

Targeted Financial Sanctions

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Agenda

1. Introduction
2. The Legal Framework
3. Monitoring (From a licensee perspective)
4. Supervision (From a FSC perspective)
5. Challenges & Conclusion
6. Proliferation & Proliferation Financing
7. International Context
8. CPF Supervision System in Mauritius
9. Sanctions Screening
10. Red Flags
11. Licensees Obligations



FATF – Recommendation 6

- Recommendation 6 requires each country to implement the targeted financial sanctions regimes to comply with the United Nations Security Council resolutions (UNSCRs or resolutions) relating to the prevention and suppression of terrorism and terrorist financing.

Introduction **(or Terminologies)**



What are targeted sanctions?

- Targeted Sanctions includes financial sanctions, arms embargo and travel ban, and other measures imposed by the United Nations Security Council under Chapter VII of the Charter of the United Nations, with a view to addressing threats to international peace and security, including terrorism, the financing of terrorism and the proliferation of weapons of mass destruction.

Terrorist Financing

- Terrorism is, in the broadest sense, the use of intentional violence for political or religious purposes. It is used in this regard primarily to refer to violence during peacetime or in the context of war against non-combatants (mostly civilians and neutral military personnel).
- Terrorist financing provides funds for terrorist activity. It may involve funds raised from legitimate sources, such as personal donations and profits from businesses and charitable organizations, as well as from criminal sources, such as the drug trade, the smuggling of weapons and other goods, fraud, kidnapping and extortion.

Proliferation Financing

- Proliferation refers to the development and use of nuclear, chemical, or biological weapons and their delivery systems (also referred to as weapons of mass destruction “WMD”), by state or non-state actors in violation of international agreements and export control regimes.
- Proliferation financing is therefore where state and non-state actors may access and use the formal financial system to raise funds, conduct payments to procure materials and goods needed for proliferation, and other illicit financial activities connected to proliferation efforts. Countering the financial flows related to proliferation plays an important role in global efforts to counter the proliferation of WMD.

The Legal Framework



The United Nations (Financial Prohibitions, Arms Embargo and Travel Ban) Sanctions Act 2019 ('UNSA 2019')

- To enable Mauritius to implement the Targeted Sanctions
- To implement measures imposed by the UN Securities Council under Chapter VII of the UN Charter
 - For FATF purposes:
 - UNSCR 1267(1999) and its successor resolutions (the Al-Qaida/Taliban sanctions regimes);
 - UNSCR 1373(2001); and
 - any future UNSCRs which impose targeted financial sanctions in the terrorist financing context.

Some definitions...



Designated Party

- “designated party” means a party declared as such by the Secretary for Home Affairs;
- The National Sanction Committee (NSC) directs the Secretary for Home Affairs to declare an individual as a DP – within 24 hours
- When declared DP, latter is advised (last known address), the matter is advertised in Gazette/newspaper and FIU is advised and will disseminate the information.
- Freezing Order will be applied for

Listed Party

- LP are declared as such by the UNSC
- Financial Prohibitions will apply
- Freezing Order may be applied and an Administrator may be appointed where appropriate





UN Security
Council

UN
Sanctions
Committee

Issue
Resolutions
(UNSCR)

UN
Sanctions
List



UN SCR (examples...)

- [Resolution 84](#) Complaint of aggression upon the Republic of Korea 1950
- [Resolution 699](#) Iraq (17 June) 1991
- [Resolution 707](#) Iraq (15 Aug) 1991
- [Resolution 715](#) Iraq (11 Oct) 1991



The targeted sanctions...



The Targeted Sanctions

- Prohibition to deal with funds or other assets of designated party or listed party (S23 UNSA)
 - Financial Prohibition
 - Funds or other assets include:
 - Funds/assets owned by DP/LP – tied or not with terrorism/ proliferation
 - Wholly/jointly owned/ controlled
 - In/direct control or ownership
 - Assets acquired illegally
 - Funds/assets of a party acting on behalf of or at the direction of the DP/LD

The Targeted Sanctions

- Prohibition on making funds or other assets available to designated party or listed party available (S24 UNSA)
 - no person shall make any funds or other assets or financial or other related services available, directly or indirectly, or wholly or jointly,
 - to or for the benefit of a DP/LP;
 - To a party acting on behalf of or at the direction of the DP/LD
 - To an entity owned or controlled, directly or indirectly by a DP/LP

Freezing Order

- Freezing Order of Funds or Other Assets of Designated Party (S26 UNSA)
 - An order to prohibit the sale, transfer, conversion, disposition or movement of, or otherwise deal, with funds and other assets of a DP
 - Interest/ other earnings due enter the frozen accounts
- S23 Financial Prohibition lapses when the FO is granted

Effect of lapsed sanctions ...



