# Impact of money laundering and counter-terrorism regulations on charities

## Updated assessment of bank de-risking impact on the UK charity sector

**March 2018**

**Bank de-risking refers to financial service providers slowing down transactions, freezing accounts and in extreme cases closing accounts in order to reduce their risk to breaches in the law and regulation, particularly around money laundering and counter-terrorism financing.**

# Overview

Bank de-risking is a well-documented phenomenon. It is severely impacting a number of sectors in the United Kingdom and around Europe including: money service businesses; defence; financial technology and NGOs/charities according to assessments by regulators such as the Financial Conduct Authority, government and parliament.

This trend has been documented in a number of ways. The first major report on this trend was Uncharitable Behaviour (2014) by Demos, written by former banker Tom Keatinge, which documented how CT/AML legislation and standards set by the Financial Action Task Force were reducing the desire to bank with the sector.

This was followed by a paper of the Overseas Development Institute (2015) which documented the impact of bank de-risking on charities and NGOs, particularly Islamic organisations. It found that banks were in an 'invidious position, surrounded by regulation that appears to trigger unintended consequences and weighed down by expectations from the government and charities that seem incompatible.'

The then Economic Secretary to the Treasury, Andrea Leadsom, also convened a roundtable of affected sectors, promising government dialogue on the problem of bank derisking.

In early 2016, following inquiries from the UK Parliament, the Financial Conduct Authority issued guidance on bank de-risking to all banks, making clear that it was not acceptable behaviour. It also commissioned and published an independent report on the drivers and impact of bank de-risking. This found that a number of sectors were impacted, including charities.

Following representations from the NGO sector and a global coalition, the Financial Action Task Force did change its guidance in the summer 2016, in order to combat the impact of de-risking in particular removing reference to NGOs and charities being "particularly vulnerable" to terrorism and money laundering abuse.

However, despite this, it has not yet led to significant change as individual states and banks still need to act on this guidance and the process of evaluation of states is slow.

There have been a number of meetings with government ministers, government officials (at UK and EU level), banks and NGOs to resolve this issue and although progress has been made in identifying the problem, solutions are still difficult to find

Arguably, the trend towards de-risking began after the terrorist attacks in the United States on September 11th 2001, which led to a significant increase in regulation and law enforcement activity. This has put a greater burden of compliance on banks. Moreover, large fines for breaches of sanctions[1] and money laundering[2] have made banks extremely sensitive to any potential breaches in the law, which is having a disproportionate effect on sectors which are:

a) operating in close proximity to sanctioned entities or where there is a risk of contact with criminal activity; or
b) low profitability for the banks and thus a low level of reward to balance against potential risks; or
c) both.

For NGOs and charities, unfortunately, many operate in high risk environments (such as Syria, Somalia, Yemen etc.) delivering vital aid and development assistance – often with the support of UK, EU and UN funds. Generally, they there is a low level of profitability because the level of funds that they are depositing or transferring overseas are small when compared to the sums in the private sector. As a consequence, all banks have reported real pressure in keeping transactions flowing and accounts open.

We recognise that charities and NGOs, like all organisations are at risk of abuse for money laundering and terrorist financing purposes. Any criminal activities which divert resources away from charitable purposes need to be combated effectively. Moreover, there is the added damage to the sector from the potential reputational damage of any abuse, whether real or perceived. As a consequence, charities and NGOs have a strong motivation to combat money laundering or terrorist financing wherever they encounter it.

The first National Risk Assessment designated the charity sector as 'medium-high' risk, despite noting that "proven terrorist abuse is rare". **It is our view, given our discussions with charities, that this had a disproportionate negative impact on banks' perception of risk associated with the sector and consequently on the ability of the charity sector to access banking services. This has hampered the ability of charities and NGOs to deliver legitimate charitable activities both domestically and internationally.**

[1] For example, Standard Chartered and breaches in Iranian sanctions
[2] For example, HSBC and money laundering for Mexican drug cartels

We are pleased, therefore, that the government used the second National Risk Assessment to provide a more nuanced approach to identifying the risks facing charities. The resetting of the level of risk from “medium-high” to “low” and a reference to the existing safeguards which protect our sector. We hope that this will lead to a change in approach from banks and regulators.

# The legislative and regulatory environment for charities

It is our view that both government and banks lack an effective understanding of the legislative and regulatory requirements placed on charities and NGOs.

