

FINANCIAL SERVICES COMMISSION

ML/TF Prevention for NPO's

The Financial Services Commission's NPO Terrorist Financing Sectoral Risk Assessment Report 2022 found that NPOs with the following features are at a higher risk of abuse for terrorist financing purposes:

- raising and disbursing funds or providing services internationally, especially in areas with close proximity to conflict zones, failed states, or areas where terrorists are known to operate
- predominant use of cash
- association with persons sympathetic to terrorist ideals and organisations.

While all NPOs should take measures to ensure that they understand their exposure to terrorist financing and money laundering, NPOs with the features mentioned above must apply the controls which follows below. The Commission's help sheet provides a guide on these controls that NPO's can take to mitigate these risks and to prevent being abused by Terrorist Financing.

➔ Know Your Donors



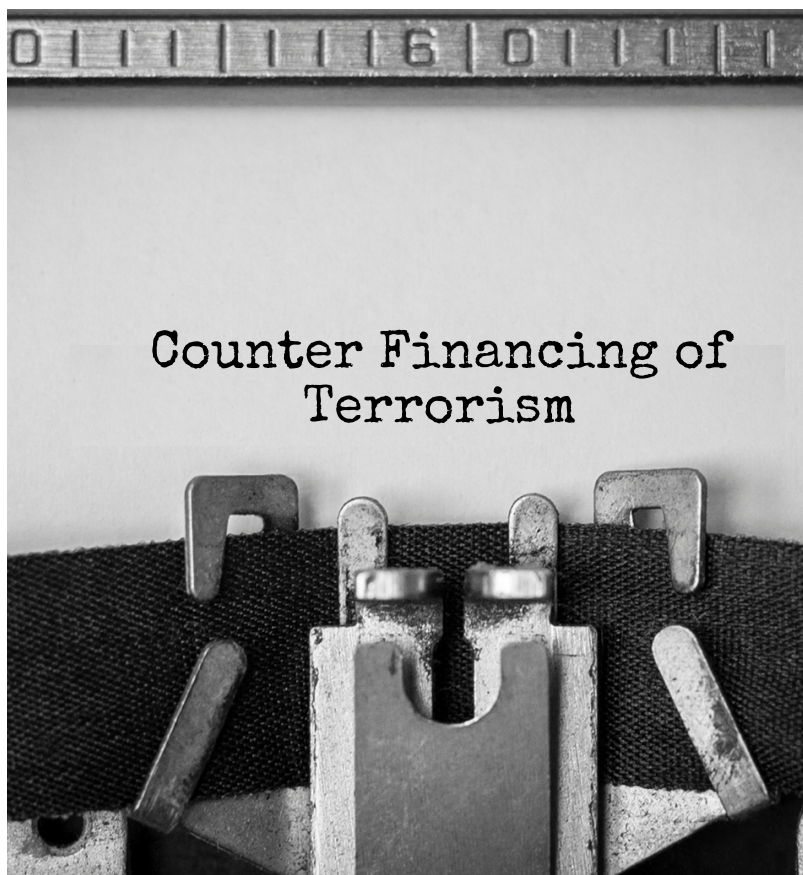
For every donation received an NPO should make it a requirement to start with questions about their donors such as "Who are they and what do you know about them?". Asking questions about the actual donation is also important, such "How big is the donation?" and "Was it expected?". Though some of these questions may seem simple and can be quite often overlooked or even assumed, answering each and every time may help save your organisation from being a conduit for financial crimes. For guidance on how you should handle anonymous donations, please refer to our advisory which can be found on our website at www.tcifsc.tc/wp-content/uploads/2022/09/NPO-Supervisory-Advisory-on-Anonymous-Cash-Danations.pdf

➔ Know Your Beneficiaries



Depending on who the beneficiaries are there are various questions to ask about beneficiaries. For instance "who are they and what do we know about them?" It is also crucial to determine whether they are based outside the TCI or not and if they are a sanctioned person or if the country/area the beneficiary is based in poses any particular risks to the TCI. In addition to this, it is important to satisfy yourself that the funds or goods are being used as intended.

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Counter Financing of Terrorism

NPO'S AND YOU: PROTECTION FROM FINANCIAL CRIME

Non-profit organisations (NPOs) are very important to the development of the TCI. They complement and supplement the Government's efforts to provide services and assistance to those in need. As such, NPOs enjoy the support of the Government and the public, with the Government, businesses and individuals providing funding to NPOs for their "good works" and programs. However, the fact that NPOs enjoy public support and other features make them susceptible to terrorist financing (TF) and money laundering (ML).

While it is the responsibility of the Financial Services Commission (FSC) to identify and manage the TF risk posed by NPOs and ensure compliance with the Proceeds of Crime Ordinance, we endeavour to not be an impediment to legitimate NPO activities and are committed to creating avenues that support and assist registered NPOs when needed.

To this end, there are various tools that NPO's may not be aware are right at their fingertips to answer many of the questions that they have and will assist them to avoid being abused for TF or ML. One of these tools is the *NPO Help Sheet: How to Protect Your NPO from Financial Crime*. The help sheet provides a quick guide on steps to take to ensure you know your donors, beneficiaries, and partners as well as internal financial controls and record keeping measures that NPO's can implement. While this article has provided brief insights to the Help Sheet, more details on the measures NPOs can implement can be found on our website at: <https://tcifsc.tc/wpcontent/uploads/2022/09/NPO-Help-Sheet-updated.pdf>.

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➔ Know Your Partners



There are also basic questions around knowing your partners, such as taking the time to ask "What do you know about your partner?" and "Does your experience of working with the partner in the past raise any concerns?". Even determining if "The partners aims and values are compatible with those of your NPO?" can give you vital information that can help you determine if there is a risk in doing business with a given partner. It is important not to assume but to answer these questions for each partner that is associated with the NPO.

➔ Monitoring Transactions and Activities of the NPO



Internal Financial Controls are used to prevent or detect the misuse of an NPO. By implementing these controls, your NPO can mitigate the risk of the NPO being used to finance terrorism or in the facilitation of other crime. Internal Controls should be set out in writing i.e in the form of policies, and procedures manuals. The aim is to create practices within the NPO that serve as checks and balances on staff, controllers and outside vendors to ensure proper use of NPO Assets

➔ Record Keeping



Proper record retention is integral to the ability for inappropriate actions to be traced by law enforcement authorities. This is a practice through which organizations maintain specific records for a given period of time. Records should be kept of persons who control or direct the NPO's activities. Proper financial records should be kept providing an audit trail for decisions taken. Records detailing the internal structure and control of the NPO should be retained also.



The Commission encourages all Non-profit organisations in the TCI to register with the Commission. Once registered, organisations are implored to implement internal controls in order to avoid being abused for terrorist financing or ML.

For more information on how to register or ensure that your Non-profit organisation is safe from financial crime, please contact us at **649-946-5314** or email us at aml_supervision@tcifsc.tc.

See Something? Say Something!



Non-profit organisations and the community at large are reminded that if there is anything that is concerning about an NPO including donors, donations, beneficiaries, or partner organisations, you should promptly make a report to the Financial Intelligence Agency at submissions@fia.tc and the NPO Supervisor at aml_supervision@tcifsc.tc.