



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

Michelle Russell

Director of Investigations, Monitoring and Enforcement
Charity Commission for England and Wales

Joint special meeting of the Counter-Terrorism and Sanctions Committee
13 December 2016

www.charitycommission.gov.uk

Twitter: @chtycommission



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 -

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



Diversions of Funds

Assets of Terrorists

Typology	Assets of Terrorists	Diversions of Funds
1. Terrorist Financing	1.1. Terrorist Financing	1.1. Terrorist Financing
2. Terrorist Abuse of Financial Institutions	2.1. Terrorist Abuse of Financial Institutions	2.1. Terrorist Abuse of Financial Institutions
3. Terrorist Abuse of Non-Financial Institutions	3.1. Terrorist Abuse of Non-Financial Institutions	3.1. Terrorist Abuse of Non-Financial Institutions
4. Terrorist Abuse of Virtual Assets	4.1. Terrorist Abuse of Virtual Assets	4.1. Terrorist Abuse of Virtual Assets
5. Terrorist Abuse of Cryptocurrencies	5.1. Terrorist Abuse of Cryptocurrencies	5.1. Terrorist Abuse of Cryptocurrencies
6. Terrorist Abuse of Digital Assets	6.1. Terrorist Abuse of Digital Assets	6.1. Terrorist Abuse of Digital Assets
7. Terrorist Abuse of Digital Assets	7.1. Terrorist Abuse of Digital Assets	7.1. Terrorist Abuse of Digital Assets
8. Terrorist Abuse of Digital Assets	8.1. Terrorist Abuse of Digital Assets	8.1. Terrorist Abuse of Digital Assets
9. Terrorist Abuse of Digital Assets	9.1. Terrorist Abuse of Digital Assets	9.1. Terrorist Abuse of Digital Assets
10. Terrorist Abuse of Digital Assets	10.1. Terrorist Abuse of Digital Assets	10.1. Terrorist Abuse of Digital Assets
11. Terrorist Abuse of Digital Assets	11.1. Terrorist Abuse of Digital Assets	11.1. Terrorist Abuse of Digital Assets
12. Terrorist Abuse of Digital Assets	12.1. Terrorist Abuse of Digital Assets	12.1. Terrorist Abuse of Digital Assets
13. Terrorist Abuse of Digital Assets	13.1. Terrorist Abuse of Digital Assets	13.1. Terrorist Abuse of Digital Assets
14. Terrorist Abuse of Digital Assets	14.1. Terrorist Abuse of Digital Assets	14.1. Terrorist Abuse of Digital Assets
15. Terrorist Abuse of Digital Assets	15.1. Terrorist Abuse of Digital Assets	15.1. Terrorist Abuse of Digital Assets
16. Terrorist Abuse of Digital Assets	16.1. Terrorist Abuse of Digital Assets	16.1. Terrorist Abuse of Digital Assets
17. Terrorist Abuse of Digital Assets	17.1. Terrorist Abuse of Digital Assets	17.1. Terrorist Abuse of Digital Assets
18. Terrorist Abuse of Digital Assets	18.1. Terrorist Abuse of Digital Assets	18.1. Terrorist Abuse of Digital Assets
19. Terrorist Abuse of Digital Assets	19.1. Terrorist Abuse of Digital Assets	19.1. Terrorist Abuse of Digital Assets
20. Terrorist Abuse of Digital Assets	20.1. Terrorist Abuse of Digital Assets	20.1. Terrorist Abuse of Digital Assets



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

Charity Sector

13,000 operate internationally

Annual income of approximately £10 billion





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, ~ } å!aã^!•õ); , @} &[} å~ &c in your personal capacity impacts on your trusteeship or charity link

