



# COUNTERING FINANCIAL CRIME



**Welcome to this important bulletin from Isle of Man Government Anti-Money Laundering / Countering the Financing of Terrorism (AML/CFT) Policy Office.**

A vital part of our work is to help ensure that Isle of Man registered charities and non-profit organisations understand the risks they may face.

In this bulletin you will find useful guidance, and details of how we need you to help us by supporting the National Risk Assessment.



**Isle of Man  
Government**

*Reillys Ellan Vannin*

Our teams will be in touch with details of how you can meet us in person to ask questions and find out more.

## In this bulletin



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## AML/CFT Policy Office

The Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) Policy Office is a part of the Cabinet Office in the Isle of Man Government.

The purpose of this bulletin is to help inform Isle of Man registered charities of the risks from money laundering and terrorist financing.

The bulletin aims to provide useful guidance and to let charities know what to do and who to speak to if they have any concerns or suspicions of money laundering or terrorist financing.

The AML/CFT Policy Office will be undertaking outreach to charitable sector in support of the issues raised in this Bulletin.



# Charities and Non-Profit Organisations

Isle of Man charities are also Non-Profit Organisations. There is an internationally recognised definition of “NPO” which is:

*A legal person or 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”<sup>1</sup>.*



NPOs play a vital role, providing sometimes life-changing support, comfort and hope to individuals and communities in need. They can however be at risk of abuse for money laundering purposes, for example to hide the proceeds of bribery and corruption. They can also be vulnerable to the financing of terrorism or financing of the proliferation of weapons of mass destruction (chemical, biological or nuclear weapons for example). Real-life examples, known as ‘typology reports’ show us that terrorist financing is the area that poses the biggest risk to NPOs internationally.

That being said, there is currently no evidence of the local charity sector being abused for money laundering or terrorist financing, so the risk on the Isle of Man is considered to be low. However, it is still important that charities are aware of the risks and of ways to mitigate them, as these types of threats will continue to develop.

The Government is currently conducting a comprehensive assessment of the money laundering, proliferation financing and terrorist financing risks facing the Isle of Man; this is called a National Risk Assessment. It is something that is undertaken every few years to protect the Island and the wider international community from those trying to use our financial and business sectors for illegal purposes.

Charities (NPOs) are included in this assessment process and the AML/CFT Policy Office is keen to engage with charity representatives, in particular those that undertake international work, to ensure that there is an accurate picture of the sector in the Isle of Man.

There will be further information provided on the National Risk Assessment this summer. In the meantime, please contact the AML/CFT Policy Office on [amlcft@gov.im](mailto:amlcft@gov.im) if you would like further information.

<sup>1</sup>Combating the Terrorist of Financing Abuse of Non-Profit Organisations, Financial Action Task Force Best Practices, November 2023

# What are the risks to Charities?



## Money Laundering

As organisations established for the purposes of raising and disbursing funds, charities will in most cases have access to financial products such as bank accounts.

This can provide an opportunity for individuals to place money raised from criminal activity (the proceeds of crime) into the financial system in order to make them appear legitimate.



## Terrorist Financing

Terrorist financing is the most significant risk to charities world-wide. Charities can unwittingly provide the means for terrorists and terrorist organisations to raise and move funds, provide logistical support, encourage recruitment or otherwise support terrorist organisations and operations.

Occasionally charities can be complicit in these activities. Therefore, raising awareness of such risks is essential, in particular with charities that work internationally in and around conflict zones.

In some cases, specific measures to protect charities are required and government oversight is appropriate to ensure the best protection from attempts to divert funds from their intended purpose (see Specified Non-Profit Organisations below).



## Proliferation Financing

Vulnerabilities for charities will primarily be around where they are operating – i.e. what country or sector, and with whom.

The two major areas of vulnerability are where legitimate charities are used to funnel funds to countries or groups developing nuclear, biological or chemical weapons and do so unwittingly, OR where illegitimate groups set themselves up as charitable organisations and deliberately use the funds they have received from donations to finance proliferation activities.

## What is a Specified Non-Profit Organisation?

A charity is required to comply with the Anti-Money Laundering and Countering the Financing of Terrorism (Specified Non-Profit Organisations) Code 2019<sup>2</sup> and be overseen by the Financial Services Authority if it meets the following criteria<sup>3</sup>:

- An annual income of £5,000 or more;
- Which has or is anticipated will remit at least £2,000 in any one financial year to one or more recipients in or from one or more higher risk jurisdiction; and
- Where the decision to disburse is made within the Island (since the control of the funds would be domestic).

Charities that meet this criteria are designated as Specified Non-Profit Organisations<sup>4</sup> (or “SNPOs”).

