

Frequently asked questions

Factsheet for charities and other non-governmental organisations (NGOs)



HM Treasury
Office of Financial
Sanctions Implementation



Purpose of this document

This document covers questions relevant to charities and non-governmental organisations, especially those operating in areas where financial sanctions are in force. It should be read alongside OFSI's Financial Sanctions Guidance. Helpful sources of information are listed at the end of this document.

- asset freezes which restrict access to funds and economic resources
- restrictions on various financial markets and activities in certain countries
- directions to cease business of a specified type
- directions to cease all business with certain sanctioned individuals or organisations.

Financial sanctions and OFSI

Financial sanctions help the UK to meet its foreign policy and national security aims. They target individuals and organisations, restricting access to funds, economic resources, and financial services and markets.

Financial sanctions are imposed by the United Nations, European Union, United Kingdom and other countries, including the United States, Canada and Japan. They take different forms including:

The Office of Financial Sanctions Implementation (OFSI), part of HM Treasury, is responsible for improving the understanding, implementation and enforcement of financial sanctions in the UK. We publish a list of individuals and organisations subject to financial sanctions as well as general guidance to help you comply. This is available on the government website – see back page.

Please refer to OFSI's GOV.UK web pages and Financial Sanctions Guidance if you know or suspect that you're working in

areas where sanctioned individuals or others subject to sanctions, such as companies or armed groups, may operate.

Questions:

A. General questions about financial sanctions

1. Do financial sanctions apply to charities and non-governmental organisations (NGOs)?
2. What do I need to do if (I think) I'm dealing with a sanctioned individual or organisation?
3. Can I accept money or donations from individuals or organisations subject to financial sanctions?
4. Can I transport cash to somewhere or someone in a country subject to financial sanctions?
5. Can you give me any tips to help my charity comply with financial sanctions?
6. What should I do if I breach financial sanctions?
7. Do financial sanctions imposed by other countries apply to me?

B. Licences that allow activity prohibited by financial sanctions

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2. Who applies for the licence?
3. What types of licences can I apply for?
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C. Dealing with financial services organisations

1. What type of information may financial services organisations require to process transactions?
2. Can I use hawala payment chains and other alternative methods?
3. What can I do if a bank won't open an account, closes my account or blocks a transaction?

D. Helpful sources of information

1. Office of Financial Sanctions Implementation (OFSI)
2. Home Office/OFSI
3. The Charity Commission of England & Wales
4. Export Control Organisation (ECO)
5. European Union (EU)
6. US Treasury's Office of Foreign Assets Control (OFAC)
7. Financial Action Task Force (FATF)
8. Charity Finance Group

Contact OFSI

Helpline:

0207 270 5454

Monday – Friday, 9am – 5pm

Email enquiries:

ofsi@hmtreasury.gsi.gov.uk

Visit OFSI's web pages:

<https://www.gov.uk/government/organisations/office-of-financial-sanctions-implementation>

OFSI's Financial Sanctions Guidance:

<https://www.gov.uk/government/publications/financial-sanctions-faqs>

Subscribe to OFSI's e-alert:

<http://public.govdelivery.com/accounts/UKHMTREAS/subscriber/new>

General questions about financial sanctions

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Please refer to the FAQs section in OFSI's Financial Sanctions Guidance for questions that apply to all sectors

1. Do financial sanctions apply to charities and NGOs?

Yes. It's a criminal offence to breach financial sanctions. This applies to charities and NGOs, including individual members

of staff, regardless of whether they're government-funded.

However, charities and NGOs can:

- rely on exceptions in the law which permit certain activities; or
- apply for a licence to work with or through a sanctioned individual or organisation.

For more information, please review the licensing section of this document and OFSI's Financial Sanctions Guidance.

2. What do I need to do if (I think) I'm dealing with a sanctioned individual or organisation?

Review the information you have about the individual or organisation, checking OFSI's 'consolidated list' of those subject to financial sanctions on its pages of the GOV.UK website:

<https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets>

If you're unsure and there's no risk to yourself, consider asking them for more information.

You should also consider if they're 'owned' or 'controlled' by individuals or organisations subject to financial sanctions. The European Union has published guidance on this:

<http://data.consilium.europa.eu/doc/document/ST-10254-2015-INIT/en/pdf>

OFSI's Financial Sanction Guidance also includes more information on 'ownership and control'. However, if you're still unsure, contact OFSI immediately.

If you establish you're dealing with a sanctioned individual or organisation, take three steps:

1. Contact OFSI immediately
2. Freeze their funds and economic resources in your possession

3. Don't make funds or economic resources available to them.

Section 3 of our Financial Sanctions's Guidance contains more detailed information. We've also included a glossary of terms at the back which defines what we mean by economic resources.