Freezing Order

- When the FO lapse:
 - Name of DP has been removed from the list of DPs
 - Assets unfrozen immediately, otherwise an offence



Financial Prohibitions

- When the FO is granted
- When the name of the LP has been removed from the UN Sanctions List
- Lapses with immediate effect
- Assets unfrozen immediately, otherwise an offence



MONITORING



Monitoring for DP/LP

- Screening new clients upon onboarding against the lists
- Keeping screening lists up to date and screen when there are list updates – licensee must regularly check the UN Consolidated List and consult the newspapers for any notice which may be issued by the NSS
- Screening existing clients against the lists on a periodic basis
- Screening transactions

Screening

- Manually or Automated
- Using the publicly available lists, which can be downloaded from the UN or Mauritius Sanctions Secretariat websites, licensees can manually screen their clients against the designated persons lists



Screening

- However, the frequency of periodic screening should be appropriate for the business model, clients and transaction volume
- If the licensee is a large institution it will likely not be appropriate to screen manually given its scale
- Adequate records should be kept regardless of whether manual or automatic screening is used

Records

- When licensees identify a positive match, they must not provide financial services to the client and freeze any assets in its possession
- The licensee must make a report to the National Sanctions Secretariat and the FSC
- A nil report must be submitted to the above authorities if no funds or other assets are identified for new designations
- An STR should also be filed to the FIU in relation to any information relating to a Listed Party

Exemptions, Authorisations, and Unfreezing

- Licensees may be required to release funds to DP as directed by the National Sanctions Secretariat for living expenses or, in the case of PF TFS, for specific types of contractual payments
 - This will be clearly communicated to the licensee
- DP/LP may also be removed from the list, in which case any frozen assets of DP should be unfrozen

- Compliance for TFS obligations is ruled-based, rather than risk-based
 - No licensee can be exempted from TFS obligations due to low risk
 - No client can be exempted from screening due to low risk
- Licensees must implement internal controls and other procedures to enable it to effectively comply with the obligations

Identifying Sanctions Evasion

- Licensees should monitor for the indicators of sanctions evasion:
 - Clients hiding their identities, on whose behalf they are working, or the transaction pathways of funds to obscure connections to designated persons;
- Red flags during onboarding, internal disclosure transaction review, and client ongoing monitoring
- Transactions with or clients with connections to high-risk countries for terrorist financing or financing of proliferation should be reviewed more closely

What FSC will look for?



Objective of TFS supervision

- *To verify that the licensee is taking reasonable measures to determine if its clients or their beneficial owners are designated persons under UN or Mauritius targeted financial sanctions, and freezing assets and reporting to the National Sanctions Secretariat if this is the case.*

How?

- Licensee is able to identify the DP/LP that are clients, BO of clients, or the beneficiary of insurance payouts. The entire client book should be screened.
- Having in place a comprehensive screening mechanism –
 - clients and client BO against all relevant UNSCR lists relating to terrorist financing and proliferation financing as well as the Mauritius domestic terrorist listings.
- It is a best practice to also screen against the US OFAC, UK and EU lists but this is not required by law, regulation or guidance.

How?

- Licensee has a process to keep the licensee's systems up to date with changes to these UN and Mauritius lists, and that this process is effectively implemented in practice.
- Licensee is screening clients and client beneficial owners for DP/LP status upon onboarding, and that the entire client book is screened on a periodic basis to identify clients or beneficial owners who may have become designated persons since being onboarded.



How?

- Licensee is able to adequately document all DP/TL screening, positive hits, false positives, and negative results. The adequacy and completeness of the disposition of false positive should be assessed. A record should be kept of all DP/LP false positives.
- Licensee verifies that the system is periodically tested for reliability.



Also...

