

**THE CHARITIES ETC. (GUERNSEY AND ALDERNEY) ORDINANCE, 2021
GUIDANCE FOR ALL CHARITIES AND OTHER NPOS (“Frequently Asked Questions”)**

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Introduction

This guidance is for all charities and other non-profit organisations (“NPOs”) on the requirements of The Charities etc. (Guernsey and Alderney) Ordinance, 2021 and the Charities etc. (Amendments, Exemptions, Governance and Specified Amount) (Guernsey and Alderney) Regulations, 2021, referred to as the “legislation”.

There is additional guidance for charities/NPOs which are internationally active due to the higher risk due to their international profiles.

This guidance is to assist charities/NPOs to understand the requirements that apply to them. It does not replace the legislation and it does not cover all matters addressed in the legislation. It is important that charities/NPOs familiarise themselves with the legislation to ensure that they are fully aware of all their requirements.

The objectives of the Ordinance and Regulations are:

- (1) To promote accountability, integrity and public confidence in the administration and management of the sector.
- (2) To meet international standards aimed at preventing the sector from being abused for criminal purposes (terrorist financing, money laundering, fraud, bribery and corruption).
- (3) To give comfort to donors and others providing funding to an NPO that their donations will be used to achieve the registered purposes.

Due to charities/NPOs reputational benefits from registration the requirements apply to all registered charities/NPOs whether their registration was compulsory or voluntarily. However, the requirements vary depending if the charity/NPO has international activity or is domestically focused and for domestically focused charities/NPOs, depending on the asset value and if they solicit or accept funds from the public. The legislation creates a risk-based sliding scale of requirements applicable to different types of charities/NPOs or activity. Please refer to the checklists.

PART I - OVERVIEW OF LEGISLATION

FAQ 1 – What requirements apply to charities/NPOs under the legislation?

All charities/NPOs that carry out international activities must register. It is also compulsory for charity/NPOs to register if their assets are £100,000 or more or their turnover is £20,000 or more. Charities/NPOs that are not required to register may do so voluntarily.

When an organisation applies for registration, it must provide details about its activities and the individuals who control it. Once registered, a charity/NPO must update the Registrar within 21 days about any changes to their registration details including details about any criminal offences committed by its officers. Only charities/NPOs that work with children or vulnerable adults, need to carry out a Disclosure and Barring Service check on its officers.

All registered charities/NPOs are required to submit an annual validation at the beginning of each calendar year and no later than 28 February.

Registered charities/NPOs are subject to governance measures:

Basic governance measures set out the minimum standards expected of all charities/NPOs on the register in line with current best practice.

Financial crime risk mitigate measures are risk-based and contain additional requirements for charities/NPOs that carry out international activity in line with current best practice.

All charities/NPOs are required to report, to the Registrar, payments made outside the Bailiwick of **£100,000** or more. Excluding:

- Donation of physical items e.g., clothing or equipment.
- Payments that are incidental to the purposes of the charity/NPO to support a person from the Bailiwick who is residing elsewhere for reasons connected to the payment (i.e., medical treatment)
- Payments to an affiliated organisation in the UK, Jersey, or the Isle of Man.

This reporting requirement **applies to all registered charities/NPOs** but in practice affects charities/NPOs that are internationally active.

Basic governance measures are:

- Constitution or/and other governing documents that cover minimum legislation requirements and provide a copy to the Registrar,
- Maintain financial records demonstrating that charity/NPO's assets are being applied in line with its objectives
- Annual financial statements (and in some cases file them with the Registrar)
- Make and keep records of meetings, decisions, contractual documents etc

- Standard measures to ensure financial probity and transparency (e.g. as far as possible passing funds through their bank accounts).

Risk mitigation measures, again in broad terms, are requirements to:

- Put in place controls to ensure that it and its activities cannot be used for the purposes of money laundering, fraud, bribery and corruption, the financing of terrorism, the financing of the proliferation of weapons of mass destruction
- Identify donors and beneficiaries in certain situations.
- Periodically review compliance with the legislation and take steps to address any issues of non-compliance.

There are exemptions from some requirements for certain types of registered charity/NPO. For example:

Registered charities/NPOs that have a British parent organisation (i.e. one that is registered in the UK, Jersey or Isle of Man) only require governing documents to cover matters not already dealt with in the constitution of the British parent organisation (and may be modified or disapplied by the Registrar if they think it appropriate).

The requirement to file annual financial statements with the Registrar does not apply to charities/NPOs that register voluntarily.

In addition, the risk-based approach means that requirements do not apply when an event is unlikely. For example, a charity/NPO with a purely domestic focus is unlikely to receive payments from outside the Bailiwick so will not be required to carry out identification measures on donors.

Charities/NPOS that are not required to register and do not register voluntarily are not subject to any requirements under the legislation.

PART II - REGISTRATION

FAQ 2 - What is a charity under the legislation?

An organisation is a charity if all its purposes are charitable (or are ancillary or incidental to its charitable purposes), **and** it provides benefit for the public or a section of the public by carrying out its purposes.

FAQ 3 - What are charitable purposes?

The “charitable purposes” are set out in Schedule 4 of the Ordinance, as follows:

- (a) the prevention or relief of poverty,
- (b) the advancement of education,
- (c) the advancement of religion,
- (d) the advancement of health,
- (e) the saving of lives,
- (f) the advancement of citizenship or community development,

- (g) the advancement of the arts, heritage, culture or science,
- (h) the advancement of public participation in sport,
- (i) the provision of recreational facilities, or the organisation of recreational activities, with the object of improving the conditions of life for the persons for whom the facilities or activities are primarily intended,
- (j) the advancement of human rights, conflict resolution or reconciliation,
- (k) the promotion of religious or racial harmony.
- (l) the promotion of equality and diversity,
- (m) the advancement of environmental protection or improvement,
- (n) the relief of those in need by reason of age, ill-health, disability, financial hardship, or another disadvantage,
- (o) the advancement of animal welfare, and
- (p) any other purpose that may reasonably be regarded as analogous to any of the purposes listed in subparagraphs (a) to (o)

FAQ 4 - What constitutes an NPO under the legislation?

An organisation is an NPO if it does not fit the criteria to be a charity but is established solely or principally for the non-financial benefit of its members or for the benefit of the public. An example of an NPO would include a private members club.

FAQ 5 - Which charities/NPOs must registered?

Charities/NPOs must be registered if they are based in Guernsey or Alderney, and they fall into one or both of the following categories -

Category 1 – domestically focused charities/NPOs that have gross assets and funds of £100,000 or more, or a gross annual turnover of over £20,000 ("the financial threshold"), and solicit or accept donations, funds or contributions from the public (see FAQ 6).

