



DEPARTMENT OF CO-OPERATIVES AND FRIENDLY SOCIETY



Ministry of Industry, Investment and Commerce (MIIC)

Guidance Notes

Terrorist Financing and Money Laundering



Guidance Notes on Terrorist Financing and Money Laundering for Non-Profit Organizations

As the regulating body for Registered Charitable Organizations, the Department of Co-operatives and Friendly Societies (Charities Authority) is paying close attention to the risk exposures of NPOs resulting from money laundering (ML) and terrorist financing (TF).

In the context of the global threats spawned by the proliferation of weapons and money from illicit activities, NPOs must understand the global landscape in which they operate. Additionally, raising the awareness of entities about ML and TF enables them to adopt best practices to mitigate infiltration by money launders and terrorist financiers. In this regard, the NPOs must establish internal mechanisms that track all inflows and outflows from the entity.

Alternatively, from a regulatory side, the Charities Authority has established a risk-based supervisory framework to monitor the activities of NPOs. The Authority has also developed a support and enrichment programme for NPOs deemed to be at risk for money laundering and terrorist financing abuses. This Guidance Notes will serve to educate to NPOs on how to better under money laundering and terrorist financing; on approaches to identify vulnerabilities; and best practices to observe to strengthen governance and operation.

This guidance note is developed in the context of the global standards adopted by countries through the Financial Action Task Force (FATF) Recommendation 8. Recommendation 8 provides the standards necessary to be adopted by the NPO Sector to safeguard against terrorist financing abuse.

Guidance Notes

Below is a summary of guidance to be known and understood by Registered Charitable Organizations to strengthen their ability to reduce exposure to Money laundering and Terrorist Financing threats.

1. Defining Money Laundering and Terrorist Financing:

Money laundering:

*Money laundering is the processing of criminal proceeds to disguise their illegal origin. The process is of critical importance, as it enables the criminal to enjoy these profits without jeopardizing their source.*¹

¹ Financial Action Task Force (2016). Criminalizing Terrorist Financing.

Money laundering is also defined to include, *all procedures, methods, and transactions designed to change the identity of illegally obtained proceeds of criminal activity so that it appears to have originated from a legitimate source.*²

Terrorist Financing defined, is:

The unlawful and wilful providing or collecting of funds, securities, or assets of any type by any means, directly or indirectly, with the intention that they should be used or in the knowledge that they are to be used, in full or in part, to carry out or attempt to carry out illegal offenses (particularly for the support of acts of terrorism).

2. Identifying risk exposure to Terrorist Financing and Money Laundering:

Spotting risk exposure presented by Terrorist Financing and Money laundering can be a complex endeavour for a charitable organization. Due to the complex nature of TF and ML threats, entities must conduct sufficient due diligence to ensure their governance and monitoring systems are robust. In this regard, the following guidance hereunder will assist charitable organizations to spot suspicious transactions as well as recognise areas of vulnerability in their operations.

- The NPO receives donations from unknown sources over a prolonged period.
- Donor contribution to a charitable organization is done by breaking up large amounts of cash into less conspicuous smaller sums that are deposited directly into a bank account, or by purchasing a series of monetary instruments (cheques, money orders, etc.) that are then collected and deposited into accounts the NPOs.
- The NPOs does not have an instituted Know Your Donor (KYD) framework to screen donors. KYD framework assists charities to better understand who their donors are and their sources of funding to ensure donations are derived from legitimate sources.
- Failure by a charitable organization to keep proper records to track all inflows and outflows from the charitable organization.
- Having and depending significantly on donations from international sources, especially from conflict zones.
- Having Directors residing internationally in conflict zones.
- The NPO carry out activities in conflict zones.
- The NPO depends heavily on transitory staff.

² Bank of Jamaica (2018). Jamaica Gazette Extraordinary.

3. Guidance on developing the “Know Your Donor” Framework

The NPOs are advised to develop a Know Your Donor Framework that will assist the entity in adequately conducting due diligence on Donors. This approach is to put the entity in a position to identify tainted money that might be raised by the charity. Additionally, the NPO will be better informed as to the sources of funding from which donor money is derived. The following guidance questions should be asked by a NPO before accepting donations to strengthen their monitoring systems. These guidance questions are consistent with globally accepted “Know Your Donor” questions³.

General guidance questions to assess donations to protect against ML and TF:

- Who are the entity's donors?
- What is known about them?
- Does the NPO have a well-established relationship with them?
- Do any additional identity checks need to be made? Full use should be made of internet websites, particularly to check on the fit and proper nature of each donor.
- In what form is the money being received? Cash, cheque, bank transfer?
- Have any public concerns been raised about the donors or their activities? If so, what was the nature of the concerns, and how long ago were they raised? Did the police or a regulator investigate the concerns? What was the outcome?
- Would any adverse publicity about the donor have a damaging effect on the NPO?

The nature of the donation and any conditions:

- How big is the donation?
- Is it a single donation, one of several regular donations, or the first of multiple future donations?
- Is the donation one of a series of interest-free loans from sources that cannot be identified or checked by the NPO?
- Are there unusual or substantial one-off donations?
- Does the donation come with any conditions attached? What are they? Are they reasonable?
- Is there a condition that funds are only to be retained by the charity for a period and then returned to the donor, with the charity retaining the interest?
- Is the donation conditional on particular organizations or individuals being used to apply the funds?

³ Charity Commission for England and Wales

- Is the donation conditional on being applied to benefit particular individuals either directly or indirectly?
- Is there a suggestion that the NPO is being used as a conduit for funds to a third party?
- Is the donation in JMD or another currency, perhaps with a requirement that the donation is returned in a different currency?
- Are any of the donors based, or does the money originate, outside Jamaica? If so, from which country?
- Does this country/ area pose any specific risks?
- Are donations received from unknown bodies or international sources where financial regulation or the legal framework is not rigorous?
- Is the donation received from a known donor but through an unknown party or an unusual payment mechanism where this would not be a typical method of payment?
- Is anything else unusual or strange about the donation?

What trustees should do if they are suspicious:

- If due diligence checks reveal evidence of a crime, trustees of the NPO must report the matter to the police and/or other appropriate authorities.
- If the trustees have reasonable cause to suspect that a donation is related to terrorist financing, they are under specific legal duties under the Proceeds of Crime Act and Terrorism Prevention Act Act to report the matter to the police. In the case of money laundering, reports can be made to the Counter Terrorism and Anti-Narcotics Unit of the Jamaica Constabulary Force.