



Jersey Financial  
Services Commission

# Non-profit organisation annual update

23 October 2024



# Welcome

Jason Carpenter - Director, Supervision



# Links and resources



# Agenda

- Overview of the NPO framework
- What is diversion, and why is it important to consider?
- An introduction to the Financial Sanctions Implementation Unit
- MONEYVAL – overview for non-profit organisations
- Where can you find guidance?
- Questions





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# Overview of the NPO framework

Kate Rogers

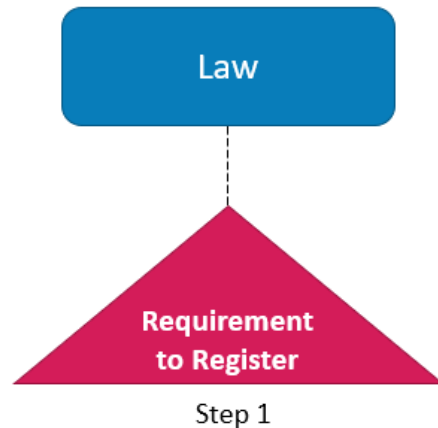


# What is a non-profit organisation?

## Step 1:

**Does my NPO need to register with the JFSC?**

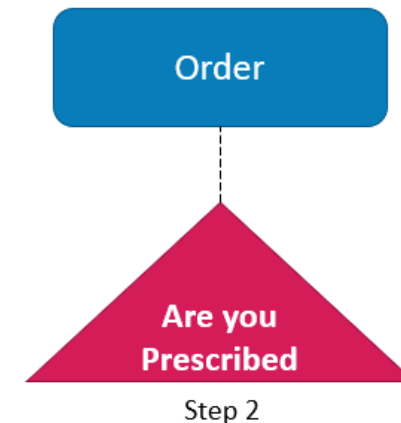
Engaging in raising/disbursing funds for non-profit purposes.



## Step 2:

**If so, will my NPO be considered Prescribed and be subject to additional requirements?**

During the preceding 12 months, raised and/or disbursed funds exceeding £1,000 from outside Jersey, Guernsey, the Isle of Man, England and Wales and Scotland.





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# What is diversion, and why is it important to consider?

Aimee McEnery



# Diversion Risk and Mitigation

## What is 'Diversion risk'?

Where funds are diverted away from the intended recipient to a terrorist, terrorist cell or terrorist organisation for them to benefit from, directly or indirectly.

## How can this risk be mitigated?

Diversion risk may be mitigated by:

- › Identifying Associates NPOs/Beneficiaries whom you work with.
- › Obtaining reasonable assurance that the funds have reached their intended destination in full and have been used for their intended purpose.

A risk-based approach is not intended to prevent or obstruct aid from reaching legitimate NPO Beneficiaries, but rather a way of ensuring it does in fact reach that destination.

Proportionate risk-based policies and procedures can safeguard the non-profit sector, and Jersey, from reputational damage.

Robust controls also provide confidence to a Prescribed NPO's donors and the wider donor community.





# Thematic exam 2024 – diversion mitigation

## Areas of improvement



Insufficient information obtained on Associate NPOs regarding where and/or how the funds were being used after receipt.



Understanding by the Boards/Governors of what diversion is and how it may manifest within their specific organisation.



Reliance on anecdotal confirmations or limited evidence on how funds were being used. The NPO cannot gain comfort that Diversion had not occurred.

# Thematic exam 2024 – diversion mitigation

## Good practice



Controls implemented to ensure funds reach the intended destination.



NPOs often used a combination of diversion mitigation methods, such as:

- › On-the-ground visits
- › In-person meetings and/or video conferencing
- › Receipts from spending
- › Progress reports
- › Photographs
- › Avoiding over-reliance on any one method. A combination of methods may offer the best mitigation.



Documenting what actions had been taken and updating processes where enhancements could be made.





