CHARITIES: RISKS FROM TERRORISM

The Isle of Man people have a long history of charitable giving and voluntary activity. Charities play a vital role in the economy and social system of the Isle of Man. Internationally however, charities have in some jurisdictions been vulnerable to infiltration or abuse by people seeking to carry out terrorist attacks. The ongoing international campaign against terrorist financing has unfortunately demonstrated that terrorists and terrorist organisations exploit the charity sector to raise and move funds, provide logistical support, encourage terrorist recruitment or otherwise support terrorist organisations and operations. This misuse not only facilitates terrorist activity but also undermines donor confidence and jeopardises the very integrity of charities.

It is not thought or known that at present any Isle of Man based charities have links to terrorist individuals, groups, or operations. Nor that they have been inadvertently used to help finance terrorist activity.

The use or misuse of charities is useful to a terrorist or terrorist organisation because they:

- Enjoy public trust;
- May have access to considerable sources of funds;
- Can be cash-intensive;
- May have a global presence that provides a framework for national and international operations and financial transactions;
- Are sometimes active within or near those areas that are exposed to terrorist activity;
- May be subject to little or no governmental oversight;
- May require few formalities for their creation.

Studies of how terrorists have funded their operations and activities historically around the world have shown that charities with certain characteristics are more vulnerable than others. The risk of abuse is greater where the charity:

- Is closely aligned to particular religious or cultural movements;
- Frequently moves funds or other resources to areas of conflict or unrest around the world;
- Passes funds to other organisations based overseas rather than deliver services directly;
- Deals exclusively in cash or alternative remittance systems where no formal banking infrastructure exists; or
- Has extremely complicated financial records in which suspicious transactions are less easy to identify.

Charities can help protect themselves from inadvertently being misused by adopting the following strategies:

- Having appropriate controls in place to ensure that all funds are fully accounted for.
- Make best efforts to document the identity of any significant donors.
- Ensure all funds are spent in a manner that is consistent with the purpose and objectives of the charity’s stated activities.
- Make best efforts to confirm the identity, credentials and good standing of beneficiaries and/or associated charities.
- If beneficiaries are outside of the Isle of Man, try to verify that donations are spent for the purpose that they were given.
- Ensure all those that are involved in the running of the charity are made aware of the possible risks of charities being used in the financing of terrorism.
- Report any suspicious activity to the appropriate authorities.

If you do identify any suspicious activity, or are unsure of the legitimate standing of any financial transaction, please report the details immediately to the Isle of Man Constabulary’s Financial Crime Unit on (01624) 686000.

If you have any general queries regarding anti-money laundering or countering the financing of terrorism, please contact Paul Heckles or Kathryn Cain at the Financial Supervision Commission on 01624 689300.