



# **PUBLIC NOTICE**

## **REQUEST FOR PUBLIC COMMENTS**

### **GUIDANCE ON BEST PRACTICES FOR NON-PROFIT ORGANIZATIONS TO MITIGATE THE RISK OF TERRORISM FINANCING ABUSE**

The NPO Best Practices Committee (the Committee) has been established to facilitate cooperation between public sector stakeholders (including the Financial Intelligence Unit and the Belize Companies and Corporate Affairs Registry), representatives of the Non-Profit Organisations (NPOs) Community and stakeholders in the wider NPO sector in developing and maintaining best practices for the NPO Sector. The Committee is publishing the attached Guidance on Best Practices for NPOs (the Guidance) for public comments and in particular the comments of NPOs and other stakeholders in the NPO sector.

Although the Committee is requesting public comment on this Guidance, NPOs are encouraged to begin applying the measures set out in the guidance immediately.

All comments received on or before **March 20, 2023** will be considered in amending and finalizing the Guidance for public circulation. Written comments must be received on or before **March 20, 2023** by mail or e-mail as follows:

Mailing address: The Chair,  
NPO Best Practices Committee,  
Financial Intelligence Unit,  
4998 Coney Drive Plaza,  
Coney Drive,  
Belize City

E-mail: [npobestpractices@fiubelize.org](mailto:npobestpractices@fiubelize.org)

Please note that the Committee may wish to invite you to have further discussions on your comments and/or other proposed amendments to the Guidance. Please therefore include the name of your NPO or organization (if applicable) and the name and contact information of a contact person in this regard.



The Committee also wishes to indicate that the Guidance will be kept under regular review, with a view to assisting NPOs in maintaining best practices to reduce terrorist financing risks and vulnerabilities of NPOs. Any NPO, member of the donating public or other stakeholder may therefore submit comments on this and future iterations of the Guidance or any other recommendations as to Best Practices for NPOs at any time via the channels indicated above. Such submissions would be considered in future reviews of the Guidance, as well as in undertaking other measures to support the NPO sector with regard to implementing best practices.

## **GUIDANCE ON BEST PRACTICES FOR NON-PROFIT ORGANIZATIONS TO MITIGATE THE RISK OF TERRORISM FINANCING ABUSE**

### **1. Introduction**

The importance of the Non-Profit Organisation (NPO) sector to the national and international community cannot be overstated. NPOs bring relief and hope to a large segment of society, often reaching people and places that neither the public sector nor other private sector entities can. It has however been long recognized that together with the ability to reach the most vulnerable in society, NPOs themselves are prime targets for abuse, particularly by terrorists, terrorist organizations and their supporters.

Globally, there have been cases of the NPO sector being misused and exploited by terrorist organizations and individual terrorists through a variety of means, highlighting the threats to and vulnerabilities of the sector. The impact of such abuse of the NPO sector is far reaching, going well beyond the narrow consideration of monetary value. Donors trust that financial or other resources provided to NPOs will be used for good work. This trust is the foundation of the NPO sector. The diversion of these resources to benefit individuals and entities whose principal goal is to harm, undermines the public's trust in the NPO sector which will have a disproportionate impact on NPO operations, depriving the most vulnerable members of our society of this critical lifeline.

The Financial Action Task Force (FATF), the global standard setting body for policies to combat money laundering, terrorist financing and the proliferation of weapons of mass



destruction, has led international efforts to study the issue of terrorist abuse of NPOs. As a part of the FATF global community, Belize enacted laws and implemented measures to combat the threat of terrorism. This includes amendments to the Money Laundering and Terrorism Prevention Act, Cap. 104 (MLTPA) and other measures to protect NPOs from abuse. While revisions to the laws governing Non-Profit Organizations are currently in train, this guidance will provide terrorist financing abuse mitigation best practices to all NPOs.

Steps taken by the Country can minimize sectoral vulnerabilities, such as illegitimate (or “sham”) NPOs entering the sector, boosting donor confidence in legitimate NPOs who solicit their support. Both the State and NPOs themselves have key roles to play in reducing the risks of NPO abuse related to organizational vulnerabilities. NPOs, both locally and internationally, have recognized these risks of abuse and have taken meaningful steps to mitigate or avoid them. Throughout the world, the NPO sector has adopted and refined different standards to help individual organizations ensure accountability and transparency in their operations. Such steps strengthen the defenses of NPOs, prevent abuse by terrorists and their supporters, and mitigate money laundering and other financial crimes.