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# Sanctions Overview

Dan Marcos Head of International Compliance - Financial Sanctions  
Implementation Unit





External  
Relations

Gouvernement d'Jèrri

# Financial Sanctions Implementation Unit (FSIU)

*Sanctions Update*



# Agenda

1. International Sanctions Overview
2. Introduction to the FSIU
3. Sanctions in Jersey
4. Sanctions Circumvention and Red Flags
5. How to report a concern
6. Q&A

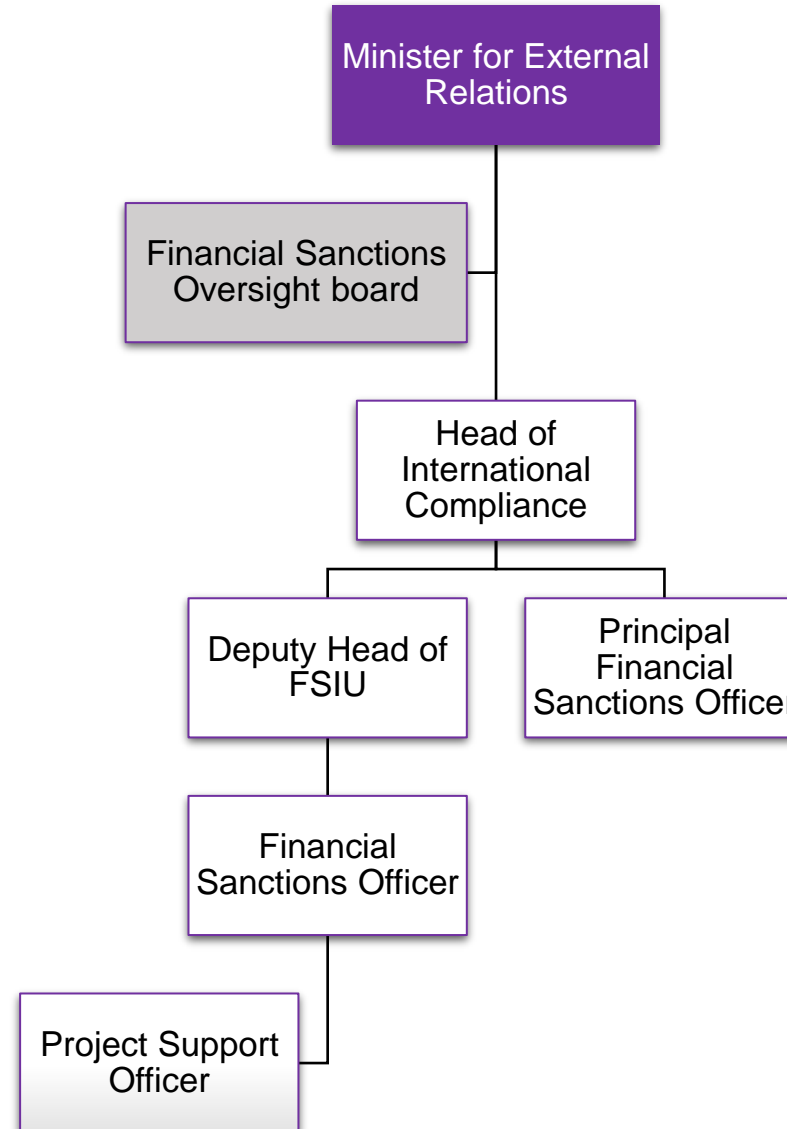


# Introduction to the Financial Sanctions Implementation Unit (FSIU)



*The FSIU sits within the Ministry of External Relations and supports the Minister for External Relations (MER) in his role as Competent Authority*