- The financial institution should also carry out periodic ongoing of its employees against the UN's list of designated persons under terrorist and proliferation financing targeted financial sanctions. [Para 12.4 AML/CFT Handbook]



Challenges



Challenges

- Accessing the most up to date sanctions listings
- Both UN and Mauritius lists -> local lists not always included in mass-market screening software
- Frequency and comprehensiveness of screening
- When onboarding new clients and the whole client population on a periodic basis afterwards
- Screening the whole client book, including beneficial owners and other related persons
- Confirming matches

Challenges

- Similar names, limited biographical information in some instances
- Record keeping
- Maintaining full records of all screening conducted and the decisions taken to confirm or rejected potential matches
- Freezing assets without delay and reporting to the authorities
- Rapid decision making required

Proliferation v/s Proliferation Financing (‘PF’)

- **FATF definition**

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 obligations. It includes technology, goods, software, services or expertise.



The 3 Stages of PF

1 PROGRAM FUNDRAISING SOURCES

Proliferating State Budget

Overseas Commercial Enterprise Network

Overseas Criminal Activity Network

2 DISGUIISING THE FUNDS

Normal Correspondent Banking Channel

Bank or Company (B/C)

B/C → B/C

Bank or Company

B/C sub-entity → B/C sub-entity → B/C sub-entity

B/C → B/C

B/C → B/C → B/C

SIMPLE

COMPLEX

3 MATERIALS AND TECHNOLOGY PROCUREMENT

Broker →

Manufacturer

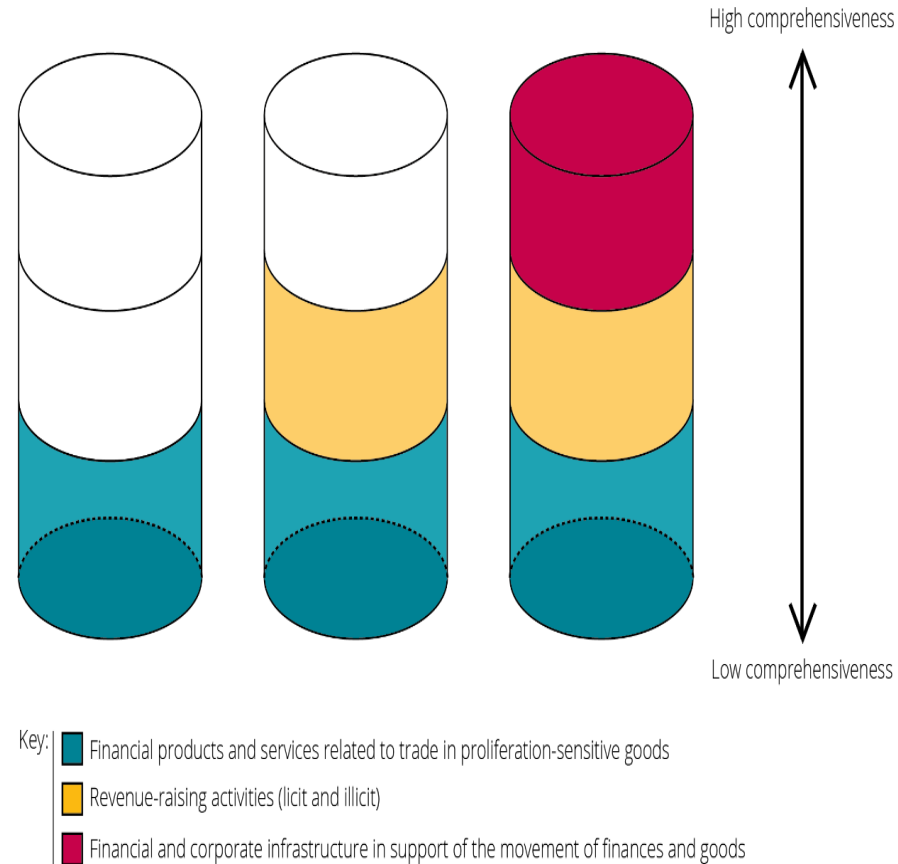
Manufacturer



Center for a
New American
Security

Proliferation v/s PF

- Proliferation financing is more than simply the payment and financial services directly connected to the procurement of goods and development of WMD.
- It can also include:
 - Raising of funds and revenue-generating activities to fund proliferation efforts
 - The financial and corporate networks and services that sustain these activities.
- **These activities may not be directly connected to the flow of goods, but facilitate proliferation.**



Why should you be concerned with the prevention and detection of proliferation and its financing?

- Proliferation financing facilitates the movement and development of proliferation-sensitive goods. The movement and development of such items can contribute to global instability and may ultimately result in a loss of life, if proliferation-sensitive items are deployed.
- PF cases provides indication of reputational damage which may cause investors to shy away from jurisdiction perceived as accessible to proliferators.