There are over 167,000 registered charities in England and Wales, according to the Charity Commission. Most charities that deliver significant activities will be registered with the Charity Commission. Only charities with an income below £5,000 are exempted from registration with the Commission. There are slightly different rules for some religious affiliated charities, armed forces charities and scout groups.

It is impossible to say how many charities are unregistered, but this is likely to be a significant number. However, it is critical to remember that charities below the registration threshold are not free from legislative restrictions and regulation, they are still regulated by the Charity Commission and are subject to charity law.

Charities and NGOs that raise significant funds or deliver services are also likely to be registered as a company, and therefore additionally subject to company law. A growing number are being registered as a Charitable Incorporated Organisations (CIOs). Some charities may be Royal Charter Bodies or Industrial and Providential Societies (IPS) or Community Benefit Societies (CBS). There are also a growing number of Community Interest Companies (CICs) which are commonly called social enterprises. Some of these may be owned by charities or operate in a similar way to charities but without the tax advantages, they are not the subject of this submission but may wish to be considered for future risk assessments.

The primary driver behind registration as a company or Charitable Incorporated Organisation is to benefit from limited liability. For trustees this is important as otherwise there is a risk that they may be individually liable for the debts of the charity in the event of insolvency. Although there are some large charities which because of historic reasons are not incorporated, this is rare.

Charity law and regulation is complex. However, important features for the purposes of considering money laundering and terrorist financing risks are:

- The duty to always act in the interests of furthering the objects of the charity.

- The need to avoid private benefit, unless such benefit is necessary to the delivery of the objectives and is incidental.
- The governance of the charity by independent 'trustees' that are separate from staff and which have a responsibility to ensure that the charitable objects of the charity are delivered effectively and the law followed.
- The need to avoid a concentration of financial power through the segregation of duties.
- The need to manage the risks facing the charity and put in place appropriate monitoring, compliance and reporting.
- Appropriate financial records should be kept, through the use of a separate bank account for the charity.
- Charities must provide trustees and senior budget holders with regular financial information in order to carry out their duties.

These are similar to the duties that private companies have to undertake, but in most cases are stronger and the guidance from the Charity Commission is more detailed than those for private organisations. Details of the guidance can be found on the Charity Commission's website in the various "CCs" and "compliance toolkits".

As a consequence, the perception that charities are "unregulated" or "less regulated" than the private sector is a myth. This myth has been a contributor to de-risking activity from the financial service sector. The lack of profitability of the sector has also meant that many banks have not invested in the expertise required to understand the sector, bar a few exceptions.

# Structural barriers to charities being a vehicle of choice for money laundering

There are a number of structural barriers which exist within charities which make them unattractive to those wishing to launder illicit funds or transfer funds to finance terrorism and these do not seem to feature in analyses of risk in the sector. This is not to say there have not been incidents of abuse but that these are the exception rather than the rule and other business sectors are as likely to be vulnerable to abuse as is the charity sector.

All charitable funds are required to be used to further the charitable activities of the charity and charities must report on how this is done. Where funds derive from an institutional donor these usually come with detailed reporting requirements, donor visits and/or audits.

Although some funds may be held in reserve or invested, these must be held for a specific purpose. Unlike a private company where the primary purpose is to generate funds for the owners or shareholders, charities are required to focus on the needs of their beneficiaries and trustees cannot personally benefit from the charity's activities unless this is necessary and incidental. There is significant charity law and regulation around the nature of private benefit. Charities cannot accept donations and transfer money other institutions unless this is in the best interests of their beneficiaries. Trustees are duty bound to exercise discretion over the use of funds they hold on trust (which must further the specific objects of the charity) and should not allow their charity to be used as a "conduit" to transfer third party funds to individuals or institutions nominated by the donor.  Nor can charities return donations to donors unless this is with the consent of the Charity Commission or the funding is in the form of a loan.

Actors involved in money laundering or terrorist activities will want to control the use of funds to fund other entities that they control. Given the constraints presented on charities on the use of their funds, the restrictions on how charities can use funds are a significant barrier to money launderers and potential terrorists.

The difference in governance between charities and private companies is also significant. In general, there will be more trustees for a charity than directors in a similarly sized private company. For example, the current model constitution for a charitable company assumes that there will be 6 trustees, this compares with private companies where there will often be one or two private directors.

