

Terrorist Financing Risk Mitigation Toolkit for Charities



Acronyms

AML/CFT	Anti-Money Laundering and Countering the Financing of Terrorism
FATF	Financial Action Task Force
IMC-TD	Inter-Ministry Committee on Terrorist Designation
ML	Money Laundering
NPO	Non-Profit Organisation
NRA	National Risk Assessment
TF	Terrorist Financing
TSOFA	Terrorism (Suppression of Financing) Act
SONAR	STRO Online Notices and Reporting Platform
STR	Suspicious Transaction Report
STRO	Suspicious Transaction Reporting Office
UN	United Nations

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Commissioner's Foreword

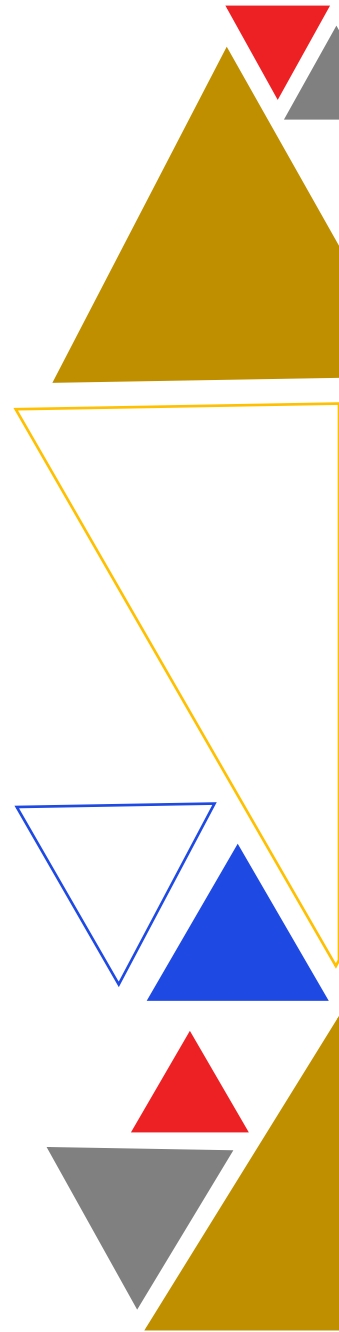
I am pleased to launch the Terrorist Financing Risk Mitigation Toolkit for Charities, jointly developed with KPMG in Singapore and the charity sector. I also wish to express my appreciation to all the charities that provided valuable inputs during the development of the toolkit.

This toolkit aims to enhance charities' understanding of their risk exposure for abuse linked to terrorist financing. It comprises a framework and best practices to guide charities in identifying terrorist financing risks, assessing the level of risks, prioritising and mitigating the identified risks in a systematic manner.

It is paramount that charities remain vigilant, be informed of the risks of potential abuse and safeguard themselves appropriately. This journey will be one of continuous work and reinforcement, which is key in protecting charities from the threats due to the evolving global terrorism landscape.

I hope charities will use this toolkit to strengthen their risk mitigation efforts.

Desmond Chin
Commissioner of Charities
Ministry of Culture, Community and Youth



Introduction

Objective

The TF Risk Mitigation Toolkit is intended to:

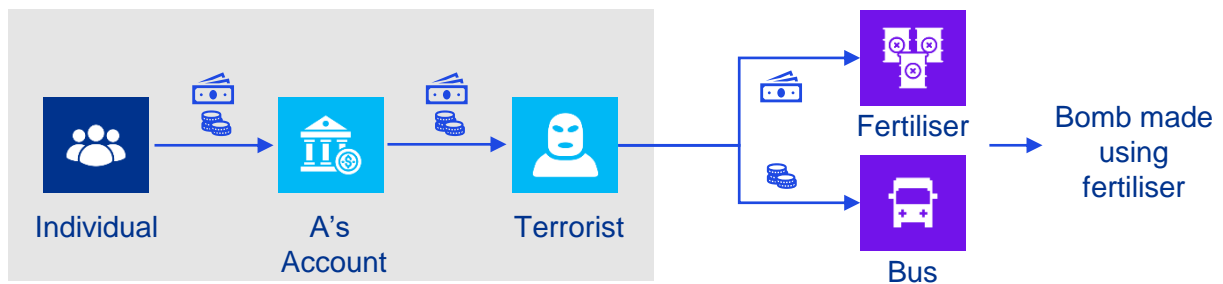
- Increase risk awareness of TF abuse amongst charities; and
- Guide charities to identify, assess and mitigate TF risks.

Charities should tailor their approach in combatting TF abuse in consideration of their objectives, activities and organisational structures.

The toolkit is not meant to be prescriptive or exhaustive in nature. Statutory regulations and legislations should take precedence over the best practices provided in the toolkit, where applicable.

Terrorist Financing

TF is the act of soliciting, collecting or providing funds, from both legal¹ and illicit sources², with the intention of financing terrorist acts, and of terrorists and terrorist organisations.



TF abuse refers to the exploitation of NPOs, by terrorists and terrorist organisations to raise or move funds, provide logistical support, encourage or facilitate terrorist recruitment, or otherwise support terrorists or terrorist organisations and operations.

The 2020 Singapore Terrorism Financing NRA³ had identified NPOs, which include charities, to be at medium-low risk for TF. The report also highlighted varied levels of awareness of TF risks amongst charities and understanding of implementation of necessary safeguards such as due diligence checks and guidelines relating to disbursement of funds overseas as key vulnerabilities that could make charities more susceptible to TF abuse.

¹ Legal sources may include employment income.

² Illicit sources include criminal proceeds, such as the sale of illegal drugs.

³ Singapore Terrorism Financing NRA. <https://www.mas.gov.sg/publications/monographs-or-information-paper/2022/terrorism-financing-national-risk-assessment-2020>

Methods of Misuse for Terrorist Purposes

The abuse of charities for terrorism and TF may occur in various forms given the diverse nature of the charity sector and may take the following forms:

Methods of misuse⁴

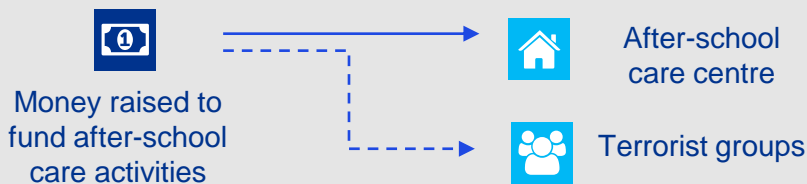


Diversion of funds or resources

- 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 actors⁵.