Category 2 - charities/NPOs that engage in international activities, in other words those that raise or distribute assets abroad (See FAQ 7). Charities/NPOs in this category must be registered, regardless of whether they meet the financial threshold or solicit or accept donations etc. from the public.

The Registrar has the power to refuse to register an organisation in certain situations. This includes cases where the Registrar:

- Is not satisfied that the NPO is within the definition of charity/NPO.
- Has concerns about the running of the organisation, or the individuals running it.
- It would not be in the public interest to do so (for example where an organisation adversely effects the human rights of individuals, promotes discrimination against sections of the community, or encourages hate crimes).

FAQ 6 – What counts as soliciting or accepting donations etc. from the public?

A charity/NPO solicits or accepts donations etc. from the public if, in the normal course of its activities, it applies for or accepts sponsorship, grants or donations from the public, expects to do this or holds itself out as doing this. This applies to any type of donation, whether in the form of cash or physical items.

Holding itself out as soliciting or accepting donations from the public includes having donation information/ability on a website or publicising the receipt of sponsorships or grants.

The following are **NOT soliciting or accepting donations**:

- Accepting a bequest unless the charity/NPO invites legacies from the public.
- Fundraising (events or sales) that involves providing something (specific benefit or item) in exchange for a payment unless it is incidental to a donation (e.g. free tickets to sponsors or flag day sticker). Such fundraising is commercial and not fully dependent on public goodwill.
- Private charitable trusts or a purpose foundation set up as a restructuring vehicle.
- Club or groups funded exclusively by membership i.e. subscriptions. Public does not include the members of a charity/NPO itself (i.e. those with voting rights) or their family or close associates*.
- Funded exclusively by individuals who are closely linked to the charity/NPO, and their family or close associates*. (i.e. employees or volunteers)
- Religious charities/NPOs funded exclusively by event/service attendees.
- Sporting or cultural events (e.g. a choir or a badminton club) funded exclusively by participants.

*A close associate is somebody with a close business relationship including fellow charity/NPO partner or board member but would not normally apply to external third parties (e.g. an accountant or lawyer providing services).

However, in all these examples the organisation will still be required to register if it engages in international activity (see FAQ 7).

FAQ 7 – What is international activity?

A charity/NPO engages in international activity if, in the routine course of its activities, the charity/NPO receives (or expects to receive) assets from parties outside the Bailiwick or provides (or expects to provide) assets to parties outside the Bailiwick.

This will apply to local charities/NPOs that are branches or affiliate members of an organisation based elsewhere if they receive funding from or raise funds for that organisation. It will also apply to charities/NPOs that are established for the specific purpose of providing assistance to other parts of the world.

The following distributing of assets outside the Bailiwick are **NOT international activity**:

- (1) Incidental expenditure, e.g. purchase of equipment from a foreign supplier, or coach hire to transport sports teams whilst abroad, or payments to an affiliated organisation outside the Bailiwick purely for administrative purpose such as a registration fee.
- (2) Charities/NPOs with domestically focused purpose but occasionally distribute physical second-hand items, such as clothing or equipment, overseas for the support of purposes in another country (e.g. a local sports club that at the end of the season sends its used kit to a team in a developing country, or a PTA that sends textbooks to a school in a deprived area.) This exemption is on the basis that although such physical items potentially have a high value in certain parts of the world, the volume is likely to be low in contrast to charities/NPOs specifically set up for this purpose and which are required to register.
- (3) Charities/NPOs whose purpose is to fund persons from the Bailiwick receiving services from a provider outside the Bailiwick. This could be payments related to a person's medical treatment or schooling in the UK, or payments to cover the expenses of a friend or family member who is providing support to the person when they are outside the Bailiwick.
- (4) Where the payment is in line with the purposes of the charity/NPO but is *de minimis*, or in other words a very low amount. An example would be where a charity/NPO exists to provide support for young musicians, if one of its officers is on tour abroad with the members of an orchestra and gives them money to purchase refreshments. As this is in line with the purposes of the charity/NPO it would not be an incidental expense, but the low sums mean that it would be considered *de minimis*.

Therefore, charities/NPOs whose only international activity comes within one or other of these four categories and are domestically focused only need to register if they meet the financial threshold and solicit or accept donations from the public (see FAQs 5 and 6).

FAQ 8 – Can a charity/NPO that is not obliged to register voluntarily?

A charity or NPO based in Guernsey or Alderney that is not required to register, may apply for voluntary registration. Voluntary registration brings with it most of the same governance requirements as compulsory registration. This is to protect the public in view of the credibility conferred by registration. See FAQ 5 re Registrar's power to refuse to registration.

FAQ 9 – Can a charity/NPO that chooses not to register voluntarily still claim exemptions under income tax legislation?

Yes. Provided the charity/NPO meets the Registry requirements as a relevant entity, by meeting the charity test and public benefit test, its income is exempt from tax under section 40 (k) of The Income Tax (Guernsey) Law, 1975. However, charities/NPOs currently need to be registered in order to claim a repayment of tax on charitable donations received from Guernsey resident individual taxpayers, on submission of a certificate signed by the donor, within the limits set out on the Revenue website <https://www.gov.gg/article/151830/Income-tax-relief>

PART III – BASIC GOVERNANCE REQUIREMENTS

FAQ 10 - Must registered charities/NPOs have a constitution?

Yes, a constitution is the governing document for an unincorporated association and all charities/NPOs are required to have a compliant governing document. This might also be Memorandum and Articles (LBG companies), Trust deed or Charter and Rules (Guernsey registered foundations) and they must be filed with the Guernsey Registry.

Registered charities/NPOs (including those that are voluntarily registered) must have governing documents that, as a minimum, contain the information set out in the Schedule to the Regulations ("Schedule"). They set out the charity/NPO purposes, its membership, the number of managing officials (which are your association committee members, LBG directors or trustees), the appointment, removal and replacement of managing officials, how meetings are conducted, voting rights, and provisions for the administration of assets.

There are two exceptions:

- (1) Branches: registered charities/NPOs that are branches of a British parent organisation (i.e. one registered with the Charity Commission for England and Wales, the Scottish Charity Regulator or the corresponding bodies in Jersey or the Isle of Man) and whose only activity within the Bailiwick is to raise funds for and/or deliver services for the British parent organisation. Branches can rely on the governing documents of their British parent organisation instead of having their own. However, where the governing documents of the British parent do not cover all the matters within the Schedule, the local charity/NPO (branch) must have its own governing documentation to address the matters that are missing.
- (2) Charities/NPOs in existence when the Regulations came into force (29/04/2022) that are governed by legislation or an instrument (e.g. a trust deed) that is incompatible with matters in the Schedule and the charity/NPO has no power to change this, may apply to the Registrar for a direction that the requirements in question do not apply to it.

