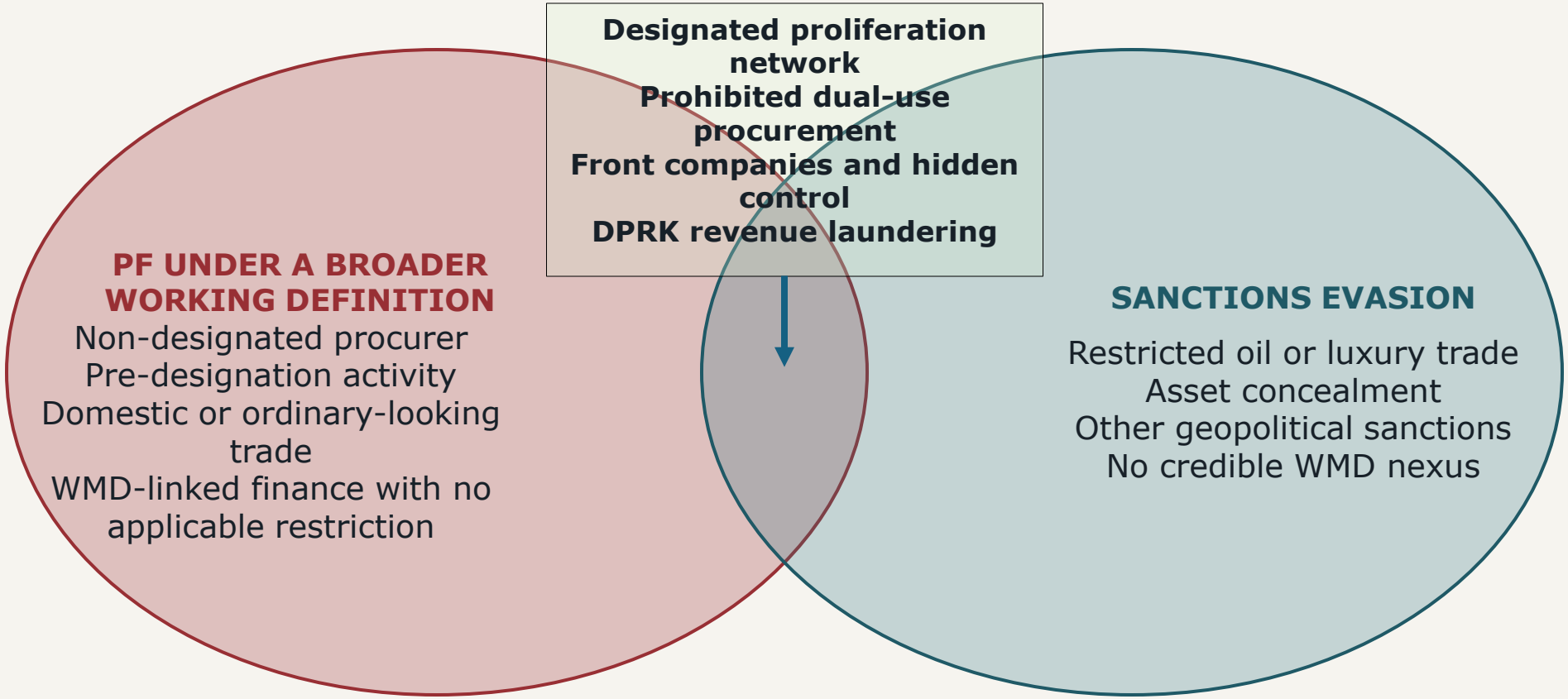
The controls overlap—but the analytical questions do not