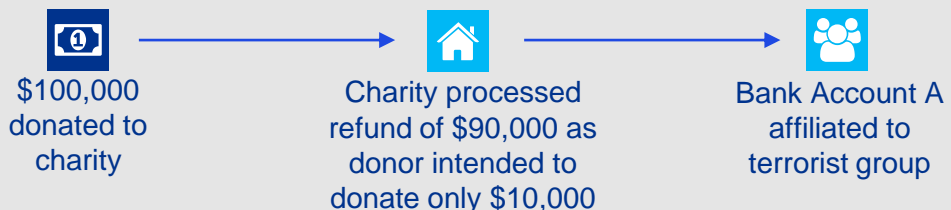
Example 1

Money raised to fund after-school care activities gets redirected to terrorist groups.



Example 2

Donor informed the charity that there was a mistake made in a donation made to the charity and asked for a refund. The donor requested that the refund be directed to a different bank account. Unknown to the charity, this bank account is controlled by a terrorist group.



⁴ The examples shown are obtained from open source information and are not representative of real-life cases.

⁵ Actors can be internal (e.g. employees of the charities) or external (e.g. third party fund-raisers, organisations that partner with the charities).

Methods of misuse



Support for recruitment

- Terrorist entities use charities' facilities and funded activities to promote recruitment.

Example

Charity organises end-of-year event for beneficiaries from low-income families and terrorist groups participate as sponsors or partners to recruit members during the event.



Abuse of programming

- Charity-funded programmes meant to support legitimate humanitarian purposes are manipulated at the point of delivery to support terrorism by internal or external actors.

Example

Charity uses donations to purchase or rent properties that are used as shelters. The shelters are used for the beneficiaries of the charity and also act as transit points for terrorist groups.



False representation and sham charities

- False representation occurs when organisations and/or individuals raise funds, promote causes, and carry out other activities in support of terrorism under the guise of charitable activities.

Example

Terrorists or their sympathisers may claim to work for a charity and rely on the charity's good name and legitimacy in order to gain access to a region or community.

Methods of misuse



Affiliation with terrorist activity

- Affiliations range from informal personal connections involving management and employees of the charities, to more formalised relationships between charities and terrorist entities.
- This affiliation translates into activity that is meant to financially or otherwise support activities carried out by one or both parties.

Example

Donations received in Singapore are used to fund the charity's overseas humanitarian work. Unknown to the charity, the overseas project manager employed individuals linked to terrorist organisations and some of the funds were misused for terrorism.



Legislation in Singapore

Every person in Singapore and every Singapore citizen outside of Singapore have a duty to provide information on property and financial transactions belonging to terrorist and acts of TF to the Singapore Police Force.

This legal obligation is set out in Sections 8 and 10 of the TSOFA⁶. Failure to provide information may constitute a criminal offence. The disclosure of TF information can be made to STRO of the Singapore Police Force through a STR⁷.



⁶ TSOFA 2002, 2020 Revised Edition. <https://sso.agc.gov.sg/Act/TSFA2002>

⁷ Singapore Police Force. SONAR. <https://www.police.gov.sg/SONAR>

Risk Assessment Methodology

Charities should regularly review and assess their exposure to risks of abuse for TF and mitigate the identified risks in a systematic manner. The following methodology guides charities using a step-by-step approach in assessing TF risks. A checklist is provided in Appendix E to guide charities in performing a TF risk assessment.

1. Identify

- Identify TF risk indicators that are applicable to the charity.
- Identify risk owners - the individuals who are best placed to assess, oversee and implement action plans to manage the identified risks.

2. Assess

- Assess and risk score TF risks.

5. Report

- Update or exchange information with governing board members and stakeholders of outcomes derived from managing identified risks by risk owners.



4. Monitor

- Monitor effectiveness of action plans periodically, adjust action plans where required and review TF risk profile of the charity regularly.

3. Communicate and Manage

- Communicate risk scores to governing board members and other stakeholders of the organisation.
- Establish action plans to mitigate the risks according to risk appetite, with recommendations from risk owners.

“

With greater cross-boundary flow of funds, a charity can be exposed to terrorist financing and money laundering risks. While there is currently no indication of funds flowing in via our charities to support domestic terrorism-related activities, and there are no funds raised by charities to fund terrorism-related activities abroad, we cannot be complacent.

”

Mr Edwin Tong

Minister for Culture, Community and Youth
Charity Governance Conference
8 September 2022

1. Identify: Risk of TF & Risk Owners

First, charities should identify the TF risks the organisation may face and the risk owners. When identifying TF risks, charities should begin with TF risks intrinsic to their charitable activities, before any mitigating controls are applied. These risks are associated with the characteristics of charities' activities with respect to their donors, beneficiaries, partners, employees and volunteers, programmes and services provided, geographic regions where they operate and delivery channels. These identified TF risks are also known as inherent risks.

TF risks can be broadly categorised into the following three categories:

Donors, Beneficiaries, Partners, Employees and Volunteers

Risks arising from interaction, or lack thereof, with donors, beneficiaries, partners, employees and volunteers.

1. Does the charity perform independent due diligence on donors, beneficiaries, partners, employees and volunteers, before establishing working relationships?
2. Does the charity screen donors, beneficiaries, partners, employees and volunteers against UN-designated individuals and entities and the list of persons and entities designated as terrorists by the IMC-TD^{8,9}?
3. Does the charity conduct enhanced due diligence by doing additional checks on donors, beneficiaries or partners that are located in high-risk jurisdictions and/or near conflict zones?
4. Does the charity have high volume of donations and disbursements, that use non-regulated financial channels, or have multiple overseas operations and hence find it difficult to identify suspicious activities?
5. Does the charity have written policies and procedures for disbursements and utilisation of donations within and beyond Singapore?
6. Does the charity have written procedures to monitor delivery of programmes within and beyond Singapore?
7. Has the charity established any formal procedures for reporting of suspicious activities or transactions noted in the course of its operations?

