



CAB13416786

| COMMITTEE | MEMO NO. | SUBJECT | CLASSIFICATION |
|--------------|----------|--|----------------|
| TIDO(TF)(05) | 1 | PROVISIONS OF ASSISTANCE TO THIRD COUNTRIES TO COMBAT FINANCING TERRORISM | CONFIDENTIAL |
| | 2 | CHARITY COMMISSION RESPONSE TO REPORT ON ISLAMIC CHARITIES AND TERRORIST FINANCING | CONFIDENTIAL |
| | 1 | i. FUTURE COMMITTEE STRUCTURES ii. RESPONSE TO INVESTIGATIVE PLANNING GROUP REPORT ON ISLAMIC CHARITIES iii. UNITED KINGDOM INTERNATIONAL PRESIDENCIES PLANNING iv. SUB GROUP UPDATES | CONFIDENTIAL |
| MINUTES | | | |

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TIDO(TF)(05)

CABINET

OFFICIAL COMMITTEE ON INTERNATIONAL AND DOMESTIC TERRORISM
TERRORIST FINANCING

MINUTES OF MEETING

| NO OF MTG | DATE OF MTG | TIME PLACE | RELATED PAPERS | SUBJECT DISCUSSED |
|--------------|----------------|---------------|-------------------|--|
| 1 | 10/5/05 | 10.00 C | | 1. FUTURE COMMITTEE STRUCTURES 2. RESPONSE TO INVESTIGATIVE PLANNING GROUP REPORT ON ISLAMIC CHARITIES 3. UNITED KINGDOM INTERNATIONAL PRESIDENCIES PLANNING 4. SUB GROUPS UPDATES |

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OFFICIAL COMMITTEE ON INTERNATIONAL AND DOMESTIC TERRORISM
TERRORIST FINANCING

MEMORANDA

| MEMO No | DATE | SUBJECT |
|------------|----------|---|
| 1 | 22/2/05 | PROVISION OF ASSISTANCE TO THIRD COUNTRIES TO COMBAT FINANCING OF TERRORISM |
| 2 | 06/05/05 | CHARITY COMMISSION RESPONSE TO REPORT ON ISLAMIC CHARITIES AND TERRORIST FINANCING |

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TDDO(TF)(05) 1st Meeting

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**OFFICIAL COMMITTEE ON DOMESTIC AND INTERNATIONAL TERRORISM
TERRORIST FINANCING**

MINUTES of a MEETING held in
Conference Room C, 70 Whitehall on
TUESDAY 10TH MAY 2005 at 10.00AM

PRESENT

Mr A Fraser
Home Office
(in the Chair)

Mr S Byrne
HM Treasury

Mr M Deane
Foreign and Commonwealth Office

Ms J Williams
Metropolitan Police

Mr S Currin
National Criminal Intelligence Service

Ms L Makinson
HM Treasury

Ms V Burrough
Home Office

Mr B Max
Metropolitan Police

Mr S Bramley-Ball
National Crime Squad

Mr M Rowe
Charity Commission

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SECRETARIAT
Mr A Cruttwell

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CATB/36/16786 Meeting dated 10/5/05

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1. FUTURE COMMITTEE STRUCTURES

Introducing the item, the CABINET OFFICE said that the overarching committee structure for delivering the Government's counter terrorism policy was to be re-organised in order to be closer aligned to the Prevent, Pursue, Protect and Prepare mission areas. Countering terrorist finance had been provisionally assessed as part of the Pursue grouping, although it was acknowledged that aspects contributed to the full range of the four P strategy.

A number of points were made in discussion:

- a) countering terrorist financing was now beginning to be accepted as part of the mainstream work in delivering the overall counter terrorist strategy. It would be important that any reorganisation did not marginalise terrorists financing;
- b) the forum for discussion across government (including bodies such as the Financial Services Authority and the Charity Commission) of both policy and operational issues was vital;
- c) whilst the Pursue committee would be able to provide a clear operational focus for terrorist finance work, there were important contributions on the Prevent agenda (especially with reference to Islamic banking and the informal banking sector) that would need to form part of an overarching CTF strategy; and
- d) the three sub-groups of the committee welcomed the ability to come together in a formal setting to develop a coherent strategy. The various away day sessions had been important in developing the strategy and ensuring exchange of ideas. The Committee should look to have a further away day, and consider involving representatives from the financial sector.