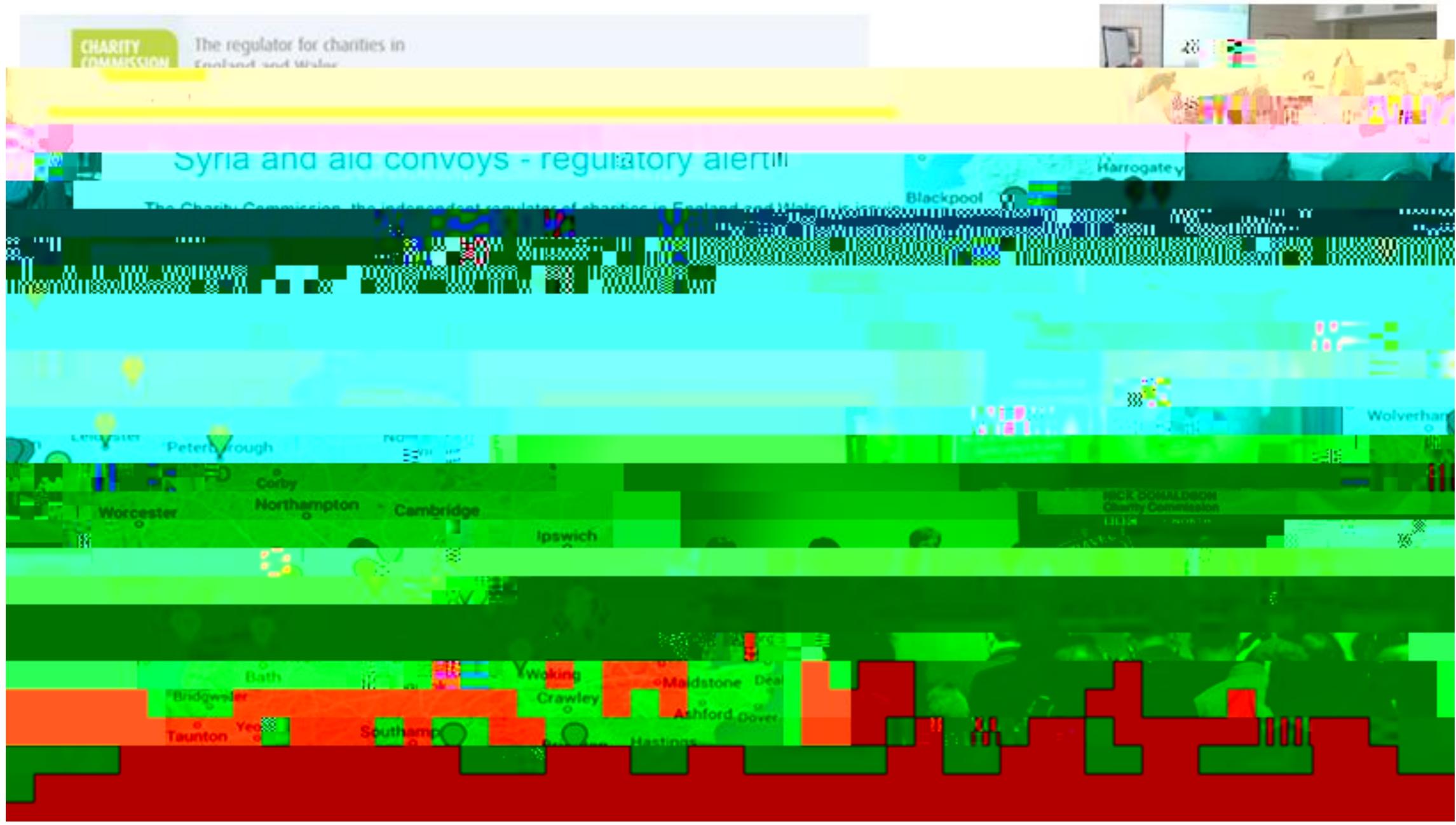
- “ Resources going **OUT**
 - “ Use of partners (domestic and overseas); links, associations, control - reputational risks; beneficiary influence

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



Outreach Communications: getting the message across





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)
- “



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?





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



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



CHARITY COMMISSION

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

Michelle Russell

Director of Investigations, Monitoring and Enforcement

Charity Commission for England and Wales

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

13 December 2016

www.charitycommission.gov.uk

Twitter: @chtycommission