

Policy Brief

Complex Proliferation Financing and Sanctions Evasion Schemes



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Complex Proliferation Financing and Sanctions Evasion Schemes

Executive Summary

The FATF's 2025 report on Complex Proliferation Financing (PF) and Sanctions Evasion Schemes provides a comprehensive analysis of how states, entities, and networks circumvent targeted financial sanctions (TFS) to support the proliferation of weapons of mass destruction (WMD). The report identifies emerging typologies, vulnerabilities, and mechanisms used to obscure financial and trade flows that enable the development, procurement, or transportation of dual-use goods and related materials.

Drawing on case studies and intelligence contributions from across the FATF Global Network, the report highlights the increasing sophistication and cross-border reach of PF and sanctions evasion schemes. It underscores the importance of robust national counter-proliferation financing (CPF) frameworks, effective implementation of Recommendation 7, and strong public-private partnerships to detect and disrupt illicit activity.

The FATF calls on jurisdictions to enhance domestic and international cooperation, improve data sharing, and adopt proactive supervisory approaches that address evolving PF typologies, including the misuse of virtual assets and trade finance mechanisms. The report serves as a strategic resource for policy-makers, supervisors, and private sector actors engaged in safeguarding the global financial system from proliferation threats.

Keywords

FATF, Proliferation Financing, Sanctions Evasion, Counter-Proliferation Financing, Recommendation 7, Dual-Use Goods, Virtual Assets, Maritime Sector, Trade Finance, Global Security.

Background

Since 2008, the FATF has issued a series of reports examining proliferation financing and sanctions evasion, aiming to strengthen countries' ability to detect, investigate, and prevent such activities. Recommendation 7 and its Interpretive Note form the cornerstone of the FATF framework on counter-proliferation financing (CPF), requiring jurisdictions to implement targeted financial sanctions in line with United Nations Security Council Resolutions. Despite gradual progress, implementation remains uneven, with many countries still developing comprehensive CPF strategies and lacking operational mechanisms for detecting complex cross-border schemes.

The 2025 FATF report builds on earlier typologies (2018, 2021) and reflects the growing convergence between traditional proliferation channels and new methods of sanctions evasion. It aims to equip governments, regulators, and the private sector with a deeper understanding of emerging risks and practical tools to strengthen global financial integrity.

Threat Landscape

The FATF identifies proliferation financing as a dynamic and evolving threat to global peace and security. While the focus of CPF efforts remains on preventing WMD-related procurement by sanctioned states and entities, the report notes a diversification of typologies and actors involved. Complex evasion networks increasingly combine legitimate trade channels, financial intermediaries, and technological tools to disguise the ultimate destination or purpose of transactions.

Emerging risks include the integration of digital payment systems into illicit supply chains, the use of non-transparent offshore jurisdictions, and the reliance on third-country intermediaries. These developments illustrate the globalised nature of proliferation financing and the need for coordinated multilateral responses.

Typologies of Sanctions Evasion and Proliferation Financing

The FATF outlines several key typologies used in complex PF and sanctions evasion schemes:

Use of Front and Shell Companies: Networks rely on layers of intermediaries, nominee directors, and complex ownership structures to obscure beneficial ownership and disguise trade activity.

Misuse of Trade Finance: False invoicing, over- and under-invoicing, and falsified shipping documents remain central techniques for transferring value and concealing the true nature of goods.

Maritime and Shipping Evasion: Sanctions evaders employ ship-to-ship transfers, falsified vessel registration, and manipulation of Automatic Identification System (AIS) data to circumvent export controls.

Virtual Assets and New Technologies: VAs and VASPs are increasingly exploited to move funds across borders with limited transparency. The FATF stresses the importance of applying Recommendation 15 to mitigate PF risks in the digital asset ecosystem.

Financial Institutions and Gatekeepers: Weak customer due diligence (CDD) and insufficient screening tools create vulnerabilities in the banking, legal, and trade sectors.

These typologies illustrate the convergence between proliferation financing, sanctions evasion, and broader financial crime trends.