3. Can I accept money or donations from individuals or organisations subject to financial sanctions?

No. It's against the law to receive money, goods or economic resources from – or send these to – an individual or organisation subject to financial sanctions unless you have a licence from OFSI. However, there are specific exemptions that permit certain actions.

More information about licences is available later in this document.

4. Can I transport cash to somewhere or someone in a country subject to financial sanctions?

Countries aren't usually subject to financial sanctions. However, some activities in certain countries are restricted.

Normally, individuals and organisations subject to financial sanctions are listed under a country or terrorist 'regime'.

These financial sanctions aren't necessarily asset freezes. For instance, certain financial sanctions regimes place restrictions on making financial transfers to (including taking cash into) countries.

Check the relevant regulations

available on OFSI's GOV.UK web pages, to find out what sanctions are in place:

<https://www.gov.uk/government/collecti- ons/financial-sanctions-regime-specific- consolidated-lists-and-releases>

The Charity Commission for England and Wales advises you to only make cash payments in exceptional circumstances given the greater risks of doing this.

As well as the risk to the personal security of staff, there is the risk of cash being:

- diverted to sanctioned individuals or organisations
- used to fund terrorist or corrupt activity.

The Charity Commission's Compliance Toolkit (Chapter 4) contains more information:

<https://www.gov.uk/government/collecti- ons/protecting-charities-from-harm- compliance-toolkit#chapter-4>

Remember, even if you're dealing in cash, or anything that could be exchanged for it, the same rules apply; you're not permitted to make funds or any economic resources available – directly or indirectly – to individuals or organisations subject to financial sanctions without being able to rely on a relevant exception or a licence.

5. Can you give me any tips to help my charity comply with financial sanctions?

Each organisation should assess their own risks and put due diligence measures in place to reflect these risks. However, we can provide tips.

Top Five Tips

1. Make yourself aware of the financial sanctions imposed by the UK and who they impact. OFSI publishes an up-to-date, online list of those subject to financial sanctions in the UK:

<https://www.gov.uk/government/coll- ections/financial-sanctions-regime->

specific-consolidated-lists-and-releases

2. Assess all aspects of your proposed project to identify if any partners, contractors or financial institutions appear on the above sanctions list.
3. Tailor your compliance approach on the likelihood of you dealing with these individuals and organisations, directly or indirectly.
4. Consider financial crime risks such as: terrorist financing, corruption or laundering the proceeds of crime – they all form part of a comprehensive compliance approach.

If you do the above, it may help you later – your bank may require information on your compliance approach before processing payments as it needs to ensure compliance with financial crime laws applicable to both you and itself.

5. Where there are risks, such as a project being based in a high-risk location, conduct thorough checks of who you're dealing with, checking:
 - all points in the payment chain and
 - those involved in your project on the ground.

If you think you may be conducting business with individuals or organisations subject to financial sanctions:

- contact OFSI
- consider if you should apply for a licence from OFSI.

6. What should I do if I breach financial sanctions?

Contact OFSI immediately, even if you're unsure and want to make further checks.

It's in your interests to declare a breach or potential breach as early as possible to reduce your regulatory risk, i.e. action being taken against you.

OFSI considers self-disclosure of information when deciding: what action to take; and whether a monetary penalty for a breach is appropriate and, if so, the level of the penalty.

Information from The Charity Commission

The Charity Commission advises you to report any breach in line with its Serious Incident Report Framework. This should be emailed to:

rsi@charitycommission.gsi.gov.uk

The government publishes guidance on reporting 'Serious Incidents':

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/375979/Reporting_Serious_Incidents_Low_Ink.pdf

Finally, you have a duty to report certain terrorist financing offences to a constable under Section 19 of the Terrorism Act 2000. Information about this is also published by The Charity Commission:

<https://www.gov.uk/government/news/terrorism-act-alert-30-september-2015>

7. Do financial sanctions imposed by other countries apply to me?

As a member of the UN Security Council and the EU, the UK imposes all financial sanctions created by these two multi-national bodies as well some of its own financial sanctions.

Financial sanctions imposed by other governments may also impact your ability to operate where:

- your operations are within their jurisdiction

- goods originate from that country (if exporting goods)
- you are dealing in their currency.

If you operate in (or through) another country, check:

- what financial sanctions are in place in that country
- if you need a licence with the relevant licensing body.

Example:

If you plan to transact in US dollars or work with US persons or companies, check that you comply with US sanctions.

You can liaise with the US sanctions administrator, the Office of Foreign Assets Control (OFAC), for more information.

You may need a licence from OFAC as well as from OFSI.

