

Frequently Asked Questions

Charities Lean Forward - Strengthen Your Charities Against Money Laundering and Terrorist Financing November 2023

General Knowledge about Money Laundering and Terrorist Financing

1. What is Money Laundering?
2. What is Terrorist Financing?
3. What is the difference between Money Laundering and Terrorist Financing?

Response:

Money Laundering (“ML”) is the process of disguising the proceeds of crime as legitimate funds to conceal the illicit origins.

Terrorist Financing (“TF”) involves the use of funds to support terrorist activities the act of soliciting, collecting, or providing funds, from both legal and illicit sources, with the intention of financing terrorist acts, terrorists, and terrorist organisations.

ML and TF often display similar transactional features, mostly having to do with concealment and disguise. Though different, there is still a subtle relationship between ML and TF as the techniques used to launder money are essentially the same as those used to conceal the sources of, and uses for, TF. A significant difference between ML and TF would be that funds involved in TF can originate from both legal and illegal sources. Such legitimate sources may include donations to charities, that may in turn be used to support terrorist activities or terrorist organisations.

4. How can charities be abused for Money Laundering and Terrorist Financing?

Response:

- **False representation and sham charities** - Individuals or entities may raise funds, promote causes, and carry out activities in support of terrorism under the guise of charitable activities. A sham charity may also be used as a legitimate front to transmit funds from one place to another in an attempt to conceal the illicit origin of funds.
- **Abuse of programming and charitable resources** – Charity-funded programmes meant to support legitimate charitable purposes are manipulated at the point of delivery to support terrorism by internal and external actors. Individuals supporting terrorist organisations may work in the capacity of a staff in the charity while using the charity’s assets to contact or meet with fellow terrorist representatives in high-risk jurisdictions and/or conflict zones. This exploitation of communications network may be carried out with or without the knowledge of the charity.

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- **Support for recruitment** – Terrorist entities may also leverage on charities’ facilities and funded activities to promote recruitment.
- **Diversion of funds or resources** - Funds raised for charitable purposes are re-directed to a terrorist entity or the facilities of charities are misused for terrorist activities. This can occur during the collection of donations and at any point where the funds of the charities are transferred between different actors.

Due Diligence

5. Is it necessary for charities to conduct due diligence on donors? If so, how do charities carry out such due diligence checks?
6. What are the platforms that charities can leverage on to conduct due diligence checks?

Response:

Charities should perform appropriate due diligence checks on donors to ascertain the legitimacy of the source of funds or donations received to the best of their abilities while respecting donors’ confidentiality. Such checks are essential especially when a substantial amount of donation is received from an unknown or unfamiliar donor.

Examples of resources that charities could leverage on to conduct due diligence checks include:

- Screening against United Nations designated individuals and entities and the list of persons and entities designated as terrorists by the Inter Ministry Committee on Terrorist Designation (“IMC TD”). Charities are also encouraged to subscribe to the MAS Mailing List and IMC-TD Mailing List for updates to the lists of designated persons and entities.



<https://go.gov.sg/listofdesignatedpersons/entities>

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- Searches via Internet and/or database subscription for adverse media reports or whether there have been public concerns raised about the donors or their activities.
- Performing searches on government registers to ascertain whether past instances of regulatory action had been taken against an individual and/or entity. From time to time, government agencies or regulatory authorities (e.g., the Office of the COC, MAS, ACRA) may publish information on formal regulatory and enforcement actions taken for breaches of laws and regulations administered under their purviews. Charities may also leverage on such published information to conduct due diligence checks.

Enhanced checks should be conducted when the stakeholder(s) in concerned is assessed to be of higher risk, for example, if the stakeholder is located in jurisdictions subject to call-for-action and are under increased monitoring by the FATF, or in conflict zones.

7. How can charities conduct due diligence checks on anonymous donors?
8. Given the lack of information about anonymous donors, should charities still accept anonymous donations?

Response:

Due diligence checks on donors should be carried out as far as feasible while respecting donor confidentiality. Charities should also look out for red flag indicators that may be a warning sign of unusual activities, which could include:

- Donation amounts that appear to be more than the usual amount that particular profile(s) of donor(s) would typically make.
- Transactions made are not in line with the known or expected operations of the charity.
- Donations made through third parties instead of the donor himself/herself without apparent legitimate purposes.
- Unusual request for refund of donations.
- Unusual requests from donors to redirect part of the donations to unknown third parties for purposes that may be incongruent with the charity's charitable objects.
- Donations involving virtual assets, especially where the ownership of the virtual assets cannot be easily traced to the donor(s).

The objective of due diligence checks is to mitigate the potential risks of the charity being misused as conduits for illicit purposes.

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The decision to accept or reject anonymous donations could take into consideration the charity's policy for risk management and/or internal guidelines for the receipt of donations, and decisions should be made in the best interest of the organisation.

Red flag indicators of suspicious transactions/activities

9. What are the warning signs that charities should look out when establishing relationships with donors and partners?
10. What are the red flag indicators that charities should take note in the course of their operations that could suggest occurrence of suspicious transactions or activities?

Response:

Some of the red flag indicators that charities should look out for include:

- Donation amounts that appear to be more than the usual amount that particular profile(s) of donor(s) would typically make.
- Transactions made are not in line with the known or expected operations of the charity.
- Donations made through third parties instead of the donor himself/herself without apparent legitimate purposes.
- Unusual request for refund of donations.
- Unusual requests from donors to redirect part of the donations to unknown third parties for purposes that may be incongruent with the charity's charitable objects.
- Donations involving virtual assets, especially where the ownership of the virtual assets cannot be easily traced to the donor(s).