CONTROL	SANCTIONS QUESTION	CPF QUESTION	SHARED SIGNAL / HANDOFF
Sanctions screening	Is a listed identifier, ownership/control link or rule in scope?	Does a known proliferation actor or network appear?	Match, near-match, linked owner or vessel → sanctions + CPF review
CDD & beneficial ownership	Is the customer owned, controlled or acting for a restricted party?	Does the corporate structure conceal a procurer, programme or facilitator?	Nominees, recent changes, unexplained control → network analysis
Transaction monitoring	Is behaviour consistent with circumvention of a restriction?	Are funds being raised, moved or paid in a proliferation-linked pattern?	Pass-through, third-party payer, corridor anomaly → contextual enquiry
Trade / open-account review	Is a prohibited good, service, destination or end user involved?	Do specifications, end use and counterparties support a WMD nexus?	Invoice, licence, HS code, end-user mismatch → export-control handoff
Shipping & customs data	Is the route, vessel or movement restricted or concealed?	Does routing support diversion or procurement-network activity?	Trans-shipment, AIS anomaly, free zone → route and network review
Intelligence sharing	What legal restriction or designation context is known?	What programme, procurement or facilitator link is known?	FIU, customs, export control, LEA and private-sector fusion

Overlap in controls does not collapse the legal and risk frameworks into one discipline.

FATF (2021; 2025); RUSI (També, 2023; També & Alsancak, 2024)

Shared typologies reflect shared concealment infrastructure



Front companies, third countries, trade misdescription and virtual assets are shared methods—not PF conclusions.

FATF (2025), pp. 5, 9, 12; conceptual synthesis

Classification framework for PF, sanctions and export-control cases

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State the perimeter first: R.1/R.7 core risk, broader procurement-linked PF, or adjacent activity for escalation

PF ASSESSMENT

1 Is there a credible proliferation nexus?

2 What financial activity raised, held, moved, converted, made available or used the resources?

LEGAL-RESTRICTION ASSESSMENT

3 Does an R.7 TFS, other sanctions or export-control restriction apply?

4 Is there evidence of breach, non-implementation, concealment or circumvention?

EVIDENCE PATTERN	APPROPRIATE CLASSIFICATION
PF evidence; no applicable restriction	**Broader PF concern outside the sanctions perimeter**
PF evidence + restriction; no circumvention evidence	**PF concern and compliance issue; evasion not established**
PF evidence + restriction + circumvention evidence	**Potential PF-related sanctions or export-control evasion**
Restriction + circumvention; PF nexus unproven	**Potential sanctions/export-control evasion; PF not established**
Indicators without sufficient corroboration	**Further enquiry required; no final classification**

Only R.7 targeted financial sanctions exposure falls within FATF's R.1 PF-risk perimeter.

FATF (2021), pp. 4–9; FATF (2025), p. 9 and pp. 22–52

PF can sit outside the field of view of sanctions screening

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SCREENING CAN TEST

- names and known aliases
- listed entities and vessels
- specified jurisdictions
- some ownership and control links

PF ENQUIRY MUST ALSO TEST

- non-designated intermediaries and nominees
- beneficial ownership and effective control
- goods, specifications, end use and end user
- network behaviour, pre-designation and domestic activity
- open-account trade and indirect payment chains

A clean screen means no identified match under the data and rules used. It does not mean no PF exposure.

També & Alsancak (RUSI, 2024), pp. 17–24; FATF (2025), pp. 22–44

Case 1: A sanctions breach does not prove a PF nexus



motors • pumps • valves • other dual-use / military items

Payments referenced Armenia, Cyprus and Hong Kong; remittance text included educational/living expenses and tools

