



GUIDANCE ON THE RISK OF ABUSE OF NON-PROFIT ORGANIZATIONS FOR TERRORIST PURPOSES

1. Introduction

Non-Profit Organizations¹ (“NPOs”) carry out much needed charitable, social and cultural work which enhance the quality of life for people in their communities and across the world. They vary in size, purpose, and reach with some having international operations and others receiving funding from foreign donors. While some NPOs work with highly vulnerable local communities, others may directly or indirectly aid vulnerable populations abroad including those in conflict zones.

An NPOs willingness to assist those most in need also makes them targets for abuse for terrorist purposes in several ways including:

- By terrorist organizations posing as legitimate entities;
- To exploit legitimate NPOs as conduits for terrorist financing, including for the purpose of escaping asset freezing measures; and
- To conceal or obscure the clandestine diversion of funds, which were intended for legitimate purposes, to terrorists or terrorist organizations.

NPOs can however take steps to mitigate these risks and thus give the local and international donor community greater confidence in them, while simultaneously addressing some of the concerns of financial institutions and designated non-financial businesses and professions, collectively referred to as “reporting entities” (“REs”), that have the potential to result in the termination of or refusal to enter into business relationships with an NPO.

REs are themselves subject to anti-money laundering, combatting the financing of terrorism and proliferation of weapons of mass destruction (“AML/CFT/CPF”) laws. An NPO can fulfill these AML/CFT/CPF obligations by being transparent with REs. It also improves their understanding of the risks related to the NPOs and what is considered “normal” for the sector, thus helping to ensure that only reasonable safeguards are taken. This can ultimately make it easier for individual NPOs, and NPOs as a whole, to receive services from REs.

¹ While Non-Governmental Organisations (“NGOs”) have a specific legal definition in Belize, consistent with their distinguishing characteristics, they also form a subset of NPOs. The term NPO as used in this document therefore also includes NGOs.

Terrorism can be motivated by political, religious or ideological objectives and uses violence or illicit activities to further these goals. When pursuing these goals, terrorists may engage in domestic or international terrorism or in some cases, both types of terrorism may be related.

2. Vulnerability of NPOs to Terrorist Abuse

International experience has identified that some of the strengths and other characteristics of NPOs can also make them vulnerable to abuse by terrorists and other criminals. These include:

- They can be relatively easy to set up.
- They may depend on one or two individuals who play a key and often unsupervised role, particularly with smaller NPOs.
- They enjoy high levels of public trust and confidence making them an attractive vehicle for terrorists and other criminal actors to attempt to mask their activities.
- They often rely on goodwill and voluntary support in one form or another.
- Different NPOs reach different parts of society, including more vulnerable communities. Because of this reach, large numbers of people come into close contact with NPOs, including those who may abuse them, through their services, the use of their property and through their trustees and volunteers.
- Some NPOs have direct or indirect global presence, including in vulnerable international locations such as conflict zones and surrounding areas. NPOs often have an unparalleled ability to move funds, supplies and people into or through these areas.
- Some NPOs can have complex financial operations including multiple donors, investments and currencies, often receiving and using cash, and involving high volumes of small-scale transactions. They may also have to move funds through intermediaries to deliver their services. Money is a key facilitator of terrorist activities as it can fund training, recruitment, weapons and materials and support for terrorists or terrorist organizations.
- NPOs may have irregular income and expenditure streams, so suspicious transactions may be harder to identify.
- Some NPOs operate in multiple countries some of which may have weaker regulation to prevent against abuse.
- NPOs are powerful vehicles for bringing people together for a common purpose and collective action and may inadvertently provide a ready-made social network and platform of legitimacy for terrorists or terrorist sentiments.

Not all of these factors will apply to each NPO. Conversely, one or more factors may increase the vulnerability of a particular NPO to abuse, such as the local or international community where the NPO works or the type of activity in which it is engaged. The case of each NPO is unique.

Belize, like countries around the world, continues to strengthen its measures to reduce the risk of terrorism and terrorist abuse. This includes increased safeguards for REs. As those doors are closed to terrorists, they will look to other avenues including through abuse of the NPO sector. In other cases, the characteristics of some NPOs have always made them an attractive target for such abuse.

This document is therefore intended to raise awareness within the NPO sector, provide a guide to key legislation and operational measures and point to steps which NPOs can take to mitigate risk.

3. NPO Abuse

NPOs can be abused by various actors (both within and outside the NPO) in different ways.

a. Funding Abuse

Funds related to an NPO can be abused in several ways:

- Funds may be solicited from donors in the name of an NPO for a charitable purpose but may instead be used for terrorist purposes with or without the knowledge of the NPO;
- Funds which were legitimately raised for charitable purposes and being transferred may be diverted before reaching their intended beneficiary;
- An NPO might be used by a donor to launder money (including terrorist funds); and
- A legitimate NPO might be used as a front for transporting cash or other financial support from one place to another.

