

# NPOs and Terrorist Financing

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International requirements and  
Jersey's response



Jersey Financial  
Services Commission

JFSC Official

# Agenda

What is terrorist financing?

FATF and NPOs

Role of JFSC, Charity Commissioner  
and Jersey Overseas Aid

Terrorist Financing and NPOs

What next?

# What is terrorist financing?

- FATF definition

*Terrorist financing is the financing of **terrorist acts**, and of **terrorists** and **terrorist organisations**.*

- Terrorist financing includes, directly or indirectly, assisting terrorists and terrorist organisations:
  - to raise and/or move funds
  - by providing logistical support
  - by encouraging terrorist recruitment, or
  - by otherwise supporting terrorist organisations and their operations.



# Why may NPOs be misused for terrorist financing?

- NPOs enjoy
  - public trust
  - have access to considerable sources of funds
  - historically have been cash intensive.
- Some have global presence - provides a framework for national and international operations and financial transactions
- Work in, or in close proximity to, conflict zones





# FATF and NPOs

## FATF – Financial Action Task Force

An independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, **terrorist financing** and the financing of proliferation of weapons of mass destruction.

The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard.



# FATF and NPOs

- International response to 9/11
  - October 2001: funding of terrorist acts and terrorist organisations brought within the FATF mandate.
- FATF significantly revised its Recommendations in 2012: Recommendation 8 (Non-profit organisations)
  - Focus on NPOs identified as being **vulnerable** to terrorist financing abuse.



# FATF: Recommendation 8 (summarised)

Countries should:

- review the adequacy of laws and regulations that relate to NPOs identified as being **vulnerable** to terrorist financing abuse
- apply focused and proportionate measures to **vulnerable** NPOs to protect them from terrorist financing abuse, such as:
  - a) terrorist organisations posing as legitimate entities
  - b) exploitation of legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset-freezing measures
  - c) concealing/obscuring the clandestine diversion of funds intended for legitimate purposes.



# Non-Profit Organizations (Jersey) Law 2008

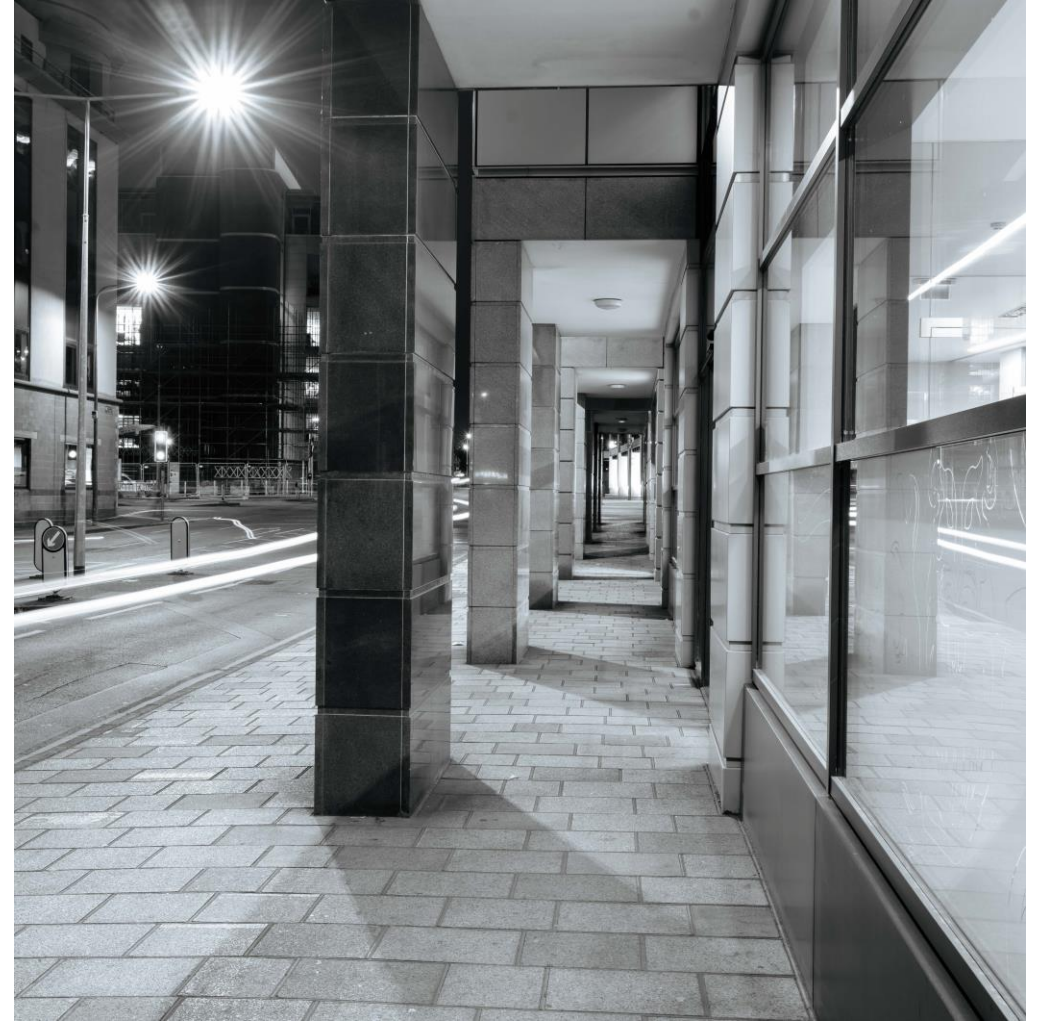
- Administered by the JFSC
- Defines a non-profit organisation
- Registration is **required** if the definition of a non-profit organisation is met, unless
  - Funds raised are less than £1,000 in preceding 12 months or
  - The NPO is provided with a prescribed service by a trust company business