This document is intended to enhance awareness and understanding in the NPO Sector and the wider national community, including donors, financial institutions and other reporting entities (as defined in the MLTPA), of the measures and practices that NPOs may adopt to reduce the risk of terrorist financing or other forms of abuse. **It should be noted that while this document includes references to provisions of the law, adoption of these guidelines is voluntary. They do not however relieve any person of any obligations under the laws of Belize.** In addition, this document does not represent an exhaustive or comprehensive compilation of all best practices and **should only be seen as a starting point** for steps to strengthen the governance of an NPO. In addition, many NPOs have, through the vast experience of the organization or its members, developed and implemented effective internal controls and practices that lessen the risk of terrorist financing or terrorism abuse. **Such effective practices should not be abandoned** but instead this guidance and future work should be used to strengthen them.

Each NPO is unique and as such a “one-size-fits-all” approach cannot be taken. Thus, in applying a risk-based approach<sup>1</sup>, not all of the measures covered in this document will apply to every NPO or each set of circumstances. NPOs should however bear in mind that terrorists and their supporters may attempt to take advantage of more challenging circumstances, such as an NPO responding to a natural disaster or other localized or even global crisis such as the

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<sup>1</sup> See Section 2 of this document.



Covid-19 Pandemic. In such cases, NPOs are urged to still implement all practicable measures to mitigate such risk of abuse.

While there is no guarantee of protection from terrorist abuse, effective internal controls which incorporate the principles and practices set out in this document can help to prevent the abuse of NPOs, as well as identify situations involving terrorist financing or terrorism abuse.

The FATF Typologies Report (discussed below) notes that the amalgamation of many types of information held by different actors is an important factor in the detection of cases of abuse or in the identification of substantial risk. Collaboration between the State, NPOs and all stakeholders in the NPO sector is therefore fundamental to protecting against such abuse. Going forward, the Committee will continue to work closely with all stakeholders in the NPO Sector to identify new best practices and will update this Guidance as necessary. Any NPO, member of the donating public or other stakeholder may therefore submit comments on this Guidance or any future iteration hereof, or any other recommendations as to Best Practices for NPOs, at any time to the Committee. Such submissions would be considered in future reviews of this Guidance, as well as in undertaking other measures to support the NPO sector with regard to implementing best practices. The Committee plans to undertake regular reviews of this Guidance, but submissions received from stakeholders may precipitate a review and update to this Guidance earlier than scheduled.

The good works performed by the NPO sector are vital to the future of individuals, communities, Belize and the international community. The protection of the sector from abuse for terrorist purposes will therefore remain a high priority for Belize.

## **2. RISK-BASED APPROACH**

### **2.1 Introduction to the Risk Based Approach**

The approach an NPO takes to due diligence should reflect the level of risk that the NPO faces. Such risk can arise in relation to:

- Donors;
- Beneficiaries;
- Management and staff of the NPO;
- Vendors and suppliers to the NPO;
- Associates and agents of the NPO;
- The type of charitable support which the NPO offers; or
- The countries or geographical areas where the NPO provides its charitable support.

Once these risks have been identified, steps can be taken to mitigate them by implementing policies, procedures and controls which are proportionate to these risks.



The first is to identify the potential risks when establishing a relationship with your stakeholders. The following factors can be considered:

- **Donors and Beneficiaries**
  - Type of donor/beneficiary (individual, legal entity, unincorporated body, Government department etc.).
  - Nature of relationship with donor/beneficiary (e.g., long-standing, new, one-off).
  - Location of the donor/beneficiary.
- **Management and Staff**
  - Policies and Procedures (for example that mitigates conflict of interest).
  - Internal Controls (separation of functions and levels of authorization).
- **Vendors and Supplier**
  - Types of vendors and Suppliers (screening procedures).
  - Policies and procedures for engagement (eg. Procurement policies).
- **Associates and Agents**
  - Associates and Agents Policies and Procedures.
  - Nature of relationship with associates and agents.
- **Type of Charitable Support**
  - The type of charitable support offered by the NPO (funds, goods, services etc.).
  - The type of charitable support offered by the Donor or requested by the beneficiary.
- **Delivery Method for Charitable Support**
  - Whether the charitable support is delivered by cash, cheque, wire transfer, digital asset, other electronic means etc., physical delivery of goods etc.
  - Whether persons from outside of the NPO are involved at any point along the delivery chain.
  - Location where the charitable support is delivered.

