

## Effective Implementation of Targeted Financial Sanctions in Zambia

### FINTELEKT WEBINAR

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# Overview: FATF Recommendations on AML/CFT

- International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation
- 40 Recommendations on AML/CFT
  - 9 Special Recommendations on Terrorist Financing
- National Risk Assessment
- Mutual Evaluation Process
- FATF Style Regional Bodies (FSRBs)
  - Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)



# FATF Recommendations 6 & 7 (Terrorism & Proliferation Sanctions)

## Recommendation 6

### Targeted financial sanctions related to terrorism and terrorist financing

Countries should implement targeted financial sanctions regimes to comply with **United Nations Security Council resolutions** relating to the prevention and suppression of terrorism and terrorist financing. The resolutions require countries to **freeze without delay the funds or other assets of, and to ensure that no funds or other assets are made available, directly or indirectly, to or for the benefit of**, any person or entity either (i) designated by, or under the authority of, the United Nations Security Council under Chapter VII of the Charter of the United Nations, including in accordance with resolution 1267 (1999) and its successor resolutions; or (ii) designated by that country pursuant to resolution 1373 (2001).

## Recommendation 7

### Targeted financial sanctions related to proliferation

Countries should implement targeted financial sanctions to comply with **United Nations Security Council resolutions** 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.

# United Nations Security Council Sanctions

## Chapter VII, Article 41:

The Security Council may decide what measures not involving the use of armed force are to be employed to give effect to its decisions, and it may call upon the Members of the United Nations to apply such measures. These may include complete or partial interruption of economic relations and of rail, sea, air, postal, telegraphic, radio, and other means of communication, and the severance of diplomatic relations.



# Example: Resolution 1718 (2006) (DPRK)

- There are currently 80 individuals and 75 entities on the 1718 Sanctions List issued by the UNSC Committee established pursuant to Resolution 1718 (2006)



The screenshot shows the United Nations Security Council website. At the top, there is the UN logo and the text "UNITED NATIONS SECURITY COUNCIL". To the right is a search bar with the placeholder text "Search the UN" and a magnifying glass icon. Below this is a navigation menu with the following items: "About the Council", "Sanctions", "Members", "Meetings", "Documents", and "News". The "Sanctions" menu item is highlighted. Below the navigation menu, the breadcrumb "Home » YUN HO-JIN" is visible. The main heading is "YUN HO-JIN". The text below the heading reads: "In accordance with Section 6 of its Guidelines, the Committee established pursuant to resolution 1718 (2006) makes accessible a narrative summary of reasons for the listing for individuals, groups, undertakings and entities included in its sanctions list." Below this is the identifier "KPI.001" and "YUN HO-JIN". The "Date on which the narrative summary became available on the Committee's website" is "29 October 2014". The "Reason for listing" section states: "Yun Ho-Jin was listed on 16 July 2009 "as being engaged in or providing support for, including through other illicit means, DPRK's nuclear-related, other weapons of mass destruction-related and ballistic missile-related programmes". The "Additional information" section states: "Yun Ho-Jin is "the director of Namchongang Trading Corporation, [and] oversees the import of items needed for the [DPRK's] uranium enrichment program. Born 13 October 1944; also known as Yun Ho-chin." The "Related listed individuals and entities" section is currently empty.

# Example: Resolution 1718 (2006) (DPRK)



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**The Financial Intelligence Centre was established by an Act of Parliament, the Financial Intelligence Centre Act No 46 of 2010**

## UNSCR Sanctions List

The United Nations Security Council Sanctions List as updated on 24th February 2020 has been uploaded.