- **FATF Recommendation 7**
- directs countries to implement targeted financial sanctions to comply with **UNSCRs** relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing.
- These resolutions require countries to freeze without delay the funds or other assets of, and to ensure that no funds and other assets are made available, directly or indirectly, to or for the benefit of, any person or entity designated by, or under the authority of, the United Nations Security Council under Chapter VII of the Charter of the United Nations.

International Context - United Nations

- Member states are required to implement the mandatory key UN Security Council Resolutions (UNSCR) which address proliferation financing under Chapter VII of the UN Charter.
- The broad-based provisions for combatting and prohibiting the financing of proliferation related activities for non-state actors falls under:
 - **UN Security Council Resolution 1540(2004)**
 - requires countries to prohibit any non-state actor from financing the manufacture, acquisition, possession, development, transfer, or use of weapons of mass destruction.
 - In addition, states must establish, develop, review and maintain appropriate controls on providing funds and services, such as financing, related to the export and trans-shipment of items that would contribute to weapons of mass destruction proliferation

UN Sanctions with regards to proliferation financing

- The UN has imposed sanctions to prevent and counter the proliferation of WMD, and its financing:
 - Directed at certain countries, individuals or entities.
 - Generally NOT requiring a finding of criminal guilt or civil liability.
 - All UN member states are required to implement these measures.
 - Counter proliferation financing measures implement a range of United Nations Security Council sanctions measures.

TFS

UN Security Council Resolution - UNSCR

- **UNSCR 1217 (1999)** condemning Afghan territory for sheltering and training of terrorists and planning of terrorist attacks
- **UNSCR 1373** creates the framework for countries to make domestic terrorist designations (“local list”)
 - Designated by the SHA of Mauritius, supported by the National Sanctions Secretariat (NSS)

PF

- **UN Security Council Resolution 1718 (2006)** and all successor resolutions concerning the DPRK; and
- **UN Security Council Resolution 2231(2015)** endorsing the Joint Comprehensive Plan of Action on Iran, and replacing previous resolutions related to Iran.

CPF Supervision System in Mauritius

In Mauritius, “**proliferation**” is defined under section 2 of the Financial Intelligence and Anti-Money Laundering Act 2002 (**FIAMLA**) and means-

- a. the manufacture, production, possession, acquisition, stockpiling, storage, development, transportation, sale, supply, transfer, export, transshipment or use of –
 - i. nuclear weapons
 - ii. chemical weapons
 - iii. biological weapons
 - iv. such materials, as may be prescribed, which are related to nuclear weapons, chemical weapons or biological weapons; or
- b. the provision of technical training, advice, service, brokering or assistance related to any of the activities specified in paragraph (a).

Section 2 of the FIAMLA defines “**proliferation financing**”, in relation to a person, as a person who –

- a. makes available an asset;
- b. provides a financial service; or
- c. conducts a financial transaction; and knows that, or is reckless as to whether, the asset, financial service or financial transaction is intended to, in whole or in part, facilitate proliferation regardless of whether the specified activity occurs or is attempted;

