



PROTECTING YOUR CHARITY

**Against Money Laundering
And Terrorist Financing**

ACRONYMS

AML	Anti-Money Laundering
CAD	Commercial Affairs Department
CDSA	Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act
CFT	Countering the Financing of Terrorism
COC	Commissioner of Charities
FAQ	Frequently Asked Question
FATF	Financial Action Task Force
ML	Money Laundering
NPO	Non-Profit Organization
STR	Suspicious Transaction Report
STRO	Suspicious Transaction Reporting Office
TF	Terrorist Financing
TSOFA	Terrorism (Suppression of Financing) Act

01 Introduction

- p.4 Who is this guide for
What is ML and TF
- p.5 Why is there a need to combat ML and TF

International And National AML/CFT Initiatives

02

- p.6 Overview of the FATF
FATF's recommendation for NPOs
- p.7 AML/CFT Legislation in Singapore

03 Charities And Its Vulnerabilities To ML And TF

- p.8 Why are charities vulnerable to abuse
- p.9 How charities may be abused

How Charities Can Be Protected Against Abuse

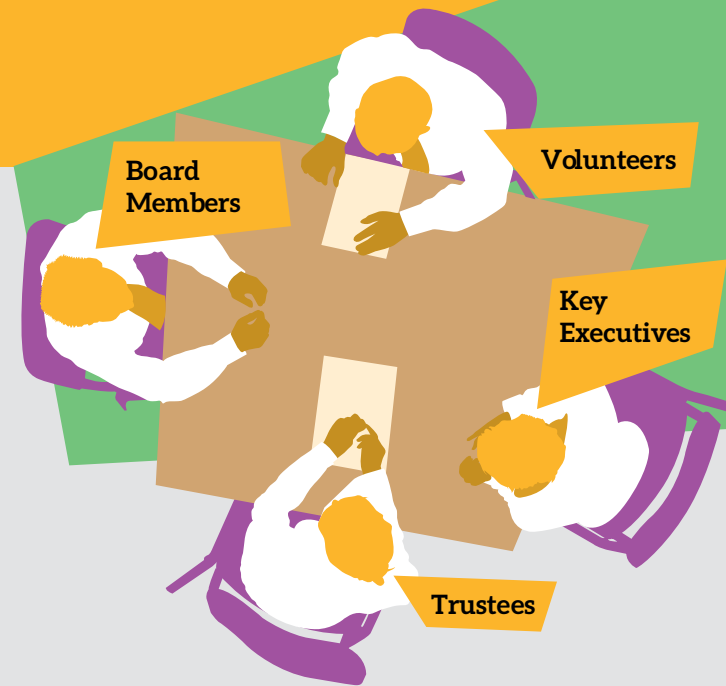
04

- p.11 COC's office approach to counter ML/TF
- p.12 Red flags/suspicious indicators of ML/TF
- p.14 How can charities protect themselves

Introduction

Who is this Guide for

This guide is aimed at board members, trustees and key executives of charities. It will also be of interest to employees and volunteers. The guide serves to help charities familiarise themselves with how they may protect themselves from potential abuse related to terrorist activities or ML. It also provides examples of good practices that charities can adopt to reduce and manage their exposure to such risks, as well as what charities should do if they spot any suspicious transactions.



Money Laundering



Terrorist Financing



What is ML and TF

ML is the process by which proceeds from a criminal activity are disguised to conceal their illicit origins, such as drug trafficking or other criminal activities to make it appear legitimate.

TF is simply defined as financial support, in any form, of terrorism or of those who encourage, plan, or engage in terrorism.

The link between ML and TF

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. While ML is the process of concealing proceeds of crime, TF conceals the usage of funds for terrorist purposes. However, 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.

Why is there a need to combat ML and TF

There are potentially devastating consequences that ML and TF may have on Singapore's economy and security. In an increasingly globalised economy, the impact of ML and TF may have far-reaching effects. Furthermore, with the expansion of both physical and electronic financial infrastructure, ML and TF activities are becoming more and more sophisticated and challenging to detect.

As funds can now move across borders more conveniently, it means that regulatory authorities and enforcement agencies within and across countries must be able to co-operate and co-ordinate effectively to address emerging risks. To help build and maintain Singapore's strong reputation as a well-regulated financial hub, everyone plays an important role in combating ML and TF.

The number of cases in which there is evidence to prove that charities in Singapore have been involved in supporting terrorist activities or ML is very small in comparison to the size of the sector. However, such abuse cannot be tolerated and the impact of even one proven case will corrode public confidence in the affected charity and the entire sector.

