

SAFEGUARDING THE VO SECTOR IN MALTA

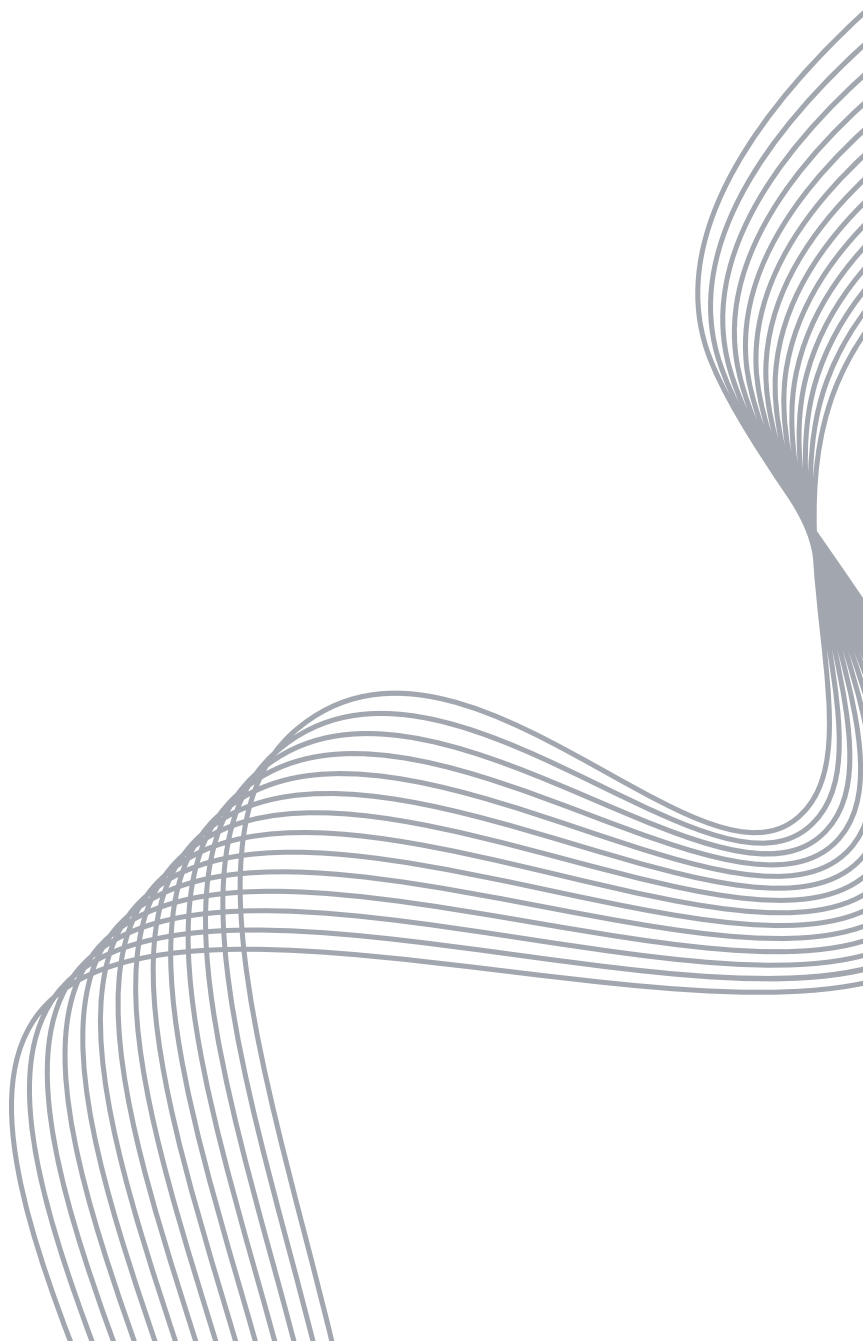
Assisting voluntary organisations how to identify
and mitigate risks of money laundering and
financing of terrorism

GUIDING & PROTECTING YOUR ORGANISATION'S FUTURE



OCVO

Office of the Commissioner for Voluntary Organisations



RISK-BASED POLICY

Q: WHY DOES THE OCVO HAVE A RISK-BASED POLICY?