Proportionate:

The Schedule is not prescriptive about the way in which the governing documents deal with each matter so they can be proportionate to the circumstances of the charity/NPO. For example, the provisions governing the administration of assets might need to be detailed for a charity/NPO with a significant investment portfolio but those with low value assets would probably need no more than a requirement to have a bank account with specified signatories.

Filing:

Copies of compliant governing documents must be provided to the Registrar when applying for registration and within 21 days of any changes or additions.

More than one document:

It is recommended that this documentation takes the form of a constitution, but it need not, and there may be more than one document. It is key that all the required information is covered in official, agreed and recorded documents.

The way this is achieved may vary depending on the type of organisation involved. Charities/NPOs can either amend the governing document as necessary or append a further document that contains the missing information.

Review:

All registered charities/NPOs must review their constitutional documentation periodically and update it as necessary. If any changes are made to the documentation, updated copies must be filed with the Registrar within 21 days.

FAQ 11 - How many managing officials must a registered charity/NPO have?

A minimum of 3.

Charities/NPOs must have a minimum of 3 managing officials. The Treasurer (or equivalent) must be unconnected (i.e. not related to or in partnership with) to the chair or secretary.

The specific roles filled by the other managing officials will depend on the nature of the charity/NPO. Managing officials would generally be the directors in the case of a company (LBG), the trustees in the case of a trust, or the committee members in the case of an unincorporated association (e.g. a PTA).

Exemptions:

Charities/NPOs administered, directed or controlled by a corporate services provider (i.e. that is licensed to offer trust and/or corporate services by the Guernsey Financial Services Commission), need not have any other managing officials. The corporate services provider will cover the functions that are otherwise carried out by managing officials, and the necessary degree of impartial oversight charity/NPO's activities. All requirements that apply to the managing officials will apply to the corporate service provider.

Voluntary registered charities/NPOs may have a minimum of 2 managing officials. One person may act as Chair and Secretary, but the Treasurer must be a separated role and unconnected.

Recommendations:

Charities/NPOs operating outside the Bailiwick are recommended to have a minimum of 4 unconnected managing officials due to the greater risks involved and the need to widen the pool of people with a proper understanding of the activities of the charity/NPO.

Local branches who operate under their UK parent's constitution are recommended to have a minimum of 2 unconnected managing officials for good governance and to comply with the requirement for 2 people to be involved in the release of funds.

FAQ 12 – What records must registered charities/NPOs keep?

Registered charities/NPOs (including those that are voluntarily registered) must make, keep and retain records of all financial transactions so that they can evidence the use of their funds are in accordance with the purpose and objectives.

They must also keep records of the following:

- Names and addresses of managing officials.
- Minutes of meetings of the managing officials and any other meetings of the members/membership of the charity/NPO.
- Contractual/working relationship with international partner(s), if relevant.
- Records relating to international activity, if relevant.
- If the charity/NPO is affiliated to another organisation, details of its relationship with the affiliate organisation and of the affiliate itself, including where it is registered.
- Details of any contracts the charity/NPO has entered into for goods or services with a value of £5,000 or more.

The records must be kept for a minimum of 6 years in a form that will enable them to be accessed easily.

FAQ 13 – What requirements are there concerning accounts and financial statements?

Financial Statements

All registered charities/NPOs, including those that are voluntarily registered, must keep proper accounting records and prepare annual financial statements including a breakdown of income and expenditure that is detailed enough to show how the funds were raised and spent in accordance with the charity/NPO purpose and objectives, and explain the financial position of the charity/NPO.

For local branches of a UK-registered parent organisation, need only file an income and expenditure statements which may be produced on a cash basis.

The financial statements of Charities/NPOs that are required to register must contain a balance sheet but this is optional for voluntarily registered charities/NPOs.

Filing

Charities/NPOs that are required to be registered must file their annual financial statements with the Registrar within 12 months of the end of their financial year end. Voluntarily registered charities/NPOs are **not** required to file their annual financial statements.

Publicly available

Registered charities/NPOs that solicit or accept donations from the public, including those that are voluntarily registered, may be required to make their annual financial statements publicly available but may keep donor or beneficiary details confidential.

This requirement would apply to annual financial statements ending on or after 31 March 2023.

Making financial statements public increases potential donors, and other interested parties, confidence in the charity/NPO and so all charities/NPOs are encouraged to do so irrespective of the legislation.

Template

Template financial statements will be available at www.guernseyregistry.com/charities.

FAQ 14 – What financial controls must registered charities/NPOs have?

All registered charities/NPOs (including those that are voluntarily registered) must apply financial controls set out in their constitutional (governing) documentation and have measures to promote probity and transparency which must include the following four principles:

1. Funds must pass through a bank account

Charities/NPOs are required to use a bank account as far as is reasonably possible and, on the occasions, when this is not possible, a log of cash transactions, and the reasons for this must be recorded. For example:

- Low-value payments traditionally made in cash (e.g. to a shop, café, plant sale or fete, or in a collecting tin on a flag day) are allowable but post-event cash takings must be paid into the charity/NPO's bank account.
- Charities/NPOs international activities in countries where the use of cash is normal practice, and it is not possible to use a cheque or bank transfer.
- There is an exemption for payments of up to £1,000 in any twelve-month period that are made within the Bailiwick and are incidental to the purposes of the charity/NPO. This is to cover payments that would ordinarily be made by cheque or bank transfer but where this is not feasible for some reason, (e.g. where a charity/NPO is in the middle of hosting an event and additional supplies need to be purchased urgently).

2. Minimum of two unconnected people are involved in the release of funds

This could be achieved in a number of ways: dual signing authority on the bank mandate, or internal authorisation by two people before any transfer of funds, or by the division of functions to ensure that one person has to approve the release of funds before another releases them. Please note:

- It is not compulsory to have two signatories on a bank account as in some situations (primarily where bank transfers are made online rather than by cheque) it is not possible because dual release is not available, is overly burdensome, generates additional costs or training needs.
- The general expectation is that the two people would be managing officials of the charity/NPO, when possible.