Charities should also refer to the list of red flag indicators relevant to the non-profit sector posted on SPF's website:

[https://www.police.gov.sg/~media/spf/files/cad/stro/website/industry layout/non-profit-not-for-profit-organisation-indicators.pdf](https://www.police.gov.sg/~media/spf/files/cad/stro/website/industry%20layout/non-profit-not-for-profit-organisation-indicators.pdf)

The above indicators are not exhaustive and the occurrence of one or more of these indicators may be a warning sign of unusual activities that may be indicative of Money Laundering or Terrorist Financing, but it does not necessarily mean that it is indeed a suspicious activity. Further investigation should be carried out if any of these indicators are present.

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Reporting of suspicious transactions

11. What should my charity do when suspicious transactions and/or activities are identified?
12. Who should my charity report to when suspicious transactions and/or activities are identified?
13. When should my charity file a Suspicious Transaction Report and a Police Report?
14. How does my charity file a Suspicious Transaction Report?

Response:

If your charity knows or have reasonable grounds to suspect that any property may be connected to a criminal activity, you are required to file a Suspicious Transaction Report (“STR”) to the Suspicious Transaction Reporting Office (“STRO”). This reporting requirement is set out in the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act 1992 (also commonly known as CDSA).

Every person in Singapore and every Singapore Citizen outside Singapore are obligated to provide information on property and financial transactions belonging to terrorist and acts of terrorism financing to the Police. This legal obligation is set out in the Terrorism (Suppression of Financing) Act 2022 (“TSOFA”).

Charities and their employees can download the STR form and e-file the completed STR on STRO Online Notices and Reporting platform (SONAR). For more information regarding the filing of STR and SONAR, please refer to SPF’s website (<https://www.police.gov.sg/SONAR>).

Failure to file a STR and to provide information may constitute a criminal offence.

If you are aware that a crime has been committed or the charity is a victim of a crime, your charity should file a Police Report.

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15. My charity has filed a Suspicious Transaction Report regarding the receipt of suspicious funds, how should my charity handle such funds?
16. Can charities spend the monies which are suspected to be involved in ML/TF?

Response:

The legal obligation to file Suspicious Transaction Reports (“STRs”) are prescribed under section 45 of the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act 1992. Charities are also reminded that under section 54 of the CDSA, it is an offence to conceal/disguise/convert/transfer/acquire/possess/use benefits from criminal conduct.

The charity is strongly encouraged to ringfence the funds (which has yet to be expended or disbursed) while the Board discusses what it should do with the funds. The charity may wish to handle the funds in accordance with its internal risk management policies and standards of prudence and/or seek legal advice on its obligations under the law vis-à-vis the funds which it suspect to be proceeds of crime. The charity should carefully consider the potential reputational and legal risks when deliberating and deciding on the next course of action with regard to the suspicious funds.

Anti Money Laundering and Countering the Financing of Terrorism (“AML/CFT”) policies and procedures

17. Is it a requirement of the COC for charities to have an Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) policy?
18. What should my charity include in the AML/CFT policy? Does the COC have any template/guidance on this?

Response:

Charities are attractive conduits and can be at risk of abuse for money laundering (“ML”) and terrorist financing (“TF”). Such ML/TF abuse could take various forms, including being used as a conduit for movement of illicit funds. Charities are more vulnerable to abuse if their financial administration practices and internal control procedures are weak and there is absence of due diligence checks conducted on their stakeholders, including donors.

As such, charities are highly encouraged to put in place the appropriate mitigating measures, including documented AML/CFT policies and procedures, to safeguard themselves against such risks. As the context of each charity is unique, the AML/CFT policies and procedures implemented should commensurate with the level of risk of abuse for ML and TF assessed by each organisation.

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An AML/CFT policy can include procedures for due diligence checks, on-going monitoring of programmes and usage of funds, financial accountability, transparency, training and reporting of suspicious transaction identified in the course of your charity's operations.

Charities can also apply for grants under the [Charities Capability Fund](#), which provide partial funding for charities that wish to engage consultants to draft AML/CFT policies and procedures and/or to attend relevant training. The Office of Commissioner of Charities will publish an AML/CFT policies and procedures template in due course.

19. How does my charity assess the exposure of my organisation to risks of abuse for money laundering ("ML") and terrorist financing ("TF")?
20. What are the recommended best practices for AML/CFT?

Response:

The Office of the Commissioner of Charities have launched a [Terrorist Financing Risk Mitigation Toolkit for Charities](#), which include a step-by-step risk assessment framework, checklists and templates to guide charities in identifying and assessing the risks of Terrorist Financing abuse.

As ML and TF often display similar transactional features, mostly having to do with concealment and disguise, charities can refer to the Terrorist Financing Risk Mitigation Toolkit for Charities, in particular Appendix D, for the recommended mitigating measures for AML/CFT.

In addition, charities should, as far as possible, carry out transactions via regulated financial channels to minimise diversion of funds in transit. If there is a need to deviate from regulated financial channels, there should be corresponding mitigating measures in place.

21. Will the Office of the Commissioner of Charities be able to provide an AML/CFT policy template that charities can adopt to put in place the relevant policies and procedures?

Response:

The Office of the Commissioner of Charities will be updating the Protecting your Charity against Money Laundering and Terrorist Financing guidance issued in 2015 and will publish an AML/CFT policies and procedures template that charities can adapt accordingly for the context of their operations, in due course. We will inform all the charities when the updated guidance and template are ready.