The number of cases in which there is evidence to prove that charities have been involved in supporting terrorist activities or money laundering is very small in comparison to the size of the sector, but the impact of even one proven case will corrode public confidence in that charity and the entire sector.



INTERNATIONAL AND NATIONAL AML/CFT INITIATIVES

Overview of the FATF

The FATF is an inter-governmental body set up in 1989. The objectives of the FATF are to develop standards and promote effective implementation of legal, regulatory and operational measures for combating ML, TF and financing of proliferation. The FATF has developed a series of recommendations that are recognised as the international standard for combating ML and TF, and financing of proliferation. The FATF monitors the progress of its members in implementing necessary measures to counter ML and TF, and promotes the adoption and implementation of appropriate measures globally. In collaboration with other international stakeholders, the FATF works to identify national-level vulnerabilities with the aim of protecting the international financial system from misuse. As a member of the FATF, Singapore has an obligation to implement these recommendations.



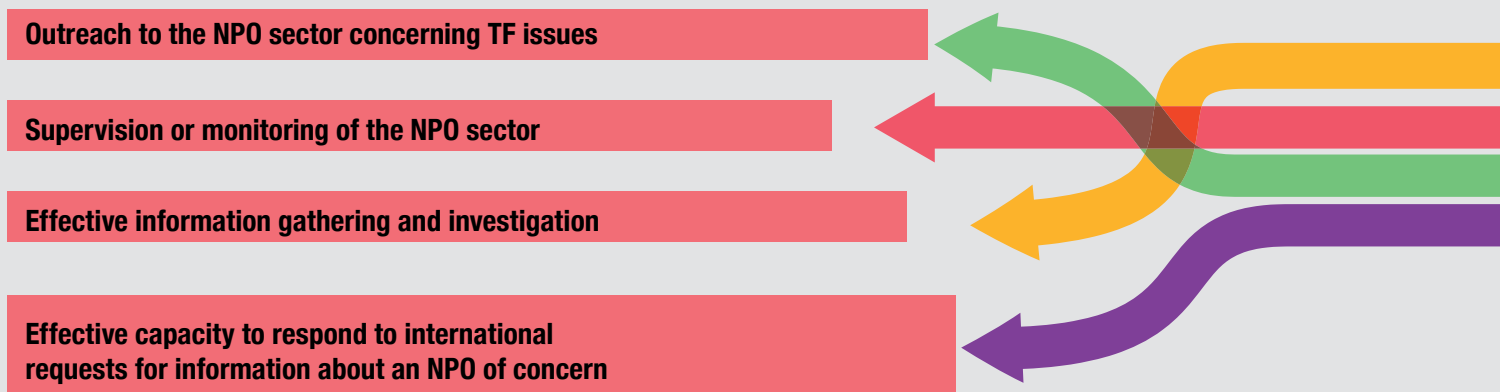
FATF's recommendations for NPOs

FATF's Recommendation 8 touches on combating the abuse of NPOs¹. NPOs play an important role in the global economy. They complement the activities of the governmental and business sectors in providing services, comfort and hope to the needy. Unfortunately, the NPO sector has been exploited by terrorist organisations to provide financial and logistical support, or otherwise support terrorist recruitments or terrorist operations. Recommendation 8 requires the regulators of NPOs to review the laws and legislations so that NPOs cannot be abused for TF.



¹FATF's definition of NPO refers to a legal person or arrangement or organization that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of "good works".

Countries should identify, prevent, and combat terrorist misuse of NPOs through a four-pronged approach:



These best practices, designed to prevent misuse of NPOs for TF should not unduly impede the work of NPOs, but rather, protect the integrity of the charity sector and its stakeholders.

AML/CFT Legislation in Singapore

The CDSA and TSOFA are the primary legislations enacted to combat ML and TF in Singapore. The CDSA criminalises the laundering of proceeds derived from drug trafficking and other serious offences. Under the CDSA, it is mandatory for any person to lodge a STR if he knows or has reason to suspect that any property may be connected to a criminal activity. Failure to do so may constitute a criminal offence.

Likewise, the TSOFA not only criminalises TF but also imposes a duty on everyone to provide information pertaining to TF to the police. Failure to do so may constitute a criminal offence. Under the TSOFA, any person shall lodge a STR if he has possession, custody or control of any property belonging to any terrorist or terrorist entity or if he has information about any transaction or proposed transaction in respect or any property belonging to any terrorist or terrorist entity.