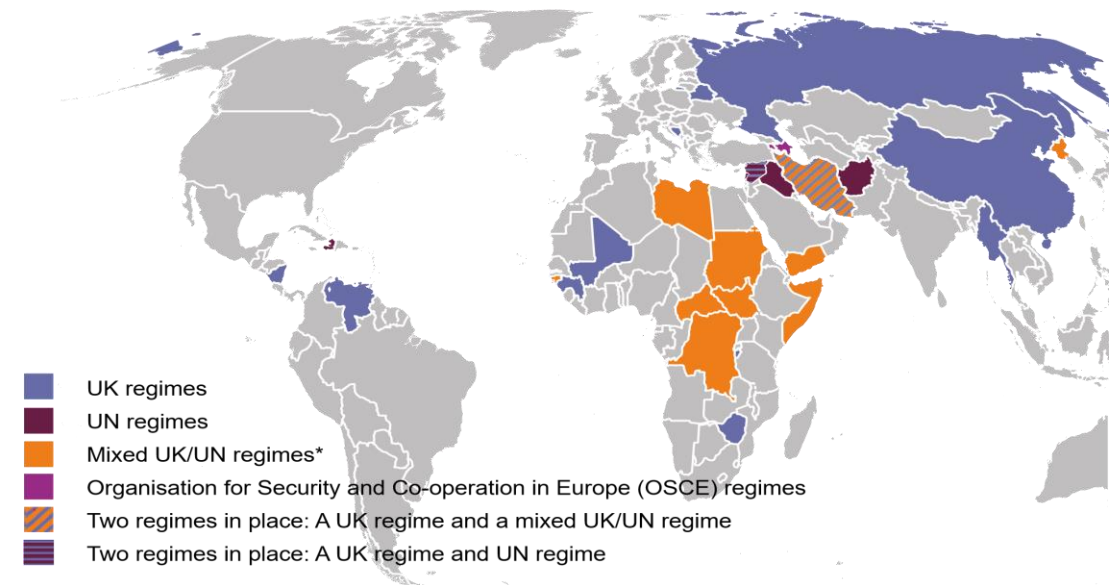
- Legislation
- Publishing changes to sanctions lists
- Sanctions compliance reports
- Sanctions licence applications
- Guidance and engagement
- Cooperation and coordination



# International Sanctions Overview



- Jersey implements both UNSC and UK sanctions through local sanctions legislation
- United Nations Security Council (UNSC) sanctions
  - Intended to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation
  - Implemented through binding resolutions and enforced by all member states
  - Examples include:
    - Democratic People's Republic of Korea (North Korea): sanctions in place to encourage the regime to give up its nuclear weapons programme
    - Sanctions against al-Shabaab in East Africa to respond to the security needs of Somalia
- UK autonomous sanctions
  - Help meet foreign policy and national security aims, and protect the integrity of the financial system
  - Geographic Regimes (e.g. Russia, Belarus, Iran)
  - Thematic Regimes (e.g. Global Anti-Corruption, Cyber, Domestic Counter-terrorism)



# International Sanctions Overview



## Types of sanctions include:

- **Asset Freezes:** Prevent sanctioned persons from accessing funds and economic resources
- **Financial Service Prohibitions:** Prohibit the provision of financial services to sanctioned entities
- **Trade Restrictions:** Limit the export or import of goods such as arms, dual use goods, commodities, luxury items, or technology
- **Aviation Sanctions:** Restrict sanctioned airlines or aircraft from entering airspace, accessing airports, or receiving aviation-related services
- **Shipping Sanctions:** Prohibit sanctioned vessels from entering ports, using maritime services, or conducting specific shipping activities
- **Travel Bans:** Restrict sanctioned individuals from entering or transiting through certain countries





# Sanctions circumvention

## ○ What it is?

- Intentionally participating in activities knowing that the object or effect of them is (whether directly or indirectly) to circumvent sanctions measures

## ○ Why is it important?

- Undermines sanctions regimes and weakens their impact

## ○ What to look for?

- Anything unusual or unexpected



# Sanctions circumvention – Red Flags

## Donors:

- Funding from High-Risk Donors or Regions
- Unusual Payment Methods

## Partners:

- Lack of Transparency from Local Partners
- Inconsistent or Vague Documentation
- Involvement with Politically Exposed Persons (PEPs)

## Projects / Beneficiaries:

- Projects near sanctioned countries or conflict zones
- Providing aid to individuals or organisations linked to terrorism or other illicit activities.



