



CHARITY COMMISSION
FOR ENGLAND AND WALES

Preventing and protecting the non-profit organizations (NPO) sector from terrorism-financing abuse - using a proportionate, risk-based approach, the UK perspective and response

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Joint special meeting of the Counter-Terrorism Committee and the ISIL (Da'esh) and Al-Qaida Sanctions Committee

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Using a proportionate, risk-based approach - the UK perspective and response

- Context
 - International
 - FATF and R8
- UK strategic approach
- Identifying those charities vulnerable to abuse
- Current outreach practices with charities and other effective tools
- Implementation of related risk-based measures to prevent, disrupt and deter abuses to protect charities and enable legitimate ones to operate as freely as possible
- Current challenges
- Themes, trends, emerging risks?



Context – the International Dimension

- Truly international - requires a global response
- Charity and charity related funding sources
- Not as simple as following or using cash
- Material resourcing used for terrorism-financing-related risks

- Yes, ISIL, Al-Qaida, those associated with them but also risks from other groups

- The reality of the risks that charities face in delivering their work around the world
- Reminder of charities' essential role – “filling the space”

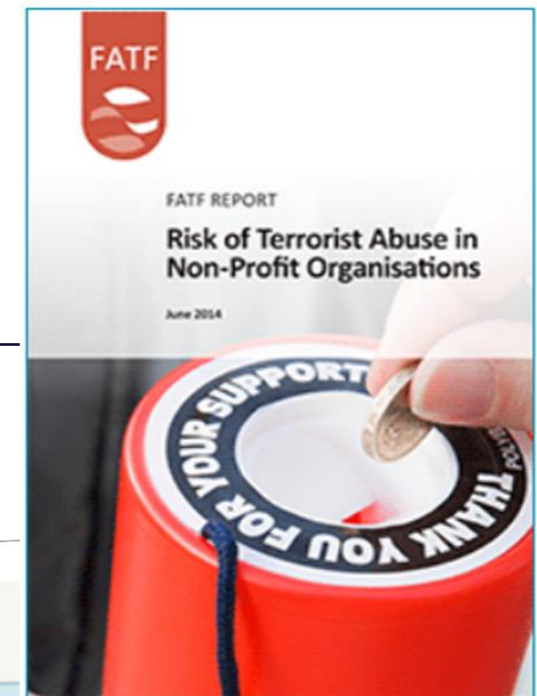


FATF and R8 Context

- **R8 Non-profit organisations**
- *Countries should review the adequacy of laws and regulations that relate to non-profit organisations which the country has identified as being vulnerable to terrorist financing abuse. **Countries should apply focused and proportionate measures, in line with the risk-based approach, to such non-profit organisations to protect them** from terrorist financing abuse, including:*
 - *(a) by terrorist organisations posing as legitimate entities;*
 - *(b) by exploiting legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset-freezing measures; and*
 - *(c) by concealing or obscuring the clandestine diversion of funds intended for legitimate purposes to terrorist organisations.*



FATF Typologies Report



Methods and Risks of Abuse

Diversion of Funds	An NPO, or an individual acting on behalf of an NPO, diverts funds to a known or suspected terrorist entity
Affiliation with a Terrorist Entity	An NPO, or an individual acting on behalf of NPO, maintains an operational affiliation with a terrorist organisation or supporter of terrorism
Abuse of Programming	NPO-funded programmes meant to support legitimate humanitarian purposes are manipulated at the point of delivery to support terrorism
Support for Recruitment	NPO-funded programmes or facilities are used to create an environment which supports and/or promotes terrorism recruitment-related activities
False Representation and Sham NPOs	Under the guise of charitable activity, an organisation or individual raises funds and/or carries out other activities in support of terrorism



UK Strategic Approach

- Terrorist Financing is criminal
- Asset Freezing and sanctions regime – UN, domestic
- Using regulatory and other existing non CT/TF specific tools to disrupt and deter abuse and protect charities
- Protecting charities through:
 - outreach and awareness
 - investigation and sanction
 - monitoring and supervision
 - cooperation and information sharing
- Measures to protect from other abuse (e.g. ensure good governance, strong financial management) will protect against CT abuse