Once the potential risks to the NPO have been established, it is likely that not all donors, beneficiaries and charitable support will pose the same level of risk. The NPO is therefore unlikely to need to know all donors and beneficiaries with the same level of detail. There are three levels of due diligence which can be considered: simplified due diligence, standard due diligence and enhanced due diligence. The level of identified risk will determine the level of due diligence that is required.

Any due diligence that is completed should be documented for future reference and recorded in line with the NPO's documentation policies and procedures.

## **2.2 Simplified Due Diligence**

Simplified due diligence is the lowest level of due diligence that can be completed on a donor or beneficiary. This is appropriate where there is little opportunity or risk of the NPO, donor or beneficiary becoming involved in terrorist financing.



Where the NPO, donor or beneficiary falls into simplified due diligence criteria, then the only requirement is to identify the donor or beneficiary. When completing simplified due diligence, there is no need to verify the donor or beneficiary's identity as would be required with the other forms of due diligence below. **The NPO's relationship with the donor or beneficiary should however be continually monitored for events which may require further due diligence in the future.**

There are a number of factors that can help determine if a situation is low risk, such as the type of charitable support being solicited or offered, or the type of donor or beneficiary the NPO is engaging with. Consideration can also be given to whether the donor or beneficiary is required by law to disclose information regarding their ownership structure and business activities or is otherwise subject to Anti-Money Laundering and Terrorist Financing laws.

If at any point during the relationship with the donor or beneficiary, additional information becomes available which suggests that the donor, beneficiary or the type of charitable support involved may pose a higher risk than originally thought, one of the more rigorous levels of due diligence discussed below should be conducted.

### **2.3 Standard Due Diligence**

Standard due diligence applies to situations where there is a potential risk but it is unlikely that these risks will be realized. Standard due diligence requires the NPO to identify the donor or beneficiary as well as verify their identity. The NPO would also need to gather information to allow it to understand the nature of the relationship with the donor or beneficiary. This level of due diligence should provide the NPO with confidence that it knows who the donor or beneficiary is and that the charitable support of the NPO is not being used to commit or facilitate terrorist activity (or money laundering or other criminal activity).

Standard due diligence can be considered the benchmark against which both simplified and enhanced due diligence are determined. As with simplified due diligence, there is a requirement to monitor the donor or beneficiary and the relationship, which will highlight any circumstances requiring enhanced due diligence.

### **2.4 Enhanced Due Diligence**

Enhanced Due Diligence is appropriate where the combination of the donor or beneficiary and charitable support involved is considered to pose greater risk. A high-risk situation generally occurs where there is an increased opportunity for terrorist financing (or money laundering or other criminal activity) through the type of charitable support involved in the particular transaction.

The additional due diligence could take many forms dependent on the nature and severity of the risk. The checks should be relative and proportionate to the level of risk identified and





provide confidence that any risk has been mitigated and that the risk is unlikely to be realized.

There are a number of situations that can be counted as high-risk, such as where the donor is from a country where there is a high risk of terrorist activity or where public concerns have been raised about the donor or beneficiary or their activities. A high-risk donor or beneficiary does not mean that they will definitely be involved in terrorist financing, money laundering or other criminal activity, but that there is an increased opportunity to be involved.

### 3. RISK OF TERRORIST ABUSE IN NPOS

The FATF has undertaken a significant amount of work in identifying the risks of abuse terrorists and terrorist organizations pose to NPOs. The FATF Typologies report, *Risk of Terrorist Abuse in Non-Profit Organisations, (2014)*<sup>2</sup> analysed 102 case studies submitted by FATF member states or compiled from open sources as well as current research on the threat environment. The Typologies Report examines in detail, how and where NPOs are at risk of terrorist abuse and provides a number of red flag indicators to help all stakeholders identify and investigate possible cases of abuse<sup>3</sup>. The Typologies Report identifies five different ways in which NPOs can generally be abused<sup>4</sup>:

- **Diversion of Funds** – An NPO, or an individual acting on behalf of an NPO, diverts funds to a known or suspected terrorist entity;
- **Affiliation with a Terrorist Entity** – An NPO, or an individual acting on behalf of NPO, maintains an operational affiliation with a terrorist organisation or supporter of terrorism;
- **Abuse of Programming** – NPO-funded programmes meant to support humanitarian purposes are manipulated at the point of delivery to support terrorism;
- **Support for Recruitment** – NPO-funded programmes or facilities are used to create an environment which supports and/or promotes terrorism recruitment-related activities; and
- **False Representation and Sham NPOs** – Under the guise of charitable activity, an organization or individual raises funds and/or carries out other activities in support of terrorism.

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<sup>2</sup> <http://www.fatf-gafi.org/publications/methodsandtrends/documents/risk-terrorist-abuse-non-profits.html>

<sup>3</sup> While this Guidance refers to and summarizes key elements of the Typologies Report, NPOs are strongly encouraged to read the Typologies Report and to take steps to keep abreast of evolving typologies for abuse of NPOs.

<sup>4</sup> Page 36 paragraph 92



The Typologies Report identified that the NPO sector has interconnected vulnerabilities, and terrorist entities seek to exploit more than one type of vulnerability. While in the 102 cases analysed for the Typologies Report, the diversion of NPO funds by terrorist entities was a dominant method of abuse, other types of non-financial abuse (such as affiliation or support for recruitment) also appeared regularly.

#### **4. Fundamental Principles of Good NPO Practice**

**4.1** NPOs, like all other persons, must comply with all provisions of the law, including but not limited to the requirements of the MLTPA [in accordance with section 68](#).

The MLTPA also set out prohibitions against all persons in Belize, **including NPOs**, engaging in certain transactions with such listed persons. Breaches of these prohibitions are criminal offences and can lead to large fines and prosecution as mentioned in Section 5 of the [MLTPA](#), as well as the forfeiture of related property.

**4.2** NPOs should not limit their due diligence measures to those set out in legislation. NPOs should also adopt practices that provide additional assurances that all NPO funds and other property are used exclusively for the purpose for which the NPO was established or other legitimate purposes.

**4.3** Controllers and other individuals acting in a fiduciary capacity for any NPO should exercise due care in the performance of their responsibilities, consistent with applicable requirements of the common law, as well as written laws.

**4.4** Governance, fiscal and programmatic responsibility and accountability are essential components of the work of an NPO and must be reflected at every level of an NPO and its operations.

#### **5. Governance Accountability and Transparency**

**5.1 Governing Instruments:** NPOs can be established in different ways including:

- Incorporation or continuance in accordance with the Companies Act, 2022.
- As a Trust; and
- As an unincorporated body.

Incorporated bodies are required to have articles of association and bylaws. Unincorporated bodies should similarly establish a constitution and/or governing





instruments setting out the organizational structure and governance arrangements for the NPO. The governing instruments should:

- delineate the NPO's basic goal(s) and purpose(s);
- define the structure of the NPO, including the composition of its governing body, how the members of such body are selected and replaced, and the authority and responsibilities of the body;
- establish requirements concerning financial reporting, accountability, and practices for solicitation and distribution of funds; and
- state that the NPO shall comply with all laws and subsidiary legislation.

The NPO should operate in accordance with these governing instruments.

**5.2 Independent Oversight:** Independent oversight of an NPO's operations is a key factor in assuring the donor community that funds or property which has been solicited will only be applied for the purpose for which it has been donated. Each NPO should determine what oversight structure best suits that organization and will provide for unbiased scrutiny of its operations. The following are basic principles for the creation of a transparent and accountable governing body:

1. Members of the governing body ideally should not have an active role in the day-to-day management of the charitable organization. Practically however, some NPOs may not be able to apply this measure because of the size of the NPO or its purpose (e.g., some houses of worship). Such limitations can however be mitigated by establishing a conflict of interest policy<sup>5</sup> for both members of the governing body and employees. Such a policy should be established in any event and should set out procedures to be followed if a member of the governing body or employee has a conflict of interest or a perceived conflict of interest relating to the management or operations of the NPO.
2. The governing body should be responsible for the NPO's compliance with relevant laws, its finances and accounting practices and for the adoption, implementation, and oversight of practices, including financial recordkeeping that will safeguard NPO assets effectively.
3. The governing body and committees should maintain minutes of their meetings or otherwise keep records of their decisions.
4. NPOs should maintain and make publicly available a current list of members of the governing body, their salaries (if any) and their affiliation with any subsidiary or affiliate of the NPO.