### Attachments:

- [1267 Sanctions List addition 8-10-2020.pdf](#) [1]
- [1267 Sanctions List Amendments-14-01-2020.pdf](#) [1]
- [1267 Sanctions List Update 11-10-2019.pdf](#) [1]
- [1267 Sanctions List Update 8-10-2020.pdf](#) [1]
- [1267 Sanctions List Update-04-02-2020.pdf](#) [1]
- [1267 Sanctions List Update-18-02-2020.pdf](#) [1]
- [1267 Sanctions List update-23-02-2020.pdf](#) [1]
- [2374 Sanctions List Amendments-14-01-2020.pdf](#) [1]
- [Consolidated List-23-02-2020.pdf](#) [1]
- [Note verbale-1533 Sanctions List 06-02-2020.pdf](#) [1]

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## FIC News Flash

### Targeted Financial Sanctions

In Zambia, significant steps have been taken to implement targeted financial sanctions through the designation of the relevant authorities and the introduction of a regulatory framework that guides both the public and private sector stakeholders.

[Read more ...](#)

### Financial Inclusion AMU/CFT

Research has shown that financial inclusion is a key enabler in reducing poverty and boosting prosperity in any nation (World Bank Group).

[Read more ...](#)

### Trends Report - 2019

The Financial Intelligence Centre (FIC) has published the Annual Trends Report for 2019.

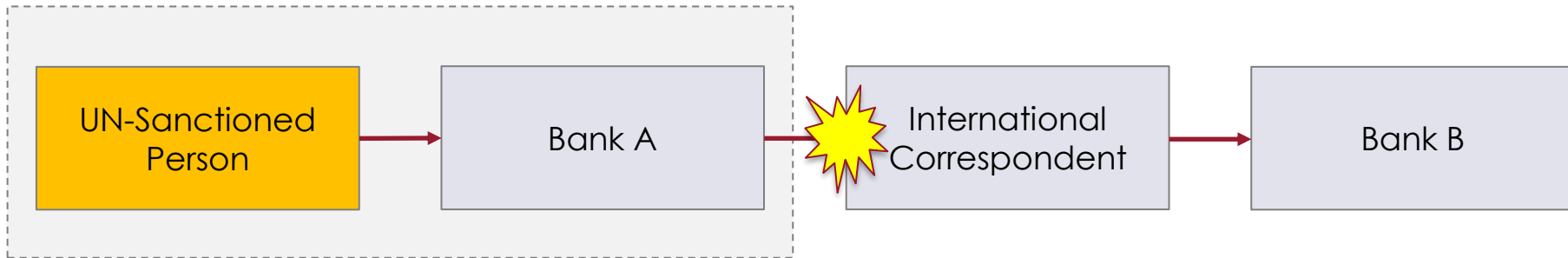
[Read more ...](#)

### Regulatory Guidelines COVID19

**KPI.001 Name:** 1: YUN 2: HO-JIN 3: na 4: na

**Title:** na **Designation:** Director of Namchongang Trading Corporation **DOB:** 13 Oct. 1944 **POB:** na **Good quality a.k.a.:** Yun Ho-chin **Low quality a.k.a.:** na **Nationality:** Democratic People's Republic of Korea **Passport no:** na **National identification no:** na **Address:** na **Listed on:** 16 Jul. 2009 **Other information:** Director of Namchongang Trading Corporation; oversees the import of items needed for the uranium enrichment program.