A recipient of support from an NPO may also use such funds to directly or indirectly further terrorism. Examples include but are not limited to:

- Funding a school that teaches terrorist ideology, even if alongside other mainstream classes; and
- Funding a hospital controlled by a terrorist organization which gives priority to the treatment of its fighters or their families².

Stronger monitoring, financial controls and due diligence measures help to reduce these risks of abuse by officers of the NPO, contractors, donors, or recipients of support.

b. NPO property

Various categories of property, including vehicles, real-estate and computers, can be abused for terrorist purposes. Vehicles may be used to transport terrorist personnel, funds, weapons and supplies. NPO premises may be used for storage, housing, training or recruitment. The communications network of an NPO, including information technology assets, could also be exploited to allow terrorists to communicate with each other, to coordinate operations, for recruitment and even fundraising. This can extend to ransomware attacks and other cyber-attacks on critical services such as utilities, hospitals and the financial sector.

c. Abuse of the NPO's name

Terrorists may use the guise of working for an NPO in order to gain access to a region or community. In some cases, such cover is used for travel to conflict zones or other difficult to reach areas to attend terrorist training or provide other support for

² Belize has strengthened its laws to strike a balance between depriving terrorists and terrorist organisations of funding for their operations, and facilitating humanitarian relief to vulnerable regions.

terrorism.

d. Abuse by Officers of an NPO

Officers of an NPO may abuse it in different ways. For example, NPO funds may be diverted for terrorist purposes. NPO property may be used for transport, housing, training, promoting or recruitment. In other cases, the NPO may have been established solely for the purpose of tricking donors into providing funding which will in reality be used for terrorist purposes.

4. Assessing Risks Related to Donors/Know Your Donor

As with all other aspects of NPO administration, not every donor poses the same level of risk to the NPO. The same approach to assessing such risk would therefore not be appropriate for each donor. Depending on the circumstances, some of the following factors may be important in assessing such risk.

- Who are the donors?
- What is known about them?
- Does the NPO have a well-established relationship with them?
- Do any additional identity checks need to be made for individual donors or donor organizations? (Publicly available information such as via the internet or the Belize Companies and Corporate Affairs Registry may be useful sources of information. Such information may be similarly available in the home country of a foreign donor.)
- How is the money being received? (Cash, cheque, bank transfer or some other means?)
- Have any public concerns been raised about the donors or their activities? If so, what was the nature of the concerns and how long ago were they raised? Did any law enforcement or regulatory body investigate the concerns? What was the outcome?
- 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 of 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? (Risks related to geography is discussed below.)

- Is anything else unusual or strange about the donation?

While not all of these questions need to be answered in respect of each donor in assessing risk, it should be noted that in some cases, having this information would also help the NPOs satisfy the AML/CFT/CPF requirements of REs whose services the NPO wishes to access. Developing a good working relationship with the financial institutions or other RE will help the NPO understand how improvements to the NPOs governance and due diligence can maintain and improve access to these services.

5. Assessing Risks Related to Geography

Some geographical regions, which may range from a part of a country to multiple countries, may pose higher risk of abuse to NPOs. While there are no universally recognized criteria for assessing and determining risk in particular countries or geographic regions, areas with higher risk may include but are not limited to:

- regions where terrorists or terrorist organizations are known to operate;
- countries subject to sanctions by the United Nations or other international organizations;
- countries or regions vulnerable due to internal conflict or criminal activity; and
- countries identified by the Financial Intelligence Unit, the Financial Action Task Force (FATF) or FATF-styled regional bodies (e.g. the Caribbean Financial Action Task Force) as having weak anti-money laundering, terrorism financing and proliferation financing laws and enforcement of these laws. These organizations publish lists of such countries which can be easily accessed via the internet.

Other factors which could be taken into account in assessing risk related to geography include:

- the types of services provided by the NPO;
- strength of local laws and law enforcement;
- the political environment and the ability of the State to govern the region;
- the extent and types of criminal activity in the region;
- the size and reliability of financial institutions; and
- the main channels available for financial transactions.

6. Sending and Receiving Money

National authorities have identified sending and receiving of money, particularly to and from abroad, as posing an increased risk of abuse of NPOs in Belize. The informal money transfer sector and underground activities provide an extremely high risk of abuse for terrorist financing. Financial institutions in Belize and in other countries are heavily regulated to guard against such abuse regarding funds being sent out of or received into the country. **NPOs are therefore strongly advised to use these formal mechanisms wherever possible.**

7. Legislation

The Non-Profit Organisations Act, 2023 sets out a registration and regulatory framework designed to protect the NPO sector in Belize. While some key provisions are set out below, NPOs should become familiar with the entire Act.

