

RED FLAG INDICATORS FOR TERRORISM FINANCING IN CHARITIES

General Comments

The red flag indicators listed below are an overview of the types of activities that can be suspicious. This list is not exhaustive. The occurrence of one or more of these indicators may be a warning sign of unusual activity that may be indicative of terrorism financing. However, it does not necessarily mean that it is indeed a suspicious activity. Further investigation should be carried out if any of these indicators are present.

Financial Support / Transactions

i) Use of false corporations, shell-companies, shell-banks

This applies to situations whereby the overseas partners that you are working with or overseas beneficiaries are found to be false corporations, shell companies/entities that are dormant with no activities carried out.

ii) Use of multiple, foreign bank accounts

This depicts situations whereby multiple foreign bank accounts are provided to your charity to remit donations/funds to, although the beneficiary is a single entity.

iii) Multiple cash donations/ wire transfers / deposits in small amounts followed by request to refund large amount via wire transfer to another country

This applies to situations whereby numerous donations made in small amounts by either an unknown donor or a named overseas donor. The said donor approaches the charity and request for a refund of such donations with various reasons.

iv) Large amount of cash transactions / donations without using banking facilities

This applies to situations whereby you are requested by the foreign working partner or beneficiary not to remit funds through banking facilities. They will request for the charity to bring cash over to their country to pass the money to them.

v) Use of funds is not consistent with the organisation's purpose

This means that the purpose for usage of funds remitted to the foreign partner or beneficiary is not in line with their organisations' purposes and objectives.

vi) Transactions with no link between the stated activity and the recipient

Funds may be remitted to the overseas partner or beneficiary for a particular purpose or activity. However, the recipient of the funds does not carry out such activities or programmes.

vii) Unexpected cash withdrawals

Large amounts of cash are withdrawn from a bank account of the charity that is not normally meant for cash transactions.

A dormant bank account of the charity suddenly receives cash donations/deposits followed by hi-frequency cash withdrawals.

viii) Transactions are structured to avoid transaction reporting

Transactions may be structured to be below the transaction reporting threshold. This may result in numerous transactions in small quantum for a particular partner or beneficiary.

ix) Requests to transfer funds are accompanied by vague justifications

Instructions for such payments are vague and not accompanied with full documentation, description and details.

x) Charity's funds are comingled with personal or private business funds

Charity's funds, upon receipt, are mixed with either the personal or business' funds of the organisation. It could also be a situation whereby funds meant for a charity are banked or remitted to an individual or a business' bank account instead of the bank account of the charity.

Higher Risk Jurisdictions

i) Use of cash couriers to transfer Charity's funds into areas with known terrorist activity

Instead of using remittance services, Charity's funds are transferred to other countries, especially those with known terrorist activity by cash couriers or Hawalas¹.

¹ **Hawala** is a method of transferring money without any actual movement. One **definition** from Interpol is that **Hawala** is "money transfer without money movement." Transactions between **Hawala** brokers are done without promissory notes because the system is heavily based on trust.

ii) Funds are remitted, resources transferred and/or activities carried out to/in locations which are:

- **Countries designated² by national authorities; and/or**
- **FATF non-cooperative countries/territories; and/or**
- **Areas where terrorist entities have substantial presence**

Funds are remitted, resources transferred or activities carried out to countries or areas that are (i) designated by national authorities; or (ii) FATF non-cooperative countries and territories.

The records of overseas partners or beneficiaries are kept and maintained in areas where terrorist entities are known to have a substantial presence.

Charity's representatives frequently travel to areas where terrorists are known to have substantial presence.

Conclusion

If you are in doubt, charities should carry out further checks on the foreign partners that you work with or beneficiaries that your charity supports. If there are any findings or evidence that may give rise to suspicion, please file a suspicious transactions report with the Suspicious Transactions Reporting Office (STRO) with the Commercial Affairs Department (CAD).

Source of reference:

- Thomson Reuters - <http://accelus.thomsonreuters.com/sites/default/files/GRC01513.pdf>
- FATF NPO Typology report

² This refers to the identification of a person (natural or legal) or entity that is subject to targeted financial sanctions pursuant to:

- United Nations Security Council resolution 1267 (1999) and its successor resolutions;
- Security Council resolution 1373 (2001), including the determination that the relevant sanctions will be applied to the person or entity and the public communication of that determination;
- Security Council resolution 1718(2006) and its successor resolutions; and
- Any future Security Council resolutions which impose targeted financial sanctions in the context of the financing of proliferation of weapons of mass destruction.