- Voluntary organisations are considered as one of the main socio-economic pillars of Maltese society.
- Their efforts complement the activity of the governmental and business sectors in providing essential services, comfort, and hope to those in need around the world.
- The OCVO is duty-bound to safeguard the sector from exploitation from criminals, money launderers and terrorists / terrorist organisations.
- Exploitation can undermine donor confidence and jeopardises the very integrity of the sector.
- The exploitation also can facilitate terrorist activity be it raising and moving funds, providing logistical support, encouraging terrorist recruitment, or otherwise supporting terrorist organisations, operations and/or money laundering.

Q: WHY ARE VOLUNTARY ORGANISATIONS CONSIDERED TO BE VULNERABLE TO ABUSE?

- They enjoy a high level of public trust.
- Have access to sources of funds and are often cash-based.
- Some work in high-risk jurisdictions within or near those areas that are most exposed to terrorist activity.
- Some work locally with vulnerable groups.
- Might have poor governance structures.
- Not be aware of the risks.
- Some might be engaged in remittances.
- Might not have a sound financial setup.

Q: WHAT ARE THE OBJECTIVES OF THE OCVO?

- Identifying those 'posing' as legitimate entities.
- Protecting the exploitation of legitimate entities as vehicles for terrorist financing or money laundering.

- Investigating leads that are indicative of the acts to conceal or obscure the secret diversion of funds intended for legitimate purposes but diverted for illicit activity including terrorist purposes.

Q: WHAT IS THE ROLE OF THE OCVO?

Legally, the OCVO is bound to:

- To protect the sector against abuse.
- To identify and take effective action against those entities that support terrorists, terrorist organisations and/or money launderers.
- To support those entities that are/were exploited by terrorists, terrorist organisations and/or money launderers.
- To educate these entities about such abuse.

In line with the legal obligation the OCVO:

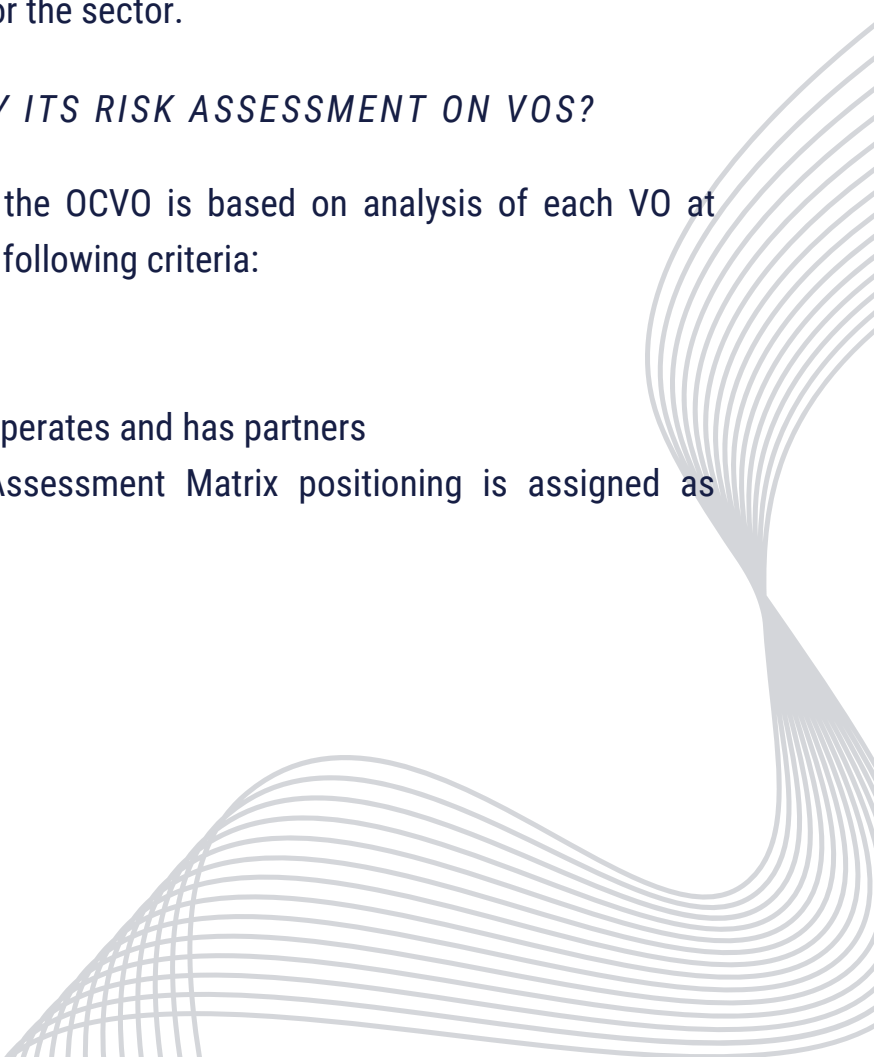
- Supports the VOs.
- Ensures supervision and monitoring of the sector.
- Provides effective information gathering.
- Investigates where and when necessary.
- Ensures information sharing.
- Organises continuous outreach for the sector.