# How do I report a sanctions concern or potential breach?

- A **relevant financial institution\*** is obliged to inform the Minister, as soon as practicable, of
  - Connections to or dealings with a designated person
  - Assets frozen on behalf of a designated person
  - Attempted or completed breaches of sanctions legislation
- **Sanctions compliance forms**
  - Can be found at [www.gov.je/sanctions](http://www.gov.je/sanctions)
  - Should be submitted to [sanctions@gov.je](mailto:sanctions@gov.je)
  - General sanctions concerns or queries to the FSIU at [sanctions@gov.je](mailto:sanctions@gov.je)
- **Further support**
  - [About sanctions — Jersey Financial Services Commission \(jerseyfsc.org\)](http://jerseyfsc.org)
  - [Financial sanctions guidance for charities and non-governmental organisations \(NGOs\) - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

# Sanctions in Jersey: Stay up to date with sanctions news



- [www.gov.je](http://www.gov.je)
  - [Sanctions \(gov.je\)](#)
  - [Combatting terrorism and terrorist financing \(gov.je\)](#)
  - [Combatting proliferation financing \(gov.je\)](#)
- [Jersey Gazette](#)
  - Notices published by the FSIU to update on:
    - changes to sanctions lists
    - updates to Jersey's sanctions regime
    - additional guidance
  - Register with the Jersey Gazette / subscribe to RSS feed to receive email alerts
- [Sanctions Lists](#)
  - [United Nations Security Council Consolidated List | Security Council](#)
  - [The UK Sanctions List - GOV.UK \(www.gov.uk\)](#)
  - [OFSI Consolidated List Search \(hmtreasury.gov.uk\)](#)



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*Please email our team at  
[sanctions@gov.je](mailto:sanctions@gov.je)*

*Online guidance can be found at  
[www.gov.je/sanctions](http://www.gov.je/sanctions)*



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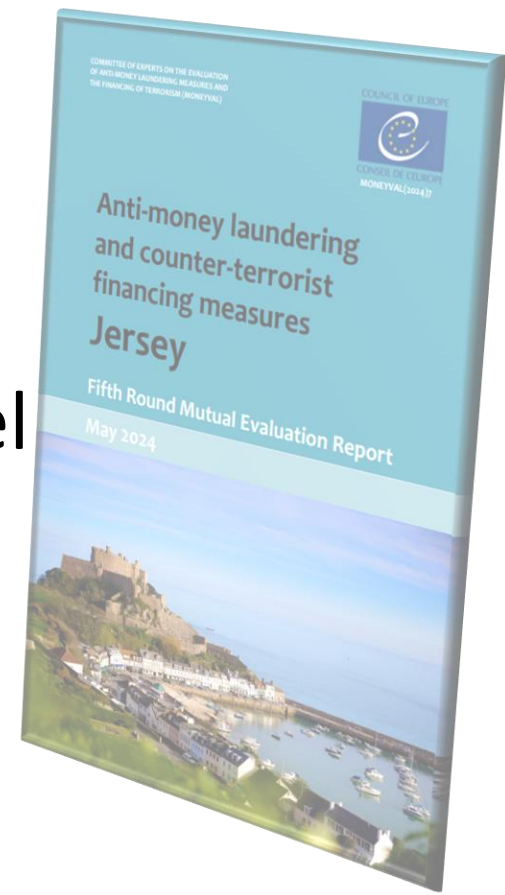
# Moneyval update

Sam Davison



# Moneyval update

- › Confirmed Jersey's effectiveness in preventing and combatting financial crime among the highest level found in jurisdictions evaluated around the world  
- *Great result for Jersey*
- › Commended for extensive consultation, outreach and engagement with NPO sector in close partnership with GoJ, JCC/AJC and JOA
- › Every evaluation report makes recommendations to improve and enhance ***what we do and how we do it***