CPF Supervision System in Mauritius

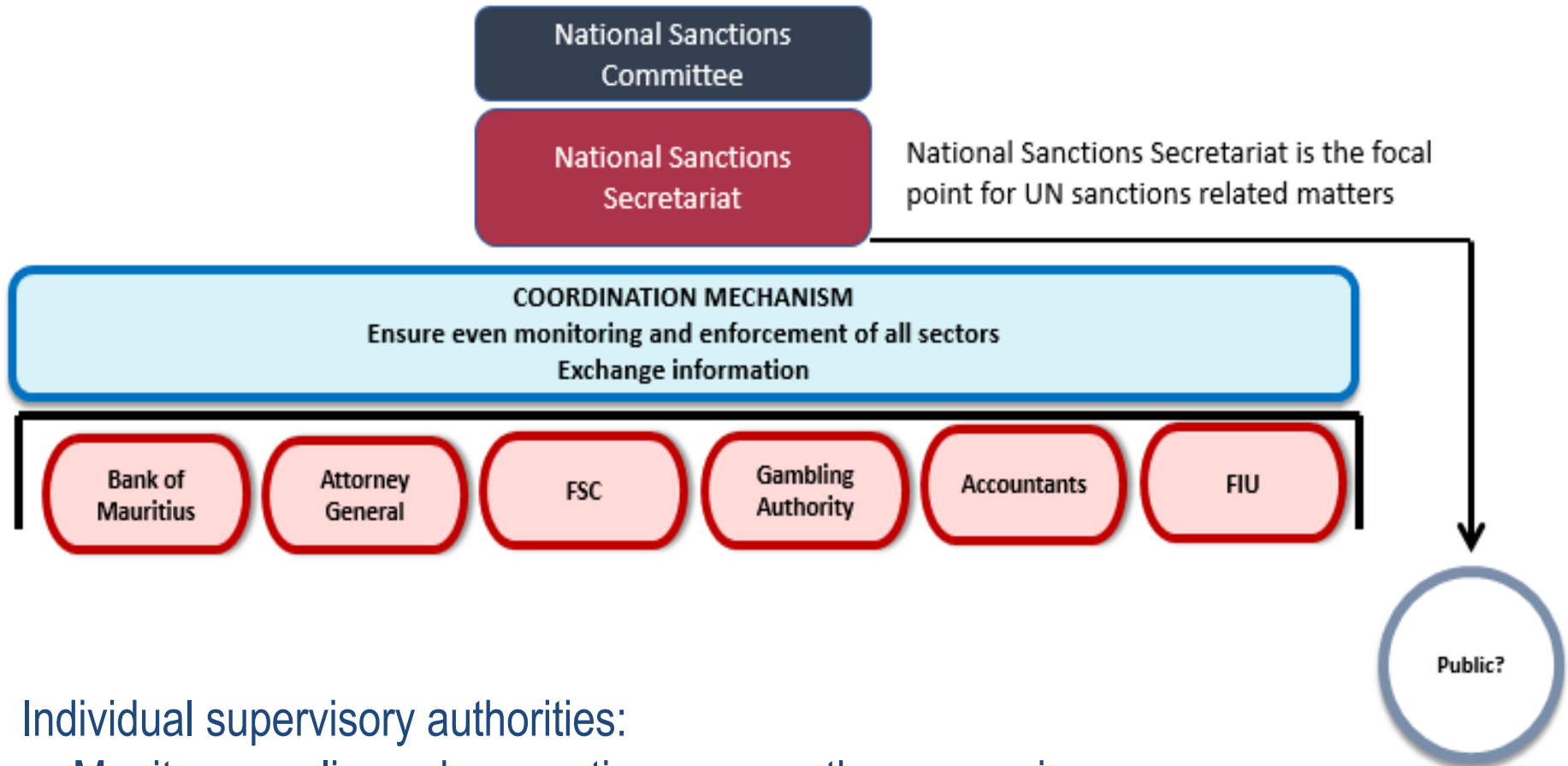
The United Nations (Financial Prohibitions, Arms Embargo and Travel Ban) Sanctions Act 2019 (UNSA 2019) – 29 May 2019

- legal framework for Mauritius to implement targeted sanctions, including financial sanctions, arms embargo and travel ban, and other measures imposed by the UNSC under Chap. VII of the Charter of the UN, with a view to addressing threats to international peace and security, including terrorism, the financing of terrorism and proliferation of weapons of mass destruction.
- **two regimes** – one for the implementation of UN Sanctions ('The UN Regime') and one for the implementation of domestic sanctions ('The Domestic Regime').

Guidelines on the Implementation of Targeted Financial Sanctions (TFS) under the UNSA 2019

- approved by the National Sanctions Committee on 21 August 2020, along with the 2 reporting templates.
- To assist reporting persons (as defined under the Financial Intelligence and Anti-Money Laundering Act 2002) with the implementation of the restrictive measures, in particular the financial prohibitions prescribed under the UNSA 2019.
- In line with Recommendation 7 of the FATF.

CPF Supervision System in Mauritius



Individual supervisory authorities:

- Monitor compliance by reporting persons they supervise
- Issue additional guidelines (in consultation with National Sanctions Committee)
- Enforcement

Designated Persons- UN Regime

- **Who are the designated persons and entities?**

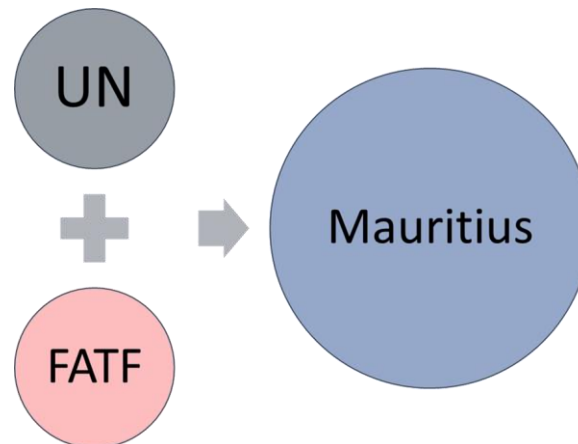
The UNSCRs are formal expressions of the opinion or will of United Nations organs. Those resolutions designate persons and entities that jurisdictions should be wary of or take CPF action.