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<sup>5</sup> See Section 5.3 below.



5. NPOs should maintain confidential records of additional identifying information about the members of the governing body including current contact information.
6. NPOs should maintain confidential records of identifying information for the members of the governing body of any subsidiary (or other organization that is under the general supervision or control of the NPO) receiving funds from them.
7. When served with a court order or when other appropriate authorization exists, NPOs should produce requested records to the appropriate regulatory/supervisory or law enforcement authorities in a timely fashion.

**5.3 Conflict of Interest:** As noted in section 5.2 above, it is advisable for NPOs to establish a conflict of interest policy and supporting procedures and controls. NPOs should consider having their governing body discuss, at least once per year, various scenarios that could result in a conflict of interest, and how the governing body would manage that potential conflict. Such discussions should be recorded in the minutes of the Governing Body.

The minutes of the governing body should also note whenever a member of the governing body or staff discloses that they have a conflict of interests and how the conflict was managed by the governing body.

NPOs can also consider circulating a questionnaire each year to find out whether any governing body member or staff member has a conflict of interest. The questionnaire may ask governing body members and staff members to disclose existing conflicts and reminds them to disclose any that may arise in the future. A sample of a Conflict of Interest Policy and Questionnaire is attached to this Guidance at Appendix I.

#### **5.4 Key Employees:**

1. NPOs should maintain and make publicly available a current list of their key employees and the salaries and direct or indirect benefits they receive.
2. In addition to complying with all tax and other legal requirements as an employer, NPOs should maintain confidential records of identifying information about their key employees, whether working locally or abroad.
3. NPOs should maintain confidential records containing identifying information for the key employees of any subsidiary or affiliate receiving funds from the NPO.



## 6. Financial Accountability and Transparency

1. The NPO should establish an annual budget adopted in advance, approved and overseen by the governing body.
2. The governing body should appoint one individual to serve as the Controller who should be responsible for day-to-day control over the NPO's assets.
3. The Controller should maintain the financial accounts and records of the NPO. NPOs should consider having their accounts prepared by a qualified accountant.
4. **Solicitations for Funds**

- (a) The NPO should clearly and publicly state its goals for and purposes of soliciting funds, so that anyone examining its disbursement of funds can determine whether it is adhering to those goals.
  - (b) Solicitations for donations should accurately and transparently tell donors how and where their donations are going to be expended.
  - (c) The NPO should substantiate, on request, that solicitations and informational materials, distributed by any means, are accurate, truthful, and not misleading, in whole or in part.
  - (d) Solicitations for donations should be consistent with the Memorandum of Association, other governing documents, and in alignment with its objectives.
5. Funds or other property solicited by an NPO should, as a general rule, only be applied for the purpose for which such funds were contributed or solicited. The NPO should fully, immediately, and publicly disclose if it makes a determination that circumstances justify applying such funds of property for any other purpose (whether charitable or otherwise).
6. **Receipt and Disbursement of Funds**

1. In addition to complying with all requirements of the Income and Business Tax Act, Cap. 55, the NPO should account for all funds received and disbursed in accordance with any relevant standard adopted by the Institute of Chartered Accountants of Belize and in accordance with all other applicable legislation. For NPOs which are also NGOs, this will include the NGO Act of Belize, Cap 315.
2. In addition to complying with all tax and other legal requirements as an employer, the NPO should maintain records of the salaries it pays and the expenses it incurs (domestically and internationally).
3. The NPO should include in its accounting of all charitable disbursements, the name of each grantee, the amount disbursed, the date, and form of payment for each disbursement. The term "grantee," refers primarily to an immediate grantee of NPO resources or services. NPOs should however also, as far as is reasonably practicable, establish and apply safeguards with respect to sub-grantees or recipients to protect NPO resources from exploitation by



terrorists, terrorist organizations, or terrorist supporters. NPOs should not enter into a relationship with a grantee where any doubts exist about the grantee's ability to ensure safe delivery of NPO resources independent of influence by or association with any terrorist organization.