# Key findings and recommended priority action

- › Given risk-based oversight of NPOs has recently begun, effectiveness is yet to be **fully** demonstrated
- › Further guidance needed on risks of being abused for terrorist financing purposes, indicators to look out for, and best practices to mitigate TF risks and vulnerabilities
- › Consider whether measures in place for Prescribed NPOs are proportionate for all NPOs in the category and effectively target various levels of TF exposure and vulnerability






# Moneyval the next steps

- › Risk based supervision for NPOs implemented January 2023 and remains in place and will continue to be embedded
- › However, the JFSC will undertake a review of the **2025 COMBATTING FINANCIAL CRIME TOGETHER** overall supervision of NPOs to ensure risk based and effective
- › Whilst strengthened requirements is an important TF safeguard, we will continue monitoring whether new requirements are proportionate to the risk exposure
- › Continue to engage and work closely with the sector and in partnership with stakeholders
- › Publish guidance on proportionality and risk-based approach
- › Conduct a themed visit later in 2025 to ensure we are getting the balance right



# Helpful guidance for NPOs




Non-profit organisations (NPO)  
updates from the JFSC

Q2 2024

Welcome to our NPO newsletter

Our quarterly update highlighting upcoming events, key contacts, and helpful links



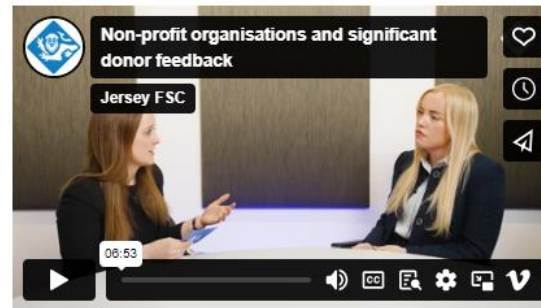
Thank you for your NPO questionnaire responses!

In February 2024, we asked all Jersey registered NPOs to complete our annual data collection questionnaire. Over 50% of Jersey NPOs completed the questionnaire, and we will look to give an update on some of the key outcomes in our next Newsletter.

- Jersey has a large and diverse NPO sector ranging from charities, to limited companies who operate internationally
- the non-profit sector is a vital contributor to our society, providing important services and functions which enhance the quality of life for many, sometimes under challenging circumstances and we are committed to safeguarding and maintaining good practices of charitable giving
- the data we collect is an important part of this as it ensures we have a good understanding of the NPO sector, to ensure we continue our risk-based approach to supervising Prescribed NPOs and making sure our records for all NPOs are up to date

We will continue to work with Jersey's NPOs, to raise awareness of the importance of annual survey and build upon the number of NPOs

## Watch: NPOs and significant donor feedback



Watch Kate Rogers and Aimee McEnery from our NPO team discuss our feedback from our recent NPO examination, answering your frequently asked questions.

## 1 Executive Summary

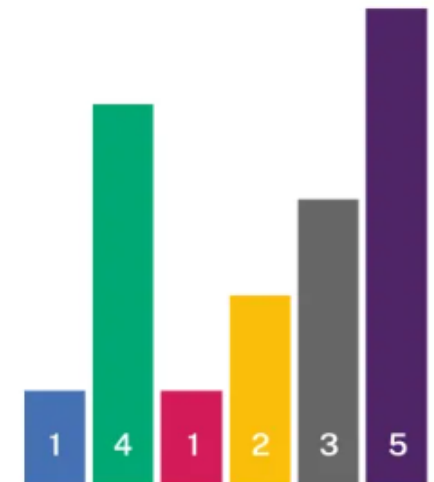
During the second quarter of 2023, the JFSC undertook a thematic examination to assess the extent to which Prescribed Non-Profit Organisations (NPOs) have implemented appropriate Significant Donor records and controls.

A Prescribed NPO is required to keep a record of Significant Donors. As defined in Article 5 of the NPO Order, a Significant Donor means a person who, during the preceding 12 months, donated to the Prescribed NPO (as a single donation or cumulatively) £10,000 or above or, if less, over 50% of total donations made to the Prescribed NPO during that period. A Prescribed NPO must retain records of all Significant Donors for at least five years.

