

## **The NPO sector and their role in the fight against financial crime**

Non-profit organisations (NPOs) are integral to addressing social ills in communities but face risks of being abused for terrorist financing and money laundering purposes due to the nature of their structure, income generation and beneficiary payment methods.

Illicit activity erodes public trust and confidence in the NPO sector which could limit their ability to provide health, nutritional and other support to the under-privileged and under-resourced.

Although NPOs are not designated as accountable or reporting institutions in terms of Schedules 1 and 3 of the Financial Intelligence Centre Act (FIC Act), the Financial Action Task Force (FATF) has identified the sector as vulnerable to abuse by criminals for terrorist financing and money laundering.

The key for NPOs is to understand how money laundering and terrorist financing works and why their sector is pivotal to criminals and criminal enterprises that want to exploit them.

The Department of Social Development, the Companies and Intellectual Property Commission, the Masters of the High Court and the South African Revenue Service exercise regulatory oversight over NPOs. These regulators play a vital role in monitoring compliance by NPOs with measures aimed at reducing the inherent money laundering and terrorist financing risks in the sector.

### **Voluntary disclosure reporting**

NPOs can protect the integrity of the sector by remaining vigilant and must contact the Financial Intelligence Centre (FIC) should they notice suspicious behaviour or transactions from donors or persons dealing with the organisation.

Although NPOs are not among the listed institutions in the FIC Act, they have the option to submit a voluntary disclosure report (VDR) to the FIC on suspicious activity or transactions related to money laundering and terrorist financing. When reporting, an NPO must state all the facts upon which a suspicion or knowledge is based. If the NPO becomes aware or has a suspicion that they are being abused for terrorist financing, this must be reported to the South African Police Service.

NPOs are advised to file VDRs where they know or suspect they have received or are about to receive the proceeds of unlawful activities or are about to be used to facilitate terrorist financing or any other offence.

In addition, they must file a VDR if they are party to a transaction or series of transactions which:

- Facilitated or is likely to facilitate the transfer of the proceeds of unlawful activities or property, which is connected to an offence relating to the financing of terrorist and related activities
- Has no apparent business or lawful purpose
- May be relevant to the investigation of an evasion or attempted evasion of a duty to pay any tax, duty or levy imposed by legislation administered by the Commissioner for the South African Revenue Service
- Relates to an offence relating to the financing of terrorist and related activities
- Relates to the contravention of a prohibition under section 26B of the FIC Act.

The filing of a VDR does not protect the voluntary reporter from criminal and or civil action being instituted against them.

All businesses, including accountable and reporting institutions, are required to comply with the reporting requirements as per section 29 of the FIC Act. Refer to Guidance Note 4B for further guidance in this regard.

VDRs are different to section 29 reports, in that a person who submits a VDR is competent and compellable to give evidence in criminal proceedings arising from the VDR. Information concerning the identity of a voluntary reporter who has filed a VDR is admissible as evidence in criminal proceedings.

NPOs can find more information on how to file a VDR by accessing public compliance communication 41 (PCC 41) on the FIC website ([www.fic.gov.za](http://www.fic.gov.za)).

Should NPOs have any queries they can contact the FIC's compliance contact centre on 012 641 6000, select option 1, or submit a web query by clicking on: <http://www.fic.gov.za/ContactUs/Pages/ComplianceQueries.aspx>