- Among these designated persons and entities figure Al-Qaida, the Talibans etc. Islamic Republic of Iran (2231), DPRK (1718)- the FIU publishes such updates on its website.
 - Steps to implementation
 - Consultation of lists
 - Sanction screening
 - Reporting
 - Authorization and Exemptions



Overview of TFS / PF legal obligations

- **United Nations (Financial Prohibitions, Arms Embargo and Travel Ban) Sanctions Act 2019**
- **Section 23:** Prohibition against dealing with the assets (asset freeze) of listed/designated parties
- **Section 24:** Prohibition against making assets (and financial services) available to, or for the benefit of, listed/ designated parties.
- **Section 35:** Arms embargo (arms, related material, technical advice, assistance or training)
- **Section 35:** Travel ban for listed parties (unless citizen or resident of Mauritius).



Overview of TFS / PF legal obligations

- **Duty (on any person who holds or controls assets for DP /LP) under S23 – FP**
 - ✓ Immediately notify the NSS if any person holds, controls or has in his custody or possession any funds/assets of a DP/LP
 - ✓ He must provide details of the funds/assets, name & address of the DP/LP, details of any attempted transaction (names & addresses of sender, intended recipient, purpose of transaction, origin of funds/assets, destination etc.)
 - ✓ Failure: Amount to offence under Section 45 : Fine not > MUR1m and/or imprisonment for not >10 years

Note: Section 23 (5) only provides for offences for Section 23 (1) and (2) => Higher of either fine not > MUR 5m or twice value of funds/assets and/or imprisonment for not less than 3 years

Section 23 (1) – Prohibition to deal with funds/assets of DP/LP

Section 23 (2) – Interests accrue

Section 23 (4) - Notification of details to NSS

... Screening sanctions lists

- NSS has the responsibility to immediately give public notice of any changes to UN sanctions lists.
- New designations
- Changes to existing designations
- Removed designations
- Sanctions lists are posted on the National Sanctions Secretariat website
- **FATF requirement is “without delay”**
 - Reporting persons have a responsibility to monitor and implement any changes immediately
 - Should consult UN + Domestic lists directly
 - FIU must also disseminate UN sanctions lists to supervisory authorities + reporting persons registered with the FIU

Sanctions screening

- Sanctions screening is the comparison of sanctions lists with customer and transaction data, for potential matches.
- Most FIs use automated screening software, but some business lines (trade finance) or other sectors may rely on manual screening.
- There are **no exceptions** to sanctions screening
- Sanctions apply to **all clients and all transactions**.
- There is **no minimum financial limit or other threshold** for when sanctions apply.



PF sanctions is more than list-based screening ...

- Those listed by the UN should have assets frozen immediately, but actions must also cover those:
 - Acting on behalf of, or at the direction of, whether directly or indirectly of, designated persons or entities;
 - Owned or controlled by them; and
 - Assisting them in evading sanctions or violating resolution provisions

Remember: Proliferators know if their name is on a sanctions list!

... and is complicated by obfuscation tactics

- Front companies, shell companies, joint ventures with legitimate businesses
- Complex and opaque ownership structure
- Indirect routing of transactions
- Mixing of licit/illicit business
- Use of non-DPRK nationals as financial facilitators
- Use of ledger system to track value transfer – no physical connection to DPRK
- Disassociating logistics from financial trail



Sanctions screening - match or false positive

- If a potential match is detected, and a reporting person maintains accounts, holds or controls funds or other assets for listed parties (or anyone controlled/owned/acting on behalf/for their benefit):
 - **Immediately freeze those funds and other assets**
 - **Not make funds and other assets available (stop transactions)**
 - **Investigate further.**
- **Resolving false positives**
 - Potential matches is not an automatic indication of a sanctions violation.
 - Challenges: common surnames, overlap in addresses, abbreviations, spelling.
 - UN sanctions lists include additional information to identify whether it is a **true match** or **false positive**

