



TURKS AND CAICOS ISLANDS FINANCIAL SERVICES COMMISSION

Regulating with Honesty, Integrity and Transparency

8 September 2022

REGULATORY ADVISORY GUIDANCE ON ANONYMOUS DONATIONS

Non-Profit Organisations ('NPOs') occupy an important place in the Turks and Caicos Islands (TCI). They complement the government and private sector in providing essential services to a wide range of beneficiaries. While there are NPOs that derive their funding from fundraising activities, many NPOs rely heavily on the generosity of donors to carry out their community service activities. Some individuals and organisations donate regularly to NPOs and have no concerns about confidentiality. However, there are donors that, for legitimate reasons, prefer to remain anonymous in their support.

There are various reasons for such anonymous giving, including modesty, a desire to keep the focus on the NPO's mission and not on themselves, or to avoid solicitations from other NPOs. However, anonymous donations can create opportunities for terrorist groups, financiers to support nefarious activities, such as terrorism¹ or for criminals to dispose of the proceeds of crime.

While it may be acceptable and reasonable for donors to give anonymously, this presents a higher level of terrorist financing and money laundering risk because of the difficulty in ascertaining the identity, credentials and good standing of the donor and the source of funds of the donation. Therefore, before accepting and using anonymous donations, an NPO must apply a greater degree of scrutiny to satisfy itself that the donation is for a legitimate purpose in furtherance of the NPO's purpose and objectives. If an NPO is unsure about the legitimacy of a donation the NPO should refuse it and make a report to the Financial Intelligence Agency (FIA) as set out below.

How can controllers identify suspicious donations?

Anonymous donations might be suspicious, particularly if the donation is made at a foreign location in which the regulatory and legal frameworks are not as rigorous as the TCI, or if the controllers are unable to satisfy themselves about the appropriateness of the donation. NPOs should pay particular attention to these characteristics as well as where donations involve unusually large amounts, there are conditions on the use of the donation, the donation involves complex banking and transfer arrangements, where a general solicitation for donations has not been made or the donation is in effect some kind of loan.

NPOs should recognise that donations may take forms other than money, for example shares or goods. Controllers should, of course, remember that the donor might be entirely legitimate, but they should not rule out the possibility that somebody is trying to exploit the NPO.

¹ The TCI National Risk Assessment (NRA) notes that the risk of terrorism in the TCI is low. The NRA can be accessed by clicking [here](#).



The following situations may indicate higher risks:

- unusual or substantial one-off donations or a series of smaller donations from unidentified sources, particularly when it is made in cash
- where the donation was not expected
- where the donation originates from outside the TCI and the country is associated with high levels of terrorism, terrorist financing, money laundering, corruption, etc.
- where an NPO is asked to act as a conduit for the passing of a donation to a second body which may or may not be another NPO
- where donations are conditional on particular individuals or organisations being used to do work for the NPO
- if conditions are attached to a donation that would make the NPO a vehicle for transferring funds from one individual or organisation to another without the controllers being able to satisfy themselves that they have been properly used
- where an NPO is told it can keep a donation for a certain period of time, perhaps with the attraction of being able to keep any interest earned whilst holding the money, but the principal sum is to be returned at the end of a specified period
- where donations are made in a foreign currency, and again unusual conditions are attached to their use, e.g., including a requirement that the original sum is to be returned to the donor in a different currency

How can controllers protect their NPO from abuse?

Due diligence checks must be carried out on donors as this process can help an NPO to understand where its money is coming from. Due diligence refers to the practical checks an NPO can make to confirm the identity, credentials and good standing of the persons giving money to the NPO, as well as the beneficiaries of the NPO and its partners. Implementing due diligence checks is important because it helps an NPO to:

- assess the risks arising from accepting a particular donation;
- be reasonably confident that a donation is not from an illegal or inappropriate source; and
- assess whether any conditions attached to a donation are appropriate and acceptable.

The amount of due diligence to be applied depends on the risks involved, including the size and nature of the donation and whether it has any suspicious characteristics such as those described in earlier paragraphs. NPOs should be alert and apply a greater amount of scrutiny to anonymous donations which must be done before the donation is used by the NPO. NPOs should be guided by the indicators identified above to satisfy themselves that the donation is legitimate. NPOs should also ensure that the donation reaches its intended beneficiaries and is not diverted to support activities not consistent with the mandate of the NPO or returned to donor by way of loan repayments.



NPOs must also ensure that they have good governance, robust financial controls, and strong management to protect themselves against those who might want to take advantage of the organisation, while ensuring this does not put off legitimate donors. The NPO Regulatory Advisory on Internal Financial Controls provides a checklist of recommended internal controls that NPOs should implement to protect their organisations from terrorist financing and any other financial crimes.

Controllers must ensure that donations in excess of \$10,000 as a single donation or cumulatively during the year are disclosed in the Statement of Donations sheet in the Financial Reporting Form². For “Donor Name” on the form, the anonymous donors should be described as “Anonymous” and accompanied by all known information.

What do controllers need to do if they identify a suspicious donation?

Controllers are required to report a suspicious donation to the Financial Intelligence Agency (FIA)³ as soon as they become aware of it. NPOs can access the FIA’s Suspicious Activities Report [here](#). NPOs must also immediately report suspicious donations to the NPO Supervisor via email aml_supervision@tcifsc.tc.

Please be guided accordingly.

NPO Supervisor

² The Financial Reporting Form can be accessed by clicking [here](#).

³ The Financial Intelligence Agency (FIA) is responsible for the receipt, storage, analysis and dissemination of information related to Anti Money Laundering and Combating the Financing of Terrorism and connected crimes in observance of the Financial Action Task Force (FATF) international standards on combating money laundering and the financing of terrorism and proliferation. The FIA’s website address is ww.fia.tc.