OFAC has its own website:

<https://www.treasury.gov/about/organizational-structure/offices/Pages/Office-of-Foreign-Assets-Control.aspx>

Licences that allow activities prohibited by financial sanctions

B

Please refer to OFSI's Financial Sanctions Guidance for more information about financial sanctions exemptions and licensing, including how to apply for a licence

1. Do charities and NGOs need to apply for licences?

Yes - if a certain activity is prohibited under a financial sanctions regime, and there is no relevant exception in the law which permits it, you need to apply for a licence. Activity isn't necessarily permitted just because it's for a charitable or humanitarian purpose.

An OFSI licence allows financial activity with individuals or organisations, subject to financial sanctions, which would normally be prohibited.

Licences can only be granted where there are specific and relevant licensing grounds. There is often – but not always – a licensing ground that specifically relates to humanitarian activities.

It's important to be aware of the relevant licensing grounds which vary for each regime and can include constraints. There are also usually attached reporting requirements.

Applicable licensing grounds are covered in the regulations for each financial sanctions regime.

Information about what financial sanctions are in place for each regime is available on OFSI's pages on GOV.UK:

<https://www.gov.uk/government/collections/financial-sanctions-regime-specific-consolidated-lists-and-releases>

2. Who applies for the licence?

The charity – as opposed to the grant-maker or donor – that is dealing with the individual or organisation subject to financial sanctions applies for the licence.

More information is available in our Financial Sanctions Guidance (Para 6.6).

3. What types of licences can I apply for?

The humanitarian licence is the most common licence issued to charities and NGOs but you should review the full list of licences before applying.

This list can be found in OFSI's Financial Sanctions Guidance (Table 6.A: OFSI's approach to licensing grounds).

4. Do I always need a licence for humanitarian work?

You don't need a licence for most humanitarian work. However, you do need a licence if, for instance, you are:

- dealing – directly or indirectly – with a sanctioned individual or organisation in a way that is prohibited under the relevant financial sanctions regulations
- purchasing or transporting fuel in Syria in certain circumstances
- sending funds or providing goods or services to North Korea.

New financial sanctions regimes can be introduced at any time and existing ones are subject to change, so please check that you are following current regulations and contact OFSI if you're unsure of anything.

Always check the relevant regulations to ensure you're complying. Certain regimes have 'blanket conditions' that apply even if there isn't a sanctioned individual or organisation involved in the activities.

5. Do I need a licence if my humanitarian project is government-funded?

Yes. You need a licence if you plan to make funds or economic resources available to individuals or organisations subject to financial sanctions, even if you're receiving government funding.

There may also be additional provisions which are outlined in the regulations.

Discuss any potential licensing requirements as early in the process as possible as licences need to be approved, potentially by the EU and UN. Please read OFSI's Financial Sanctions Guidance which includes information on when you should apply for a licence.

6. Can you issue humanitarian licences more quickly?

OFSI treats applications for licences for humanitarian purposes – where there are genuine life-threatening circumstances – as high priority.

Although we can't provide timeframes as each case will vary, we'll ensure that you're kept up-to-date on urgent requests. Again, more information about timeframes is covered in OFSI's Financial Sanctions Guidance.

7. Do OFSI licences cover everything required to carry out humanitarian work?

There may be some activities that are prohibited and can't be licensed. These vary from regime to regime and depend on the relevant regulation.

For example, OFSI isn't able to licence payments, such as taxes or fees paid to those subject to an asset freeze, where there's no exemptions and no licensing grounds exist. However, this prohibition does not include legitimate tax payments to legitimate tax authorities not subject to an asset freeze.

Sometimes fees or taxes you're asked to pay could constitute a payment of a bribe to a government official or a

terrorist group, for instance, in exchange for being able to operate in an area.

There are humanitarian exemptions under certain regimes. Asset freeze exemptions may also exist, for instance, when making available funds or economic resources needed for 'timely delivery' or 'urgently needed' humanitarian assistance. More information on exemptions is available in the relevant regulations.

Please check the relevant regulations for the financial sanctions regime for up-to-date information, including the terrorist financing sanctions regimes as certain exemptions don't apply under these regimes:

<https://www.gov.uk/government/collections/financial-sanctions-regime-specific-consolidated-lists-and-releases>

8. Can I export goods for humanitarian purposes?

You need to consider whether you also need an 'export licence' from the Export Control Organisation (ECO), part of the Department of Trade (DIT), if you plan to export goods to any country or person where:

- financial sanctions apply or
- there is a trade embargo.

The export licence application form is available online on ECO's web pages:

<http://www.gov.uk/government/organisations/export-control-organisation/about>

You may need a licence from both OFSI and ECO if you're exporting goods or services and making payments relating to this activity:

- ECO issues licences for goods or services and

- OFSI issues licences for financial activities.

Also consider if further licences (for both financial activities and exports) are required under other countries' laws, depending on the origin or shipment route of the goods.