Secondly, and this is particularly relevant for charities with staff (generally with an income over £50,000) there is a separation between trustees and paid staff. Unless they get a specific exemption from the Charity Commission, a charity will not be able to pay its trustees. Similarly, charity staff are not allowed to be trustees without permission from the Charity Commission.

The absence of a unitary board is another barrier to money laundering or terrorist financing abuse, as would-be criminals would be required to capture a significant number of individuals in order to divert resources to entities that they control. Although it is true that some forms of donations (e.g. small cash amounts) could be at risk of coming from illicit sources without detection, once they get to the charity, the legislative and regulatory requirements on charities, which force a separation of duties and controls, make it hard for criminals or terrorists to force them through to their end destination if these rules are followed. The level of regulatory and legislative enforced separation is lower in the private sector, and this gives charities a higher degree of protection than private companies.

Another important factor is the requirement on charities to publish their accounts on the charities register annually. Any charity with an income of over £25,000 must file their accounts alongside an independent examination report or auditor's report. Any charity with an income of over £10,000 must file an annual return to the Charity Commission which will provide basic financial information.

Given the desire for those that undertake money laundering and terrorist activities to avoid scrutiny and potential investigation, this is an important factor. A charity's annual report and accounts will generally be more detailed than that of a private company due to the additional regulation of the Charity Commission and the Charities Statement of Recommended Practice (SORP). These require, for example, more detail on salaries, the use of funds and related party transactions. The additional reporting burden means that charities are required to keep more detailed and expansive financial information than private businesses. For example, most government contracts require audits to be carried out by a qualified auditor under international standards. Similarly, many grant foundations will only give funding for charities that are externally audited.

However, it must be taken into account that there are a significant number of charities that fail to file their accounts late or inaccurately. Last year, for example, 10,000 charities failed to file their accounts on time although the Charity Commission is taking steps to reduce this number. This compares with 176,000 companies which failed to file their accounts in 2015/16.

That charities, unlike private businesses, have to detail the impact that they have had through their charitable activities is another barrier to abuse. As we detail elsewhere in this submission, charities are required to provide details about their activities and plans for the future. Private companies of a similar size are not generally required to go into as much detail as charities and this can make detecting abuse relatively harder compared with the charitable sector. This makes it harder to hide the flow of funds through anonymity, and the requirement to provide detail of activities makes it easier to check whether activities have been carried out. This is another deterrent for money launderers and terrorists that may be considering using a charity as a vehicle for their activities.

A central benefit to being a charity is the ability to access tax reliefs offered by the government. This includes tax reliefs such as Gift Aid, business rate relief and some VAT reliefs and exemptions. To qualify for these reliefs, HMRC or the local authority generally requires the organisation to be a registered charity which ensures that reliefs cannot be accessed without falling under charity regulation.

Furthermore, HMRC also places its own additional regulation on charities for accessing these reliefs. For example, on Gift Aid, this requires the maintenance of detailed financial records of donations received, the donor's tax status and their agreement to the use of a tax relief. For charities making payments overseas, they are required to show to HMRC that they have taken reasonable steps to make sure that the payment is applied for charitable purposes in order to ensure tax relief is maintained. This includes information about the charity's knowledge of overseas partners or beneficiaries, their previous relations, the amounts given and a clear process of internal financial controls.

Moreover, it must be remembered that with tax reliefs, it is the charity that is the beneficiary in most cases. Although donors may benefit to some extent (through higher-rate relief or inheritance tax relief), in most cases it is charities that will receive the benefits of any tax reduction. This means that any criminal or terrorist trying to use tax reliefs for the purposes of their activities would need to take control of the charity. As referenced above, this is very challenging when compared to similar private organisations.

All these factors act as a deterrent, to put off potential money launders and terrorists from abusing a charitable organisation. It is far easier in many respects for terrorists or money launders to use other private entities, which lack the same levels of openness, financial accountability and governance regimes. We do not believe that these factors have been taken into account so far when determining the level of risk faced by the charity sector. This is endorsed by the Financial Action Task Force's Recommendation 8 which states that:

> *"It is also possible that existing regulatory or other measures may already sufficiently address the current terrorist financing risk to the NPOs in a jurisdiction…"*

We are pleased that the latest National Risk Assessment has taken into account these factors, but it is very early days and we need to see this followed through by the banks.