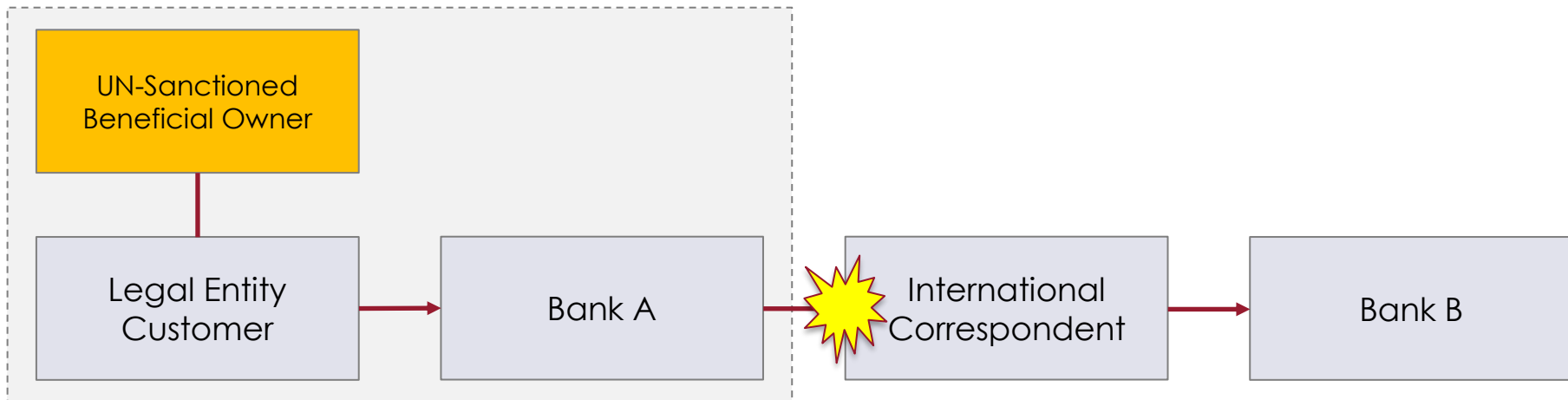
# Typology 1 – Directly Sanctioned Customer



## Potential factors of Bank A's failure to interdict the prohibited payment:

- **Regulatory:** Was Bank A required under local regulation to screen against the relevant list?
- **Internal Control:** Did Bank A implement the required screening (including periodic screening)?
- **Data:** Did Bank A have sufficient and quality data about its customer to identify that it was a sanctioned person?
- **Systems:** Was Bank A's screening system (manual or automated) effectively designed and tested?
- **Training/resources:** Did Bank A's staff correctly and timely disposition potential screening hits?
- **Execution:** Were all of the sanctioned person's accounts identified and blocked (frozen)?