Delivery and Operational

The existence of potential illicit activities that arises from day-to-day operations and business activities.

⁸ List of designated individuals and entities. <https://www.mas.gov.sg/regulation/anti-money-laundering/targeted-financial-sanctions/lists-of-designated-individuals-and-entities>

⁹ IMC-TD acts as Singapore's authority for the designation of terrorists which prohibits any person or entity from dealing with or providing any financial assistance to designated terrorists, as required under the TSOFA.

Geographical

There is a higher risk of abuse for charities operating or providing services in close proximity to an active terrorist threat.

8. Does the charity have overseas missions or operations in high-risk jurisdictions subject to call for action and/or jurisdictions under increased monitoring identified by the FATF¹⁰?
9. Does the charity have overseas missions or operations in an area of conflict where there is active terrorist threat or within a community that is actively targeted by a terrorist movement for support and cover¹¹?

It is very important for charities to monitor these inherent risks as they may change with a shift in the charities' focus or activities. The following examples illustrate how inherent risks may change:

Example 1

Charity A runs a donor management programme and a significant portion of donations come from reputable corporate donors in Singapore. In recent years, Charity A has also encountered donors that are trusts and foundations with origins from overseas locations.

Example 2

Charity B used to conduct overseas missions in Country X to directly provide charitable services to low-income groups. In recent years, Charity B had opted to continue to provide charitable services through a local partner in Country X instead.

Example 3

Charity C used to provide only non-monetary goods to benefit low-income groups overseas as part of its overseas missions. In recent years, there is an increase of cash pay-outs provided directly to these low-income groups.

¹⁰ Jurisdictions that are subject to call for action and increased monitoring. <https://www.fatf-gafi.org/en/topics/high-risk-and-other-monitored-jurisdictions.html> The list of jurisdictions is reviewed throughout the year and charities should keep themselves informed of periodic updates by checking the FATF website.

¹¹ While FATF does provide a list of jurisdictions that are subject to call for action and increased monitoring, charities should also be vigilant and be informed of ongoing news about areas with active or potential terrorist threat especially if the charities conduct activities in or near these areas.

Risk Owners

Risk owners are personnel in charge of assessing and monitoring the potential risks in their respective areas of responsibilities and are accountable for the management of those risks.

Having identified the TF risks, charities should assign appropriate risk owners to the identified TF risks. The risk owner assigned should be the personnel with the most relevant knowledge, resources and authority to assess and manage the risk.

Examples of risk owners are:

Source of Risk	Risk Owner(s)
Disbursement of funds	Treasurer, Finance and Admin Manager
Overseas activities	Chief Executive Officer/Executive Director, Programme Coordinator
Volunteers	Volunteer Coordinator, Human Resource Director
Overseas partners, vendors and suppliers	Chief Executive Officer/Executive Director, Programme Coordinator
Employees	Chief Executive Officer/Executive Director, Human Resource Director
Donations	Fund-raising Coordinator, Finance and Admin Manager

2. Assess: Risk Score TF Risks

After identifying the TF risks and the corresponding risk owners, charities can derive the risk ratings for each of the risks using a two-dimension rating model – (i) its likelihood of occurrence and (ii) the impact of which the occurrence would have on the organisation.

A. Likelihood

When assessing the likelihood of occurrence, charities should consider whether the risk in question has occurred since its establishment, or whether such a risk has occurred within the sector and if so, the frequency of occurrence.

B. Impact

When assessing the impact upon occurrence, charities should assess which aspects of the organisation may be impacted and the magnitude of the impact, if any. Examples of impact may include:

Operational Disruptions

- Disruption to service
- Delay in programme delivery
- Revision of scope of programme

Reputational Losses

- Adverse media associated with charities
- Loss of stakeholders' confidence and trust (e.g. volunteers)

Financial Losses

- Loss of donations originally meant to benefit the intended beneficiaries
- Potential decline in future donations
- Loss of sponsorships
- Loss of government funding

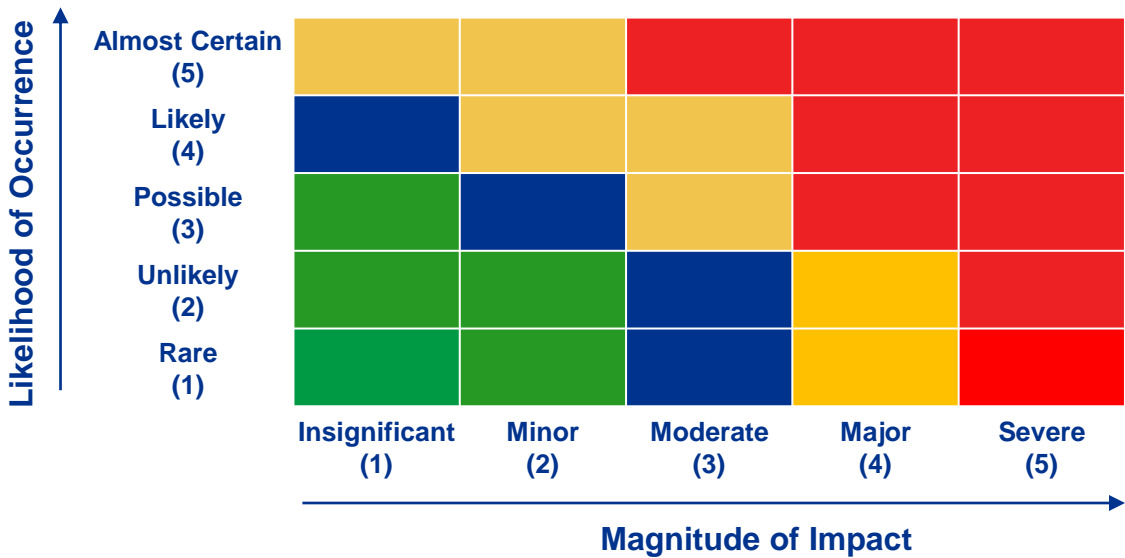
Legal Implications

- Penalty imposed on charities as a result of non-compliance to law and regulations

It is recommended that charities risk score the likelihood of occurrence and impact upon occurrence on an inherent basis, i.e. risk score before the consideration of existing mitigating measures in place.