The Regulations permit charities/NPOs to set a *de minimis* threshold below which dual authorisation is not necessary, provided that:

1. The amount set must take into account, and be proportionate to, the financial risks of the charity/NPO; and
2. The charity/NPO must notify the Registrar of the amount, and the Registrar does not have any objection to it on proportionality grounds.

3. Keep assets of a registered charity/NPO separate from those of any third party

It is generally expected that a registered charity/NPO will have its own bank account and that payments to or from the charity/NPO will be made via that account rather than via the account of a third party. However:

1. If due to circumstances, it is not possible or practicable to do so (e.g. where a charity/NPO has only just been set up and does not yet have its own bank account), clear and detailed records should be made of any payments made to or by a third party on behalf of the charity/NPO.
2. If a managing official or other member makes a loan to the charity/NPO (e.g. to get it off the ground when it is first established), this must be clearly recorded, along with details of any repayment by the charity/NPO.
3. If it is in the financial interests of the charity/NPO for payments to be made into the account of a third party (e.g. if this will lead to reduced bank charges), this is permitted by the Regulations for payments up to £1,000 provided that:
 - the third party's bank account is in the Bailiwick;
 - an unconnected managing official has given consent; and
 - the transaction and consent are recorded in the charity/NPO's records.

Third parties in this context include the managing officials or members of the charity/NPO itself.

4. Policies and procedures that follow accepted accounting principles and standards

This does not apply to charities/NPOs that have registered voluntarily.

These policies and procedures must include making financial information available to the managing officials.

Policies and procedures will vary depending on the nature of the charity/NPO but in general terms, the lower the value of a charity/NPO's assets, the simpler their policies and procedures can be.

PART IV – RISK MITIGATION MEASURES

FAQ 15 – What are the risks that mitigating measures should address?

Mitigating measures should address the risk of a registered charity/NPO being used for criminal purposes. This means money laundering, fraud, bribery, and corruption and for charities/NPOs that carry out international activity (other than remitting funds to a UK or Jersey registered charity/NPO), this also means terrorist financing. This is in recognition of the higher risk profile arising from international activity and is covered in the Frequently Asked Questions for internationally active charities/NPOs document.

FAQ 16 – What mitigating measures should be put in place?

There is a general requirement to put in place controls to ensure that funds and assets are fully accounted for, are used in accordance with the aims, purposes and objectives of the charity/NPO, and the charity/NPO complies with all its legal and constitutional requirements. See FAQ 17.

There is a specific requirement to identify donors and beneficiaries and carry out compliance reviews. See FAQ 18.

There are specific requirements for Internationally active charities/NPOs about anti-financial crime policies and dealing with international partners, which is covered in the Frequently Asked Questions for internationally active charities/NPOs document.

FAQ 17 – What general controls should be put in place?

All registered charities/NPOs should already have sufficient controls to address the identified risk of financial crimes such as fraud or bribery and corruption. Terrorist financing is looked at in separate guidance for internationally active charities/NPOs.

For domestically focussed charities/NPOs, the basic governance measures summarised in FAQ 1 and outlined in PART III, may be sufficient to mitigate the risk of misappropriation and being abused for criminal purposes.

Additional controls will be required if there is something about the charity/NPO's profile or activities that makes it particularly vulnerable to abuse (e.g. activity that is known to be targeted by criminals, or high value assets and its managing officials have little financial experience).

All charities/NPOs that carry out international activity (other than remitting funds to UK registered and Jersey organisations) will usually be expected to have additional controls in place, in order to address the greater risks of being abused for criminal purposes as they have less control over the end use of their assets.

Controls may include all or some of the following, depending on the circumstances of the charity/NPO;

- Segregation of duties where possible
- Regular bank reconciliation checks
- Multiple signatories for all bank account activity
- Having professionally audited accounts
- Restricting full access to all areas of the accounting system
- Regular review of and spot checks on payroll records to ensure consistency with staff movements
- Reconciliation of supplier statements, invoices and creditor balances
- Documented authority thresholds for the approval of and payments to suppliers
- Random checks to ensure expenditure below key thresholds is legitimate
- Procedures to address any employee/trustee connections with suppliers.

FAQ 18 – When should identification measures be carried out?

A registered charities/NPOs must identify donors and beneficiaries:

1. If it receives a donation from outside the Bailiwick or provides assets etc. to a beneficiary outside the Bailiwick of **£15,000** or more, in any one year (whether in the form of a single payment or a series of payments), it must independently identify the donor or beneficiary.

This does NOT apply to:

- Distributions outside the Bailiwick that do not comprise international activity under the Ordinance (see FAQ 7).
- Donations or distributions of physical items unless the item has a market value which is readily apparent (i.e. on the basis of easily ascertainable information such as from an internet search) to be **£15,000** or more (or would do if counted together with other

items donated in the same year). For example a valuable item such as a painting or a vintage car that could easily be sold.

- Donations or distributions of physical perishable items such as foodstuffs unless they are provided in such form and quantity that they would ordinarily be expected to be sold on.
2. If it receives an **unusual** donation or beneficiary request, it must identify the donor or beneficiary. For example where the charity/NPO is requested to use cash in circumstances where it would expect to use a bank account, or if a payment is made or received via a third party for no obvious reason.

Identification measures should be carried out before the registered charity/NPO receives or makes the donation or distribution in question, or as soon as possible afterwards. If for example unexpected funds are received directly into the charity/NPO's bank account, it is accepted that the charity/NPO cannot reasonably carry out identification measures on the donor beforehand but should do so as soon as possible.

The impact on domestically focused charities/NPOs is likely to be very limited, however, they are still required to be able to identify donors and beneficiaries are within the Bailiwick.

There is no requirement to carry out identification measures at all in relation to the governments of the Bailiwick or persons linked with them, and charities/NPOs registered with the Charity Commission for England and Wales, the Scottish Charity Regulator or the corresponding bodies in Jersey or the Isle of Man. In these circumstances the charity/NPO must independently check the donor/beneficiary's registration status.

FAQ 19– What are the identification measures that should be carried out for donors?

For donors to which the identification measures apply (see FAQ 18) charities/NPOs are required to take reasonable measures to establish and document their identity. Please note:

- What is reasonable will depend on the circumstances, and this may mean that in some cases only very limited checks are necessary i.e. a documented internet search.
- Charities/NPOs are not required to have measures that are equivalent to customer due diligence of the kind carried out by a financial services business. Essentially, a charity/NPO must do its best to check the identity of its donors based on information that is readily available to it (for example because it already holds information on the donor or knows the donor well from previous dealings, or there is information about the donor online).
- Charities/NPOs are not expected to devote significant costs or efforts trying to obtain additional information that is not readily available.

