



## **MEDIA ALERT - FOR IMMEDIATE RELEASE**

### **Donations could be hit if charity sector ignores financial crime risks**

*Charities warned to know their donors and beneficiaries to reduce likelihood of lasting reputation damage*

**London, 31 August 2011:** The flow of donated funds to British charity organisations could be severely disrupted unless the sector takes the issue of financial crime seriously, warns the global compliance specialist, World-Check.

Following a recent survey by the Fraud Advisory Panel that revealed that only 8% of charities have an anti-money laundering policy in place, financial crime experts at World-Check have expressed concern that organisations within the third sector are risking severe reputational damage by failing to implement adequate protection measures.

Speaking after the launch of advice for charities on how to defend themselves against financial crime risks, the former head of the Financial Intelligence Unit (FIU) at the Serious Organised Crime Agency (SOCA), David Thomas, believes that it is 'unavoidable' that UK charities will become embroiled in situations with the potential to put their entire operation at risk.

There is an increased demand for financial support and services, particularly in countries where it is necessary to work with intermediary entities to deliver aid on the ground, and it may take only one incident of inappropriate use of charitable funds to come to light for the whole of the sector to fall under suspicion, Mr Thomas warned.

"Once consumer trust has been lost it is a long and tough road to get it back."

"In order to defend against the risk of financial crime and to maintain a good public reputation it is vitally important that charities are absolutely clear about who is donating money to them and who they are donating money to," Mr Thomas said. "Good business intelligence systems enable effective screening to conduct protective due diligence. Vigilance in this area of risk is not a single act but a continuous state of self-protection."

It should also be noted that the addition to the statute book of the UK Bribery Act has generated an extra risk for charities, as the new offence of a 'failure to prevent bribery' applies equally to profit making and not-for-profit entities.

In a white paper published by World-Check, Mr Thomas advises charities to adapt the principles of the Know Your Customer (KYC) policy used by businesses and financial institutions to protect their business, employees and reputations from risk.

Know Your Customer refers to the process by which an organisation, regardless of industry, performs due diligence checks before doing business with a person or entity. It ensures that prospective customers, partners and suppliers are checked against government watch and sanction lists to identify PEPs, known criminals or those considered heightened risk individuals. Screening names against official lists, however, is only a first step and charity organisations are advised to conduct a more rigorous review of business relationships. For example, in 2010 alone World-Check's Risk Screening database identified over 200 entities before they appeared on the US Government's OFAC list.

Mr Thomas was the keynote speaker at a recent World-Check seminar held in London, which also saw contributions from the Charity Commission's Compliance Outreach Manager Chris Cassin and CAF Deputy MLRO Andrew Sladen. Mr Cassin and Mr Sladen echoed the concern of Mr Thomas as they spoke of the vulnerability of charities to a wide range of financial crimes including money laundering and the funding of terrorism.

David Thomas' White Paper "The Charity Sector and Financial Crime Risks" and presentations from the recent seminar on financial crime are available at [http://www.world-check.info/Charity\\_Information\\_Bank.html](http://www.world-check.info/Charity_Information_Bank.html)

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## **Notes to Editors**

### **About World-Check**

Trusted by more than 5,400 institutions in over 150 countries, including 49 of the world's top 50 banks, World-Check offers a comprehensive solution for assessing, managing and remediating financial, regulatory and reputational risks.

World-Check's global intelligence on heightened risk individuals and entities, including Politically Exposed Persons (PEPs) due diligence reporting, and geopolitical risk solutions provide the means to address the full spectrum of risk across all markets and industries, no matter what type and size organisation.

Represented across five continents, World-Check's international research team monitors emerging risks in more than 60 languages, covering over 240 countries and territories

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