Summing up the CHAIRMAN said that the sub-groups had provided an important role in bringing together a coherent strategy for countering terrorist finance. The committee itself was a good forum for the sub-groups, and wider members of the government community. The HOME OFFICE should set out an assessment of the importance of maintaining a group in which the sub-groups would meet, and the need for that forum to be linked in to the overall CONTEST process. This should be passed to the Secretariat for consideration as part of the wider review of counter terrorist committee structures. The CABINET OFFICE should arrange a further away day for the sub group chairs to assess the delivery of the strategy so far, and future direction. This day should also include representatives from the private sector at some stage. Sub group chairs were asked to identify suitable points of contact to the Secretariat.

The Committee –

Took note, with approval of the Chairman's summing up and invited the HOME OFFICE and the CABINET OFFICE to proceed accordingly.

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2. RESPONSE TO INVESTIGATIVE PLANNING GROUP REPORT ON ISLAMIC CHARITIES

The Committee had before it a paper, TIDO(TF)(05)2 by the Charity Commission, in response to the report produced by the Investigative Planning Group (IPG) on Islamic charities and terrorist finance (paper TIDO(TF)(04)13 discussed by the Committee at its meeting of 9 December 2004).

Introducing the paper, the CHARITY COMMISSION said that the report by IPG had been a welcome example of the importance of maintaining a forum in which a broad spectrum of government departments and bodies could discuss terrorist finance issues. The response to the recommendations was being discussed within the Charity Commission, and a number of the process aspects identified were already being used by the Commission (such as use of comprehensive lists of people disqualified from acting as company directors). The paper before the Committee was therefore a draft.

The main disagreements were with the recommendation that the Commission should adopt the "know your customer" (KYC) checks used in the financial sector as part of charity registration. The Commission judged that it would not be practicable to introduce such checks as the burden imposed on charities, coupled with the high turn over of trustees (and the ability of trustees to change without reference to the Commission) would outweigh the benefits. Instead, the Commission would propose a better method of sharing information between the Commission and the financial sector which managed the accounts held by the charities.

Continuing, the Charity Commission said that the recommendations on the operation of overseas charities in the United Kingdom would need to be explored in more detail. There would be options between a register and a full licensing regime.

A number of points were made in discussion:

- e) any proposals for Ministers should set out the additional burden being placed upon charities. Many of these would be important in the delivery of other, non terrorist related, government programmes. The voluntary sector was already having difficulty attracting sufficient trustees; and
- f) the Charities Bill was expected to be re-introduced shortly, and therefore was unlikely to be a suitable vehicle for any legislative proposals. A new counter terrorism Bill had been indicated for later in the year, and this could be better suited.

Summing up, the CHAIRMAN said that both the IPG paper and the Charity Commission draft response were valuable in identifying vulnerabilities within the management of charities within the United Kingdom. Ministers would wish to be presented with an analysis of the problem, including evidence of the scope, options for mitigating the problem, and potential side effects (especially the burden on charities) that those options would produce. The Home Office, working with Her Majesty's Treasury, the Charity Commission and the members of the IPG should

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prepare a further paper addressing the issue of trustees of charities. This paper should be brought back to the Committee for further consideration.

Continuing, the Chairman welcomed the discussion on the working of overseas charities and individual fund raisers operating within the United Kingdom. A wide range of potential activities could be encompassed, and the balance between intrusive (and burdensome) regulation against the community impact of being seen to restrict well meaning donations would need to be carefully assessed. The Home Office, Her Majesty's Treasury, Charity Commission and IPG should produce an options paper for the Committee to assess.

The Committee -

Took note of the Chairman's summing up and invited the Home Office, Her Majesty's Treasury, Charity Commission and Investigative Planning Group to proceed accordingly.

3. UNITED KINGDOM INTERNATIONAL PRESIDENCIES PLANNING

Introducing the item, Her Majesty's Treasury said that planning for the Group of 7 presidency from a terrorists financing perspective was based around three priorities: asset freezing processes, information sharing (especially between regulators) and sharing best practice on financial disruption. For the European Union presidency the third money laundering directive was also a key requirement.

The Committee -

Took note.

4. SUB GROUP UPDATES

The Terrorist Finance Action Group said that the main focus of their work over the next few weeks would be setting the direction for asset freezing, by assessing proposals for ways to reinvigorate the process. The Group intended to present options to the Committee at the next meeting.

The Investigative Planning Group had a number of projects underway - looking at intellectual property and cash couriers.

The Financial Service Contact Group has circulated advice on informal financial products to the wider financial sector. They had also recently presented on terrorist finance issues to the HABIB Bank, and had been well received and invited back. Terrorist financial profiles, based upon recent UK based operations, had also been shared with the financial sector

The Metropolitan police special branch agreed to forward a short operational update to the Secretaries to be shared with the Committee

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The Committee –

Took note.