Charities are to select the highest rating if there are differing ratings for operational disruptions, reputational losses, financial losses and legal implications. The case study on the next page is an example for reference.

A sample of the risk assessment matrix is illustrated as follows:

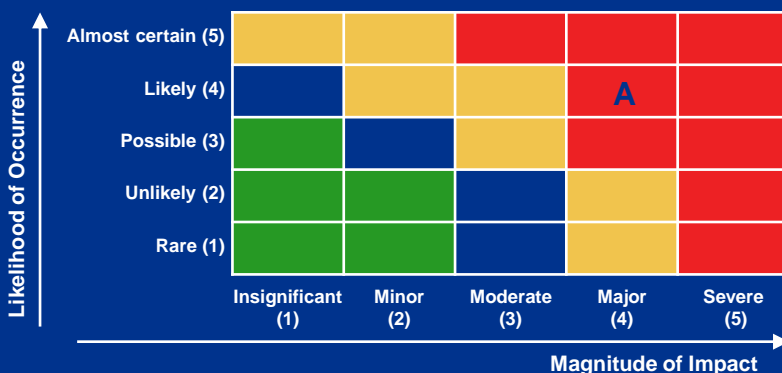


Risk Assessment Matrix

Case Study

Risk A									
Charity A engages in missions or programmes located in an area of conflict where there is an active terrorist threat.									
Likelihood	<input type="checkbox"/> Rare <input type="checkbox"/> Unlikely <input type="checkbox"/> Possible <input checked="" type="checkbox"/> Likely <input type="checkbox"/> Almost Certain								
	Charity A's assessment - Charity A has regular missions to provide aid to a region near conflict zone with terrorist threat. This has been identified by Charity A as a potential risk indicator.								
Impact	<input type="checkbox"/> Insignificant <input type="checkbox"/> Minor <input type="checkbox"/> Moderate <input checked="" type="checkbox"/> Major <input type="checkbox"/> Severe								
	<table border="1"> <tr> <td>Operational Disruptions</td> <td>Management considered that in the event that the aid provided is suspected of being diverted for terrorism, this would have short-term disruption to its overseas operations as aid to beneficiaries will be delayed and Charity A may need to re-channel resources to address the needs. Thus, they have rated impact as Moderate.</td> </tr> <tr> <td>Reputational Losses</td> <td>Management has assessed reputational losses to be Major in the event that the aid provided is suspected of being diverted to support terrorists and/or terrorism activities. Concerns may be raised regarding the credibility of the charity.</td> </tr> <tr> <td>Financial Losses</td> <td>Management has assessed that the immediate financial losses is likely to be Minor as such missions are only a small part of Charity A's overall charitable activities.</td> </tr> <tr> <td>Legal Implications</td> <td>Management has assessed legal implication to be Moderate. While overseas missions do not form the bulk of Charity A's activities, any diversion of aid in support of terrorism may have possible legal/criminal consequences under the legislations and/or legal suits from victims of terrorist activities (e.g. donors).</td> </tr> </table>	Operational Disruptions	Management considered that in the event that the aid provided is suspected of being diverted for terrorism, this would have short-term disruption to its overseas operations as aid to beneficiaries will be delayed and Charity A may need to re-channel resources to address the needs. Thus, they have rated impact as Moderate .	Reputational Losses	Management has assessed reputational losses to be Major in the event that the aid provided is suspected of being diverted to support terrorists and/or terrorism activities. Concerns may be raised regarding the credibility of the charity.	Financial Losses	Management has assessed that the immediate financial losses is likely to be Minor as such missions are only a small part of Charity A's overall charitable activities.	Legal Implications	Management has assessed legal implication to be Moderate . While overseas missions do not form the bulk of Charity A's activities, any diversion of aid in support of terrorism may have possible legal/criminal consequences under the legislations and/or legal suits from victims of terrorist activities (e.g. donors).
	Operational Disruptions	Management considered that in the event that the aid provided is suspected of being diverted for terrorism, this would have short-term disruption to its overseas operations as aid to beneficiaries will be delayed and Charity A may need to re-channel resources to address the needs. Thus, they have rated impact as Moderate .							
	Reputational Losses	Management has assessed reputational losses to be Major in the event that the aid provided is suspected of being diverted to support terrorists and/or terrorism activities. Concerns may be raised regarding the credibility of the charity.							
	Financial Losses	Management has assessed that the immediate financial losses is likely to be Minor as such missions are only a small part of Charity A's overall charitable activities.							
Legal Implications	Management has assessed legal implication to be Moderate . While overseas missions do not form the bulk of Charity A's activities, any diversion of aid in support of terrorism may have possible legal/criminal consequences under the legislations and/or legal suits from victims of terrorist activities (e.g. donors).								

The management of Charity A has determined that the appropriate likelihood rating would be Likely (4) and the impact rating would be Major (4)¹².



Using the same risk assessment matrix from page 15, where red zone refers to critical risk and green zone being least critical, it is clear that Risk A is considered to be of critical risk as it is in the red zone.

¹² The highest impact rating is selected (operational disruptions, reputational losses, financial losses and legal implications).

3. Communicate and Manage: Communicate and Establish Action Plans to Manage Risks

The results of the risk scoring in Step 2 should be communicated to the governing board members and other stakeholders as risk management often requires buy-in from governing board members and the commitment from other stakeholders who may not be the primary risk owners. It is also part of the fiduciary duties of governing board members to ensure that appropriate measures are implemented to mitigate the identified risks so as to ensure proper control and management in the administration of the charity.

Charities are encouraged to adopt a risk-based approach towards managing the identified TF risks. This is achieved by prioritising the management of critical risks, i.e. TF risks that fall within the red zone of the matrix. Action plans established should ideally include recommendations from risk owners and circulated to all stakeholders upon approval.

