

Terrorist financing

Money underpins all terrorist activity - without it there can be no training, recruitment, facilitation or support for terrorist groups. The disruption of terrorist financing activity is a key element of the UK Government's overall fight against terrorism, involving close working across government between the intelligence and law enforcement agencies and the financial sector. Charities and voluntary organisations play an important role in ensuring that the funds they collect are not diverted to terrorist organisations.

What is terrorist financing?

Short answer:

Terrorist financing is the raising, moving, storing and using of financial resources for the purposes of terrorism.

In more detail:

Over recent years, links have been discovered between money laundering and terrorist financing. Money laundering is the process of concealing the illegal origin of profits from crime. Terrorist financing is the collection or provision of funds for terrorist purposes. In the case of money laundering, the funds are always of illicit origin, whereas in the case of terrorist financing, funds can originate from both legal and illegal sources. The primary goal of those involved in terrorist financing is therefore usually not to conceal the sources of the money, but to conceal both the funding activity and the financial channels.

Terrorist organisations may engage in generating income from legitimate businesses which could be in a different geographic location altogether, making detection more difficult. Also, terrorist attacks can be carried out by small groups, with a relatively small amount of money, and sometimes with only limited involvement in the financial system. These small financial amounts may be the very ones that are frequently considered to be of minimal risk, but are in fact open to terrorist financing and money laundering.

For more information on money laundering see [Chapter 2: Safeguarding Charity Funds](#).

What are the terrorist financing criminal offences?

Short answer: **L**

Sections 15-18 of the Terrorism Act 2000 lists the criminal offences related to terrorist financing. They include raising, holding and using funds for terrorism purposes.

In more detail:

L Sections 15-18 of the Act make it an offence to:

- raise, receive or provide funds for the purpose of terrorism;
- hold or use funds for the purposes of terrorism;
- become involved in an arrangement to make funds available for the purposes of terrorism; and
- facilitate the laundering of terrorist money.

A person is guilty of an offence if he 'knows', 'intends' or has 'reasonable cause to suspect' that the terrorist property may be used for the purposes of terrorism. Further details of these offences are set out in the [Counter-terrorism legislation](#) section. Therefore, it is an offence for a charity to provide funds to an organisation which it suspects as being a terrorist organisation, even if it does not appear on either of the lists mentioned in the [Proscribed organisations](#) or [Designated individuals and entities](#) module.

This affects charities and those who raise money for registered charities and charitable causes. If the person raising money, for whatever purpose, charitable or otherwise, has reasonable cause to suspect that the money may be used for terrorist purposes, he or she will be committing an offence. This could apply to trustees, the charity's fundraisers and volunteers. These offences would also include someone who makes a donation to charity or for charitable causes, whilst knowing or suspecting that it will be used for the purposes of terrorism.

Risks to the charity still arise if the activity takes place internationally. Under s.63 of the Terrorism Act 2000, if a UK national or resident does anything outside the UK that would be a terrorist finance offence under sections 15-18 of the Act if it had occurred in the UK, then they will commit an offence in the UK.

L In line with the obligations that flow from UK counter-terrorist legislation, charity trustees must discharge their duties and responsibilities and be vigilant to ensure that a charity's premises, assets, staff, volunteers or other resources cannot be used for activities that may, or appear to, support or condone terrorism. How trustees should ensure that charitable funds are not abused by terrorists and terrorist organisations, and that they reach their intended beneficiaries, is explored in Chapter 2's '[Know Your' principles](#) section.

The number of incidents of charities' involvement with terrorism, directly or indirectly, is extremely small compared to the size of the sector. However, any such abuse is completely unacceptable in view of the potential impact on public trust and confidence in the charity and sector in general.

How might terrorist financing affect charities?

Short answer:

Although proven instances of charities being abused for terrorist financing purposes are rare, they do happen, as charities can be attractive vehicles to criminals. The potential risks to the reputation of a charity are significant.

In order to discharge their duties and responsibilities, trustees must take reasonable steps and implement risk-based procedures and systems to protect the charity from abuse.

In more detail:

The financial abuse of charities by terrorists may take different potential forms:

- raising funds in public collections in the name of charity generally, or for a named charity for charitable causes such as a humanitarian relief campaign or following a natural disaster. These funds are then diverted away from the charity and used for criminal and terrorism purposes. This may happen without the knowledge of the charity;
- establishing a charity for the purpose of providing cover for channelling funds for the purposes of terrorism, directly or indirectly;
- where a charity's funds are being moved from one place to another, or in different forms, for example, through international currencies or through cash transfers, in particular internationally, that may be diverted before reaching the intended recipients;
- a charity may be used to launder money;
- cash may be transported in a way that looks legitimate under the name of charity and charitable causes so its transportation may be less likely to be questioned or challenged; or
- recipients of charity funds, whether partners or individuals, may misuse the money they have been given for terrorism purposes.

These risks increase if the charity's financial, due diligence and monitoring controls are weak.

It is the trustees' responsibility to assess and manage risks to ensure that a charity is protected from them. Trustees must take all reasonable steps to minimise the risk that their charity's activities could be misinterpreted as promoting or supporting terrorism including by ensuring they are transparent about their work and rationale behind decisions.

There are no universally recognised criteria for assessing and determining risk in particular countries or geographic regions. However, regions that may pose a higher risk to charities in ensuring they discharge their legal duties and responsibilities may include:

- countries that are subject to sanctions or embargoes, for example issued by the UN;
- countries identified by credible sources, such as [FATF](#) or the [World Bank](#), as lacking appropriate anti-money laundering or counter-terrorism laws and regulations;

- regions where it is known that terrorist organisations operate; and
- regions identified as having significant levels of corruption, criminal activity and poor infrastructures, possibly due to internal conflict or military action.

The [Foreign and Commonwealth Office \(FCO\)](#) website is a useful source of information about events in particular countries that may give rise to specific risks.

Charities working internationally must ensure their risk assessments take into account any relevant circumstances arising in their particular country or region of operation. Specific risks could arise from, for example, any internal conflict or other military action in a country or region, any known terrorist or criminal activity in the area, or working in a remote or sparsely populated area with limited infrastructure. At the extreme, where the risks are considered too high, the appropriate decision may be to stop working in that region, either temporarily or permanently.

Practical advice:

Factors that may affect the risk a charity is exposed to could include the following:

- Political environment
- Legal protection and local laws
- Economic structure
- Cultural factors
- Location/concentration of suspected criminal activity
- Amount of illicit money generally known to be generated in a particular region or country
- Size and nature of the financial service industry and infrastructures
- The nature and reliability of financial institutions
- Wider government and state control of a country
- Main channels used for finance, including methods of transfer and banking facilities
- Geographical spread of the charity's operations
- Types of products and services offered by the charity
- Underground economic activity and informal money transfers

These factors, and other considerations, may differ dramatically when working in different countries.