CHARITIES AND ITS VULNERABILITIES TO ML AND TF

Why are Charities Vulnerable to Abuse

The abuse of charities for ML or terrorist purposes may take various forms, including exploiting charity funding, abusing charity assets, misusing a charity name and status, and setting up a charity for illegal purposes. Although there has been little evidence that the charities in Singapore are exploited by terrorist organisations or money launderers, they are still vulnerable due to the inherent risks related to fund raising, provision of services and other charitable activities.

The risk of such abuse may be heightened when the charity's governance structures and financial controls are weak. Charities enjoy high levels of public trust and confidence and often rely on goodwill and volunteer support. As they are usually diverse in nature, reaching out to all parts of the society, this extensive reach potentially includes terrorist organisations or money launderers who may abuse them, through their services, the use of their property or through their trustees, volunteers or even donors. Due to limited financial resources, charities tend to minimise their expenditure on governance, internal administration and regulatory compliance processes, to maximise available funds for charitable projects. As a result, some charities may have weak financial administration practices and may overlook due diligence checks on donors and recipient organisations to ensure the source and use of donated funds are legitimate and lawful.

For charities that operate internationally, some of the areas in which they operate may have weak infrastructure and funds may be transferred through unregulated financial channels. This may result in suspicious transactions being harder to detect. They may also operate in high risk areas and this increases the vulnerability to terrorist abuse. Terrorist organisations and money launderers may take advantage of these characteristics of charities to infiltrate the sector and misuse their funds and operations to cover for, or support, terrorist and other illegal activities.



Q: HOW MIGHT ML/TF AFFECT CHARITIES?

A: Although proven instances of charities being abused for ML/TF purposes are rare, they do happen, as charities can be attractive vehicles to terrorist organisations and money launderers. The vulnerabilities of an abuse are significant. In order to discharge their duties and responsibilities, trustees must take reasonable steps and implement measures to protect their charities from such abuse.

How Charities may be Abused

The abuse of charities for terrorist or ML purposes may occur in various forms, given the diverse nature of the sector. Abuse might take place in the following ways:

Charity Funding

Individuals may act as fundraisers to raise funds in the name of a charity to support terrorist purposes, with or without the knowledge of the charity. Funds that are raised are diverted to support terrorism at some point, and may never reach the intended beneficiaries. A charity might also be used to launder money or be used as a legitimate front to move funds from one place to another.

Use of Charity Resources

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 areas. This exploitation of communications network may be carried out with or without the knowledge of the charity.

Misuse of Charity's Name

An unregistered NPO may adopt a similar name, contact information and address to an already registered charity. However, this is done with the intention to mislead the public into the guise of donating for a charitable cause. The directing officials who are able to exercise influence over the operations of the NPO are ultimately linked to terrorist organisations.

Sham Charities

Terrorists may try to set up organisations as a sham charity, by raising funds, promoting causes and carrying out activities in support of terrorism. Charities may also be set up as a shell or front company to launder taxable or illegal funds.

The following case studies² are real instances of charities in other countries that are abused for terrorist purposes:

CASE STUDY 1 – CHARITY FUNDING

A charity was raising funds supposedly for humanitarian relief in an area of conflict. The charity used collection boxes outside religious institutions to solicit donations. The funds raised were held in a domestic bank account. The founder of the charity is suspected of diverting the funds raised to facilitate terrorism rather than using them for the stated humanitarian activities. A law enforcement investigation resulted in the arrest of the founder of the charity for terrorism facilitation offences. The case is still under investigation. While to-date there has been no conviction, USD 60,000 in collected funds were seized.



CASE STUDY 2 – SHAM CHARITY (TF)

A bomb blast occurred at a religious boarding school being operated as an unregistered NPO. The ensuing investigation found that the school was being used by members of a terrorist group to recruit students for attacks against local police, prosecutors and judges and for the manufacture of homemade bombs. The director of the school was convicted of terrorism-related offences.



CASE STUDY 3 – SHAM CHARITY (ML)

A family, who operated several successful businesses being used for criminal purposes, founded a charity with the alleged objective of providing for members of a specified religious community. The charity was registered with the national regulator and provided annual statement accounts showing that relatively small amounts of money were being generated. The scheme was managed by the family operating multiple cash tills but only declaring the income from one. Intelligence revealed that the family were laundering the proceeds of their tax evasion to fund their lifestyle; more than £2.5m was found in the bank accounts of the charity and family members acting as charity trustees.