These are four possible measures of risk management¹³:

Risk Acceptance



Accept the consequences that arise when a risk occurs.

- Viable for minor risk where the cost of mitigation would be greater over time than the potential loss or damage sustained by the charity, and if the risk is not contrary to public interest.
- Charities may decide to carry on with certain activities on a case-by-case basis, subject to the relevant approvals by the authorised personnel, with appropriate safeguards in place.

Risk Avoidance



Pull back the activity that would carry the risk.

- May be useful in circumstances when the loss or damage sustained would be greater than the benefits of conducting an activity.
- Charities that lack experience or resources in conducting certain activities in a particular environment may opt to avoid carrying out the activity altogether.

Risk Reduction



Cut the severity of the loss when a risk occurs.

- Can be achieved through implementing appropriate and viable mitigating measures.
- Charities can implement controls and measures to reduce the likelihood or impact of risks.

Risk Sharing



Share the burden with a third party to implement measures in mitigating the risk.

- The chosen third party should be able to demonstrate a higher capability in managing the risk.
- A smaller charity may consider collaborating with more established charities to carry out certain activities as such charities generally have more resources to ensure risks can be managed appropriately.

¹³ Refer to Appendix D for a non-exhaustive list of mitigating measures.

4. Monitor: Effectiveness of Action Plans and Review Risk Profile

Risk monitoring refers to the process of evaluating the effectiveness and relevance of action plans periodically.

Charities should periodically review the risk assessment or when there are material trigger events, whichever is earlier, as action plans may become irrelevant or outdated over time.

When determining the frequency of review, charities should primarily consider their risk profiles, changes in the landscape where the charities operate in and secondarily, the availability of resources. Ideally, a review should be conducted at least once a year to ensure that the charities' risk profiles remain up-to-date.

As part of the monitoring, charities should also assess whether they are able to meet the internal timeline for actions set previously to manage the risks.

5. Report: Outcome of Monitoring Risks

Communicating risks involves informing the respective risk owners in the organisation of the outcome derived from monitoring of risks. Risk owners should exchange critical information about the findings obtained in Step 4 with each other so that they can collectively develop and implement follow-up actions to be taken.

Charities should keep a copy of the risk assessment and related documentation for a period of at least five years.



Appendix A: TF Risk Indicator

It is important for charities to understand the TF risks associated with their organisations. Charities can perform a quick assessment of risk level before **Step 1: Identify** using the checklist below to ascertain if they have potential exposure to TF risk(s).

		Yes	No
<u>Donors, Beneficiaries, Partners, Employees and Volunteers</u>			
1	Does the charity accept donations from unusual donors or donors who are new or unknown to the charity without first performing due diligence ¹⁴ on such donors?	<input type="checkbox"/>	<input type="checkbox"/>
2	Does the charity provide financial assistance or services to beneficiaries without first performing due diligence ¹⁴ on the beneficiaries to ensure they are qualified and bona fide individuals?	<input type="checkbox"/>	<input type="checkbox"/>
3	Does the charity establish working relationships with partners (including vendors) without first performing due diligence ¹⁴ on these partners?	<input type="checkbox"/>	<input type="checkbox"/>
4	Does the charity hire employees or engage volunteers without first performing due diligence ¹⁴ on the individuals?	<input type="checkbox"/>	<input type="checkbox"/>
5	Does the charity accept donations that come with conditions attached (e.g. donor requests for donation to be utilised for a specific group of individuals or organisations)?	<input type="checkbox"/>	<input type="checkbox"/>
<u>Delivery and Operational</u>			
6	Does the charity have high volume of donations and disbursements, which make identifying suspicious activities difficult?	<input type="checkbox"/>	<input type="checkbox"/>
7	Does the charity disburse funds through high-risk financial channels or non-regulated financial channels? For example, using cash, cash couriers or virtual assets?	<input type="checkbox"/>	<input type="checkbox"/>
8	Does the charity disburse funds through an intermediary such as another charity or partner which may be used to hold or transfer funds to a particular region outside of Singapore and make payments on the charity's behalf?	<input type="checkbox"/>	<input type="checkbox"/>

¹⁴ Examples of due diligence that can be performed include performing background checks and screening the names against UN-designated individuals and entities and the list of persons and entities designated by IMC-TD.

Appendix A: TF Risk Indicator

		Yes	No
9	Does the charity operate without providing training or disseminating information to increase awareness among employees and volunteers about the risks and corresponding safeguards in relation to AML/CFT?	<input type="checkbox"/>	<input type="checkbox"/>
10	Does the charity carry out its activities without written policies and procedures for disbursements and utilisation of donations?	<input type="checkbox"/>	<input type="checkbox"/>
11	Does the charity lack a formal channel to report suspicious activities or transactions noted in its operations?	<input type="checkbox"/>	<input type="checkbox"/>
<u>Geographical</u>			
12	Does the charity have operations, missions or programmes in an environment where there is an urgency to provide aid? For example, providing emergency aid in natural disaster zones where there may be weak banking infrastructure.	<input type="checkbox"/>	<input type="checkbox"/>
13	Does the charity engage in missions or programmes located in (i) an area of conflict where there is an active terrorist threat; or (ii) domestically in a country where there is no conflict, but within a population that is actively targeted by a terrorist movement for support and cover?	<input type="checkbox"/>	<input type="checkbox"/>

If your responses to any of the questions above is “Yes”, it is recommended that you perform a TF risk assessment using the risk assessment methodology and templates provided in Appendix B.