Cabinet Office
12 May 2005

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**OFFICIAL COMMITTEE ON DOMESTIC AND INTERNATIONAL
TERRORISM (TERRORIST FINANCING)**

**PROVISION OF ASSISTANCE TO THIRD COUNTRIES TO COMBAT
FINANCING OF TERRORISM**

Note by the Secretaries

TIDO (TF) is invited to agree the attached paper on UK objectives for our approach and provision of assistance to third countries, in relation to combating the financing of terrorism (CFT). This follows the updating of the table attached to TIDO (TF) (04) 14 and discussion at the meeting on Thursday 9 December 2004. Committee members are invited give comments to the Secretaries by Friday 4 March 2005.

1. The countries selected are those which have been judged to be the top priority countries of concern to the UK for the risk of terrorist financing within them that will impact most on UK interests. For example, it includes the risk of the financing of terrorist activity in the UK, e.g. north African countries, and the risk of financing terrorist activity which threatens UK interests, e.g. the MEPP.
2. The first column of the paper indicates the country priority level - high, medium or low. The original TIDO (O) priorities are shown in the second column. The new priorities supersede the old ones. The TIDO (O) priority countries matrix should be updated accordingly (i.e. high = priority 1, medium = priority 2, low = no priority). TIDO(O) will subsequently endorse the updating of the matrix.
3. These objectives are being incorporated into country strategy papers as and when they are drafted or draft reviews prepared. TIDO (O) will therefore have the opportunity to finally approve the objectives country-by-country. This was the case for the Jordan, Pakistan, Bangladesh and Thailand country strategy papers to be discussed at TIDO (O) on 20 January 2005.
4. Where the objectives represent lobbying efforts, the Foreign and Commonwealth Office will issue specific instructions to Posts. Where technical assistance is advocated, detailed projects will be launched to implement the objectives. These

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will be funded by the Foreign and Commonwealth Office and draw on manpower resources from departments represented at TIDO (TF), e.g. law enforcement.

Signed: A M CRUTTWELL
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Cabinet Office
22 February 2005

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MENA and Africa

| TF Priority | TIDO(O) Priority | Country | Objectives | Dept. | Timescale |
|----------------|---------------------|----------------------|---|------------|-------------|
| High | 2 | United Arab Emirates | <ul style="list-style-type: none"> Lobby for ratification of the UN International Convention for the Suppression of the Financing of Terrorism (1999) and offer to assist in drafting counter-terrorist financing legislation. | FCO | Immediate |
| | | | <ul style="list-style-type: none"> High level lobbying to increase political will, linking in to the work of Edward Oakden's group. | FCO | Immediate |
| | | | <ul style="list-style-type: none"> Engage to improve regulation and oversight of the NPO sector. | CC | 6 months |
| | | | <ul style="list-style-type: none"> Provide advice and training to improve use of financial investigations as a tactical tool. | NTFIU | 6 months |
| | | | <ul style="list-style-type: none"> Provide financial crime training for prosecutors and judges. | NTFIU | 12 months |
| | | | <ul style="list-style-type: none"> Work (incl. with other donors) to create an effective FIU system. | NCIS | 12 months |
| | | | <ul style="list-style-type: none"> Work with HMCE DLOs to improve regulation and oversight of AMTS', identify major intermediaries, and target cash couriers. | HMCE | 12 months |
| High | 2 | Saudi Arabia | <ul style="list-style-type: none"> Lobby for ratification of the UN International Convention for the Suppression of the Financing of Terrorism (1999). | FCO | Immediate |
| | | | <ul style="list-style-type: none"> Study the role of the Saudi Customs Authorities and provide assistance to counter cross-border money flows. | HMCE | As possible |
| | | | <ul style="list-style-type: none"> Engage to improve regulation and oversight of the NPO sector. | CC | As possible |
| High | 2 | Jordan | <ul style="list-style-type: none"> Raise awareness in the Jordanian services and police of terrorist financing and how to tackle it. | SIS SyS | 6 months |
| | | | <ul style="list-style-type: none"> Engage to improve regulation and oversight of the NPO sector. | CC | 6 months |
| | | | <ul style="list-style-type: none"> Work (incl. with other donors) to create an effective FIU system. | NCIS | 12 months |
| | | | <ul style="list-style-type: none"> Provide a scoping visit followed by advice and training to improve use of financial investigations as a tactical tool. | NTFIU | 12 months |