Identification records must be kept for six years and reviewed in line with transactions. The measures taken will vary depending on the whether the donor is an individual, an entity with a local connection or not:

Individuals: establishing identity will usually be straightforward and require nothing more than recording the person's name and address.

Entities with local connection: for Guernsey legal persons and Alderney companies that are regulated by the GFSC or administered by a corporate services provider, the name, address and

registration of the entity should be recorded and it is not necessary to identify the individuals who own or control the entity.

Foreign entities: for foreign entities that are not administered by a corporate services provider, the requirement to carry out reasonable measures will generally be met by identifying the entity's owners/controllers, i.e. board members and any other person with control, and cross-checking information provided by the entity with information held by the charity/NPO or information in the public domain (for example the website of the entity, or a public register such as the register at Companies House in the UK).

FAQ 20 – What are the identification measures that should be carried out for beneficiaries?

For beneficiaries to which the identification measures apply (see FAQ 18) charities/NPOs are required to take reasonable measures to establish and document their identity, and their credentials, *bona fides* and good standing. Please note:

- What is reasonable will depend on the circumstances, and this may mean that in some cases that only very limited checks are necessary.
- Charities/NPOs are not required to have measures that are equivalent to customer due diligence of the kind carried out by a financial services business. Essentially, a charity/NPO must do its best to check the identity of its beneficiaries based on information that is readily available to it (for example because it already holds information on the beneficiaries or knows the beneficiaries well from previous dealings, or there is information about the beneficiary online).
- Charities/NPOs are not expected to devote significant costs or efforts trying to obtain additional information that is not readily available.

Identification of beneficiaries is a two-stage process:

Stage one: identify - identify the parties to whom the funds or other assets or forms of assistance will be provided (both direct and indirect recipients) and record their name, address and reason for entitlement to the benefit.

Direct recipient is the person to whom the distribution is made, even if it does not give them any personal advantage, and this includes persons who act as conduits or intermediaries.

Indirect recipient is someone who will ultimately benefit from a distribution. For example, if a distribution is made to the spouse of a sick person to enable the spouse to buy that person a wheelchair, the spouse is a direct recipient, and the sick person is the indirect recipient.

Different considerations apply depending on the ultimate beneficiary:

For a group of individuals, it will only be reasonable to apply identification measures to the members of the group, if its individual members can be easily identified (e.g. where a distribution is for the benefit of a small and limited group, such as the members of a nuclear family).

For the benefit of a potentially large or unlimited group (e.g. the pupils of a school or the patients in a hospital). In that situation, the members of that group cannot be identified so the identification requirements apply to the recipient (e.g. the principal of a school or the administrator of a hospital).

For distribution to an entity, the identification measures apply to the individuals who own or control that entity, subject to the exemptions for local entities or foreign entities that are locally administered entities as outlined under FAQ 19.

Stage two: credentials- confirm the credentials etc. of the identified beneficiaries to determine, as far as is reasonably possible, whether there is reason to believe that the benefits will be used for criminal activity. Whether deliberate on the part of the beneficiary, or if that individual or entity is likely to advertently or inadvertently cause or facilitate criminal activity (e.g. where the potential recipient is dominated by a third party who is suspected of being involved in crime, or where the intended recipient is an entity that is known to have very weak financial controls and is highly vulnerable to fraud or corruption).

In this context the meaning of 'credentials' includes suitability, circumstances, achievements, qualities or aspects of a person's background that can be used to indicate their entitlement to receive benefits.

The measures will vary depending on the circumstances:

Longstanding relationship: For distributions that are made to a beneficiary with whom a charity/NPO has a longstanding relationship, the charity/NPO would not normally be expected to do more than check whether it has any knowledge or information from its previous dealings with the beneficiary which might give cause for concern. If it does, it would probably be necessary to make enquires of the beneficiary or third parties known to the charity/NPO that may have relevant information, and perhaps check for any other relevant information in the public domain by an internet search. These measures should usually be followed when a charity/NPO is helping a beneficiary for the first time, unless the beneficiary is well known to it for other reasons.

Foreign entity: If the beneficiary is a foreign entity (that is not administered etc. by a corporate services provider) these measures should be applied to its board members and any underlying controllers that have been identified.

If the potential recipients are in a part of world with limited infrastructure (and the charity/NPO not directly involved in making distributions within the relevant country so is not in a position to make enquiries about potential recipients), it may rely on an affiliated organisation or other international partners as sources of information. This is likely to be the case for many charities/NPOs that carry out international activities and these measures are included in separate guidance relating to international activity.

Entities with local connection: Where the potential beneficiary is a local company etc. or a foreign entity administered etc. by a corporate services provider, the only requirement is to take reasonable measures to confirm the credentials etc. of the entity itself by recording information that is readily available to it. Where the entity is administered etc. by a corporate services provider, the charity/NPO can rely on the verification etc. requirements that the corporate services provider is subject to under the legal framework for anti – money laundering and countering the financing of terrorism (AML/CFT framework) and will not, generally, need to do more than confirm the involvement of the corporate services provider. However, if the charity/NPO has reason to be concerned about the entity (or any person connected with it) further steps would usually be necessary, but a charity/NPO would not generally be expected to go beyond looking at information in the public domain.

FAQ 21– What must charities/NPOs do after taking identification measures?

Donation register

Charities/NPOs must record the names of the donors and the amount of the donation in a register. If a donor wishes their identity or the amount of their donation(s) to be treated as confidential the charity/NPO may agree to record the details in such a way that protects confidentiality (e.g. by maintaining a confidential section of the register that is available to all of the managing officials but not to the wider membership).

Beneficiary register

The names of beneficiaries, the value of distributions made to them, and their credentials must be recorded in a register. This should be done in a way that respects confidentiality, particularly where sensitive information is involved (e.g. a person's financial or medical details).

IMPORTANT: If a charity/NPO cannot carry out the required identification measures for any reason or has concerns that accepting a donation or making a distribution to a beneficiary may expose it to the risk of being abused for criminal purposes, it should put in place mitigating measures. This might be making further enquiries, applying conditions or extra controls to the donation or distribution, or in some cases deciding to decline the donation or not to make the distribution. Where a donation or a distribution proceeds but is made subject to mitigating measures, a summary of those measures should be recorded in the register.

FAQ 22 – Should a charity/NPO tell the authorities if it suspects a person is involved in criminality?

Although, this legislation does not require reporting of suspicion, there is a public duty to do so by raising your concerns with the Bailiwick of Guernsey Financial Intelligence Unit. If you suspect that fraud or another crime has been committed this must be reported to the police. All reports will be confidential.

