



Non-profit organisations (NPOs) Diversion mitigation

Diversion is the principal way NPOs are abused for terrorist financing and can be explained as the process in which funds are diverted away from the intended recipient and towards a terrorist, terrorist cell or terrorist organisation for them to benefit from, directly or indirectly. In 2024 we undertook thematic assessment visits of prescribed NPOs to understand the measures they had in place to mitigate diversion risk.

Proportionate, risk-based policies and procedures can safeguard you from terrorist financing abuse and reputational damage. Below we have broken down our observations of good practice, areas of improvement and key considerations.



Good practice we observed

- ▶ Making sure funds have reached the intended destination and purpose. For higher risk relationships, you can request to see an associate NPO's diversion mitigation policies and procedures and assess whether they are adequate.
- ▶ Using a combination of diversion mitigation methods and avoiding over-reliance on a single method. For example, you can use on-the-ground visits, in-person meetings, video conferencing, spending receipts and photographs.
- ▶ Making note of when your actions, or an associate NPO's actions, were not in line with expectations and changing policies and procedures accordingly to document "lessons learnt".



Areas of improvement we identified

- ▶ Donating to an associate NPO without first obtaining enough information on the nature and purpose of the relationship. You must fully understand what activity an associate NPO will be undertaking on your behalf.
- ▶ Not having sufficient evidence of how a donation has been used. For example, relying on only anecdotal confirmations.
- ▶ Boards and governors lacking knowledge on diversion risk and how it may manifest within your organisation.



Key considerations

- ▶ Have you considered the examples of how diversion risk may take place that are set out in Section 17 of our Handbook?
- ▶ Have you documented relevant terrorist financing risks (including jurisdictions, payment methods and diversion risk) in a risk appetite statement?
- ▶ Do you have proportionate internal risk-based controls to mitigate diversion risk?