4. **The NPO, after recording, should promptly deposit all received funds into an account maintained by the NPO at a financial institution. In particular, all cash donated should be promptly deposited into the NPO's financial institution account.**
5. **The NPO should make disbursements by cheque or electronic means rather than in cash whenever such financial arrangements are reasonably available. NPOs should note that significant risks of terrorist financing surrounds the use of cash for disbursements.** Where these financial services do not exist or other exigencies require making disbursements in cash, the NPO should disburse the cash in the smallest increments sufficient to meet immediate and short-term needs or specific projects rather than in large sums intended to cover needs over an extended time frame. The NPO should exercise oversight regarding the use of the cash for the intended charitable purposes, including keeping detailed internal records of such cash disbursements.

## 7. Mechanisms for Public Disclosure of Distribution of Resources and Services

- (a) The NPO should maintain and make publicly available a current list of any branches, subsidiaries, and/or affiliates that receive resources and/or services from the NPO.
- (b) The NPO should produce an annual report describing the NPO's purpose(s), programs, activities, tax exempt status, the structure and responsibility of the governing body, and financial information. The annual report should be made publicly available or be provided to any member of the public upon request.
- (c) The NPO should make publicly available or provide to any member of the general public, upon request, complete annual financial statements, including a summary of the results of the NPO's most recent audit (if any). The financial statements should present the overall financial condition of the NPO and its financial activities in accordance with any relevant standard adopted by the Institute of Chartered Accountants of Belize.



## **8. Programmatic Verification**

### **8.1 Supplying Resources**

When supplying charitable resources<sup>6</sup>, financial accountability on the part of an NPO should include:

- (a) determining that the potential grantee has the ability to both accomplish the charitable purpose of the grant and protect the resources from diversion to non-charitable purposes or exploitation by terrorist organizations and/or their support networks;
- (b) entering into a written agreement with the grantee covering the terms of the grant;
- (c) monitoring the grantee and the activities funded under the grant for the entire period of the grant; and
- (d) ensuring the grantee corrects any misuse of resources and terminating the relationship should misuse continue.

### **8.2 Supplying Services**

When donating services, financial accountability on the part of an NPO should include:

- (a) appropriate measures to reduce the risk that its assets would be used for non-charitable purposes or exploitation by terrorist organizations and/or their support networks; and
- (b) sufficient auditing or accounting controls to trace services or commodities between delivery by the NPO and/or service provider and use by the grantee.

### **8.3 Programmatic Review**

The NPO should review the programmatic and financial operations of each grantee as follows:

- (a) The NPO should require periodic reports from grantees on their operational activities and their use of the disbursed funds;
- (b) The NPO should require grantees to take reasonable steps to ensure that funds provided by the NPO are neither distributed to terrorists or their support networks nor used for activities that support terrorism or terrorist organizations. Grantees should be required to periodically apprise the NPO of the steps it has taken to meet this goal; and

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<sup>6</sup> i.e., monetary and in-kind contributions.



- (c) The NPO should, as far as is practicable<sup>7</sup>, perform routine on-site audits of grantees to ensure that the grantee has taken adequate measures to protect the NPOs charitable resources from diversion to, or abuse or influence by, terrorists or their support networks.

## 9. Anti-Terrorist Financing Best Practices

NPOs should consider taking some or all of the following voluntary steps before distributing any funds or resources or providing services, in order to protect themselves from the risk of terrorist abuse. Depending upon the risk profile of an individual NPO, adopting all of these steps may not be applicable or appropriate. When taking these steps, NPOs should apply a risk-based approach as discussed in section 2 above. Special care should be given to dealings with foreign grantees due to the increased risks associated with overseas charitable activity, particularly relating to certain higher-risk or vulnerable jurisdictions<sup>8</sup>. [The most recent advisory can be found on the Financial Intelligence Unit website.](#)

9.1. The NPO should collect the following basic information about grantees:

- (a) The grantee's name in English, in the language of origin, any acronym or other names used to identify the grantee, any former name or alias of the grantee. If an NPO has any reason to believe that the grantee is operating under a different identity or has used a different name in the past, the NPO should undertake reasonable efforts to uncover any such prior identity or name;
- (b) The jurisdictions in which a grantee maintains a physical presence;
- (c) Any reasonably available historical information about the grantee that assures the NPO of the grantee's identity and integrity, including:
  - (i) the jurisdiction in which a grantee organization is incorporated or formed;

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<sup>7</sup> Practicability should be determined taking into account the size of the disbursement, the cost of the audit, and the risks of diversion or abuse of NPO resources.