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| TF Priority | TIDO(O) Priority | Country | Objectives | Dept. | Timescale |
|----------------|---------------------|-----------------------|---|-----------------|-----------|
| High | 2 | Yemen | <ul style="list-style-type: none"> Lobby for ratification of the UN International Convention for the Suppression of the Financing of Terrorism (1999) and offer to assist in drafting counter-terrorist financing legislation. | FCO | Immediate |
| | | | <ul style="list-style-type: none"> Engage to improve regulation and oversight of the NPO sector. | CC | 6 months |
| | | | <ul style="list-style-type: none"> Gather more information on the scale and nature of the problem to raise awareness, identify interlocutors and focus assistance. | FCO | 6 months |
| | | | <ul style="list-style-type: none"> Provide advice and training to increase the ability of the Yemeni authorities to carry out financial investigations and to use the results as a tactical tool. | NTFIU | 6 months |
| High | 2 | Palestinian Authority | <ul style="list-style-type: none"> Ensure the PA remains a key partner (e.g. TF training) | NTFIU Others | Ongoing |
| | | | <ul style="list-style-type: none"> Engage to improve regulation and oversight of the NPO sector. | CC | 6 months |
| High | 1 | Algeria | <ul style="list-style-type: none"> Engage with the EU (plus France and Spain) to increase their focus on CFT political will and capacity building in Algeria. | FCO | Immediate |
| | | | <ul style="list-style-type: none"> Seek to improve operational information exchange with the Algerian authorities on cash couriers. | HMCE | 6 months |
| | | | <ul style="list-style-type: none"> Seek to provide advice and training to improve use of financial investigations as a tactical tool. | NTFIU | 6 months |

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| TF Priority | TIDO(O) Priority | Country | Objectives | Dept. | Timescale |
|----------------|---------------------|---------|--|---------|----------------|
| Medium | 1 | Tunisia | <ul style="list-style-type: none"> Engage with the Tunisian authorities on basic CFT measures, including gathering more information on the scale and nature of the problem to focus assistance and raise awareness. | FCO | 12 months |
| | | | <ul style="list-style-type: none"> Engage to improve regulation and oversight of the NPO sector. | CC | 12 months |
| | | | <ul style="list-style-type: none"> Lobby the EU for assistance and engagement. | FCO | Ongoing |
| Medium | 1 | Morocco | <ul style="list-style-type: none"> Lobby for improved regulation of banks, alternative remittance systems and for the swift adoption of the draft AML and Bank Reform legislation. | FCO | 12 months |
| | | | <ul style="list-style-type: none"> Persuade France (and Spain) to lobby for better regulation of small banks in Morocco. | FCO | 12 months |
| | | | <ul style="list-style-type: none"> Provide a seminar to the financial sector, law enforcement and intelligence agencies to raise awareness of the issue and seek feedback for future requirements. | Various | 12 months |
| | | | <ul style="list-style-type: none"> Engage to improve regulation and oversight of the NPO sector. | CC | 12 months |
| | | | <ul style="list-style-type: none"> Engage Moroccan authorities on closer monitoring of cash flows in and out of Europe (particularly on flights) and of cash smuggling across the Algerian border. | HMCE | Over 12 months |
| | | | <ul style="list-style-type: none"> Work (incl. with other donors) to create an effective FIU system. | NCIS | Over 12 months |
| | | | <ul style="list-style-type: none"> Provide advice and training to improve use of financial investigations as a tactical tool. | NTFIU | Over 12 months |

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| TF Priority | TIDO(O) Priority | Country | Objectives | Dept. | Timescale |
|----------------|---------------------|---------|---|---------|----------------|
| Medium | N/A | Syria | <ul style="list-style-type: none"> Lobby for ratification of the UN International Convention for the Suppression of the Financing of Terrorism (1999) and offer to assist in drafting counter-terrorist financing legislation. | FCO | Immediate |
| | | | <ul style="list-style-type: none"> Engage to improve regulation and oversight of the NPO sector. | CC | 12 months |
| | | | <ul style="list-style-type: none"> Gather more information on the scale and nature of the problem to raise awareness, identify interlocutors and focus assistance. | FCO | 12 months |
| | | | <ul style="list-style-type: none"> Work (incl. with other donors) to create an effective FIU system. | NCIS | 12 months |
| Medium | 1 | Egypt | <ul style="list-style-type: none"> Lobby for ratification of the UN International Convention for the Suppression of the Financing of Terrorism (1999). | FCO | Immediate |
| | | | <ul style="list-style-type: none"> Engage to improve regulation and oversight of the NPO sector. | CC | 12 months |
| | | | <ul style="list-style-type: none"> Provide assistance to improve dialogue and coordination between key internal regulatory bodies and with international partners. | FCO | Over 12 months |
| | | | <ul style="list-style-type: none"> Provide a seminar to the financial sector, law enforcement and intelligence agencies to raise awareness of the issue and seek feedback for future requirements. | Various | Over 12 months |