A Prescribed NPO's Significant Donor records are a key tool to help identify those individuals or institutions who at any given time are connected to a Prescribed NPO. It is also a contributing factor to the overall mitigation of risk of the Prescribed NPO being used to assist terrorism or the financing of terrorism.

The JFSC examined eight Prescribed NPOs, which are supervised under the Law as part of this thematic. The chart below outlines areas where 16 findings and observations were identified across the eight examined Prescribed NPOs:

### Summary of findings



### Non-Profit Organisation thematic examination programme 2023

Feedback paper

Significant Donors

## Conclusion

The examination the JFSC were able to determine that, for the most part, the examined demonstrated a good understanding of the risks posed to the non-profit



# Helpful Guidance for NPOs

## Non-Profit Organisations (NPOs) Suspicious Activity Reporting (SARs)

What to do if you have knowledge, suspicion, or reasonable grounds for suspicion that terrorist financing and/or money laundering activity is present.

A Suspicious Activity Report (SAR) must be filed with the Financial Intelligence Unit (FIU) of the Jersey Financial Services Commission (JFSC).

A SAR is the format by which knowledge, suspicion, or reasonable grounds for suspicion of money laundering or terrorist financing are reported. A SAR allows information and intelligence to be formally put before enforcement agencies, helping them prevent, detect, investigate, and prosecute crime.

Details on the requirements under the Proceeds of Crime (Jersey) Law 1999 and Terrorism (Jersey) Law 2002 are located on page 2 of this flow chart.

The flowchart outlines the SAR reporting process in six steps:

- Identify:** Assess if you have knowledge, suspicion, or reasonable grounds for suspicion of money laundering or terrorist financing. If yes, proceed to Step 2. If no, no further action is required.
- Decide:** If you have knowledge, suspicion, or reasonable grounds for suspicion, you must decide if you need to report. If yes, proceed to Step 3. If no, no further action is required.
- Route 1:** If you already have a SAR in place (by virtue of a previous submission or have a Trust Company, Business or please list in an email), you will receive regular updates.
- Route 2:** If you have not already submitted a SAR, you will receive regular updates.
- Submit:** Once lodged in place, make your submission. The JFSC will review your submission and, if appropriate, will contact you for further information.
- What happens next:** Once submitted, the FIU team will review the SAR and contact you should they require any further information. You should be notified of the outcome of the SAR. If you are not notified, the SAR is considered to be a 'no further action' SAR.

At a minimum, the following criteria should be included in the completion of a SAR under the heading 'Details of the suspicion (full details for suspicion)':

- Relationship of the identified party with the NPO in question
- Location and value of funds received and/or donated
- Information held on donations and/or received funding (does it relate to the suspicious activity and what activity prompted the SAR (donations/other source)?)

If your submission relates to a complex situation (more than 100 words), please consider submission to the JFSC via email.

## Non-Profit Organisations (NPOs) in Jersey Is your organisation an NPO and what that means in practice

Globally it is recognised that terrorists may exploit the NPO sector to raise and move funds. Jersey has a large and diverse profit sector and protecting it from terrorist abuse is both a critical component of the global fight against terrorism and a necessary step to preserve the integrity of the sector. It is important to achieve this without unintended consequences to the legitimate and good works of the NPOs.

Please follow the below steps to determine if your organisation is considered an NPO under the law and, if so, what steps should be taken next.

The flowchart outlines the NPO registration process in four steps:

- Is your organisation set up primarily to raise or disburse funds for non-profit purposes?**
  - Yes:** Your organisation is a NPO as defined in the law. If you answered 'Yes' to question 1, your organisation is required to register with the Jersey Financial Services Commission.
  - No:** Your organisation is not an NPO as defined in the law. No further action is required.
- Has your NPO previously registered?**
  - Yes:** If your NPO has previously filed a registration form with the JFSC, you will have been allocated an NPO number and do not need to register again.
  - No:** Your organisation will need to register for free via the JFSC website as an NPO.
- Does your NPO raise and/or disburse more than £1,000 per annum outside Jersey, Guernsey, the Isle of Man, Scotland, and England and Wales?**
  - Yes:** Your NPO will not be subject to any additional requirements. No further action is required.
  - No:** Your organisation will be a Prescribed NPO and will be subject to additional requirements. Further details on these measures can be found on the next page.
- Your organisation will be a Prescribed NPO and will be subject to additional requirements. Further details on these measures can be found on the next page.**