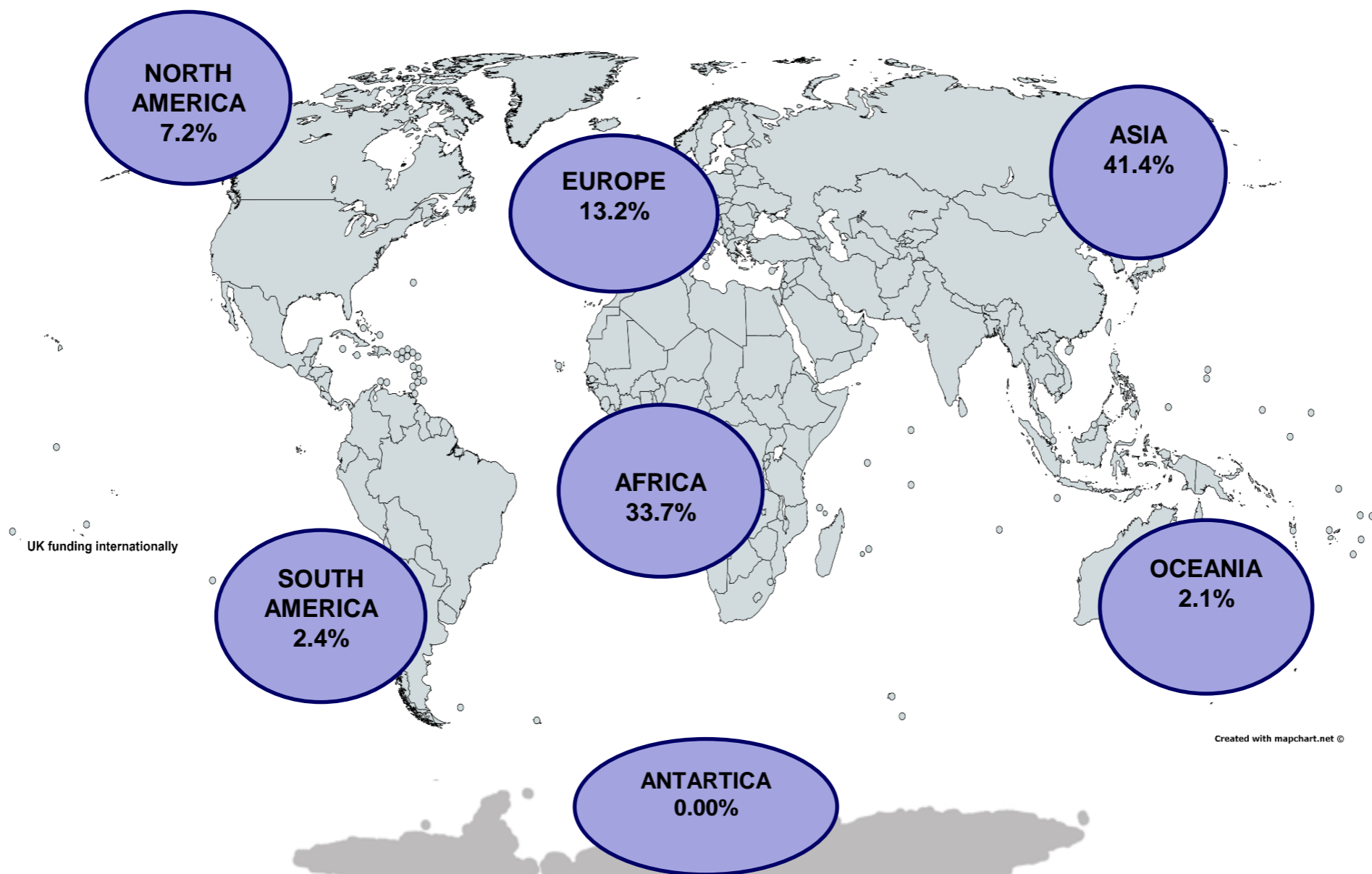


The UK's International Charity Sector

- 13,000 operate internationally
- Annual income of approximately £10 billion



UK funding internationally





Identifying those charities vulnerable

- UK National Risk Assessment (2015)
- Domestic sector review(s)
- Not all charities
 - Where: Location
 - What: Type of activities which expose to additional risk
 - How: How do they carry out activity
 - Vulnerable to abuse for different purposes?
 - Resources used to support recruitment activities?
 - raising and moving funds, particularly overseas in conflict zones?
 - providing opportunist cover for travel?
- Not as simple as cash



What are the common types of risks?