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| TF Priority | TIDO(O) Priority | Country | Objectives | Dept. | Timescale |
|----------------|---------------------|---------|---|-------|----------------|
| Medium | 2 | Lebanon | <ul style="list-style-type: none"> Lobby for ratification of the UN International Convention for the Suppression of the Financing of Terrorism (1999) and offer to assist in drafting counter-terrorist financing legislation. | FCO | Immediate |
| | | | <ul style="list-style-type: none"> Engage to improve regulation and oversight of the NPO sector. | CC | 12 months |
| | | | <ul style="list-style-type: none"> Work (incl. with other donors) to create an effective FIU system. | NCIS | 12 months |
| Medium | 1 | Kenya | <ul style="list-style-type: none"> Engage to improve regulation and oversight of the NPO sector. | CC | 6 months |
| | | | <ul style="list-style-type: none"> Provide advice and training to improve use of financial investigations as a tactical tool (following David Mills' report). | NTFIU | Over 12 months |

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| TF Priority | TIPO(O) Priority | Country | Objectives | Dept. | Timescale |
|----------------|---------------------|---------|------------|-------|-----------|
|----------------|---------------------|---------|------------|-------|-----------|

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|-----|---|------|---|-----|----------------|
| Low | 2 | Oman | • Lobby for ratification of the UN International Convention for the Suppression of the Financing of Terrorism (1999) and offer to assist in drafting counter-terrorist financing legislation. | FCO | Immediate |
| | | | • Engage to improve regulation and oversight of the NPO sector. | CC | 6 months |
| | | | • Gather more information on the scale and nature of the problem to raise awareness, identify interlocutors and focus assistance. | FCO | Over 12 months |

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| Low | N/A | Somalia | • Engage to improve regulation and oversight of the NPO sector. | CC | 12 months |
|-----|-----|---------|---|----|-----------|

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| Low | N/A | Sudan | • Engage to improve regulation and oversight of the NPO sector. | CC | 12 months |
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| Low | 2 | Bahrain | • Engage to improve regulation and oversight of the NPO sector. | CC | 6 months |
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| Low | 2 | Kuwait | • Lobby for ratification of the UN International Convention for the Suppression of the Financing of Terrorism (1999) and offer to assist in drafting counter-terrorist financing legislation. | FCO | Immediate |
| | | | • Engage to improve regulation and oversight of the NPO sector. | CC | 6 months |

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| TF Priority | TIDO(O) Priority | Country | Objectives | Dept. | Timescale |
|----------------|---------------------|---------|---|---------|----------------|
| Low | 2 | Qatar | <ul style="list-style-type: none"> Lobby for ratification of the UN International Convention for the Suppression of the Financing of Terrorism (1999) and offer to assist in drafting counter-terrorist financing legislation. | FCO | Immediate |
| | | | <ul style="list-style-type: none"> Engage to improve regulation and oversight of the NPO sector. | CC | 6 months |
| | | | <ul style="list-style-type: none"> Gather more information on the scale and nature of the problem to raise awareness, identify interlocutors and focus assistance. | FCO | 12 months |
| | | | <ul style="list-style-type: none"> Provide a seminar to the financial sector and law enforcement to raise awareness of the issue and seek feedback for future requirements. | Various | Over 12 months |

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South Asia

| TF Priority | TIDO(O) Priority | Country | Objectives | Dept. | Timescale |
|----------------|---------------------|------------|---|---------------|----------------|
| High | 1 | Pakistan | <ul style="list-style-type: none"> Lobby for ratification of the UN International Convention for the Suppression of the Financing of Terrorism (1999) and offer to assist in drafting counter-terrorist financing legislation. | FCO | Immediate |
| | | | <ul style="list-style-type: none"> Senior level lobbying and engagement to increase political will and awareness of the issues. | FCO | Immediate |
| | | | <ul style="list-style-type: none"> Engage to improve regulation and oversight of the NPO sector. | CC | 6 months |
| | | | <ul style="list-style-type: none"> Provide advice and training to improve use of financial investigations as a tactical tool. | NTFIU | 12 months |
| | | | <ul style="list-style-type: none"> Provide training on implementing CFT legislation. | NTFIU NCIS | Over 12 months |
| High | 2 | Bangladesh | <ul style="list-style-type: none"> Lobby for ratification of the UN International Convention for the Suppression of the Financing of Terrorism (1999) and offer to assist in drafting counter-terrorist financing legislation. | FCO | Immediate |
| | | | <ul style="list-style-type: none"> Engage with DfID and other donors to ensure a TF element is considered in ongoing work on alternative remittance systems and financial sector reform. | FCO | Immediate |
| | | | <ul style="list-style-type: none"> Engage to improve regulation and oversight of the NPO sector. | CC | 6 months |
| | | | <ul style="list-style-type: none"> Provide assistance to guide and sustain CFT reforms and the establishment of an FIU. | FCO NCIS | Over 12 months |
| Low | 2 | India | <ul style="list-style-type: none"> Engage to improve regulation and oversight of the NPO sector. | CC | 6 months |
| | | | <ul style="list-style-type: none"> Provide assistance to bring regulation in line with basic FATF provisos. | FCO NCIS | 12 months |
| | | | <ul style="list-style-type: none"> Engage with India to share experience on back-end alternative remittance system processes. | FCO HMCE | 12 months |

