Terrorist Financing Risk Information Session For Non-Profit Organizations

Awareness, Identification & Mitigation

Hosted By:
The Registry General's Dept.

TOPICS

- The Financial Action Task Force
- Recommendation 8, Immediate Outcome 10 & NPOs
- 2024 National Risk Assessment
- Terrorist Financing Risk & Typologies
- TF Mitigation
- Role of Registry General and Legislative Changes
- Questions

What is the Financial Action Task Force?

- The ***Financial Action Task Force***, known by the acronym **FATF**, is a global inter-governmental body that aims to promote the enforcement of legal and regulatory measures against Money Laundering (ML), Terrorism Financing (TF) and Proliferation Financing (PF).

- Bermuda's jurisdiction is the Caribbean FATF (CFATF), an Associate Member of the FATF.

Purpose of FATF

The FATF sets international standards for preventing ML & TF crimes globally.

They have issued 40 Recommendations and 11 Immediate Outcomes adopted by over 200 jurisdictions to help guide how countries detect, prevent and report suspicious financial crimes.

These include:

Purpose of FATF Cont'd

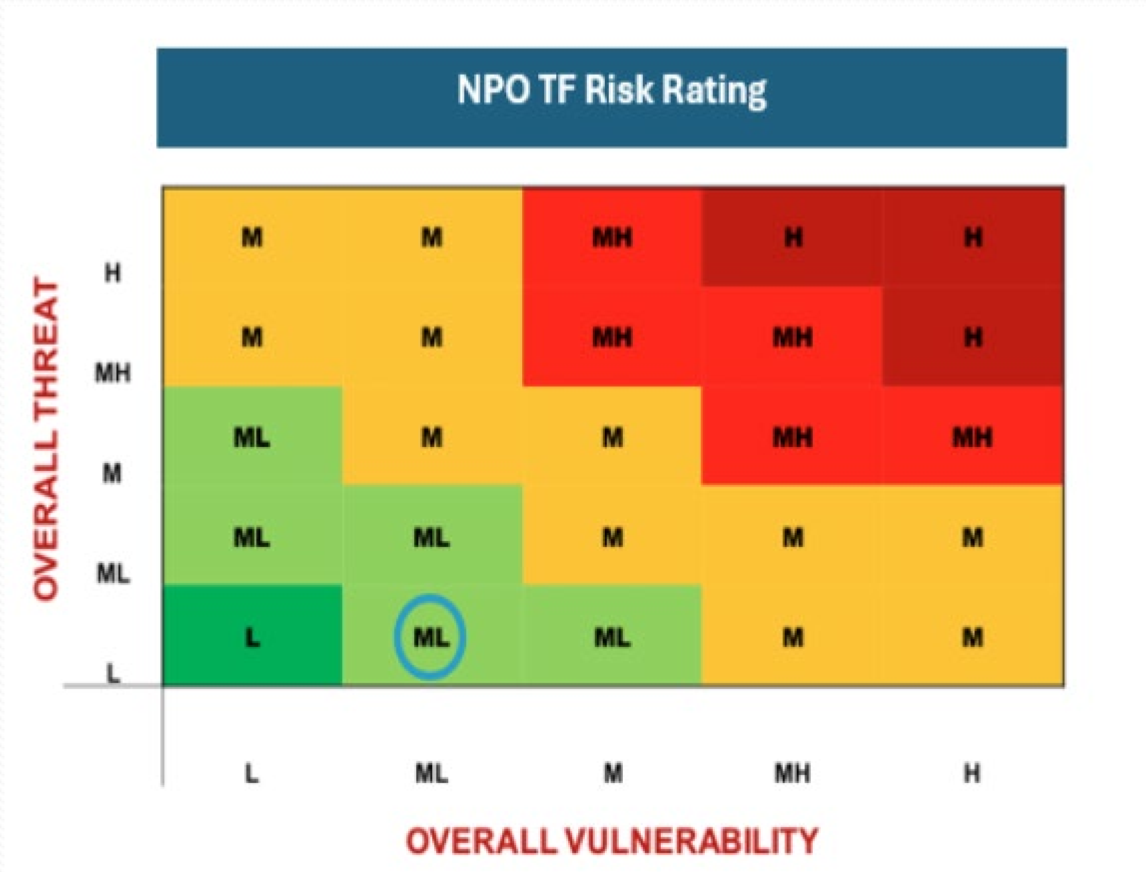
- Detecting and disrupting ML & TF risks.
- Strengthening the integrity and transparency of financial systems.
- Promoting cooperation between law enforcement, regulators and financial institutions.
- Ensuring proportionate and risk-based compliance that adapts to evolving TF threats.

Bermuda's
National Risk Assessment

- Included a review of Bermuda's NPO Sector relative to the risk of Terrorist Financing abuse (TF)

- Outcome – Bermuda's NPO Sector was rated MEDIUM-LOW Inherent TF risk, based on Low TF Threat and Medium-Low inherent vulnerability scores. There is no evidence of terrorist or TF abuse in the sector.

NRA 2024 Findings



Terrorist Financing Abuse

The FATF considers TF abuse as:

"The exploitation by terrorists and terrorist organisations of NPOs to raise or move funds, provide logistical support, encourage or facilitate terrorist recruitment, or otherwise support terrorists or terrorist organisations and operations."

Common types of TF Abuse

Diversion of Funds

Affiliation

Program Abuse

Sham NPOs

Recruitment Support

False Representation

New Technologies

The FATF and NPOs

The guiding FATF Recommendation for NPOs is **Recommendation 8**.

Under Rec. 8, an NPO is defined as:

“A legal person, arrangement or organisation that **primarily engages in raising or disbursing funds** for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of **good works**.”

Recommendation 8

Countries should:

- **identify** charitable organisations that fall within the FATF definition of NPOs and assess their risks for Terrorist Financing (TF).

- **apply** focused, proportionate and risk-based measures without unduly disrupting or discouraging legitimate NPO activities.

Potential TF Risks for NPOs

- **Volume of activity** – what has the charity "done" over the year.
- **Exposure** – activities in foreign location automatically pose a TF risk.
- **Level of controls** – strong internal governance against TF risk serve to mitigate risk, but they must be proportionate to the risk.

Legislative Changes

Repeal of the Charities (AML/ATF) Regulations 2014

Charities are no longer required to:

- appoint a Compliance Officer
- report Suspicious Activity Reports (SAR) to the Financial Intelligence Agency (FIA)

Only NPOs at higher risk of TF are required to provide details on how they manage their TF risk. High risk charities are primarily those which present “red-flags”.

Questions