Unlike businesses, which are designed and regulated in order to generate profit, charities are *specifically designed to ensure that money goes to its intended destination.* This is why there is additional legislation, regulation, scrutiny and investigation into their activities. Charities are not immune to financial crime, but there needs to be a realistic suggestion. Charities must still combat this activity, and are in no different a situation to public or private organisations.

## Effectiveness of regulation

A central consideration is not only the level of regulation but also the effectiveness of the regulation. In its recent report on trust and confidence in the Charity Commission most charity stakeholders reported that they believed that the sector was effectively regulated, particularly when compared with other countries.

The National Audit Office has also found that the Charity Commission is becoming increasingly effective as a regulator, with greater use of powers and protecting assets. The Charity Commission has also seen an increase in its regulatory powers, through the Charities (Protection and Social Investment) Act 2016, with the introductions of new warnings and the automatic disqualification of trustees which have previously been convicted of terrorist offences or fraud. The Charity Commission also has sweeping powers to remove trustees that undermine trust and confidence in the sector.

In our survey of charities on this issue, the majority (50%) said that they believed that guidance on money laundering and terrorist financing abuse from law enforcement was clear. A higher percentage (57%) said that the Charity Commission's guidance was clear. This demonstrates the relative effectiveness of the Charity Commission's work compared with other agencies.

It is hard for this paper to give an assessment of the current level of effectiveness, but it is the overall view in the charity sector that regulation is expansive, robust and generally effectively enforced.

# Money laundering and terrorist financing threats facing charities

To supplement our work, Charity Finance Group over spring and summer 2017 carried out a detailed survey of charities. Thirty-four responses were received from a wide variety of organisations ranging from medium-sized organisations (income between £100-£250k) and major sized charities (income over £50m). The vast majority of our respondents (88%) had an income over £1m, which is not representative of the sector as a whole.

All respondents worked overseas, which is also not representative of the activities of the sector as a whole. However, this is arguably the sector that has been worse affected by de-risking, as a consequence, this survey can be seen as a good indication of the threats facing these types of organisations

Furthermore, the survey's findings are indicative of the wider challenges that the sector faces and the consistency in response from organisations large and small, indicates that the issues facing charities are similar across the board.

The types of work that organisations covered included a range of activities such as humanitarian work, sanitation, peace-building, medical assistance, research, human rights, education, welfare, children, grant-making organisations and environmental protection.

Most organisations (62%) had no faith background, which is representative of the sector as a whole. Christian organisations (21%) and Islamic charities (12%) were also represented in this survey population.

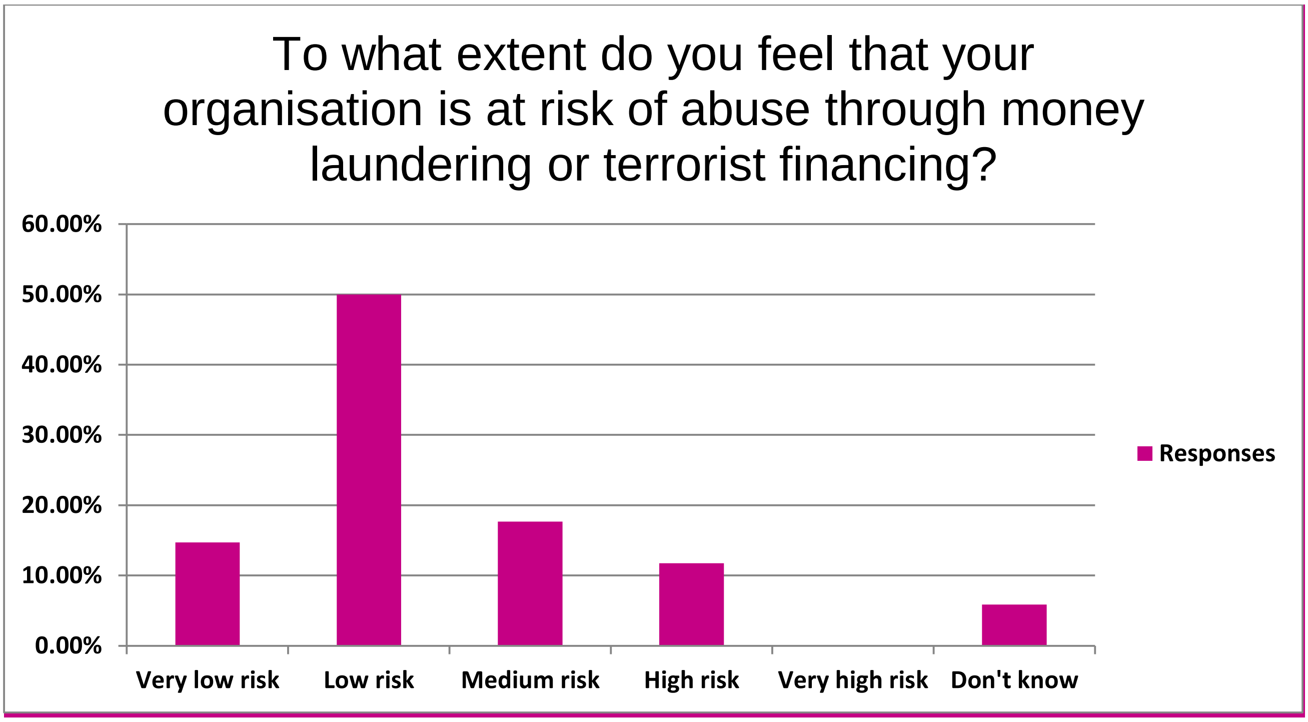
Africa was the most popular location for their activities (83%), followed by Asia (74%) and Europe (62%). MENA (Middle East and North Africa), where there have traditionally been concerns, were only operated in by 50% of survey respondents. Latin America and Oceania were also covered. North America (24%) was the least popular location for activities.