**Definitions:**

Raising funds means funds given to the NPO but does not include:

- Income earned on the funds of the NPO; or
- Amounts paid to the NPO by persons to become or remain members of the NPO.

Disburse funds does not include:

- The disbursement of funds paid to the NPO by persons to become or remain members of the NPO if those funds are applied in a way that only benefits members of the NPO.
- A payment for goods and services. A payment is when you send funds for a specific good or service, where a disbursement is a transfer of money to a beneficiary to fulfil the objects of the organisation.

**Examples of organisations who would fall outside of the definition in question 1 are:**

- Religious bodies, activities are limited to mainly worship/trade/religious activities
- Political parties
- Closed interest/membership organisations (e.g., trade unions, parent teacher organisations, professional associations)
- Cultural groups (e.g., book club)
- Neighbourhood groups
- Certain third clubs, provided they are purely for the benefit of their members or have a sporting element

## Why is the Supervision of Prescribed NPOs important?

ed that Non-Profit Organisations ("NPOs"), including registered charities, may be exploited to raise and move funds. Jersey is proud to have a thriving and diverse NPO sector and must endeavour to protect it from terrorist activity, a critical component of the global fight against terrorism as well as to preserve the integrity of the sector and the

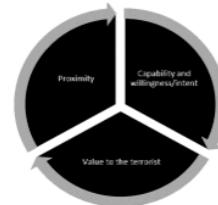
safeguarding and maintaining good practices of charitable giving and to work with the NPO sector to ensure stability, and safe practices, to prevent exploitation by other criminals and terrorists.

oes not wish to interfere or add unnecessary burden to the NPO sector which is a vital contributor to society and Jersey but also in the world economy, providing important services and functions which enhance the quality of life and the well-being of the community. Illicit and desperate circumstances.

that the vast majority of NPOs undertake, there are examples internationally of them being abused, directly or indirectly, for financial purposes.

is received reaching their intended recipient beneficiaries. This also drives donor confidence. Diversion to terrorist activity is the illicit removal of items of value from the NPO's resources away from those in need to be used for harmful purposes. Diversion is the illicit removal of items of value described as designated/sanctioned persons which includes individuals as well as legal persons/arrangements.

ask Force has described the likelihood of Diversion as being dependent



ness of a terrorist actor to the NPO and its NPO programme plays a role, as well as the areas adjacent to them, are treated as being more exposed to resources that the terrorist actor values. This brings heightened ability to take advantage of the NPO.

, such as good governance, policies and procedures, help to mitigate the risk of diversion. The use of these measures may happen in numerous ways. For example, NPOs may be:

when the NPO acts as a front, pretending to do good work. In reality, it is used for an illicit purpose. In the case of the Benevolence International Foundation, it was used to support an injured foreign terrorist fighter, whilst its documents made it look

## Is your organisation an NPO and what that means in practice

NPOs - Is your organisation a NPO and what does this mean?

Jersey FSC

Jersey Financial Services Commission

07:50

Step 1: Does my NPO need to register?

## NPOs - When and how to register

Jersey FSC

When would a NPO need to register?

When would a NPO not need to register?

How to register?

00:14

Coming Soon: From 2025 the JFSC will be holding regular drop-in sessions for NPOs. This will be an opportunity for you to come and see us and ask any questions you may have.



# Helpful guidance for NPOs



## Open door approach

Get in touch at:  
[NPOEnquiries@jerseyfsc.org](mailto:NPOEnquiries@jerseyfsc.org)

# Questions?





# Jersey Financial Services Commission



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