Appendix B: Template – Risk Scoring

Ratings	Score	Description
Rare	1	<_% probability
Unlikely	2	_% to % probability
Possible	3	_% to % probability
Likely	4	_% to % probability
Almost Certain	5	>_% probability

Description	Score	Operational	Reputational	Financial	Legal
Insignificant	1	No disruption to service delivery	Negligible adverse publicity and no loss of stakeholders' confidence and trust	<_% loss of donations	Financial penalty of ≤\$_
Minor	2	Temporary disruption to service delivery	Some adverse publicity and loss of stakeholders' confidence and trust to a small extent	>_% to ≤_% loss of donations	Financial penalty of >\$_ to ≤\$_
Moderate	3	Short-term disruption to service delivery	Some adverse publicity and loss of stakeholders' confidence and trust to a moderate extent	>_% to ≤_% loss of donations	Financial penalty of >\$_ to ≤\$_
Major	4	Long-term disruption to service delivery	Adverse publicity and loss of stakeholders' confidence and trust to a large extent	>_% to ≤_% loss of donations	Financial penalty of >\$_ to ≤\$_
Severe	5	Termination of service delivery	Adverse publicity and total loss of stakeholders' confidence and trust	>_% loss of donations	Financial penalty of >\$_ and imprisonment

The percentages are to be determined by charities, as appropriate, taking into consideration the context and circumstances of their organisations.

Appendix C: Illustration – Risk Register

The illustration below shows an example of how a risk register may be structured to document the key components of risk assessment.

Note: Risk registers should be tailored to individual charities to ensure the relevance and value of risk assessment exercises conducted. The information presented is not meant to be exhaustive.

Donors, Beneficiaries, Partners, Employees and Volunteers Risk

Risk Register	
Donors, Beneficiaries, Partners, Employees and Volunteers Risk 1	
<i>Example – Significant portion of donors are overseas incorporated trusts and foundations which the charity is not familiar with.</i>	
Risk Consequence	
<i>Example – Unfamiliar donors with unknown sources of funding may result in the charity being used by individuals or other organisations as an intermediary to channel funds for illicit purposes, including TF, under the guise of “donations”.</i>	
Risk Owner	
Likelihood	<input type="checkbox"/> Rare <input type="checkbox"/> Unlikely <input type="checkbox"/> Possible <input type="checkbox"/> Likely <input type="checkbox"/> Almost Certain
	<i>[Rationale for likelihood of occurrence.]</i>
Impact	<input type="checkbox"/> Insignificant <input type="checkbox"/> Minor <input type="checkbox"/> Moderate <input type="checkbox"/> Major <input type="checkbox"/> Severe
	Operational Disruptions <i>[Rationale for impact upon occurrence.]</i>
	Reputational Losses <i>[Rationale for impact upon occurrence.]</i>
	Financial Losses <i>[Rationale for impact upon occurrence.]</i>
	Legal Implications <i>[Rationale for impact upon occurrence.]</i>
Colour Zone	<input type="checkbox"/> Green <input type="checkbox"/> Blue <input type="checkbox"/> Amber <input type="checkbox"/> Red
Risk Treatment 1	<input type="checkbox"/> Risk Acceptance <input type="checkbox"/> Risk Reduction
	<input type="checkbox"/> Risk Avoidance <input type="checkbox"/> Risk Sharing

Donors, Beneficiaries, Partners, Employees and Volunteers Risk

Risk Register

Donors, Beneficiaries, Partners, Employees and Volunteers Risk 1

Example – Significant portion of donations are overseas incorporated trusts and foundations which the charity is not familiar with.

Action Plan 1

Examples of risk reduction measures

- *Carry out appropriate due diligence on individuals and organisations that are unusual, new or unknown to the charity.*
- *Establish the frequency of screening, the sanction lists used for screening and the criteria to be met (e.g. the individual has not been convicted of any offence involving terrorism, TF or ML) prior to the commencement of a relationship and during periodical monitoring.*

Residual Risk (Optional)

Green Blue Amber Red

Donors, Beneficiaries, Partners, Employees and Volunteers Risk

Risk Register

Donors, Beneficiaries, Partners, Employees and Volunteers Risk 2

Example - Charity does not perform due diligence on beneficiaries and may potentially provide aid, assistance or services to beneficiaries with links to terrorism.

Risk Consequence

Example - Failure to perform adequate due diligence on beneficiaries may result in the charity being used by individuals or other organisations as an intermediary to channel funds for illicit purposes, including TF, under the guise of "beneficiaries".

Risk Owner

Likelihood

Rare Unlikely Possible Likely Almost Certain

[Rationale for likelihood of occurrence.]

Impact

Insignificant Minor Moderate Major Severe

Operational Disruptions

[Rationale for impact upon occurrence.]

Reputational Losses

[Rationale for impact upon occurrence.]

Financial Losses

[Rationale for impact upon occurrence.]

Legal Implications

[Rationale for impact upon occurrence.]

Colour Zone

Green Blue Amber Red

Risk Treatment 1

Risk Acceptance Risk Reduction

Risk Avoidance Risk Sharing

Action Plan 1

Examples of risk reduction measures

- *Establish written policies for clear selection criterion for beneficiaries.*
- *Establish documented procedures regarding the frequency of screening, the sanction lists used for screening and the criteria to be met (e.g. the individual has not been convicted of any offence involving terrorism, TF or ML) prior to providing aid or other charitable support.*
- *Perform enhanced due diligence for beneficiaries located in an area of conflict with active terrorist threat or domestically in a country, within a population that is actively targeted by terrorism for support and cover.*

Residual Risk (Optional)

Green Blue Amber Red

Delivery and Operational Risk

Risk Register

Delivery and Operational Risk 1

Example - Charity disburses funds through high-risk financial channels (e.g. cash and cash cheques), non-regulated financial channels (e.g. cash couriers), or another intermediary used to hold and remit funds on the charity's behalf.

Risk Consequence

Example - Diversion of funds meant for delivery of programmes, to finance terrorist acts or organisations instead of intended beneficiaries.

Risk Owner

Likelihood

Rare Unlikely Possible Likely Almost Certain

[Rationale for likelihood of occurrence.]

Impact

Insignificant Minor Moderate Major Severe

Operational Disruptions

[Rationale for impact upon occurrence.]

Reputational Losses

[Rationale for impact upon occurrence.]

Financial Losses

[Rationale for impact upon occurrence.]

Legal Implications

[Rationale for impact upon occurrence.]