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South East Asia

| TF Priority | TIDO(O) Priority | Country | Objectives | Dept. | Timescale |
|----------------|---------------------|-------------|---|---------------|----------------|
| Medium | 1 | Indonesia | • Lobby for ratification of the UN International Convention for the Suppression of the Financing of Terrorism (1999) and offer to assist in drafting counter-terrorist financing legislation. | FCO | Immediate |
| | | | • Lobby for a continued close CFT relationship with Australia. | FCO | Ongoing |
| | | | • Engage to improve regulation and oversight of the NPO sector. | CC | 12 months |
| Medium | N/A | Thailand | • Lobby for ratification of the UN International Convention for the Suppression of the Financing of Terrorism (1999) and offer to assist in drafting counter-terrorist financing legislation. | FCO | Immediate |
| | | | • Engage to improve regulation and oversight of the NPO sector. | CC | 12 months |
| | | | • Provide advice and training to improve use of financial investigations as a tactical tool. | NTFIU | 12 months |
| Low | 1 | Malaysia | • Continue our engagement with the Malaysian authorities across the board to ensure it remains a valued partner in the region. | FCO Others | Ongoing |
| | | | | | |
| Low | N/A | Philippines | • Engage to improve regulation and oversight of the NPO sector. | CC | Over 12 months |
| | | | • Provide assistance to bring regulation in line with basic FATF provisos. | FCO NCIS | Over 12 months |

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OFFICIAL COMMITTEE ON DOMESTIC AND INTERNATIONAL
TERRORISM (TERRORIST FINANCING)

CHARITY COMMISSION RESPONSE TO REPORT ON ISLAMIC
CHARITIES AND TERRORIST FINANCING

Note by the Secretaries

The attached note has been prepared by the Charity Commission, in response to the report prepared by the Investigative Planning Group (IPG) – circulated under TIDO(TF)(04)13 3 December 2004 and subsequently discussed at meeting of the committee on 9 December. The IPG report made a number of recommendations, many of which fell to the Charity Commission to consider or implemented.

Signed: A M CRUTTWELL

Cabinet Office
6 May 2005

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**Charity Commission response to Investigative Planning Group (IPG)
Report on Islamic Charities and Terrorist Financing for TIDO (TF)**

Introduction

The Charity Commission ('the Commission') welcomes the chance to respond to the IPG report presented to TIDO (TF) in December 2004. In particular, the Commission recognises that the report makes some specific recommendations which it suggest should fall to the Commission and makes other recommendations which would impact on the Commission's practices, or charity law generally. This response will therefore focus exclusively on these recommendations that conclude the report, without offering comment on the wider issues of the IPG paper in relation to terrorist financing.

The Charity Commission for England and Wales is the statutory regulator of charities within England & Wales. Its general aim is to promote the effective use of charitable resources by encouraging the development of better methods of administration, by giving charity trustees information or advice on any matter affecting the charity and by investigating and checking abuses.

Firstly the scale of the issue identified within the IPG report has to be put in context. There are c.188,000 registered charities within England & Wales, and, as the report makes clear only very few of these have been, or are, under investigation for terrorist financing or terrorism related issues. Similarly, only a very small percentage of registered charities or charity trustees have been associated with terrorist activities. However, the Commission also recognises that given the much smaller number of terrorist financing investigations that are undertaken, the profile of charities as vehicles for this type of abuse is more serious. This is reflected both in the perceived need for the IPG report and in the Commission's inclusion within HMG's counter-terrorist financing strategy and its membership of domestic policy structures relating to terrorist financing. It is also recognised by the fact that those agencies with direct counter terrorist financing roles have resources tasked directly and sometimes exclusively with charity related work.