<sup>8</sup> The FATF and the nine FATF-Styled Regional Bodies (FSRBs), such as the Caribbean Financial Action Task Force (CFATF), publish lists of jurisdictions where there is a higher risk related to transactions involving individuals or entities related to those jurisdictions. FATF publishes two relevant lists. (1) High Risk jurisdictions subject to a Call for Action which can be found at <https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/call-for-action-june-2022.html> (2) Jurisdictions under increased monitoring which can be found at <https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-june-2022.html>. These lists are updated three times per year following each FATF Plenary. Reference should be made to the most recent such list.





- (ii) copies of incorporating or other governing instruments;
  - (iii) information on the individuals who formed and operate the organization; and
  - (iv) information relating to the grantee's operating history;
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- (d) The available contact information<sup>9</sup> of each place of business of the grantee;
  - (e) A statement of the principal purpose of the grantee, including details of the grantee's projects and goals;
  - (f) The names and available contact information of individuals, entities, or organizations to which the grantee currently provides or proposes to provide funding, services, or material support;
  - (g) The names and available contact information of any subcontracting organizations utilized by the grantee;
  - (h) Copies of any public filings or releases made by the grantee, including the most recent official registry documents, annual reports and annual filings with the pertinent governmental entity, as applicable; and
  - (i) The grantee's sources of income, such as State grants, private endowments, and commercial activities.

**9.2 The NPO should conduct basic vetting of grantees as follows:**

- (a) The NPO should conduct a reasonable search of publicly available information to determine whether the grantee is suspected of activity relating to terrorism, including terrorist financing or other support. NPOs should not enter into a relationship with a grantee where any terrorist-related suspicions exist. NPOs are encouraged to employ all reasonably available resources when determining the level of risk in a particular NPO operation and when engaging in appropriate vetting procedures. This should therefore not be limited to checking the lists of listed persons discussed below.
- (b) With respect to key employees, members of the governing body or other senior management at a grantee's principal place of business, and for key employees at the grantee's other business locations, the NPO should, to the extent reasonable, obtain the full name in English, in the language of origin, and any acronym or other names used; nationality; citizenship; current country of residence; and place and date of birth.
- (c) NPOs should be aware that other countries may have their own lists of designated terrorist-related individuals, entities, or organizations pursuant to national

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<sup>9</sup> Contact information includes physical, postal, email and URL addresses and phone numbers.



obligations arising from United Nations Security Council Resolution 1373 (2001)<sup>10</sup>. Such measures may be binding on a Belize NPO which conducts activities in that country including through provision of funds or other resources.

- (d) With respect to the key employees, members of the governing body or other senior management described in sub-paragraph (c), the NPO should also consider consulting publicly available information to ensure that such parties are not reasonably suspected of activity relating to terrorism, including terrorist financing or other support; and
- (e) As a pre-condition to the issuance of NPO support, the NPO should require grantees to certify that they are in compliance with all laws restricting persons from engaging in transactions with listed persons or, in the case of foreign grantees, that they do not deal with any listed persons or any other persons known to the foreign grantee to support terrorism or to have violated the provisions of the MLTPA.

### **9.3 The NPO should conduct basic vetting of its own key employees as follows:**

- (a) The NPO should conduct a reasonable search of publicly available information to determine whether any of its key employees is suspected of activity relating to terrorism, including terrorist financing or other support. NPOs should not employ a person where any terrorist-related suspicions exist; and
- (b) The NPO should assure itself that none of its key employees is a listed person as discussed in sections 4.1 and 9.2 above.

### **9.4 Know Your Donor**

- (a) The NPO should conduct a reasonable search of publicly available information to determine whether the donor is suspected of activity relating to terrorism, including terrorist financing or other support;
- (b) The NPO should assure itself that the donor is not a listed person as discussed in sections 4.1 and 9.2 above; and
- (c) The following, amongst other factors, should be considered by the NPO in assessing the risks related to donors:

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<sup>10</sup> United Nations Security Council Resolution 1373 (2001) requires UN Member States to freeze without delay the funds and other financial assets or economic resources of persons financing or otherwise supporting terrorist activity or terrorist-related individuals, entities, or organizations. Member States must also prohibit their nationals from engaging in transactions with such parties. Countries may generally adopt measures similar to those contained in the MLTPA to fulfill these obligations. Such measures may be binding on a Belize NPO which conducts activities in that country including through provision of funds or other resources.