## Typology 2 – Sanctioned Beneficial Owner

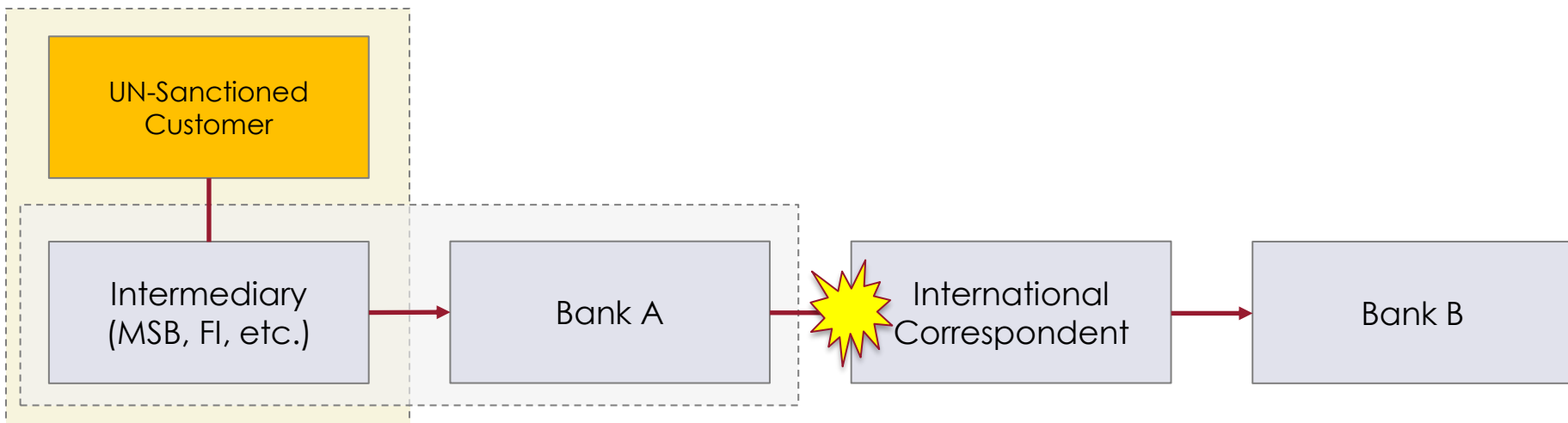


### Potential factors of Bank A's failure to interdict the prohibited payment:

- **Due diligence:** Did Bank A gather sufficient information about its customer's beneficial owner(s)?
- **Internal controls:** Did Bank A apply name screening to data about beneficial owner(s) (including periodic screening)?
- **Execution:** After identifying the sanctioned beneficial owner, did Bank A apply appropriate controls to its owned entities?



# Typology 3 – Non-Sanctioned Intermediary



## Potential factors of Bank A's failure to interdict the prohibited payment:

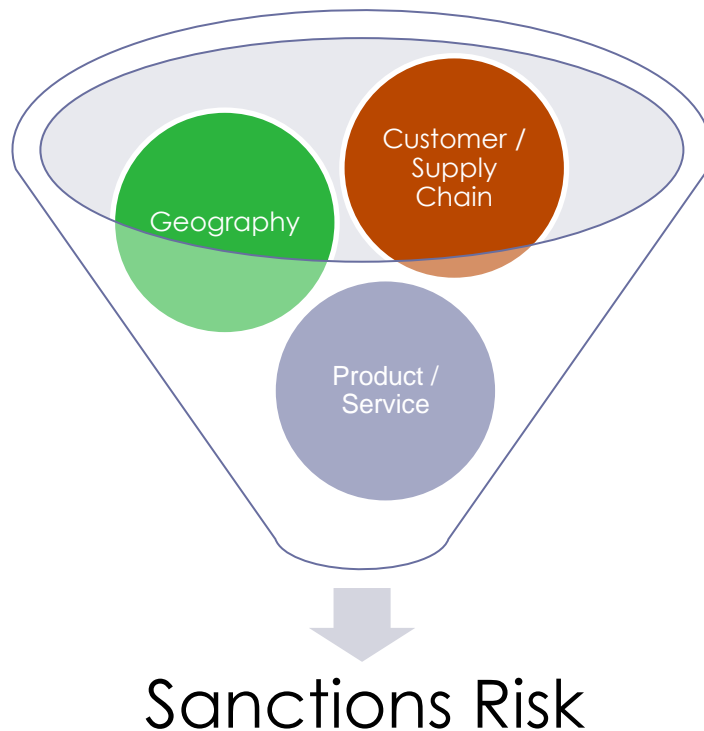
- **Regulatory:** Was the intermediary required under local regulation to screen against the relevant list?
- **Due diligence:** Did Bank A identify the intermediary as higher risk and apply appropriate due diligence and controls to the relationship?
- **Internal control:** Was Bank A in any information about the intermediary's customers or transactions that would have allowed it to identify the intermediary's sanctioned customer?

# A Risk-Based Approach

Regulators typically encourage a “risk-based” approach to allocating compliance resources that takes into account:

- Customers
- Supply-chains / counterparties
- Products and services
- Geographies

For example, a company that exports **commodities** to **Dandong, China** (near North Korea) and pays for those goods in **USD** has more risk than a company that buys **toys** from a **domestic factory** and pays for them in **ZMW**.



# Additional Guidance: US Treasury

On 2 May 2019, the US Treasury Department's Office of Foreign Assets Control (OFAC) published its "Framework for OFAC Compliance Commitments" outlining the recommended features of a Sanctions Compliance Program for both US and non-US companies.

The five key elements include:

- Senior Management Commitment
- Sanctions Risk Assessment
- Internal Controls
- Testing and Auditing
- Training



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

## A Framework for OFAC Compliance Commitments

The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) administers and enforces U.S. economic and trade sanctions programs against targeted foreign governments, individuals, groups, and entities in accordance with national security and foreign policy goals and objectives.