Despite the fact that in terms of the charitable sector in the round, terrorist financing issues could be said to be a small scale problem for the sector, the Commission recognises that charities present a significant strand of work within the spectrum of counter terrorist financing work. Moreover, the Commission as regulator also recognises the significant detrimental effect on public confidence in charity and in charitable giving that allegations and suspicions of the abuse of charity for the support of terrorism cause. The Commission has therefore already formed a policy on 'Charities and Terrorism', which outlines the framework for its approach to such concerns. This policy is publicly available on the Commission's website at www.charitycommission.gov.uk. Moreover, the Commission has a track record of regulatory casework arising from these concerns which is helping shape both ongoing strategic policy and operational effectiveness. The

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Commission also believes that the sector can benefit from the strong support and advice of the regulator to minimise the susceptibility of charities to abuse generally, including abuse of this most serious kind.

The Commission is therefore committed to supporting and regulating so that the charitable sector in England & Wales is a hostile environment for the financing of terrorism.

The Recommendations

- 1. Resources within the existing counter Terrorist Finance and Wider Counter Terrorism structures should be explicitly devoted to understanding and countering abuse of the charitable sector.**

This recommendation does not directly affect the Commission as it does not have a direct role in counter terrorism structures and operations. It would be inappropriate therefore to comment on the resources devoted to this issue within other organisations.

However, it should be noted that whilst the Commission is involved in areas of this work, it receives no specifically directed resources to do so, (the Commission's current performance indicators cannot easily encompass work relating to terrorist financing) with involvement currently managed from its general funding. The Commission would welcome further work being undertaken to improve analysis and understanding of abuse of the charitable sector, and resources permitting, would be willing to merge its expertise with colleagues in order for this to be achieved.

- 2. Investigations should be initiated through risk-based prioritisation of available intelligence. The criteria to identify which organisations or activities are considered a 'potential risk' should be agreed through joint working amongst law enforcement and the intelligence community.**

Again, this recommendation does not directly affect the Commission, and so it would be inappropriate to comment on the practices of other organisations.

However, the Commission already provides tactical intelligence support to other agencies on specific organisations and as an organisation holds a great deal of information and expertise that could feed into any assessments made by other agencies. Resources permitting, in principle the Commission holds information, and contains expertise, in respect of the charitable sector that could input into further strategic assessments to aid the risk profiling mentioned above.

- 3. The Commission should undertake 'know your customer' checks as used in the financial sector, within the registration process.**

This is a recommendation that falls squarely to the Commission. There is no basis in law for the Commission to undertake the 'know your customer' checks as carried out within the Financial Sector. Indeed, there is no explicit

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basis in law for the Commission to undertake any kind of vetting or checking process of trustees.

Despite this the Commission does currently undertake a series of checks on trustees at the point of initial registration. These checks are based on the provisions of s.73 of the Charities Act 1993, which sets out the disqualification criteria from occupying the role of a charity trustee in England & Wales. These prohibitions are in the most part, related to the past financial impropriety of individuals. In practical terms this means that each trustee is checked for Undischarged Bankruptcy, Company Director Disqualifications and Disqualification from acting as a trustee by the High Court in Scotland or previously by the Charity Commissioners. A check is also made against the electoral register on the address given in the application. The Commission also has the power under certain circumstances, to appoint trustees during the course of a charity's life, and similar checks are carried out during this process. Additionally, if the charity is one which deals with children or vulnerable adults the Commission now requires a Criminal Records Bureau disclosure for that individual before appointment. Moreover, following a National Audit Office recommendation, the Commission undertakes sampled checks on the eligibility of 5000 already serving trustees.

In all the above scenarios, and during the course of the Commission's casework, trustee details are checked against CCID - the Charity Commission's Intelligence Database. As well as including the information held on the Central Register of Charities in respect of any charity, and information from historical and ongoing casework, the database also includes the complete UN Consolidated Sanctions List, both individuals and entities.

The Commission judges that it would not be practicable for it to undertake know your customer checks as used in the financial sector. Indeed, as charities generally will need to have an account to store and move money, this would arguably be an unnecessary burden on charities and trustees at the point of registration. Moreover, the vast majority of charities have the power to change trustees and bank signatories themselves without the permission of the Commission, and so any initial check on the trustees made by the Commission could in theory be rendered irrelevant within a day of the check being made. The Commission feels that the concerns highlighted in the report would be best addressed through the Commission and colleagues developing stronger information sharing and reporting links with financial institutions. Financial institutions would in any case carry out the appropriate know your customer checks and disclosures throughout the whole life-span of a charity and not just at the registration point. The Commission feels that rather than imposing a new burden of regulation on individuals and organisations of doubtful additional use the results might best be achieved by examining how existing structures can be put to further use. The Commission would welcome further input on how this might best be achieved.