- Does the NPO have a well-established relationship with the donor?
- How is the money being received? (Cash, cheque, bank transfer or some other means?)
- How large is the donation?
- Is the donation in the form of a loan? If so, can the source of the funds be identified or checked by the NPO? Is there a condition that funds are only to be retained by the NPO for a period and then returned to the donor, with the NPO retaining the interest?
- Are there unusual or substantial one-off donations?
- Does the donation come with any conditions attached? What are they? Are they reasonable?
- Is the donation conditional on particular organizations or individuals being used to apply the funds?
- Is the donation conditional on being applied to benefit particular individuals either directly or indirectly?
- Is there a suspicion that the NPO is being used as a conduit for funds to a third party?
- Is the donation in Belize dollars or another currency, perhaps with a requirement that the donation be returned in a different currency?
- Is the donation received from a known donor but through an unknown party or an unusual payment mechanism where this would not be a typical method of payment?
- Are any of the donors based, or does the money originate, outside Belize? If so, from which country? Does this country/area pose any specific risks?
- Are donations received from unknown bodies or international sources in countries where financial regulation or the legal framework is not rigorous?
- Is anything else unusual or strange about the donation?

**9.5** An NPO should take the following steps where its due diligence gives it reasonable grounds to believe that any of its own key employees, grantees, donors or any of the key employees, members of the governing body, or other senior management of its grantees or donors is suspected of activity relating to terrorism, including terrorist financing or other support:

- (a) If the NPO believes that the individual or organization in question is a listed person, the NPO should take appropriate due diligence steps to ascertain whether the match is valid.
- (b) Where the NPO has reasonable grounds to believe that the individual or entity is otherwise involved in terrorism the NPO should complete a Suspicious Transaction Report (STR) and forward to the FIU no later than three days after forming that suspicion and where possible before the transaction is carried out:
  - (i) by ascertaining the purpose of the transaction, the origin and ultimate destination of the funds involved and the identity and address of any ultimate beneficiary.



- (ii) the report should outline particulars of the transaction, contain a statement of the grounds on which the NPO holds the suspicion, and be signed by an authorized person of the NPO.
- (iii) Filing of an STR should not be disclosed to another person and the information should be kept strictly confidential.

This is in accordance with section 17 of the [MLTPA](#).

## **10. WHERE CAN I GET MORE INFORMATION?**

For further information please contact the **NPO Best Practices Committee** via the following contact information:

Mailing address: The Chair,  
NPO Best Practices Committee,  
Financial Intelligence Unit,  
4998 Coney Drive Plaza,  
Coney Drive,  
Belize City

E-mail: [npobestpractices@fiubelize.org](mailto:npobestpractices@fiubelize.org)

## **11. Conclusion**

This document has been prepared with a view to educate NPOs on the risk of terrorist financing abuse and how to protect themselves from such abuse. While it focuses primarily on activities in Belize, it recognizes that some NPOs receive donations from abroad while others send money or other resources to foreign jurisdictions. Such NPOs should note that the laws of other jurisdictions may also impact on their operations. Similarly, such jurisdictions may also maintain lists of listed persons referenced in sections 4.1 and 9.2 above. Those lists may include other individuals or entities who are not designated as listed persons under the laws of Belize.

This document will continue to be updated to include contemporary best practices on the basis of feedback from NPOs and other stakeholders in this sector, as well as publications from the FATF, FSRBs and other international sources of best practices.



## **NOTICE**

This document has been prepared for information purposes only and does not relieve you of any obligation under the laws of Belize. Members of the public should familiarize themselves with the Money Laundering and Terrorism (Prevention) Act, Cap. 104 and all other relevant laws. This document is not intended as and does not constitute legal advice. Each case is unique and members of the public (including NPOs and other stakeholders in the NPO Sector) should seek the advice of a qualified attorney-at-law with respect to their particular case.

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