9. Can I apply for an OFSI licence retrospectively?

No. Undertaking prohibited activity without a licence is an offence and will lead to action being taken, potentially a monetary penalty or criminal prosecution. OFSI's Financial Sanctions Guidance covers this in more detail.

10. Do I need to think about anything else if operating in other parts of the world?

Be aware of money laundering, bribery and corruption risks and how these apply to your operations.

You also need to comply with financial sanctions that target terrorist financing.

Additional regulations targeting terrorist financing:

- UN ISIL (Da'esh) & AQ Resolution
- EU sanctions against ISIL (Da'esh) and Al-Qaida organisations under Council Regulation (EU) 881/2002.

For more information, visit OFSI's web page on terrorist financing:

<https://www.gov.uk/government/publications/current-list-of-designated-persons-terrorism-and-terrorist-financing>

Dealing with financial services

C organisations

1. What type of information may financial services organisations require to process transactions?

While requirements will vary, it's usually best to provide as much background information to your bank as possible.

Organisations, such as banks, may require similar information to OFSI:

1. The planned payment amount(s) and currency
2. The purpose for the payment(s)
3. The payment route(s), e.g. correspondent banking channels
4. The sender and receiver of funds, including intermediaries and beneficiaries, e.g. local partners and suppliers
5. How the funds will be accounted for
6. Details of goods, if any, including the nature of the goods, the country of origin and destination
7. Copies of applicable licences, including export licences
8. Information about your diligence or compliance approach

2. Can I use hawala payment chains and other alternative methods?

Taking hawala payment chains as an example, due to their complex and less transparent nature, the risk of a

sanctioned person or organisation being involved is greater.

This may mean that some banks or financial services organisations may be less willing to provide services where such payment chains are used.

If the only option is to facilitate a payment through a hawala payment chain:

- obtain as much information as possible about the hawala provider and the parties involved and
- discuss the payment route with your bank in advance.

3. What can I do if a bank won't open an account, closes my account or blocks a transaction?

An OFSI licence only permits an act that, otherwise, would be prohibited. It doesn't compel an organisation, such as a bank, to open an account, keep an account open or make a payment.

What banks do will depend on their internal policies or risk appetite. Additionally, they may be required to comply with other countries' laws, which prohibit certain activity, as well as UK financial sanctions regulations.

Illustrations:

A bank may restrict an activity because of lack of information

But it may have formal procedures to request a review of the decision

Alternatively, it may require certain diligence information about the nature of the activity, parties involved or whether any licences apply

If you have a licence, your bank is likely to want to see a copy.

If you're unable to resolve an issue you have directly with the bank, having escalated your matter through its formal

procedures, you can approach the Financial Ombudsman Service:

<http://www.financial-ombudsman.org.uk/>

Helpful sources of Information

1. Office of Financial Sanctions Implementation (OFSI)

It has published the following on its GOV.UK web pages:

- a list of those subject to financial sanctions
- information on those subject to financial sanctions
- General Guide to Financial Sanctions
- Guide to Monetary Penalties

<https://www.gov.uk/government/organisations/office-of-financial-sanctions-implementation>

2. Home Office and OFSI

They published a note for international non-governmental organisations about operating within counter-terrorism legislation:

<https://www.gov.uk/government/publications/operating-within-counter-terrorism-legislation/for-information-note-operating-within-counter-terrorism-legislation>

3. The Charity Commission for England and Wales

It has a compliance toolkit to help charity trustees manage risks and safeguard their

charities from terrorism, fraud and other forms of abuse:

<https://www.gov.uk/government/collections/protecting-charities-from-harm-compliance-toolkit>

4. Export Control Organisation (ECO)

Part of the Department of Trade, it provides information on when you might need an export licence and how to apply:

<https://www.gov.uk/government/organisations/export-control-organisation>

5. European Union (EU)

Its Best Practice Guide contains recommendations on the implementation of sanctions:

<http://data.consilium.europa.eu/doc/document/ST-10254-2015-INIT/en/pdf>

The European Commission has published Frequently Asked Questions on EU Restrictive Measures in Syria:

http://ec.europa.eu/dgs/fpi/documents/faqs_post_isc_clean_en.pdf

6. US Treasury's Office of Foreign Assets Control (OFAC)

It publishes guidance on US sanctions and humanitarian assistance:

<https://www.treasury.gov/about/organizational-structure/offices/Pages/Office-of-Foreign-Assets-Control.aspx>

7. Financial Action Task Force (FATF):

It published a best practice paper on combating the abuse of non-profit organisations:

<http://www.fatf-gafi.org/media/fatf/documents/reports/BPP-combating-abuse-non-profit-organisations.pdf>



8. Charity Finance Group

This charity helps other charities to manage their finances effectively. It provides training and guidance on risk management, banking and reporting:

<http://www.cfg.org.uk/>