Q: HOW DOES THE OCVO CARRY ITS RISK ASSESSMENT ON VOS?

The risk assessment carried out by the OCVO is based on analysis of each VO at enrolment and activity phase with the following criteria:

- The annual income
- The activities it carries
- The jurisdictions within which it operates and has partners

Based on these criteria the Risk Assessment Matrix positioning is assigned as follows:

- Very High Risk
 - High Risk
 - Medium Risk
 - Low Risk
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Q: WHAT ARE THE TYPES OF ABUSE THAT VOLUNTARY ORGANISATIONS MIGHT FACE?

- Money Laundering
- Financing of Terrorism

Q: HOW ARE VOLUNTARY ORGANISATIONS USED FOR MONEY LAUNDERING?

- **Loans** - Donors can make loans to VOs as a means of laundering money through a VO or they can make donations with specific restrictions as to which partner or project is to be funded as a means of transferring funds overseas and disguising the origin of the funds.
- **Anonymous Cash Donations** - Anonymous cash donations or donations through suspect third parties may be a means of disposing of the proceeds of crime.
- **Tax Avoidance/Evasion** - Donors may seek tax relief on their donation while at the same time seeking private benefit as a result of their donation or insist that the VO purchase services from an associated company as a condition of the donation, thereby obtaining tax relief on the donation and securing business at the same time.

Q: HOW CAN VOLUNTARY ORGANISATIONS MITIGATE THE RISKS OF MONEY LAUNDERING?

- **Loans** – Know your donors. Loans and loan conditions should be established via regulated channels.
- **Anonymous Cash Donations** – Bank transfers should always be encouraged.
- **Tax Avoidance/Evasion** - Know your donors.

Q: HOW ARE VOLUNTARY ORGANISATIONS USED FOR FINANCING OF TERRORISM?

- Raising funds in public collections in the name of the VO, or for a humanitarian relief campaign.
- Establishing a VO for the purpose of providing cover for channelling funds for the purpose of terrorism.

- Funds or goods being moved from a VO into another country might be diverted before reaching the intended recipients.
- Cash may be transported in the name of the VO in a way that could seem legitimate so that the transportation might be less likely to be questioned.
- Direct recipients or family members of the recipients of the VO funds, whether partners or individuals may misuse the money for terrorism purposes.

Q: HOW CAN VOLUNTARY ORGANISATIONS MITIGATE THE RISKS OF FINANCING TERRORISM?