Colour Zone

Green Blue Amber Red

Risk Treatment 1

Risk Acceptance Risk Reduction
 Risk Avoidance Risk Sharing

Action Plan 1

Examples of risk reduction measures

- *Establish formal banking facilities such as use of accounts maintained with reputable banks for fund disbursements, where possible.*
- *Where funds are disbursed through intermediaries, ensure that disbursement criteria is agreed upon and clearly communicated. Charities should also ensure that intermediaries implement appropriate practices such as delegation of authority, segregation of duties in its finance processes, before agreeing to such arrangements and checking compliance with national and international laws such as cash declaration laws.*
- *Where funds are disbursed in the form of physical cash or through non-regulated financial channels, ensure documentation of decision made, including reasons for doing so and measures to be taken to mitigate the risk of funds being intercepted.*

Delivery and Operational Risk

Risk Register

Delivery and Operational Risk 1

Example - Charity disburses funds through high-risk financial channels (e.g. cash and cash cheques), non-regulated financial channels (e.g. cash couriers), or another intermediary used to hold and remit funds on the charity's behalf.

Risk Treatment 2

 Risk Acceptance

 Risk Reduction

 Risk Avoidance

 Risk Sharing

Action Plan 2

Examples of risk sharing measures

- *Charities can explore supporting existing charities that already have experience, resources and infrastructure in place to respond to such conditions.*
- *Charities may consider collaborating with larger charities to carry out such activities as larger charities generally have more resources to ensure risks are managed appropriately.*

Residual Risk (Optional)

 Green

 Blue

 Amber

 Red

Geographical Risk

Risk Register

Geographical Risk 1

Example - Charity engages in missions or programmes located

- i) *in a high-risk jurisdiction subject to call for action and/or a jurisdiction under increased monitoring identified by FATF;*
- ii) *in an area of conflict where there is an active terrorist threat; or*
- iii) *domestically in a country where there is no conflict, but within a population that is actively targeted by a terrorist movement for support and cover.*

Risk Consequence

Example – Charity faces a higher level of threat of abuse for TF or being misused as conduit.

Risk Owner

Likelihood

- Rare
 Unlikely
 Possible
 Likely
 Almost Certain

[Rationale for likelihood of occurrence.]

Impact

- Insignificant
 Minor
 Moderate
 Major
 Severe

Operational Disruptions

[Rationale for impact upon occurrence.]

Reputational Losses

[Rationale for impact upon occurrence.]

Financial Losses

[Rationale for impact upon occurrence.]

Legal Implications

[Rationale for impact upon occurrence.]

Colour Zone

- Green**
 Blue
 Amber
 Red

Risk Treatment 1

- Risk Acceptance
 Risk Reduction
- Risk Avoidance
 Risk Sharing

Action Plan 1

Examples of risk reduction measures

- *Establish documented guidelines for overseas activities and disbursements, including the process of considering the risks of TF abuse and mitigating measures before undertaking projects and escalation of pertinent ML/TF issues to the senior management.*
- *Document and establish appropriate internal controls for key processes such as procurement and finance.*
- *Conduct regular on-site inspection to monitor progress of programmes and projects to be implemented, whenever possible.*

Geographical Risk

Risk Register

Geographical Risk 1

Example - Charity engages in missions or programmes located

- i) *in a high-risk jurisdiction subject to call for action and/or a jurisdiction under increased monitoring identified by FATF;*
- ii) *in an area of conflict where there is an active terrorist threat; or*
- iii) *domestically in a country where there is no conflict, but within a population that is actively targeted by a terrorist movement for support and cover.*

Risk Treatment 2

Risk Acceptance

Risk Reduction

Risk Avoidance

Risk Sharing

Action Plan 2

Examples of risk sharing measures

- *Consider partnering charities that have established track records in conducting activities in such regions and demonstrate capabilities to implement robust safeguards to manage or lower risks.*

Risk Treatment 3

Risk Acceptance

Risk Reduction

Risk Avoidance

Risk Sharing

Action Plan 3

Examples of risk avoidance measures

- *Actively monitor the activities and cease aid distribution if diversion of resources occurs.*
- *Avoid engaging activities in high-risk jurisdictions if the charity does not have adequate resources to implement mitigating measures.*
- *In cases where terrorists are exerting territorial control, charities may consider to continue providing aid, but only to areas bordering or in proximity to conflict zone.*

Residual Risk (Optional)

Green

Blue

Amber

Red

Appendix D: Mitigating Measures

The table below summarises the recommended mitigating measures for charities.

Note: It is important to understand the availability of resources of the charity. The following are examples of good practices that could be considered when mitigating TF risks. The measures are not exhaustive and should be enhanced on a case-by-case basis.

Mitigating Measures



Organisational Integrity

- Governing board members understand and act in the interests of the organisation.
- Governing board members are accountable and transparent to members about the activities the charity undertakes.

Due Diligence



- Develop guidelines for carrying out due diligence on governing board members, key officers, employees, volunteers, partners, donors and beneficiaries.
- Carry out due diligence checks and reviews on individuals or organisations that the charity receives donations from, gives money to or works with, during and after the disbursement of funds overseas on an ongoing basis.
- Carry out due diligence procedures on unknown or unusual donors and key beneficiaries. Resource permitting, charities should put in 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.
- Establish the frequency of screening for donors, beneficiaries, partners, employees and volunteers and the criteria to be met prior to the commencement of a relationship and during periodical monitoring.
- Conduct enhanced checks when donors, beneficiaries or partners are located in high-risk jurisdictions and/or near conflict zones.

Training & Staffing



- Outline governing board members and employees' roles and responsibilities in a letter of appointment or by setting them out in a board or committee Terms of Reference.
- Be informed about training and information about AML/CFT matters.
- Implement clear reporting channels or systems for reporting of suspicious activities and transactions within the organisation.

Licence & Permits



- Be informed of the legislative requirements governing charities and engage the relevant authorities when in doubt regarding the requirements.

