Proliferation financing

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The FATF added a proliferation-financing risk-assessment requirement to Recommendation 1 in October 2020. Singapore's 2024 national risk assessment on proliferation financing identified the DPT sector as exposed because of North Korea's reliance on crypto theft.[1] PSN02 requires licensees to assess and mitigate proliferation-financing risk alongside money-laundering and terrorism-financing risk. In practice the controls are the same as for DPRK sanctions compliance. They comprise address screening for Lazarus-attributed clusters, counterparty due diligence on exchanges in jurisdictions with weak DPRK controls and alertness to the typologies the UN Panel documented, such as the use of over-the-counter brokers in the region to convert stolen tokens. The risk assessment should say so expressly, since MAS inspectors have begun to ask for the proliferation-financing section as a separate item.

Notes

1. FATF, amendments to Recommendation 1 and its Interpretive Note, October 2020, requiring countries and institutions to assess and mitigate proliferation-financing risk; Singapore, Proliferation Financing National Risk Assessment, 2024.

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