FOUR QUESTIONS

Proliferation objective
Not established publicly

Financial activity
Cross-border procurement payments

Sanctions element
Iran and export-control restrictions

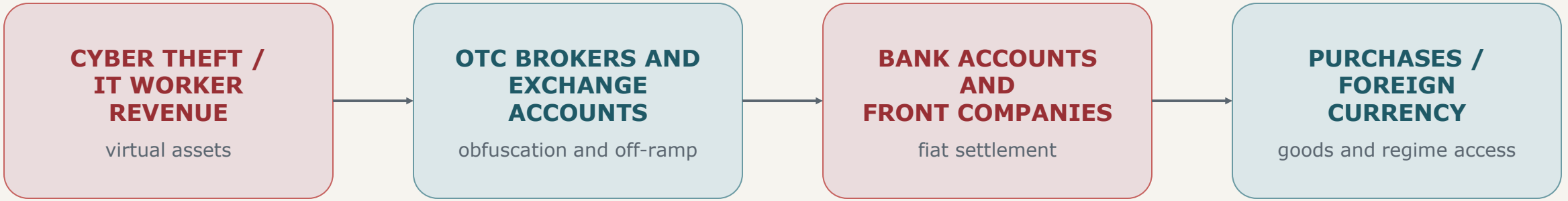
Screening gap
No listed-name match needed

Conclusion: a clear sanctions and export-control case with elevated PF indicators, but public evidence does not by itself prove a WMD purpose.

RUSI, També & Alsancak (2024), pp. 14–16; US DOJ (2020)

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Case 2: DPRK virtual-asset laundering sits squarely in the overlap



PROLIFERATION OBJECTIVE

DPRK WMD and ballistic-missile programmes

FINANCIAL ACTIVITY

stolen or earned VA converted, moved and spent

SANCTIONS ELEMENT

FTB representative and DPRK TFS restrictions

SCREENING GAP

OTC traders, exchange accounts and front companies may not initially match

The network, not only the listed name, carries the detection signal

FATF (2025), pp. 42–44; RUSI, També & Alsancak (2024), pp. 24–25

Screening answers a narrower question than PF risk management

RISK IDENTIFICATION	exposure by customer, sector, product, geography, transaction and delivery channel	**Board • compliance • supervisor**
IDENTITY AND CONTROL	CDD, beneficial ownership, effective control, counterparties and network links	**FI • registry • FIU**
PAYMENT AND BEHAVIOUR	screening plus transaction monitoring, VA tracing and network analytics	**FI • VASP • FIU**
GOODS AND MOVEMENT	trade data, export licences, customs, freight, vessels and end use	**Exporter • customs • FI**
INTELLIGENCE AND RESPONSE	STRs, freezing, investigation, disruption and public-private alerts	**FIU • LEA • intelligence • sanctions authority**

Operational conclusion **PF detection is a shared enquiry across finance, trade, ownership, logistics and intelligence.**

FATF (2021), pp. 30–45; FATF (2025), pp. 61–73; RUSI (2024), pp. 17–33

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Five conclusions for policy, governance and operations

01 POLICY

Translate expectations into implementable guidance

Use country- and sector-specific scenarios, export-control guidance, and examples that reflect banks' limited supply-chain visibility.

02 COORDINATION

Treat CPF detection as a shared data problem

Link financial, customs, shipping, licensing and ownership data instead of expecting one institution to reconstruct the chain alone.

03 GOVERNANCE

Use a common architecture with institution-specific results

Set minimum methodology, evidence and review standards while allowing conclusions to reflect each institution's exposure.

04 CAPABILITY

Maintain specialist expertise as a core control

Sustain knowledge of controlled goods, trade documents, OSINT, typologies and regulatory change; test monitoring calibration.

05 OPERATIONS

Use layered detection across identity, payments and trade

Combine CDD, screening, transaction monitoring, shipping review, richer payment data and network analysis.

Shared data and controls can support both disciplines; their legal scope and analytical tests remain distinct.

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Five decisions to carry into practice

01 Proliferation is the strategic activity; PF is the financial support; CPF is the framework used to identify and disrupt it.

02 Sanctions compliance asks what law restricts. Recommendation 7 TFS is the mandatory overlap with CPF.

03 Shared controls and typologies do not make the disciplines coextensive: classify purpose, law and financial function separately.

04 Govern scope explicitly: core R.7 risk, extended procurement-linked exposure, and adjacent activity for escalation.

05 Effective CPF combines screening with CDD, ownership, transactions, trade, export, shipping and intelligence.

Do not collapse CPF into sanctions compliance—and do not separate them into operational silos.

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Selected references

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