# Non-Profit Organizations (Jersey) Law 2008

- Registration may be refused if the JFSC considers the proposed NPO:
  - is assisting or being used to assist terrorism
  - is likely to assist or be used to assist terrorism
  - Does not meet the definition of an NPO
- JFSC maintains a register of NPOs – not public





# Non-Profit Organizations (Jersey) Law 2008

- NPOs required to advise the JFSC of changes to their registration information, within three months of the change, mainly:
  - Contact details
  - Purpose, objectives, activities
  - Changes to amounts raised or disbursed
- No fees
- No annual reporting



# The Office of the Jersey Charity Commissioner

The Commissioner's general functions include:

- Administering the Charity Test to register charities
- Maintaining the public charity register
- Publishing and maintaining guidance on the operation of the Law
- Supervising the compliance of Charity Governors and Registered Charities under the Law (Charities (Jersey) Law 2014)

# The Office of the Jersey Charity Commissioner

The Commissioner's purpose is to:

- Protect public trust and confidence in registered charities
- Encourage all forms of charitable giving and
- Voluntary participation in the work of registered charities



# The Office of the Jersey Charity Commissioner

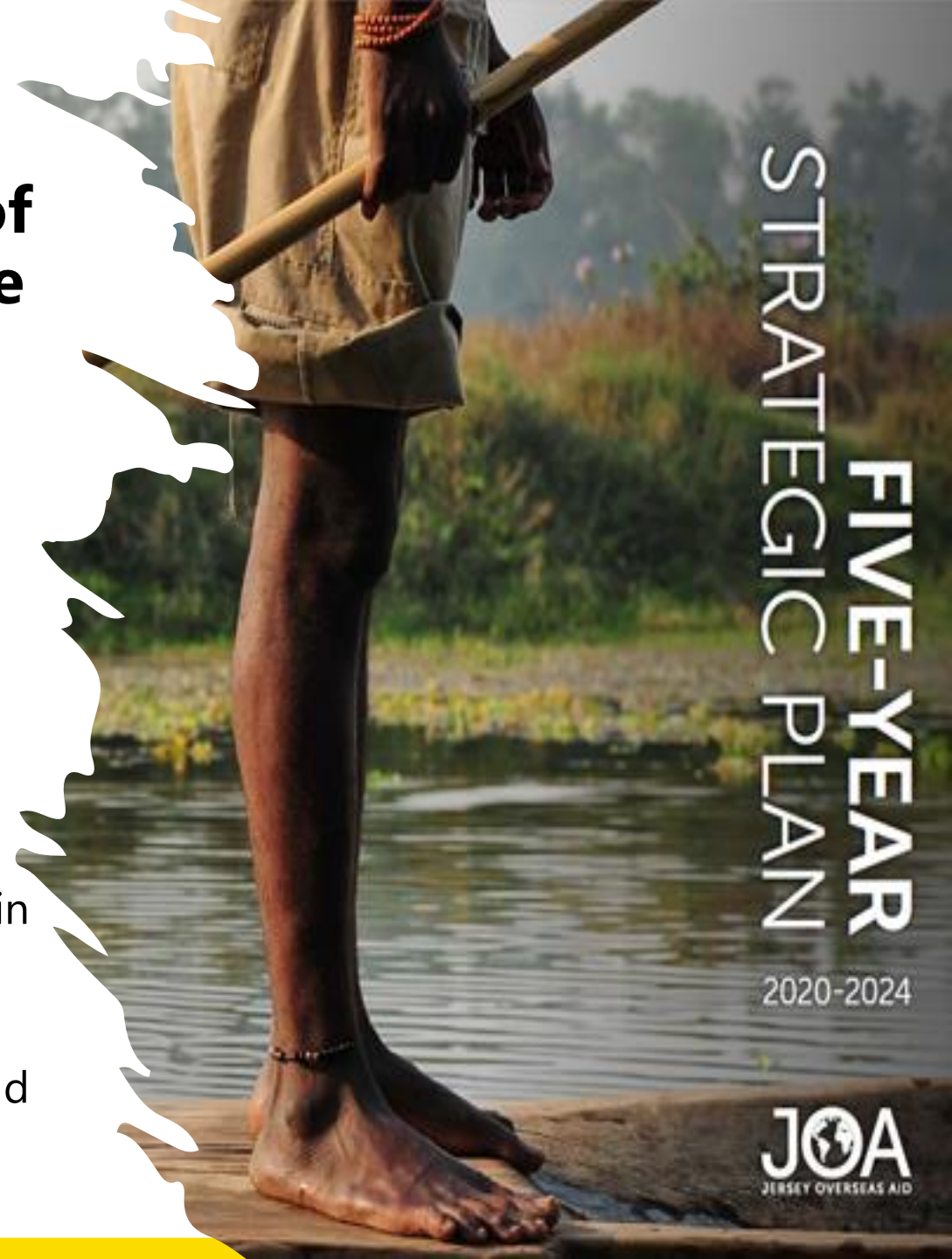
## Registration:

- Divided into three sections, general, restricted and historic
- Restricted registration requires the charity to meet the “funding condition”: “refraining from soliciting donations from the general public”
- Voluntary (but a Jersey entity that is not a registered charity must not refer to itself as a “charity”)
- Has ongoing requirements to submit an annual return to maintain registration

**Mission: 'To translate the generosity, skills and compassion of the people of Jersey into effective assistance for the world's neediest people'**

**Main Objectives:**

- To promote sustainable economic and human development in some of the poorest countries in the world
- To provide timely humanitarian assistance to victims of natural and manmade disasters
- To facilitate the efforts of individuals and organisations in Jersey to provide assistance to the world's poor
- To enhance Jersey's international personality as a responsible global citizen and force for good in the world



# JOA programmes



## 01. International Development Grants

These are multi-year projects awarded to registered UK and international charities. Jersey concentrates its major development grants on a handful of carefully-chosen themes, such as Dairy and Financial Inclusion, selected for their effectiveness in bringing lasting change to the lives of the poor and for being areas where the skills and knowledge on the Island can be used to add particular value.



## 02. Emergency & Disaster Relief

Jersey has been present at nearly every major global emergency since JOA's foundation, responding to hurricanes, droughts, famine, earthquakes, and outbreaks of disease. The Island also supports civilians affected by conflict, particularly in Yemen and Syria, some of the worst humanitarian crises in a generation. Having received humanitarian aid ourselves, we're proud to be in a position to save innocent lives abroad.



## 03. Jersey Overseas Charities

Jersey-based charities actively implement projects all over the developing world. In 2017, JOA donated almost £1m to Jersey organisations conducting life-changing work in 11 countries.