Under the AML/CFT framework suspicion of money laundering or terrorist financing must be reported without “tipping off” the donor or beneficiary. Tipping off includes any action or change that would lead to them believing you have raised your suspicions with the authorities. These requirements apply to any suspicion acquired in the course of business, including trade, professional or economic activity. The requirement would therefore apply to any suspicion acquired by a person employed by a charity/NPO in the course of that employment, any suspicion acquired by a corporate services provider in the course of administering a charity/NPO, or any suspicion acquired by a volunteer in the course of economic activity for the charity/NPO such as raising or distributing funds.

There are also requirements to report possible **breaches of international sanctions** under the Bailiwick's sanctions legislation. These requirements primarily apply to financial services businesses but there are some sanctions regimes where the reporting requirements apply more widely. These wider requirements are not directed at charities/NPOs specifically, but they could be relevant to the activities of a charity/NPO that is involved in international activity. This is looked at in the separate Frequently Asked Questions relating to international activity.

Internationally active charities/NPOs should also look at information about specific sanctions regimes on the States of Guernsey website to familiarise themselves with any sanctions regimes that might be relevant to them. There is also information about sanctions on the websites of the Registry, and the GFSC.

FAQ 23 – What reviews should charities/NPOs undertake?

Compliance with legislation review

All registered charities/NPOs should review their compliance with the legislation annually. If they detect any failures of compliance, they should address these failures and put in place mitigating measures to avoid a reoccurrence.

Review of constitutional documents

Registered charities/NPOs should also review their constitutional documentation periodically, but at least every 5 years, and update it as necessary. This will apply to all registered charities/NPOs except those that are local branches of British parent charities/NPOs who operate under the parent organisation's constitution. A review every 5 years would generally be sufficient unless there is a change of circumstances.

Review of risk

All charities/NPOs should review their operations and structure to assess their risk exposure, agree the likelihood of events and a risk appetite, consider the current mitigating matters and update controls and policies as necessary. The frequency of these reviews will depend on the size of the charity/NPO and the volume of activities.

Review of anti-financial crime policies

As part of the above risk review, internationally active charities/NPOs should also review their anti-financial crime policies. This will generally need to be done more frequently than the reviews of constitutional documentation because of the rapid way in which financial crime can evolve, particularly when it relates to terrorism. Policies relating to terrorist financing should be reviewed annually and those relating to other forms of financial crime should be reviewed every two years.

Important: These reviews are important to ensure that registered charities/NPOs are aware of their risks and take account of any changes to their circumstances. These reviews ensure that all the managing officials are kept informed. The scale of the reviews will depend on the complexity of the activities of the charity/NPO, and they are expected to be a fairly high-level exercise rather than a detailed investigation.

Recorded: The charity/NPO must record the review findings and details of any remedial action. These records should be kept for six years, secure and recoverable.

PART V – COMMONLY USED TERMS

FAQ 24 – What is affiliation?

Affiliation does not mean simply supporting another organisation, for example by donating funds to it. It means having an agreement with a third-party organisation that governs the way in which the charity/NPO conducts itself.

The level of detail in the agreement will vary, but at a minimum it will include permission for the use of names and branding and a requirement that protects charitable aims and purposes of the organisations.

FAQ 25 – What is money laundering?

Money laundering is the process by which criminals seek to disguise the proceeds of crime to make them appear to have come from a legitimate source. Money laundering may be carried out by the perpetrator of the crime or by a third party assisting the perpetrator and may take different forms.

At its simplest this may involve no more than passing payments through the bank account of a third party and then back to the perpetrator of the crime. For example: making a payment to a charity then requesting repayment or directing its final destination. The bank account could be in the name of a friend or family member of the perpetrator or a sham organisation.

Money laundering may also involve moving money between different bank accounts to try to create a false trail as to the origin of the money. Perpetrators of crimes will try to put distance between themselves and the proceeds of their crimes, usually through the use of intervening structures such as companies or trusts. More sophisticated money laundering schemes will also use different jurisdictions, for example where there is a bank account in one jurisdiction that is in the name of a company incorporated in a second jurisdiction, and the shares of the company are the property of a trust created in a third jurisdiction.

FAQ 26 – What is terrorist financing?

Terrorist financing means raising or providing funds or other assets for purposes related to terrorism. Terrorism means carrying out an act in support of a particular cause that is intended to intimidate the public or influence government behaviour. The act in question may involve violence against people or property (e.g. by the use of explosives or weapons), creating serious health and safety risks (e.g. by use of chemical weapons) or undermining computer systems. Terrorism includes threatening to use nuclear materials or kidnapping internationally protected persons such as diplomats.

Terrorist financing is funding these activities and includes funding terrorist training and promotion of terrorist ideology. It includes raising or providing funds for the benefit of terrorist charities/NPOs or individual terrorists for legitimate purposes (e.g. the payment of rent). This is because discharging the financial requirements of such persons may free up their assets for use in terrorism-related activity.

Terrorist financing often involves the same patterns of activity as those involved in money laundering but the source of the funds is irrelevant.

PART VI – INTERNATIONALLY ACTIVE CHARITIES & NPOS

Introduction

The following frequently asked questions are for charities and other non-profit organisations (“NPOs”) that carry out international activity.

International activity is paying or receiving money or other assets to/from parties outside the Bailiwick. These additional requirements help protect against money laundering, fraud, bribery, corruption, and terrorist financing purposes.

This guidance is to assist charities/NPOs to understand the requirements that apply to them. It does not replace the legislation and it does not cover all matters addressed in the legislation. It is important that charities/NPOs familiarise themselves with the legislation to ensure that they are fully aware of all their requirements.

FAQ 27 - What requirements are relevant to mitigating risks?

The following requirements are key:

1. Restricting use of cash and third-party bank accounts (FAQ 14)
2. Identification measures for donors (FAQ 19)
3. Identification measures for beneficiaries (FAQ 20)
4. Conducting internal reviews (FAQ 23)
5. Identification measures and other controls when dealing with international partners* (FAQ 36 & 37)
6. Anti-financial crime policy (FAQ 40)

*Identification measures **do not apply** to dealings with organisations that are based in the UK, Jersey, or the Isle of Man.

These measures reflect the Guernsey Overseas Aid & Development Commission requirements for funding applications.

FAQ 28 – How does this guidance relate to existing controls that charities/NPOs may have?

Charities/NPOs with anti-fraud or anti-corruption policies and control procedures are encouraged to review, assess and record the risks relating to their international partners and activities, and to improve policies and control procedures as necessary.