This is important to consider as most charities working overseas will not be operating in 'high-risk' environments such as Syria or Palestine. The majority will be working in developing countries which have their own challenges, but they have also been impacted by bank de-risking.

In CFG's work we have also found that small domestic charities have also been impacted by this work. It is important to remember that this is not an issue which is limited to organisations which work overseas.

Our respondents did cover a range of countries where there are entities covered by sanctions including: Syria, Yemen, South Sudan, Somalia, North Korea, Gaza, Iraq, Afghanistan, Myanmar, Iran, Cuba, Northern Ireland, Ukraine and Central African Republic. The responses below are, therefore, useful in understanding the controls which charities deploy when working in high-risk environments.

### Figure1 – Assessment of money laundering and terrorist financing risk




Most respondents did not consider their own organisation to be a medium-high risk to money laundering or terrorist financing abuse. 64% would consider their organisation very low or low risk compared with 30% of respondents that considered themselves medium or high risk. Smaller organisations were not more likely to consider themselves higher risk than larger organisations.

It is to be expected that there may be some difference in view of the risks between charities themselves and government agencies. However, this is likely to be because there is already an existing understanding of the due diligence procedures that the charity undertakes and a clearer understanding of the risks that the organisation faces.

Respondents were more likely to say that their **partners on the ground** were the greatest risk that faced their charity from money laundering or terrorist financing abuse. Our survey gave respondents a free text box to detail the risks that they faced.

Seventeen (50%) referenced partners on the ground, seven (20%) said that suppliers were their biggest risk, four (12%) said donors and four (12%) referenced the general operating environment or working near sanctioned entities.

This is important because it highlights that charities themselves are not necessarily higher-risk. However, the limited knowledge that any organisation necessarily faces when working with other entities does create risk.

Unsurprisingly, given this risk, charities were more likely to respond that **partner monitoring and due diligence** were put in place to combat money laundering or terrorist financing abuse. Twenty-eight respondents said that they had partnership monitoring in place. When we asked in more detail what this consisted of, respondents answers covered a range of processes. Answers included:

- Vetting of businesses and directors against banned lists;
- Regular (monthly, quarterly and annual) feedback reports;
- Due diligence on governance, technical capacity and financial management;
- Seeking accreditation;
- Using existing standards such as DFID or US Aid;
- Audits;
- Screening key individuals via systems such as WorldCheck;
- Procurement processes to screen suppliers;
- Evaluations and monitoring visits.

Other types of controls used by the sector to combat money laundering and terrorist financing included:

- External audit;
- Internal audit (mostly larger respondents);
- Checking proscribed or sanctions lists;
- Codes of conduct or standards;
- Donor checks;
- Training;
- AML, Fraud or Banking policies;
- Independent evaluation of activities.