- Raising funds in public collections in the name of the VO, or for a humanitarian relief campaign – Know your members.
- Establishing a VO for the purpose of providing cover for channelling funds for the purpose of terrorism – Know your colleagues.
- Funds or goods being moved from a VO into another country might be diverted before reaching the intended recipients – Use proper channels.
- Cash may be transported in the name of the VO in a way that could seem legitimate so that the transportation might be less likely to be questioned – Always use bank transfers or licensed money remitters.
- Direct recipients or family members of the recipients of the VO funds, whether partners or individuals may misuse the money for terrorism purposes – Know your partners.

Q: ARE THERE ANY OTHER RISKS THAT VOLUNTARY ORGANISATIONS SHOULD KEEP AN EYE ON?

- **Use of VO assets** - Especially in the country of Operation. Use of cars to transport people cash, weapons, propaganda. Use of premises to store goods. Use of VO's communication networks to aid terrorist logistics. VO simply used as a networking opportunity – Know your Partners.
- **Use of VO's name and Status** – terrorist organisations might usurp your name to collect funds especially via crowdfunding – Check Regularly Social Media.
- **Abuse of VO from within** – members might abuse their position within the VO to skim off money or other assets, such as food – Know your Partners.

GOOD GOVERNANCE FOR ADMINISTRATORS OF VOS

Q: WHO CAN BE AN ADMINISTRATOR?

- “any person who is appointed to control, supervise or administer an organisation, and includes a governor, director, trustee or committee member or any other person who carries out such functions even if under another name but shall not include a manager or an executive while carrying out functions under a contract against remuneration except in so far as he is an administrator and only relating to his functions as an administrator.”

Ch. 492 Voluntary Organisations Act Article 2

Q: WHY MAINTAIN GOOD GOVERNANCE?

- An administrator is considered a fiduciary person.
- Administrators must use this fiduciary responsibility to engage the social, civil and community benefits towards the ultimate social & public purpose of the VO.
- Therefore, administrators shall do all that is necessary to ensure - credibility, accountability, transparency, and good reputation.
- By ensuring these 4 pillars, administrators would be strengthening not just their VO but also voluntarism in general.

Q: HOW CAN ADMINISTRATORS ENSURE GOOD GOVERNANCE WITHIN A VO?

- Keep & ensure compliance with an up-to-date statute.
- Keep up to date records with particulars and details of persons connected with the VO.
- Keep up to date & organise all VO documentation for a minimum of 10 years.
- Ensure that the minimum number of administrators is not less than 3.
- Prepare annual accounts in accordance with the relevant laws.
- Register the VO with local platforms/federations.

- When recruiting, a VO is to ensure principles of opportunity and diversity.
- Ensure the reputation of VO & generate public awareness regarding the work and mission of VO.
- Be accountable for personal actions and be transparent in dealings.
- Provide timely and valid police conduct when required.
- Avoid situations of conflict of interest.
- Refrain from occupying multiple roles of President or Treasurer or Secretary.
- Attend courses and information sessions.
- Act in the best interest of VO & not a group or faction of it.
- Maintain independence at all times - never under the control of any individual or a third-party organisation.
- Act with integrity at all times.
- Refrain from abuse of power.
- Ensure to have a complete understanding of activities & purpose of VO + statute.

Q: WHAT ARE GOOD GOVERNANCE CHALLENGES THAT THE OCVO HAS WITNESSED AND ASSISTED VOS WITH?

- **Record keeping** - Important for administrators to keep soft and hard copies of the documentation pertaining to the VO - Ex. Committee/Sub-Committee/AGMs minutes.
 - **Financial documentation** - Submitting the necessary financial documentation depending on the category that the VO falls under as stipulated by law.
 - **Succession Policy** – The current group of administrators should have a clear succession policy that will see the VO flourish after their tenure.
 - **Due Diligence of Sponsors** - Identity, verify, know the organisation's/individual's business & watch out.
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