²The case studies are extracted from the FATF Typologies Report “Risk of Terrorist Abuse in Non-Profit Organisations” published in June 2014, and FINTRAC 2009

HOW CHARITIES CAN BE PROTECTED AGAINST ABUSE

COC's Office Approach to Counter ML/TF

The Office of the COC recognises that certain attributes of charities present particular vulnerabilities that may be exploited by terrorists or money launderers for the purpose of raising and moving funds. However, the Office of the COC is cognisant that while AML/CFT measures should be strengthened, it should not unduly impede the work of charities, but rather, protect the integrity of the charity sector and its stakeholders. To tackle the threat of ML/TF abuse in the charity sector, the COC's Office has adopted the following approach:



- Raise awareness on the risk of ML/TF by conducting outreach to the charity sector on AML/CFT requirements. This includes guidance and case studies which are shared through emails to the charities as well as being published on the Charity Portal for public viewing
- Gain oversight and supervision through regulatory requirements for proper administration and governance of charities, and through assessment of risks and vulnerabilities of the sector in relation to ML/TF abuse
- Intervene where necessary to ensure the charity's trustees perform their legal duties and responsibilities so that legitimate charitable relief continues to reach those in need
- Strengthen co-operation and partnerships with law regulators and enforcement agencies to ensure a proper investigation is carried out when allegations or suspicions are raised



Red Flags/Suspicious Indicators of ML/TF



To prevent terrorists or money launderers from exploiting vulnerabilities of charities, it is crucial that charities have vigorous financial controls in place, and are transparent in their activities. Charities are also encouraged to conduct regular reviews of their internal controls, policies and procedures, key programmes and partnerships to protect themselves from actual or alleged abuse of fraud, ML or support for terrorism. The following checklist outlined below is not meant to be exhaustive, but it will help charities recognise possible ML/TF red flags which might put them at risk of being abused by terrorists or other criminals:

- Are you clear about the sources of your donations and support?
- Do you know the background and affiliations of the charity's board members, employees, fund-raisers, volunteers and partners?
- Do you know if your charity's name is being used to support a person or cause(s) which you are not familiar with?
- If your charity is in partnership with another organisation on projects, do you have a clear written agreement outlining the activities which will be undertaken and how they will be monitored and accounted for? Do you check that the agreements are adhered to?
- Are the beneficiaries of your charity designated as terrorists? Please refer to the Inter-Ministerial Committee – Terrorist Designation (IMC-TD) for more information.
- Do you have internal control systems with documented procedures for key processes, such as procurement and payment, revenue and receipts, and a system to ensure proper delegation of authority and appropriate limits of approval?
- Are there measures in place to ensure proper segregation of duties and adequate checks and balances, especially over financial matters such as the collection, handling of cash, depositing, transfer of funds and the issuing of receipts?
- Are you aware of the CDSA and the TSOFA and how to lodge a STR, if necessary?

Potential Suspicious Activities Which May Indicate ML

Donors Or Beneficiaries Who Provide Insufficient or Suspicious Information

Donor or beneficiary is a trust or shell company which is unwilling to provide additional information about their beneficial owners or underlying beneficiaries.

Fund Transfers

A large number of fund transfers ordered in small amounts in an apparent effort to avoid triggering identification or reporting requirements or foreign exchange transactions performed on behalf of donors or beneficiaries.

Activity Inconsistent with the Charity's Operations

Goods or services purchased by the charity does not match the needs of the operations or payment for goods or services made by cheques not drawn from the charity's account.

Other Unusual Transactions

Corporate donations made using a personal account or donor makes large contributions which do not seem to commensurate with the donor's known background or income.



Potential Suspicious Activities Which May Indicate TF

Activity Inconsistent with the Charity's Operations

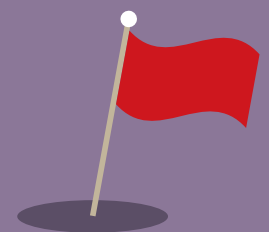
Financial transactions occur for which there appears to be no logical purpose or in which there appears to be no link between the stated activity of the organization and the parties in the transaction.

Fund Transfers

A large number of donations made via fund transfers ordered in small amounts in an apparent effort to avoid triggering identification or reporting requirements or foreign exchange transactions performed on behalf of donors or beneficiaries, followed by fund transfers to locations having no apparent connection with the donors or beneficiaries or to high risk areas.

Other Unusual Transactions

Multiple accounts used to collect and channel funds to a small number of beneficiaries, particularly in high risk areas or transactions involving foreign currency which are subsequently transferred to high risk areas within a short time frame.