Managing officials and volunteers should be made aware and consistently mindful of the charity/NPO's vulnerability to criminal abuse and encouraged to actively consider and address these risks.

FAQ 29 – What constitutes international activity?

A charity/NPO engages in international activity if, in the routine course of its activities, it **receives** (or expects to receive) money or other assets from parties outside of the Bailiwick or **provides** (or expects to provide) money or other assets to parties outside the Bailiwick.

This will include both:

- Charities/NPOs that are established for the specific purpose of aiding other parts of the world.
- Local charities/NPOs that are branches or affiliate members of an organisation based elsewhere if they receive funding from or raise funds for that organisation.

The following distributing of assets outside the Bailiwick are **NOT international activity**:

- (5) Incidental expenditure, e.g. purchase of equipment from a foreign supplier, or coach hire to transport sports teams whilst abroad, or payments to an affiliated organisation outside the Bailiwick purely for administrative purpose such as a registration fee.
- (6) Charities/NPOs with domestically focused purpose but occasionally distribute physical items such as clothing or equipment overseas for the support of purposes in another country that are linked to its purposes in the Bailiwick (e.g. a local sports club that at the end of the season sends its used kit to a team in a developing country, or a PTA that sends textbooks to a school in a deprived area.) This exemption is on the basis that although such physical items potentially have a high value in certain parts of the world, the volume is likely to be low in contrast to charities/NPOs specifically set up for this purpose and which are required to register.
- (7) Charities/NPOs whose purpose is to fund persons from the Bailiwick receiving services from a provider outside the Bailiwick. This could be payments related to a person's medical treatment or schooling in the UK, or payments to cover the expenses of a friend or family member who is providing support to the person when he or she is outside the Bailiwick.
- (8) Where the payment is in line with the purposes of the charity/NPO but is *de minimis*, or in other words is of a very low amount. An example would be where a charity/NPO exists to provide support for young musicians, if one of its officials is on tour abroad with the members of an orchestra and he or she gives them money to purchase refreshments. As this would technically be in line with the purposes of the charity/NPO it would not be an incidental expense, but the low sums involved mean that it would be considered *de minimis*.

Charities/NPOs whose only international activity comes within these four exceptions do not carry out international activity.

FAQ 30 – What are the risks to charities/NPOs from international activity?

Charities/NPOs should familiarise themselves with the following reports no matter how remote a jurisdiction considers the risks of abuse of its charities/NPOs to be, each jurisdiction must play its part in supporting international efforts in this area.

Concerns:

Global bodies such as the Financial Action Task Force ("**FATF**") and the United Nations have raised concerns about legitimate assets of charities or NPOs being abused for criminal purposes in another country. This concern relates to terrorist financing, which includes the financing of acts of terrorism, terrorist recruitment and training.

In addition, there are concerns of charities or NPOs being abused for money laundering, fraud, and corruption. Therefore, the additional mitigating measures required in Part III of the Regulations are not limited to terrorist financing but are also intended to address these other forms of financial crime. ¹

Reports:

FATF requires each jurisdiction to assess its terrorist financing risks. The Bailiwick authorities have assessed this risk for charities/NPOs as part of its National Risk Assessment ("NRA report") and their report is publicly available.

The States of Guernsey Policy & Resources Committee ("P&R guidance") published guidance on terrorist financing risks in the Bailiwick which includes matters relevant to charities/NPOs.

The NRA report and the P&R guidance have been published on the International Compliance section of the Guernsey Registry website.²

¹ Transparency International has issued a handbook of good practices relating to corruption [Preventing corruption in humanitarian operations - ... - Transparency.org that may also assist charities/NPOs in addressing their risks of other forms of financial crime, including terrorist financing.](#)

² Available here: [International Compliance - Guernsey Registry](#)

FAQ 31 – What are the terrorist financing risks that affect internationally active charities/NPOs?

Terrorist financing is most likely to happen by distributions from Bailiwick charities/NPOs being diverted before or at the point of delivery in another country. This delivery may be direct or, more commonly, through an affiliated organisation or other international partner.

Charities/NPOs are vulnerable to terrorist financing when:

- Their distributions are to or for the benefit of parties in countries that are exposed to terrorism or terrorist financing.
- They make high value distributions of cash or other financial assets.
- They rely on an international partner to carry out checks on the ground and the international partner is a small or unregulated organisation.

The origin of the assets received by a charity/NPO is also relevant, due to the possibility of a Bailiwick charity/NPO unwittingly being used as a vehicle for raising or channelling funds to support terrorism abroad.

FAQ 32 - What parts of the world are considered to present a terrorist financing risk?

Countries that are likely to be exposed to terrorism or to terrorist financing are referred to in the NRA report and the P & R guidance as **focus countries** (see FAQ 30). These are countries that fall into one or more of the following categories:

- Countries with areas of conflict within their borders.
- Countries that border or have other strong geographical links to countries that have an active terrorism or terrorist financing threat.
- Countries with a section of the population that is targeted by terrorist organisations for support and cover because it may be sympathetic to regional or terrorist acts (whether because of diaspora links or otherwise).
- Countries that are involved in state-sponsored terrorism.

- Countries with a secondary terrorism or terrorist financing threat, i.e. where there may not be an active terrorism or terrorist financing threat but where there is a heightened threat of crimes whose proceeds are typically used by organised criminal groups to fund terrorism (e.g. corruption and drug trafficking).

It is not possible for the Bailiwick authorities to give a list of focus countries, due to the rapidly evolving international situation and the danger of any list of countries being treated as exhaustive. However, there are links to information sources in the NRA report and the P & R guidance which charities/NPOs may find useful in assessing whether any jurisdictions with which they have links are focus countries.

In addition to these sources, charities/NPOs should consider other publicly available information to check whether they should treat a particular country as a focus country.

FAQ 33 - What sort of assets are most likely to be abused for terrorist financing?

The greatest risk is with financial assets rather than physical items. However, it is important to be aware that there are still risks attached to the distribution of physical assets, as these may be sold to raise funds or to provide logistical support for terrorist organisations, particularly in countries where most people do not have bank accounts. This is a particular risk with items such as medical supplies for which there is likely to be a ready market.

FAQ 34 – What is an international partner?

An international partner may be an affiliated organisation or other organisation that is separate from a charity/NPO but has an agreement to collaborate with it. It may also be an individual.

International partners usually operate “on the ground” where distributions are to be made. The risks from dealing with international partners may vary considerably, depending on the profile of the international partner and the areas in which it operates.