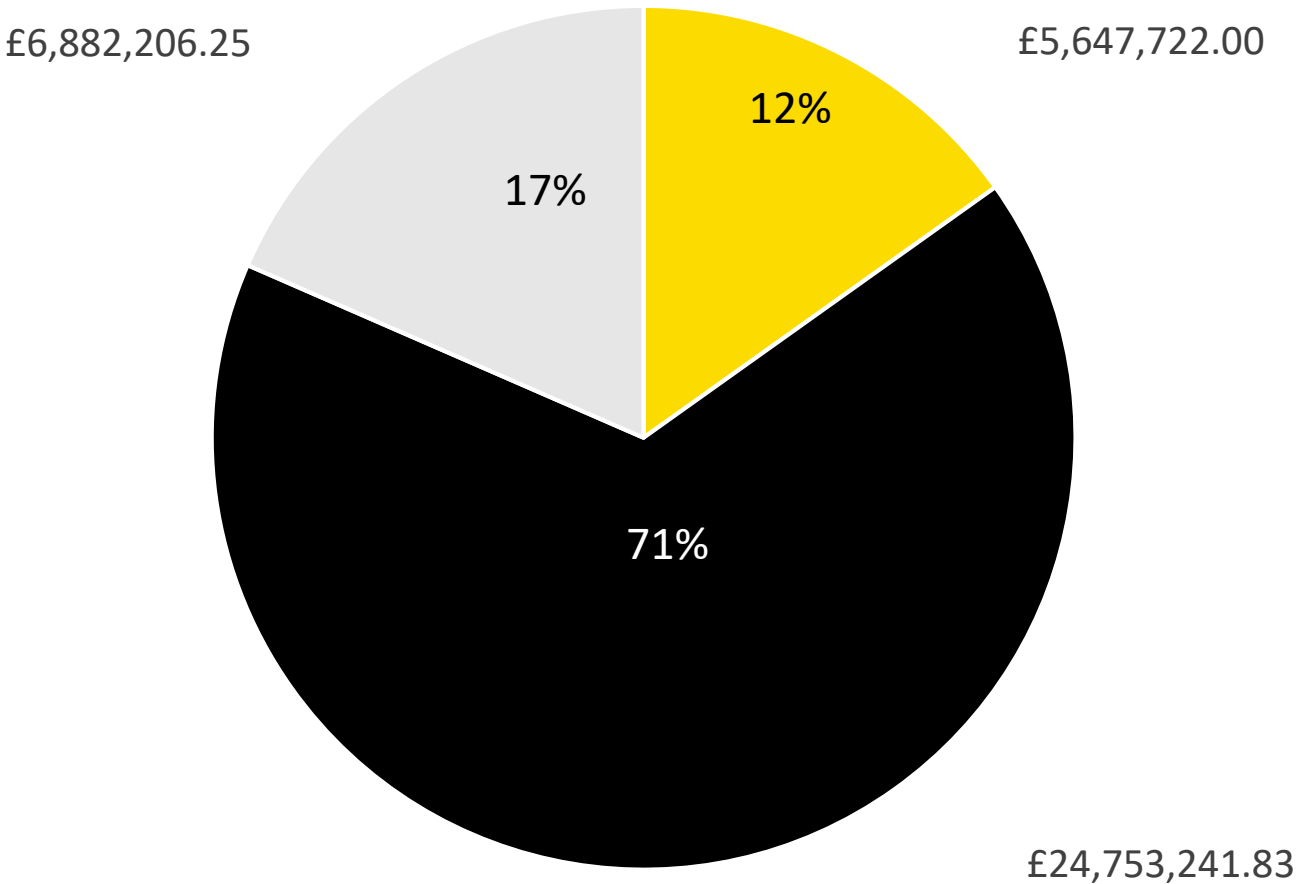


## 04. Community Work Projects & Bursaries

Since 1972 Jersey has sent Islanders to volunteer for a few weeks on projects abroad. They bring a personal message that Jersey cares, and in many cases create enduring links between communities in Jersey and developing countries.



# JOA portfolio 2021: £33m active (signed) agreements





# Terrorist financing and NPOs



- April 2021 – Jersey published its first National Risk Assessment of Terrorist Financing
  - Report: [National Risk Assessment of Terrorist Financing \(gov.je\)](https://www.gov.je/finance/terrorism/assessment)
  - Webinar: [Webinar on National Risk Assessment for terrorist financing \(jerseyfsc.org\)](https://www.jerseyfsc.org/webinars)



# Terrorist financing and NPOs

- TF NRA action:
  - In accordance with Recommendation 8, a proper NPO risk assessment should be undertaken and a regulatory framework implemented which includes focused and proportionate measures for regulation, registration and supervision of those NPOs that are identified as being **vulnerable** to TF abuse



# Terrorist financing and NPOs

- Not all NPOs represent the same level of TF risk, and that some NPOs represent little or no risk at all
- Misuse of an NPO not only facilitates terrorist activity, but also
  - undermines donor confidence
  - jeopardises the very integrity of NPOs
  - impacts negatively on the island community and reputation.





# What next?

- Island working group
  - Complete an NPO risk assessment before year end 2021
  - Create an NPO regulatory regime focussed on **vulnerable** NPOs:
    - 2018 consultation / 2019 feedback papers are relevant
    - timetable not fixed, requires legislation changes
- JFSC
  - Updating contact details on the NPO register
  - Collecting data from registered and regulated NPOs to identify **vulnerable** NPOs





# Vulnerable NPOs

- Risk assessment will identify vulnerable NPOs, based on characteristics currently being agreed
- Will include consideration of:
  - Purpose, objectives, activities
  - Organisational structure
  - Jurisdictions in which funds are disbursed
  - Source of funding – jurisdiction and nature
  - Other relevant factors



# NPO sector

Turnover  
exempt NPOs

Regulated NPOs

NPO Register

Charities Register

NPOs identified as vulnerable to TF



Jersey Financial  
Services Commission

...The person that took over the Al Qaeda leadership position upon Osama Bin Laden's death was a surgeon working for an arm of the International Red Cross.





The FATF requires each country to identify, assess and understand the terrorist financing risks it faces in order to mitigate them and effectively dismantle and disrupt terrorist networks.

Countries often face particular challenges in assessing terrorist financing risks due to the low value of funds or other assets used in many instances, and the wide variety of sectors misused for the purpose of financing terrorism.







# Questions?



# Thank you

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