Sanctions screening - Customer screening

- Reporting entities must have procedure to screen customers during on-boarding and regularly throughout the life cycle of the customer relationship
- This includes:
 - Account holders and signatories
 - Directors and beneficial owners of corporate customers
 - Anyone with access to the account or exercising control over the account
- At minimum, screening should be done:
 - When establishing a new customer relationship
 - Trigger events (change in directors or ownership)
 - Changes to sanctions lists (Section 25 of Sanctions Act requires every reporting person to immediately verify whether details of new listed parties match that of any customer)

Sanctions screening - Transaction monitoring

- Each incoming and outgoing transactions must be screened for a potential match with sanctions lists.
- For example:
 - Parties involved (remitter, beneficiary, other financial institutions involved in the transaction, intermediaries)
 - Vessels and IMO numbers (unique identifier number assigned to each vessel) – especially relevant for DPRK.
 - Bank names, bank identifier codes (BIC) and other routing codes
 - Free text fields (e.g. payment reference)
- **Even if there is no sanctions hit, attention should be paid to:**
 - Indication that information has been removed.
 - Transaction exhibits signs of sanctions evasion.

Sanctions Evasion Techniques Used by Proliferators

Use of aliases and
falsified
documentation

Using bank
accounts of non-
listed parties

Offshore, front and
shell companies to
hide UBO

Joint ventures with
non-listed
companies

Virtual currencies
to circumvent
formal financial
system

Use of diplomatic
staff bank accounts

Situations Indicating Sanctions Evasion

Customers linked to high-risk countries or business sectors

Complex or opaque ownership structures, or **frequent** changes in directors or owners

Customers who have previously had dealings with listed parties

The **involvement** of any party named in the UN Panel of Experts reports

Joint ventures or cooperation (including shared address) with listed party

Business or transactions inconsistent with normal business practices

Transactions are unusual or with complex routing

Transactions or trade with **countries** or correspondent banks known to be exposed to PF

Red Flag Indicators

- **Customer Behavior**

1. When customer is involved in the supply, sale, delivery or purchase of dual-use, proliferation-sensitive or military goods, particularly to higher risk jurisdictions.
2. When customer or counter-party, or its address, is the same or similar to that of an individual or entity found on publicly available sanctions lists.
3. The customer is a research body connected with a higher risk jurisdiction of proliferation concern.
4. When customer's activities do not match with the business profile provided to the reporting entity.

Red Flag Indicators

- **Customer Behavior**

5. When customer is vague about the ultimate beneficiaries and provides incomplete information or is resistant when requested to provide additional information.

6. When customer uses complicated structures to conceal connection of goods imported / exported, for example, uses layered letters of credit, front companies, intermediaries and brokers.

7. When a freight forwarding/ customs clearing firm being listed as the product's final destination in the trade documents.

8. When final destination of goods to be imported/ exported is unclear from the trade related documents provided to the reporting entity

Red Flag Indicators - Transactional Patterns

1. Project financing and complex loans, where there is a presence of other objective factors such as an unidentified end-user.
2. The transaction(s) involve an individual or entity in any country of proliferation concern.
3. The transaction(s) related to dual-use, proliferation-sensitive or military goods, whether licensed or not.
4. The transaction(s) involve the shipment of goods inconsistent with normal geographical trade patterns i.e. where the country involved does not normally export or import or usually consumed the types of goods concerned.
5. Over / under invoice of dual-use, proliferation-sensitive or military goods, trade transactions.
6. When goods destination/shipment country is different from the country, where proceeds are sent/ received without any plausible reason.