FAQ 35 – How do the Regulations deal with different types of international partners?

There are no additional requirements relating to international partners based in the UK, Jersey, or the Isle of Man (i.e. British branches of international organisations, e.g. ActionAid).

Charities/NPOs are required to implement risk mitigation measures for international partners which the managing officials consider to be reasonable given the circumstances and in the manner that is best suited to their specific situation.

For example:

The controls that a charity/NPO should have in place if it makes distributions via a small partner organisation in a focus country would be excessive if applied by a charity/NPO making distributions in a country with a very low crime rate via a large well-established organisation.

The measures that are appropriate for a charity/NPO that only distributes physical items abroad are unlikely to be sufficient for a charity/NPO that makes financial distributions.

FAQ 36 – What identification measures must be taken in relation to international partners?

British charities/NPOs are exempt from the identification measures other than independently verifying this fact.

The identification measures for international partners are the same as for beneficiaries (General Guidance FAQ 20), except that there is no threshold.

For example:

If an international partner is a household name (i.e. a large scale reputable international organisation such as UNICEF), it is generally sufficient to carry out an internet search to check for anything that undermines their good standing.

In practice identification measures are most likely required for smaller less well-known organisations. More detailed checks need to be carried out, such as online searches concerning the managing officials or members of the international partner and reviewing their governance requirements or other measures that they may have to prevent abuse. The managing officials need to be satisfied that the international partner is of good standing.

FAQ 37 – What controls must be put in place in dealings with international partners?

Arrangements with an international partner should be agreed in writing in advance of any distributions being made, and the agreement should cover, at a minimum, the nature and purposes for which distributions will be made.

In exceptional circumstances where:

- Advance agreement is not practical due to the urgency of the situation (e.g. humanitarian emergency), written arrangements should be obtained as and when possible and email exchanges confirming terms need to be kept.

- A written agreement is impossible (e.g. due to literacy), the circumstances and verbal understanding should be recorded.

Subject to this, the general expectation is for written agreements in advance.

Dealings with international partners must be properly reflected in the records of the charity/NPO and consistent with any records kept outside the Bailiwick, including by the international partner.

These measures will usually be sufficient to address the risks of financial crime if the international partner is a large very well-known organisation with a good reputation, or if the distribution takes the form of physical items rather than financial assets. Please also see FAQ 38.

FAQ 38 – Should a charity/NPO require an international partner to take specific measures?

There are two situations where, in addition to the measures outlined at FAQ 37, a charity/NPO must ensure that the international partner has measures in place to mitigate the risk of terrorist financing or other forms of financial crime:

1. Distributions to or via an international partner operating in a focus country (see FAQ 32).
2. The charity/NPO considers the international partner to be high risk for any other reason (e.g. historical instances of unexplained funds).

Additional measures will depend on the circumstances, sums of funds and the profile of the international partner.

Additional measures:

1. Policies and procedures to prevent terrorist financing and other financial crime (including, at a minimum, checks on parties to whom distributions will be made).
2. Good governance and financial management measures, such as:-
 - Proper planning, that clearly defines the scope of activities to be carried out
 - Monitoring systems for ensuring that funds and services are being used as intended
 - Preparation of budgets for specific projects
 - Segregation of duties where possible
 - Regular bank reconciliation checks
 - Multiple signatories for all bank account activity
 - Restricting full access to all areas of the accounting system
 - Regular review of and spot checks on payroll records to ensure consistency with staff movements
 - Reconciliation of supplier statements, invoices, and creditor balances
 - Documented authority thresholds for the approval of and payments to suppliers
 - Random checks to ensure expenditure below key thresholds is legitimate
 - Procedures to address any employee/trustee connections with suppliers
 - Proper controls including a full documentary audit trail, for monitoring expenses.

3. Periodic feedback on its activities to the charity/NPO.

It may also be advisable, depending on the circumstances, to include in the written agreement with the international partner some additional measures such as:

- certification by the international partner that they are in compliance with all applicable laws that prohibit transactions or providing benefit to a terrorist group and will not provide any support or assistance to terrorist supporting persons or entities
- certification that the international partner and its principals are not a debarred, ineligible, voluntarily excluded or suspended party by any department or agency
- A specific clause prohibiting the international partner from providing assistance to or allowing distribution, handling or allocation of assistance by military or combatant groups
- A specific clause that the international partner agrees that, under no circumstances, will any funds be provided to any entity or individual designated under sanctions measures enacted by the United Kingdom, United Nations, or the European Union
- A clause that requires the international partner to report any instances of diversion or interference by any armed group, including any terrorist organisation
- Where possible for the signing of the written agreement to be witnessed by members of the community or other stakeholders, to ensure that those involved are aware of and understand the provisions of the contract, and that the entire community will safeguard its implementation.

FAQ 39 – What should a charity/NPO do after carrying out identification measures and putting controls in place regarding international partners?

Make and keep detailed records of the identification information relating to an international partner and of the controls that have been put in place, this may be done in a way that protects confidentiality (e.g. by maintaining confidential records that are available to managing officials but not to the wider membership/volunteers).

Take further actions if identification measures cannot be carried out, or the charity/NPO has concerns that the controls are insufficient to mitigate the risks attached to dealing with an international partner. Further action might be making further enquiries, applying extra conditions or controls to particular assets/activities, or in some cases deciding to exit the relationship with the international partner. Make and keep a record of any additional actions and their outcomes.

FAQ 40 – What is the scope of the requirement to have an anti-financial crime policy?

All charities/NPOs that carry out international activity must have an anti-financial crime (“AML”) policy. This should be a written document that:

- Summarises the risks of terrorist financing, money laundering, fraud and corruption that arise from the international activity carried out by the charity/NPO; and
- Sets out ways to address those risks.

Where the charity/NPO carries out international activity itself, (i.e. not through an international partner), the measures to address financial crime risks are expected to include the good governance and financial planning measures identified in FAQ 38 and the AML policy will be more detailed.

The charity/NPO must document that it has thought about its risks, how it will deal with them, keep them up to date and carry out reviews to make improvements. Further information about reviews is set out in the general guidance.

7 step plan:

1. Gain an understanding of financial crime risks in general
2. Think about the risks pertinent to the charity/NPO activities/partners/countries
3. Decide how to mitigate those risks and what more you need to know
4. Keep a written record of 1-3
5. Periodically review 2 & 3 and assess how affective the mitigation is and to check that the charity/NPO remains compliant with legislation.
6. Make changes to address any shortcomings
7. Keep a written record of 5-6