Mitigating Measures

Financial Accountability & Transparency



- Put in place robust policies and procedures for financial management and internal controls to enhance accountability and transparency of funds, in order to safeguard against potential ML/TF abuse. Formal written policies and procedures for key processes should be documented, implemented and adhered to.
- Establish and document mechanisms to monitor the usage of funds disbursed for activities, particularly for those conducted overseas.
- Establish clear criteria for acceptance and refusal of donations.
- Prepare an annual budget and review expenditure periodically to ensure that funds are applied in furtherance of the charity's objectives.
- As far as possible, ensure that transactions or fund transfers are conducted via regulated financial channels to minimise diversion while the funds are in transit.
- Keep complete financial records of income, expenses and financial transactions throughout their operations.
- For high-risk transactions: Seek governing board members' approval for high-risk transactions. Signatures are required by the originator, approver and financial reviewer at several stages in any financial transaction process to avoid unauthorised transactions.
- For transfer of cash: Document the decision to allow the transfer of cash, making clear why it is in the interest of the charity to do so and the steps taken to ensure the money reaches the intended recipient.
- For use of high-risk financial channels for fund remittance: Demonstrate that it is a reasonable decision to do so and check the legitimacy of institutions or platforms to be used, before proceeding with the transaction.
- Assign appropriate delegation and separation of authorities over the collection, deposit, reconciliation of cash and issuance of receipt.

Mitigating Measures

Programme Planning & Monitoring



- Establish documented guidelines for overseas activities and disbursements, which include an AML/CFT policy. Assess whether overseas activities are in line with its charitable objectives, establish written procedures for due diligence checks, reporting of suspicious activities and documented mechanisms to monitor usage of funds.
- Establish documented and clear selection criterion for beneficiaries and the scope of activities conducted for their benefit.
- Review and assess risks regularly, especially when there are significant changes to the scope of the overseas activities or when major external events occur that may impact overseas activities.
- Maintain detailed budgets and keep proper records of related purchases and expenses for each project.
- Conduct regular on-site inspections or visits where possible. When on-site inspections or visits are not possible or not appropriate, charities should minimally request for regular written progress reports from partners or beneficiaries to monitor project developments, especially those conducted in high-risk countries or regions near conflict zones.
- Monitor project performance on a regular basis by verifying the existence of beneficiaries and ensuring the receipt of funds.
- Where charities provide services to large numbers of people, ensure maintenance of proper records of individuals, households or groups once they have been identified for ease of retrieval of records.
- For partner relationships, establish written agreements to outline the scope of activities to be taken, the use of the charity's name and collaterals (e.g. logo), how charitable funds and assets should be accounted for, the expectations and responsibilities of both parties with clauses related to the prevention and misuse of funds for TF purposes and implementation of regular checks to ensure that the agreements are being followed.

Appendix E: TF Risk Assessment Checklist

It is important for charities to regularly review and assess their exposure to risks of abuse for TF and mitigate the identified risks in a systematic manner. The checklist below will assist charities in performing risk assessment on their organisations.

**Tick if
completed**

Step 1 – Identify: Risk of TF & Risk Owners

- 1.1 Has the charity identified the TF risks by taking into account factors such as beneficiary and donor risk, delivery and operational risk as well as geographical risk?

Refer to Appendix A to identify if the charity has potential exposure to TF risk(s).

- 1.2 Has the charity identified the risk owners responsible for assessing, overseeing and implementing action plans to manage TF risks?

Risk owners are the personnel in charge of assessing and monitoring the potential risks in their respective areas of responsibilities, and be accountable for the management of those risks.

Step 2 – Assess: Risk Score TF Risks

- 2.1 Has the charity assessed and derived the risk ratings for each of the TF risks using the risk assessment matrix on page 15? Please note that existing mitigating measures should not be factored into the risk ratings.

Refer to Appendix B for an example of the ways a charity can define parameters to risk score TF risks.

- 2.2 Has the charity identified which TF risks should be prioritised?

Refer to the risk assessment matrix on pages 15 and 16 to identify which risks should be prioritised.

Step 3 – Communicate and Manage: Communicate and Establish Action Plans to Manage Risks

- 3.1 Has the charity developed action plans for the management of risks, especially for critical ones?

The action plans should commensurate with the charity's overall risk appetite. Refer to Appendix D for a list of examples of mitigating measures.

Appendix E: TF Risk Assessment Checklist

Tick if
completed

- 3.2 Has the charity communicated the results of the risk assessment to the governing board members and other stakeholders?

It is important for the charity to obtain support from the charity's governing board and stakeholders to ensure sufficient time and resources are provided for proper implementation of the developed action plan.

Step 4 – Monitor: Effectiveness of Action Plans and Review Risk Profile

- 4.1 Has the charity established an approach to monitor the effectiveness of the action plans?

It is recommended that the charity monitor and evaluate the effectiveness and relevance of the action plans periodically. The environment in which the charity operates may evolve over time. Hence, action plans may become irrelevant or outdated. As a result, action plans that were effective at one point in time may no longer be so.

Step 5 – Report: Outcome of Monitoring Risks

- 5.1 Has the charity informed the respective risk owners of the outcome derived from risk monitoring?

When reporting the outcome derived from risk monitoring, larger charities can consider reporting from a residual risk perspective. When scoring residual risk, it is important for charities to also assess the design and operating effectiveness of the mitigating measures.

- 5.2 Has the risk assessment been documented?
-

About Us

The Office of the Commissioner of Charities

The Charities Unit, also known as the Office of the Commissioner of Charities (“COC”), was set up on 1 July 2006, as part of the Inland Revenue Authority of Singapore. Following the recommendations of the Inter-Ministry Committee on the Regulation of Charities and Institutions of a Public Character, the Charities Unit was officially transferred to the Ministry of Community Development, Youth and Sports (“MCYS”) on 1 September 2006. The division came under the purview of the Ministry of Culture, Community and Youth (“MCCY”) when it was formed on 1 November 2012. The COC aims to develop a well-governed and thriving charity sector with strong public support by engaging the sector through outreach initiatives as well as provide quality assurance through the Charities Act and legislations.

MCCY seeks to inspire Singaporeans through the arts and sports, engage the youth, strengthen community bonds, and promote volunteerism and philanthropy. To enable the charity sector to flourish, MCCY adopts a robust yet balanced regulatory approach and works with various partners to help charities strengthen their capabilities and governance. MCCY encourages co-regulation and a culture of transparency and accountability. This enables a safe giving environment where everyone can do a part in creating a caring society.

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