Trade-related transactions indicative of Possible PF

Highly indicative of PF	Moderately indicative of PF	Weakly indicative of PF
<ul style="list-style-type: none"> • Involvement of individuals or entities in foreign country of proliferation concern • Involvement of individuals or entities in foreign country of diversion concern (such as a neighboring country or country actively engaged with country of proliferation concern) • Individuals or entities involved (for example, customers, counterparties, end-users), or their details (such as addresses or telephone numbers), are similar to, or may be connected to, parties listed at the time under WMD-related sanctions or export-control regimes, or they have a history of involvement in export control contraventions • Presence of items controlled under WMD export control regimes or national control regimes Controlled items 	<ul style="list-style-type: none"> • Involvement of front companies, also shell companies (e.g. companies that do not have a high level of capitalization or display other shell company indicators such as absence of online or physical presence) • Involvement of a small trading, brokering or intermediary company (may be carrying out business inconsistent with their normal business) • Customer is a manufacturer/dealer in products which are subject to export controls • Customers or counterparties to transactions are linked (for example they share a common physical address, IP address or telephone number, or their activities may be coordinated) • Description of goods on trade or financial documentation is non-specific, innocuous or misleading 	<ul style="list-style-type: none"> • Based on the documentation obtained in the transaction, the declared value of the shipment was obviously under-valued vis-à-vis the shipping cost • Inconsistencies in information contained in trade documents and financial flows, such as names, companies, addresses, final destination etc. • Customer vague/incomplete on information it provides, may be resistant to providing additional information when queried • New customer requests letter of credit transaction awaiting approval of new account • Wire instructions or payment from or due to parties not identified on the original letter of credit or other documentation

Duties of Private Sector regarding PF

- According to FATF Recommendation 7 – FIs must **immediately** freeze all assets of individuals and entities designated United Nations Security Council Resolutions (UNSCR lists) for proliferation financing.
- This includes assets owned directly or indirectly, wholly or jointly (beneficial ownership)
- Not necessarily linked to a specific act of proliferation financing (e.g. financing a purchase of nuclear materials)
- Regulated institutions have to report to the competent authorities when they execute a freeze
- For reports to be made to the FSC, Financial Institutions may send these to the FSC at TFsanctions@fscmauritius.org.

Going Even Further

- Dedicated CPF person or team within the compliance function (reporting to AML or Sanctions, or possibly a shared service)
- **CPF risk assessment**
 - Consider PF typologies and activities and map them onto markets, customers, locations, lines of business
 - Take enhanced measures to manage and mitigate products, services, customers and locations that may be more prone to PF sanctions evasion

Going Even Further

- Do KYC procedures reflect PF risk? New and existing clients should be PF risk-assessed
 - Business sector in which the client operates
 - Understanding normal activity to identify “abnormal” business activity in future
 - Assess client geographic activity, noting key PF intermediation states
 - Previous ties with proliferators or high-risk jurisdictions
 - Do clients participate in WMD technology/dual-use supply chain?
 - Do client compliance programmes consider PF?
- ‘Push down’ best-practice on high-risk client groups
 - Diligence of clients trading in sensitive goods or goods covered by UN Security Council
 - Diligence of trading/shipping clients, or clients who supply key services (bunkering, freight forwarding)

Reporting obligations

1. UNSA 2019 has imposed a mandatory obligation on reporting persons:
 - (a) When a party is declared as a DP or listed as LP, the reporting persons must immediately effect a matching exercise;
 - (b) If matched, the RP must check whether the customer owns any funds/other assets in Mauritius;
 - (c) RP reports to NSS whether such funds are identified or not; (d)
 - (d) RP reports also to its supervisory authority;
 - (e) Failure: offence fine not exceeding MUR 5 million and/or imprisonment not > 10 years
 - (f) Also, the Supervisory authorities can take such other action against the Reporting Person
 - (g) The Reporting person must in all circumstances implement internal controls & procedures to enable it to effectively comply with its legal obligations under the UNSA 2019 => Otherwise general offence under Section 45

Reporting obligations

Sanctions Reports

1. If a true match is identified, reporting persons must immediately submit a report to the National Sanctions Secretariat (and in some cases to relevant supervisory authority).
2. Reporting procedures are outlined in the Guidelines.

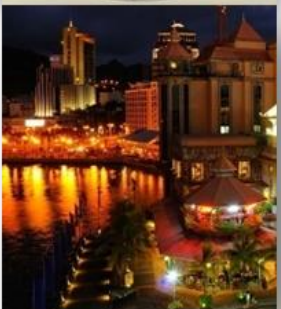
Suspicious Transaction Reports

1. Any information related to a listed party should be also be submitted to the FIU.
2. For reports to be made to the FSC, Financial Institutions may send these to the FSC at TFsanctions@fscmauritius.org .

Keeping track of sanction evasion techniques - Conclusion

- Licensees should be cognizant of the indicators of sanctions evasion.
- Clients hiding their identities, on whose behalf they are working, or the transaction pathways of funds to obscure connections to designated persons
- Red flags should be identified during onboarding, internal disclosure transaction review, and client ongoing monitoring
- Transactions with or clients with connections to high-risk countries for terrorist financing or financing of proliferation should be reviewed more closely.

**Thank you for your
kind attention**



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