How can Charities Protect Themselves



Strong Governance and Financial Transparency

Charities which have in place good financial management and maintain robust internal processes of transparency and accountability will be better safeguarded against all types of abuse. Sound written policies and financial procedures are critical preventive measures – as such, it is important to ensure that they are adhered to.



Know Your Key Donors and Beneficiaries

Charities should carry out proper due diligence procedures on their key donors and beneficiaries. Resource permitting, charities should put in their best efforts to confirm the identity, credentials and good standing of the beneficiaries. Similarly, charities should confirm the identity of significant donors while respecting donor confidentiality.



Transactions Conducted Via Regulated Financial Channels

As far as possible, charities should also ensure that transactions are conducted via regulated financial channels to minimise any potential terrorist abuse while the funds are in transit.



Funds Applied in a Manner Consistent with the Charity's Mission and Objects

Charities should always review its expenditure to ensure that funds are channelled towards causes which are congruent with their missions and objects. Charities should also not accept donations which are directed for purposes that are not consistent with the charities' missions and objects.



Report Suspicious Transactions to STRO

Charities should lodge a STR if there is a reasonable suspicion of ML or TF activity during the course of the charities' administration or operations. Charities may refer to the FAQs on the following page in relation to STRs.



Suspicious Transaction Reporting Office

Q1 When should a STR be lodged?

Under the CDSA, it is mandatory for any person to lodge a STR if he or she knows or has reason to suspect that any property may be connected to a criminal activity. Failure to do so may constitute a criminal offence.

ML is a problem of international proportion. In addition, terrorist attacks in countries and cities in many parts of the world have increased the focus of governments worldwide on countering terrorism and the financing of terrorism. As a financial hub, Singapore cannot rule out the possibility that our financial infrastructure may be abused for such illegal activities. Therefore, there is a need to be constantly vigilant and report any suspicious financial transaction.

STRs provide useful information for the detection of criminal wrongdoings. There are instances in which information from STRs have helped prevent crime or stop existing criminal activities.

Q2 Who can lodge a STR?

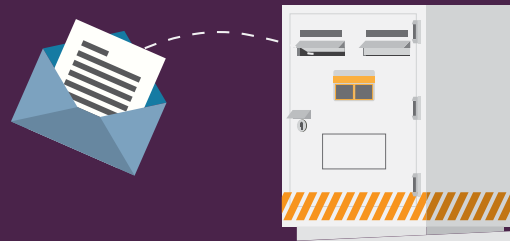
Everyone can lodge a STR if, in the course of the person's business or employment, as well as the charity administration or operations, he or she has:

- a. Reason to suspect that any property represents the proceeds of, or is connected to a criminal activity; or
- b. Possession, custody or control of property or information about any transaction (or proposed transaction) relating to any property belonging to terrorism or terrorist entity. The identities of the STR lodger(s) are kept confidential.

Q3 How to lodge a STR?

You may do so in writing to :

Head, Suspicious Transaction Reporting Office
Commercial Affairs Department
391 New Bridge Road #06-701
Police Cantonment Complex Block D
Singapore 088762



A detailed account of the relevant facts and nature of the transaction, together with copies of the relevant supporting documents, if available and your name, NRIC/passport number, contact number and address should be provided as well.

Via web-based STR On-Line Lodging System (STROLLS). If your company has a valid STROLLS user account, your authorised officer may lodge an STR via STROLLS. You may wish to email STRO@spf.gov.sg to find out if your company has a valid STROLLS account.



Q4 Where can I obtain more information?

More information about AML/CFT can be obtained from <http://www.cad.gov.sg/aml-cft>
You may obtain a copy of the CAD's AML and CFT Handbook at <http://www.cad.gov.sg/publications/cad-anti-money>

Singapore is a member of several international AML/CFT organisations. Membership in these organisations underscores Singapore's commitment to the fight against ML and TF. For more information about the International AML and CFT Organisations, please visit the following websites:

- a. [Financial Action Task Force \(FATF\)](#);
- b. [Asia / Pacific Group on Money Laundering](#); and,
- c. [Egmont Group of Financial Intelligence Units](#)

Q: What is the difference between filing a Police Report and a STR?

A: A police report is an official document which initiates police investigation when an offence is disclosed. You should make a police report when

- you are a victim of a crime or a crime has been committed;
- a person is missing;
- property is lost or found.

If the report reveals the commission of an offence, the police will investigate the matter.

A STR provides information on suspicious transactions that one has encountered. This is usually lodged when a person has "reason to suspect" that property is linked to criminal conduct. It is considered as a provision of information and not a complaint of crime committed. It is largely left to **STRO's** discretion on the appropriate action to be taken.