OFAC strongly encourages organizations subject to U.S. jurisdiction, as well as foreign entities that conduct business in or with the United States, U.S. persons, or using U.S.-origin goods or services, to employ a risk-based approach to sanctions compliance by developing, implementing, and routinely updating a sanctions compliance program (SCP). While each risk-based SCP will vary depending on a variety of factors—including the company's size and sophistication, products and services, customers and counterparties, and geographic locations—each program should be predicated on and incorporate at least five essential components of compliance: (1) management commitment; (2) risk assessment; (3) internal controls; (4) testing and auditing; and (5) training.

If after conducting an investigation and determining that a civil monetary penalty ("CMP") is the appropriate administrative action in response to an apparent violation, the Office of Compliance and Enforcement (OCE) will determine which of the following or other elements should be incorporated into the subject person's SCP as part of any accompanying settlement agreement, as appropriate. As in all enforcement cases, OFAC will evaluate a subject person's SCP in a manner consistent with the Economic Sanctions Enforcement Guidelines (the "Guidelines").

When applying the Guidelines to a given factual situation, OFAC will consider favorably subject persons that had effective SCPs at the time of an apparent violation. For example, under General Factor E (compliance program), OFAC may consider the existence, nature, and adequacy of an SCP, and when appropriate, may mitigate a CMP on that basis. Subject persons that have implemented effective SCPs that are predicated on the five essential components of compliance may also benefit from further mitigation of a CMP pursuant to General Factor F (remedial response) when the SCP results in remedial steps being taken.

Finally, OFAC may, in appropriate cases, consider the existence of an effective SCP at the time of an apparent violation as a factor in its analysis as to whether a case is deemed "egregious."

This document is intended to provide organizations with a framework for the five essential components of a risk-based SCP, and contains an appendix outlining several of the root causes that have led to apparent violations of the sanctions programs that OFAC administers. OFAC recommends all organizations subject to U.S. jurisdiction review the settlements published by OFAC to reassess and enhance their respective SCPs, when and as appropriate.

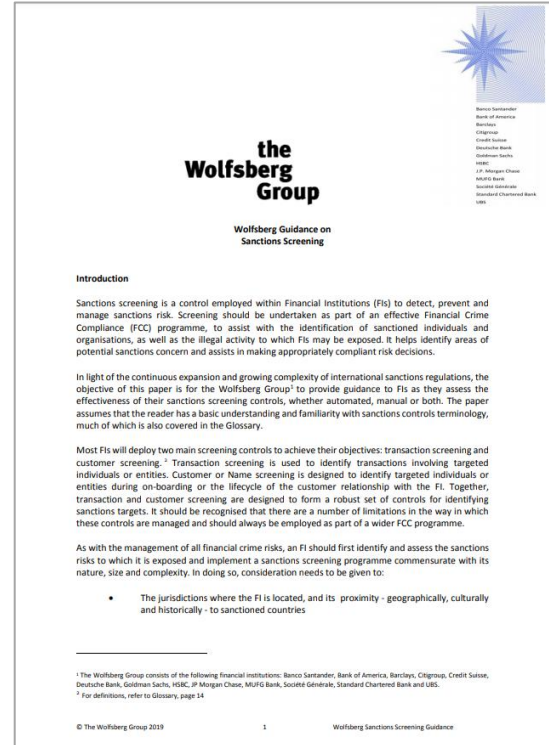
# Additional Guidance: Wolfsberg Group

On 21 January 2019, the Wolfsberg Group published its updated “Guidance on Sanctions Screening” with recommendations for implementing risk-based sanctions screening as part of a risk-based financial crimes compliance program.

The document touches on:

- Where sanctions screening can be an effective part of a wider sanctions compliance program,
- The limitations of screening as a control, and
- Where a risk-based approach to screening may be appropriate.

*“While sanctions screening is a primary control, it has its limitations and should be deployed alongside a broader set of non-screening controls to be truly effective.”*



# Questions & Answers



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