- Money coming **IN**
 - Money from donors – provenance of funds; reputational risks due to donor links associations or conduct; undue influence over decisions
- From **WITHIN**
 - Charity activities; links and associations (trustees, employees, volunteers, fundraisers...); when conduct in your personal capacity impacts on your trusteeship or charity link
- Resources going **OUT**
 - Use of partners (domestic and overseas); links, associations, control - reputational risks; beneficiary influence



Current practices and tools - Outreach

- Strategic and policy level engagement (e.g. on the FATF changes to R8 and IN)
- Cross government engagement
- Focussed resource on helping charities prevent abuse
- Producing practical guidance - toolkit
- Outreach workshop educational and awareness events...
- One to one support
- Regulatory alerts (e.g. risks of using convoys, duty to report under s19 Terrorism Act 2000 terrorist financing offences)
- each investigation report by regulator published with wider lessons and advice



Outreach Communications: getting the message across



Syria and aid convoys - regulatory alert

The Charity Commission, the independent regulator of charities in England and Wales, is issuing alert to charities as regulatory advice under section 15(2) of the Charities Act 2011 – it is particularly relevant for trustees of charities and charitable appeals which are organising or participating in humanitarian aid convoys to assist those affected by the conflict in Syria.





Current practices and tools - Investigation, sanction

- Close working with police and law enforcement
 - witness statements, supporting prosecutions
- Layered approach:
 - Different approach if charity is the victim
 - honest trustees/mistakes?
 - negligent/careless?
 - deliberate /wilful?
- legislation changes and new powers
 - ensuring no one with terrorist financing offence or on sanctions lists can be a trustee
 - official warnings
 - direction "not to" take action
 - power to protect charities from persons unfit to be a trustee
 - conduct outside role as a charity trustee can affect your fitness



Current challenges

- Major challenges over international information-sharing
 - operational barriers:
 - seen by some as criminal only - what has this got to do with you as regulator?
 - different domestic practices - Ministry? Tax Authority? regulator?
 - How do I find out who supervises charities?
 - potential legal and technical barriers:
 - do legal gateways exist?
 - are they horizontal only not vertical (MLAT, Egmont?)?
 - data protection issues (e.g. tax information)
 - importance of developing formal and informal mechanisms



Current challenges

- STRs/SARs - are charities identifiable within them?
- Evidence - it is not a numbers game
- Mature conversation about the inherent risks involved with some charities' activities
- Cash and finances v material resourcing - it is not as simple as attack planning risks
- Use of charities' facilities and resource for recruitment related purposes
- The growth in use of social media (esp. fundraising)
- Promoting hatred and division - inciting racial or religious hatred (including against Muslim communities)



Themes? Trends? Emerging Risks?

- How does what we are seeing compare to the main methods and risk identified in the 2014 FATF Typologies report:
 - Diversion of funds?
 - Affiliation with a terrorist actor/group?
 - Programming abuse?
 - Support for recruitment?
 - False representation?
- Others?





Overview

- 2015/16
 - 4 new inquiries (terrorism generally)
 - 21 serious incidents reported by charities
 - Over 600 disclosures to agencies and depts
 - visits and inspections
 - Safer giving campaign
 - 25 outreach events – over 1000 attendees
- Recent inquiry reports published include
 - charitable funds in the name of Adeel Ul-Haq
 - Didi Nwe Organisation
 - Hindu Swayamsavek Sangh
 - Global Aid Trust Limited
- regulatory alerts issued include safer giving advice



Live issues icw conflict zones

- Charities working in conflict affected areas and where terrorist groups operate including ISIL, and JFS in Syria
- Aid convoys - abuse for non-charitable purposes and facilitating travel for foreign fighters
- Charitable appeals and fundraising issues
- Other risks
 - diversion of funds, goods and aid in country
 - safety risks including kidnapping for ransom
 - transmission of cash by charity "agents" and "representatives"
 - use of local partners for delivery (due diligence?)
 - ineffective or non existent monitoring and verifying end use of funds



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Resourcing for Recruitment Risks

- Allowing charity premises, events, website or literature to be used to promote violence, encourage or glorify acts of terrorism, or support extremist views and ideas
- The increased use of charity social media
- Promoting hatred and division - inciting racial or religious hatred



Final Thoughts.....

- The whole NPO/charity sector is not and should not been seen as high risk per se
- Each country and region – the risk is different
- The "De-risking" impact and "chilling" effect
- Underlines the importance
 - for each country and government authority to have a good understanding of how the NPOs/charities in their own country are vulnerable to terrorist abuse and terrorist financing risks
 - of international dialogue and effective communication



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