Key provisions of the Act include:

- **Section 6 (1)** - An application for registration as a Non-Profit Organisation shall be made to the NPO Registrar in the prescribed form by a controller of the Non-Profit Organisation and contain the information specified in the Schedule;
- **Section 6(4)** - Duty to notify the Registrar of any change in the NPOs purposes and activities, constitutional documents or any of the particulars entered in the register within thirty days of such change;
- **Section 16** - NPOs must keep proper financial accounts and records;
- **Section 18** – The Minister, in consultation with the National Anti-Money Laundering Committee, may designate such classes of NPOs which shall have their accounts audited and which shall take additional risk-based due diligence measures; and
- **Section 20** – Filing of annual returns.

Many of the areas discussed in the paragraphs above are subject to offences under The Money Laundering and Terrorism (Prevention) Act, Chap. 104 Revised Edition 2020 (“the MLTPA”) as amended by The Money Laundering and Terrorism (Prevention) (Amendment) Act, 2023 such as:

- Section 68(1) – Willfully providing or collecting funds or property with the intention or knowledge that they will be used for terrorist purposes;
- Section 68 (5G) – Transferring, converting, disposing of or moving any frozen property;
- Section 68(5H) – Making financial and/or other related services available to a listed person; and
- Section 69 – Solicitation of support for the purposes of terrorism or for a terrorist organization.

It should be noted that Section 2C and 68 of the MLTPA provides that these and other offences under the Act apply whether or not the offence took place within or outside of Belize. NPOs should thus equally exercise due diligence in respect of their international activities including sending and receiving funds, supplies and personnel.

The Financial Intelligence Unit has prepared public guidance on the MLTPA which would be useful for NPOs to review. This guidance can be accessed at the following link: <https://fiubelize.org/guidancedocuments.html> Controllers and officers of NPOs should however familiarize themselves with the NPO Act and the MLTPA.

There can sometimes be a link between terrorism and money laundering or proliferation of weapons of mass destruction. Money laundering is a process aimed at concealing the illegal origin of profits of crime. Terrorist financing is the collection or provision of funds for terrorist purposes. Unlike money laundering, where the funds are always the proceeds of a crime, terrorism can be financed through both legal and illegal sources. In the case of terrorism, the focus is on the use to which funds will be applied, as opposed to the legality of the source of funds.

The FIU maintains lists of persons and entities, either designated by Belize or by the United Nations Security Council or its committees, against whom sanctions related to terrorism apply. Such persons or entities are referred to as “listed persons”. The MLTPA similarly applies United Nations and domestic sanctions in respect of proliferation financing. Persons and organizations within Belize, including NPOs, are thus prohibited from providing property, financial or other support to such listed persons, subject to specific exemptions set out in the MLTPA.

8. Reporting of Suspected Terrorist Financing Abuse

The Money Laundering and Terrorism (Prevention) Act, Chap. 104 Revised Edition 2020 (“the MLTPA”) as amended by The Money Laundering and Terrorism (Prevention) (Amendment) Act, 2023, section 17(4) makes provision for REs which suspects or has reasonable grounds to suspect that any transaction, proposed transaction or attempted transaction is related to the commission of a terrorist financing offence or is related or linked to, or is to be used in connection with a terrorist act or for the financing of terrorism, or involves frozen property, to prepare and submit a suspicious transaction report to the FIU as soon as possible but not later than three days after forming that suspicion and wherever possible before the transaction is carried out.

Section 35A also provides:

35A. (1) Every person, regulatory authority or supervisory authority who has any information which will assist in—

(a) preventing the commission, by another person, of a terrorist act; or

(b) securing the arrest or prosecution of another person for—

(i) an offence under this Act; or

(ii) an offence under any other law which also constitutes a terrorist act,

shall forthwith disclose the information to a police officer or the Director.

(2) Notwithstanding sub-section (1), a person referred to in sub-section (1) shall not be required to disclose any information which is protected by privilege.

(3) Civil or criminal proceedings shall not lie against any person for disclosing any information in good faith pursuant to sub-section (1).

(4) Any person who fails to comply with sub-section (1) commits an offence and is liable on conviction on indictment to a fine of ten thousand dollars and to imprisonment for a term of two years.

Such reports can be made to the Financial Intelligence Unit via the following contact information:

4998 Coney Drive Plaza
Coney Drive
Belize City, Belize
P.O. Box 2197
Tel: + (501) 223 – 2729 / 223-0596
Fax: + (501) 223 – 2531
E-mail: fiu.belize@fiubelize.org

9. Further Information

For further information, please contact the Financial Intelligence Unit via the following contact information:

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[Consolidated Belize Sanctions List
Compliance Reporting Form](#)

NOTICE

This document has been prepared for information purposes only and does not relieve you of any obligation under the laws of Belize. Officers of NPOs and members of the public should familiarize themselves with the Non-Profit Organization Act, 2023, the Money Laundering and Terrorism (Prevention) Act, Chap. 104 Revised Edition 2020 as amended by The Money Laundering and Terrorism (Prevention) (Amendment) Act, 2023, 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 officers of NPOs, should seek the advice of a qualified attorney-at-law with respect to their particular case.