



Highlights - Terrorist Financing Risk Assessment of the Cayman Islands' Non- Profit Organization Sector

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Overview

- **Caribbean Financial Action Task Force (CFATF) Mutual Evaluation of the Cayman Islands**
- **Terrorist Financing (TF) Risk Assessment of the Non-Profit Organization (NPO) Sector**
 - Methodology
 - Results
 - Post Risk Assessment Plan
- **Way Forward**

Mutual Evaluation of the Cayman Islands

- Completed by the CFATF in December 2017.
- Assessment raised the need to better understand TF risk in the NPO sector.

Terrorism Financing

Intentional collection or provision of funds to support an act or acts of terrorism. Terrorist organizations raise funding from legitimate sources, including

- The abuse of charitable entities
- Legitimate businesses or
- Self-financing by the terrorists themselves.

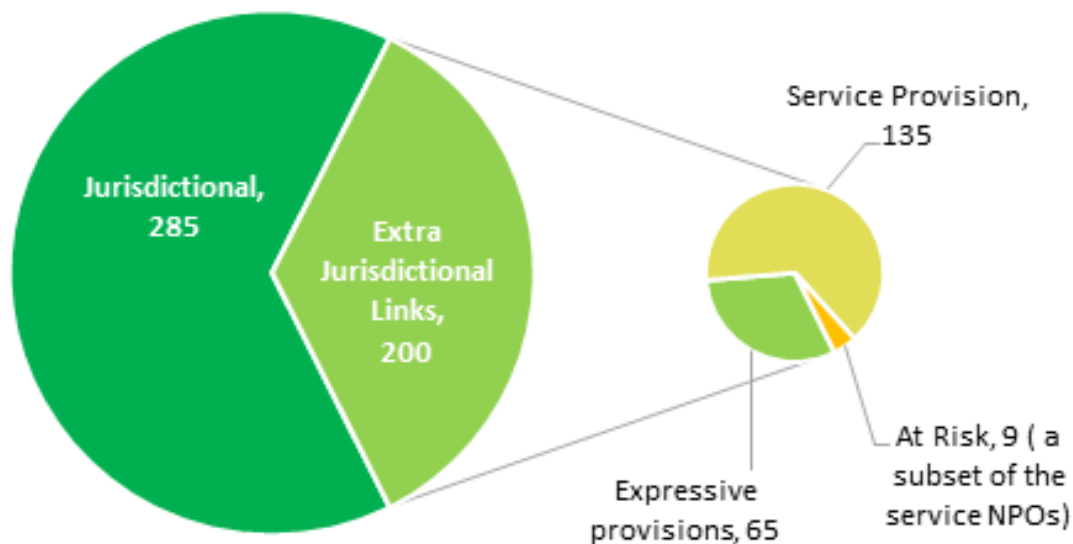
Terrorists also derive funding from a variety of criminal activities ranging in scale and sophistication from

- Low-level crime to systematic fraud or narcotics smuggling,
- State sponsors
- Events in failed states and other safe havens



TF Risk Assessment - Methodology

Inherent Risk to FATF NPOs



Methodology

- Threat intelligence model/gap analysis
- Data collection
- Inherent risk
- Residual risk
- Purpose and activities
- Funding cycle
- Control structure

TF Risk Assessment

- Jurisdictional link NPOs
 - Extra-Jurisdictional links
 - Service provisions
 - Express provisions
- NPO Characteristics-:
 - NPOs which send or receive funds to/from a high risk jurisdiction
 - NPOs which are managed or controlled by a foreign national from a high risk jurisdiction
 - NPOs which have no clear link with the Cayman Islands, but are connected through virtual presence via registered office

TF Risk assessment - Results

- 9 NPOs have unique characteristics which may present vulnerabilities, if not proactively addressed, which can be exploited for terrorist financing purposes.
- In the absence of proper internal controls, there is a potential for the abuse of NPOs' services, resources, and activities
- Prudent corporate governance is a necessary component in mitigating TF, money laundering, and misappropriation (otherwise known as tiefing) of NPOs' assets.

TF Risk assessment – Post Risk Assessment Action

- Targeted risk based supervision – dedication of more resources to assist higher risk NPOs
- Continued monitoring of low risk NPOs through annual return submissions (including risk reassessments where applicable)
- Onsite inspections of NPOs
- Outreach sessions - face to face sessions, social media updates, issuance of specific guidance
- Newsletter featuring case studies and practical best practices to address seasonal issues and trends in the local and international NPO sector

Way Forward

- **Thank you to the registered NPOs for the great work being done.**
 - ~33 million gross revenue observed from 127 annual returns
 - Majority of funds used in the Cayman Islands
- **Continued**
 - registration of NPOs
 - submission of annual returns
 - partnership between the NPO sector and Registrar of NPOs

Questions



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.