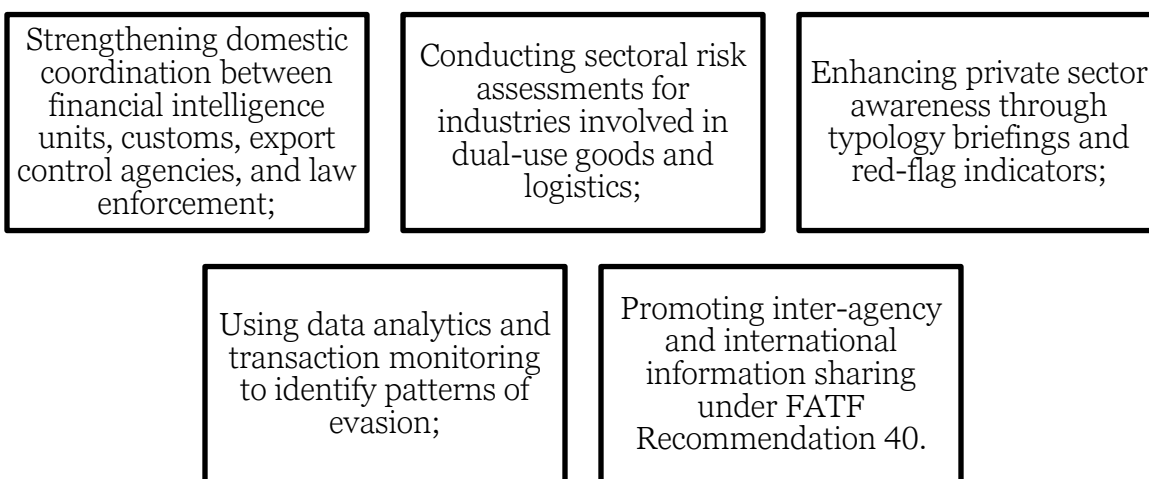
Challenges and Good Practices

The FATF recognises persistent challenges in detecting and disrupting complex PF networks.

Information asymmetry, the dual-use nature of many goods, and the limited visibility of cross-border supply chains hinder effective enforcement.

Financial institutions and competent authorities often struggle to distinguish legitimate trade from proliferation-related activity

However, the report highlights several good practices that enhance resilience:



Countries with mature CPF frameworks demonstrate that timely communication and proactive supervision significantly improve detection rates.

Priority Areas for Action

The FATF calls on jurisdictions to adopt a strategic and forward-looking approach to countering PF and sanctions evasion. Key priority actions include:

Enhancing Threat Assessments: Countries should conduct regular updates of national proliferation financing risk assessments to reflect evolving typologies.

Improving Data Sharing: Establishing secure channels for real-time exchange of intelligence between national agencies and international partners.

Defining Proliferation Financing: Developing a clear and consistent legal definition of PF that encompasses emerging technologies and complex ownership chains.

Expanding Supervisory Coverage: Ensuring that financial and non-financial sectors with potential exposure to PF risks are effectively monitored.

Strengthening International Co-operation: Active participation in multilateral fora and information exchange mechanisms, including the FATF Global Network and UN panels of experts.

The FATF also proposes a horizontal review of Recommendation 7 implementation across jurisdictions to assess practical effectiveness and identify best practices.

Concluding Remarks

The FATF's 2025 report on complex proliferation financing and sanctions evasion underscores the need for comprehensive, adaptive, and globally coordinated responses. Proliferation financing no longer operates in isolation but intersects with broader illicit finance ecosystems involving corruption, trade-based money laundering, and misuse of digital assets. Effective countermeasures therefore require collaboration across borders and sectors.

By combining risk-based supervision, technological innovation, and sustained engagement between governments and the private sector, countries can strengthen the resilience of their financial systems against proliferation-related threats. The FATF reiterates that protecting the integrity of the international financial system is essential to maintaining global peace, security, and non-proliferation norms.

Further Reading

- FATF (2025), Complex Proliferation Financing and Sanctions Evasion Schemes ([link](#))