This demonstrates the broad range of measures which charities use. The use of external audit and evaluation are repeated with many respondents in their answers to this survey. The focus on the use of evaluation is interesting as one key concern for government has been demonstrating how funds are used. Larger organisations are more likely to have the resources to carry out independent evaluations to demonstrate the impact of their work and ensure that it reaches its final destination. However, small charities are also increasingly using evaluation due to competition in the market place. When we asked respondents in more detail for the types of checks they carried out on beneficiaries, answers included:

- Monitoring visits;
- Receipts to prove delivery of goods (e.g. vaccines);
- Spot checks;
- Screening beneficiaries on sanctions lists;
- Use of community partners to check delivery of goods or services.

A similar need to demonstrate impact does not exist for private companies, as competition is likely to be based on other factors such as price. The use of evaluations and monitoring of impact is another way that charities have greater protection than private companies. These are another form of control which makes it harder for money launderers and terrorists to divert funds without being identified.

As referenced at the start of this report, charities are required to have strong governance procedures. We asked respondents what oversight senior management or trustees had over their operations and the monitoring of risks.

Most respondents reported some form of risk management, risk register or sub-committee which considered these issues. Other respondents reported that trustees or senior managers had to select and approve all projects before they went ahead, or had some form of sanctions screening to ensure that they did not pass on funds to proscribed entities. Some respondents had general ‘policies’ to combat these risks or used staff training. Similar to the checks and processes used above, charities are generally sophisticated in their approach to governance and will develop a range of mechanisms to combat money laundering or terrorist financing abuse, tailored to their size and types of activities.

# Perceived risks are creating real risks for charities

The designation of charities as ‘medium-high’ risk until recently has been a factor in the difficulties that charities have faced in accessing banking facilities. CFG has been contacted by a number of charities that have either lost bank accounts or had been unable to access bank accounts, which has been directly caused by banks perceiving charities to be ‘too risky’. In some cases, these have been relatively small domestic charities, working in low risk activities such as village halls or community groups. As we found in our previous briefing, this can create challenges for charities in delivering legitimate charitable activities. We have found similar results in this survey.

- 41% of respondents had transfers delayed by a correspondent bank.
- 32% of respondents had transfers delayed by their bank.
- 27% of respondents had transfers denied by their bank.
- 20% of respondents had transfers denied by a correspondent bank.
- 15% of respondents had accounts closed.
- 15% of respondents had delays in opening bank accounts.
- 8% of respondents had donations blocked.
- 8% of respondents had funds frozen.
- 6% of respondents had had accounts denied.

**Overall, 79% of respondents had some kind of problem in accessing or using mainstream banking channels**. The picture was the same for large and small organisations. Some of this is likely to be self-selecting with organisations which have had problems in the past more likely to take time to answer a survey than those which have had no problems. However, even taking this on board, this is still a significant problem and actually makes charities riskier as they lack access to safer channels for transferring and monitoring funds.

Moreover, the same number of respondents (79%) said that banks had become substantially or slightly more risk averse to them.

Reasons given by banks for their change in risk attitude included:

- "Changes in the law";
- Additional regulation on banks;
- Working in high risk countries;
- Greater focus on risk within banks;
- Fear of sanctions from US regulators;
- Risk appetite.

For most of our respondents, banks did not provide any evidence for why de-risking responses had deployed against their individual charity. In most cases, the issues cited by the bank were related to the wider operating environment.

Although charities in some circumstances have been unable to use formal banking channels, this does not mean that they have stopped trying to do their work. To some extent this is because funders are still putting requirements on charities to ensure effective delivery, even though banking channels may not be functioning. However, in most cases, this is because charities still feel the need to deliver upon their charitable objects and there may not be other organisations which can carry out their activities.

Unfortunately, when banking channels are not available charities are forced to use other methods including:

- Money service bureaus (e.g. Western Union).
- Cash Couriers.
- Halawa banking channels.
- Using staff bank accounts to transfer money.

These methods are all riskier than formal banking channels, and some respondents in answering this survey said that they put in place additional due diligence because of this.