A list of jurisdictions that the Department of Home Affairs considers to be ‘higher risk’ or ‘high risk’ can be found on their website in **Anti money laundering legislation** (see downloadable documents ‘Jurisdictions in Lists A,B,C and D concerning AML/CFT risks’) this is updated regularly.

If you would like further information or wish to speak to the Financial Services Authority about whether an organisation meets the criteria to require registration as an SNPO, please contact the Financial Services Authority at **aml@iomfsa.im** or on **01624 646000**.

## What do I do if I have suspicions of money laundering or terrorist / proliferation financing?

If you suspect money laundering or terrorist / proliferation financing is taking place, please make a report to the **Financial Intelligence Unit** at the earliest opportunity on **01624 686000**.



<sup>2</sup>Anti-Money Laundering and Countering the Financing of Terrorism (Specified Non-Profit Organisations) Code 2019 (iomfsa.im)

<sup>3</sup>Schedule 4 of the Proceeds of Crime Act 2008 and Anti-Money Laundering and Countering the Financing of Terrorism (Specified Non-Profit Organisations) Code 2019

<sup>4</sup>SNPOs are defined by Schedule 4 to the Proceeds of Crime Act 2008

# What can charities do to protect against the risks of money laundering and terrorist / proliferation financing?

- Understanding and mitigating the risks:
  - Be aware of the current National Risk Assessment of Money Laundering and Terrorist Financing which can be found [here](#);
  - Understand and document the risks to the organisation e.g. does the charity send funds to high risk jurisdictions;
  - Be aware of the Financial Crime Strategy which can be found [here](#);
  - Consider external sources of information.
- Having risk-based internal controls and good governance measures:
  - Measures should be commensurate to the size and activities of the charity, considering the nature and volume of financial transactions;
  - For example, larger charities may wish to undertake their own risk assessment to be reviewed regularly;
  - Establishing strong financial controls and procedures, keeping financial records, monitoring and closely following the cash flow of the programmes/projects;
  - Taking appropriate measures, based on the risks, to account for funds and services delivered;
  - Controls and governance measures should be reviewed periodically.

## We need your help

In order to get the clearest picture of risk and vulnerability in the Isle of Man in respect of money laundering, terrorist financing and proliferation financing, for the National Risk Assessment, it is important to understand each sector, including charities and NPOs.

In the next couple of months we will send a survey to registered charities and NPOs to gather information about how you raise and disburse your funds and to understand your general awareness of these issues. There are no 'right or wrong' answers; we are not looking to catch anyone out. The survey will help to indicate how well charities understand and mitigate risks and where additional support or information from the Policy Office (or elsewhere) may be needed.

The survey will be on the IOM Government's Consultation Hub; your data will be safe and secure. Please keep an eye out for the questionnaire and answer it as honestly as possible.



## Key Information sources:

[Specified Non-Profit Organisations AML/CFT Code 2019](#)

[Financial Sanctions Guidance – Proliferation Financing](#)

[National Risk Assessment 2020](#)

[Financial Crime Strategy 2024-2026](#)

[Financial Action Task Force – Combating the Terrorist Financing Abuse of Non-Profit Organisations Best Practices](#)

## Glossary:

**Money laundering** – Money laundering is the process by which criminals attempt to conceal the true origin and ownership of the proceeds of criminal activities.

**Terrorist financing** – The financing of terrorism is the financial support, in any form, of terrorism or those who encourage, plan or engage in terrorism. Terrorist financing differs from money laundering in that the source of funds can either be legitimate, such as an individual's salary, or illegitimate, often the proceeds of crimes such as fraud or drug trafficking.

**Proliferation financing** – Is “the act of providing funds or financial services that are used, in whole or in part, for the manufacture, acquisition, possession, development, export, transshipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both technologies and dual use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations”<sup>5</sup>.

**Bribery and Corruption** – Bribery and corruption can arise in many different situations affecting individuals, organisations, governments and ultimately communities. Whilst the ‘brown paper envelope’ is the image generally associated with bribery it can and does take many forms and does not necessarily always involve the exchange of money. For example, it can be in the form of providing hospitality such as access to sporting events or trips abroad; or payment of private education fees.

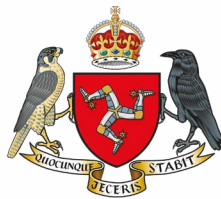
Likewise, while corruption often has a financial element, it can also encompass behaviours such as exerting influence, ‘turning a blind eye’, or seeking to promote a particular private interest or agenda.

The AML/CFT Policy Office will provide a Bribery & Corruption bulletin in the near future. More information on Bribery and Corruption and the Isle of Man Government’s Anti-Bribery and Corruption Strategy can be found [here](#).

<sup>5</sup><https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/Status-report-proliferation-financing.pdf>



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