4. **The UK should encourage the introduction of mechanisms to ensure that foreign based charities are subject to a degree of regulatory oversight equivalent to those in England & Wales.**

The Commission is satisfied that the current (and proposed) legislative regime is sufficient to properly and proportionately regulate charities which operate in

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England & Wales. There are circumstances in which charities which are based overseas can act in such a way that their activities and funds fall within the regulatory remit of the Commission. Where these circumstances are not met there are provisions in place (and proposed) for the regulation of fundraising. However, the Commission recognises that this can be a matter of concern for various agencies and would suggest this problem might be most easily tackled through improved intelligence sharing, both domestically and internationally, to ensure that the current regime can be enforced and that greater scrutiny is given to those organisations that might pose the highest perceived risk within England & Wales. It should be highlighted here that the current information sharing gateway for the Commission (s.10 Charities Act 1993) would permit, in certain circumstances, the exchange of information between it and overseas governments.

Again the Commission would welcome further input on how this might best be achieved.

5. Legislation in England & Wales should include a provision similar to that planned in Scotland, such as a licensing regime for all foreign charities fundraising in these jurisdictions

This recommendation will effectively be tackled if the Charities Act is re-enacted in its present form the next sessions of Parliament. Although there will be no need for overseas charities to register with the Commission when they carry out activities within England & Wales, there are provisions within the Bill that will ensure that persons or organisations carrying out any public fundraising event will require a certificate of fitness from the Charity Commission in order to do so and then to inform a local authority beforehand of the proposed event. The Act will also enable regulations to be made setting out a framework for this decision making. The Act will also make it an offence for a public collection to take place without the necessary permits.

6. Charities and other relevant agencies must be encouraged, through published guidelines and education, to collect and check information of foreign organisations to which they disburse funds. The UK should look to encourage relevant bodies to make the details of organisations they are funding publicly available.

This recommendation does not directly fall to the Commission although; it has a role to play in this objective. The Commission recommends that charities are as transparent as possible in both their accounts and reports on their activities, including the funding and co-operation with partners overseas. Indeed, the Statement of Recommended Practice for charities places a greater transparency burden than that expected under international accountancy standards. The accounts of registered charities and further information about the activities and achievements of charities will soon be available on-line through the Commission's website, which will greatly increase the accessibility of this kind of information.

7. All departments that come into contact with charities must be made aware that they have an obligation to report all potential terrorist

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financing leads. However, wherever possible this information should also be brought to the attention of the Commission which must increasingly be seen as a central repository for all intelligence relating to misconduct within charities.

For its own part the Commission, both in its published public guidance and in its staff instructions, makes the personal responsibility to report terrorist financing leads clear. However, whilst the Commission would welcome receiving this information from any source, it should be made clear that in reporting to the Commission the personal responsibility has not been met (as the Commission is not a law enforcement agency). However, that said, reporting such suspicions to the Commission in addition to a constable would be certainly useful, as the Commission might well already hold intelligence which may have had no previous terrorist financing aspect but which, read in conjunction with this new report, might add weight to a risk assessment by colleagues directly involved in counter terrorist financing operations.

8. Whilst the IPG working group strongly supports OLAF's charity initiative (of a central database of all EU funding) we would also recommend that a database of suspicious charities is set up by EU member states.

This recommendation does not fall to the Commission and it would therefore be inappropriate to comment substantively. However, the Commission would welcome moves internationally to increase the transparency and accountability of charities so that donors can be assured and encouraged in their charitable giving and that trustees can make more informed decisions on their overseas partners.

9. A charity regulator in both Northern Ireland and Scotland, which mirrors that of the Commission in investigative and regulatory powers should be set up.

The Commission welcomed and supported the proposals to set up the Office of the Scottish Charity regulator and has contributed to the consultation paper on the future of charity regulation in Northern Ireland, in support of a charity regulator being established for Northern Ireland.

10. More could be done to inform the financial industry about the misuse of the charitable sector.

The Commission agrees with this statement and would be willing to aid colleagues (resources permitting) in order to achieve the aim of better educating the financial industry about the charitable sector.

11. Further work and research in non-profit organisations, which are not regulated by the Commission, needs to be done.

The Commission would always want to encourage research and analysis of the not-for-profit sector in general as this could have a knock-on effect to the

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sector the Commission regulates. The Commission currently co-operates with organisations and individuals who wish to carry out such research and will from late 2005 have a new unit dedicated to this purpose. Again, resources permitting the Commission would be willing to add its expertise, or provide information if needed in support of any proposed research programmes.

Also, if and when the Charities Bill is enacted a range of organisations that are currently not, or only partially regulated by the Commission, will fall directly within its jurisdiction.

ENDS.

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