Many respondents did not reference any other routes than formal banking channels. This is likely to be due to strong Charity Commission guidance against using these kinds of channels (e.g. the compliance toolkit). For example, one respondent said that they had put in place a detailed risk assessment and action plan which was regularly reviewed by senior leaders. In one instance a charity had reported that they were coming under pressure to stop using cash couriers, but that they needed to use these measures because the banks would not transfer money leaving them in a 'Catch 22' position.

Arguably, this overall position can be expanded to cover the whole sector. At a time when the UK government is donating hundreds of millions of pounds to help refugees and humanitarian missions in high-risk countries and the public wants to do more to help those in need, charities are being penalised for their association in working in these high risk environments. This has made it harder for them to access formal banking channels, creating higher risk and significantly higher costs for charities as these informal routes are generally more expensive than traditional banking channels. It has also lead to the perception of higher risk in the charity sector. This 'negative feedback' loop looks set to continue over the years ahead unless action is taken to implement the Financial Action Task Force's Recommendation 8 and the new UK National Risk Assessment.

## The efforts charities are making to manage risk and how these initiatives could be better supported

As noted in the response to the survey larger charities have undertaken their own risk assessments as to where they believe they are vulnerable to abuse (whether the risk of theft, fraud, terrorist financing and breaches of sanctions) and have invested in specialist risk posts or teams. They have also invested in screening software against which to check partners, suppliers and employees. This requires the sector to invest in new skills and incurs considerable cost much of which is met from its own resources which may be scarce. It is also difficult for smaller and medium size charities to invest in screening software or in the additional skills needed. This investment goes unnoticed and largely unsupported.

Instead of governments seeing charities as weak links in their terrorist financing and sanctions strategies governments should view the sector as trusted partners delivering significant services for the public benefit (and often in pursuit of government policies) but in need of support as they manage the additional risks of "aid diversion" in specific high risk environments.

Charities require additional financial support to meet these challenges, perhaps through allowing costs of legal advice, training, compliance systems and programme monitoring as recoverable costs or investing in skills training through umbrella bodies. Initial discussions with DFID, for example, indicate the former might be an option worth pursuing. Mechanisms to enable charities to check partners etc. against list also need to be made available to small and medium size charities to screen their business partners. Given the costs and potential consequences of failure the sector should not be carrying the entire burden of risk management and due diligence alone.

# Conclusion

As outlined by the Financial Action Task Force in its Recommendation 8, governments should base their risk assessment following sustained outreach, targeted risk-based supervision, effective information gathering and monitoring and international co-operation.

We welcome the outreach that the UK government through HM Treasury and the Charity Commission has undertaken to understand the problem. We also recognise that the government is trying to develop a risk-based approach to the charity sector and is trying to improve information gathering as well as possible. We also note that the Charity Commission is heavily involved in the Financial Action Task Force ensuring that there is effective international information sharing.

We also value the establishment of the Home Office/NGO working group to address some of the challenges government and the sector face.  We hope this will be a long term commitment on the part of the Government.

However, at this moment in time, the trend of de-risking has not changed and the pressures facing are still significant. It is our view that the level of impact on the charity sector from de-risking is disproportionate to the actual risks facing charities.

As we prepare for a visit by the Financial Action Task Force to evaluate the UK's money laundering and counter-terrorism financing law and regulation, it is important that these disproportionate impacts are taken into account and that there is continued pressure for progress on this issue.

This is particularly important if the changes made to FATF Recommendation 8 which were made to reduce the impact of bank de-risking on the charity sector are to lead to real results.

# About Charity Finance Group

Charity Finance Group (CFG) was founded in 1987. It is the charity that works to improve the financial leadership of charities, promote best practice, inspire change and help organisations to make the most out of their money so they can deliver the biggest possible impact for beneficiaries. CFG has nearly 1450 members and our members manage nearly £21 billion in charitable income. Finance professionals play a critical role in managing the risks to charities in money laundering and terrorist financing risk.

CFG is co-convenor of the NGO Counter-Terrorism and Sanctions Working Group which brings together charities and NGOs across the UK to consider the impact of counter-terrorism legislation on the sector. CFG also hosted a roundtable with charities and HM Treasury as part of the risk assessment process on charities and NGOs. This response is based on our experience, a survey of charities and the discussions that took place during that roundtable.

*For more information on this response please contact Andrew O'Brien, Director of Policy and Engagement, on 02078715477 or [andrew.o'brien@cfg.org.uk](mailto:andrew.o'brien@cfg.org.uk)*