REGISTRY GENERAL — CHARITIES SECTION

Terrorist Financing Risk: A Guide for Bermuda Charities

Frequently Asked Questions on Terrorist Financing (TF) Awareness, Risk and Mitigation for Registered Non-Profit Organisations (NPOs)

This guide answers common questions Bermuda charities have about terrorist financing (TF) risk. It draws on the Registry General's information sessions conducted with the NPO sector, Bermuda's 2024 National ML/TF Risk Assessment, and on FATF Recommendation 8. It is intended as general guidance, not legal advice — trustees and officers with specific concerns should contact the Registry General directly using the details in Section 6.

1. Understanding Terrorist Financing

Q: What is terrorist financing?

A: Terrorist financing (TF) is the raising, moving, storing or use of funds or other assets, whether from legitimate or illegitimate sources, to carry out a terrorist act or to support a terrorist organisation or individual. Unlike money laundering, which always involves the proceeds of crime, TF can involve entirely lawful money, such as salaries, donations or business revenue. That is what makes it hard to detect.

Q: How is TF risk actually assessed?

A: FATF guidance breaks TF risk into three components: threat (the likelihood that a terrorist actor tries to exploit an organisation or its resources), vulnerability (weaknesses in governance, operations or oversight that could be exploited), and consequence (the potential financial, reputational and humanitarian harm if abuse occurs). Threat and vulnerability combine to produce the level of risk; consequence determines how seriously that risk should be treated.

Q: What is the Financial Action Task Force (FATF), and how does it relate to Bermuda?

A: FATF is the global inter-governmental body that sets international standards for preventing money laundering, terrorist financing and proliferation financing, through 40 Recommendations and 11 Immediate Outcomes adopted by over 200 jurisdictions. Bermuda's jurisdiction sits within the Caribbean FATF (CFATF), an Associate Member of the FATF, and Bermuda's AML/CFT framework, including the regulation of charities, is measured against these standards.

Q: What is FATF Recommendation 8, and why does it single out charities?

A: Recommendation 8 is the FATF standard specifically dealing with non-profit organisations. It requires countries to identify which charitable organisations fall within the FATF's functional definition of an NPO, assess their TF risk, and apply focused, proportionate, risk-based measures without unduly disrupting or discouraging legitimate charitable activity. Under Recommendation 8, an NPO is any legal person, arrangement or organisation that primarily raises or disburses funds for charitable, religious, cultural, educational, social or fraternal purposes, or other good works. Not every registered charity meets this functional definition, and not every charity that does meet it carries the same level of risk, but all registered charities remain subject to the oversight of the Registry General regardless.

Q: What did Bermuda's 2024 National Risk Assessment find about the charity sector?

A: Bermuda's 2024 National ML/TF Risk Assessment (NRA) reviewed the NPO sector and rated it as MEDIUM-LOW inherent TF risk, based on a low TF threat and a medium-low inherent vulnerability score. Importantly, the assessment found no evidence of terrorist or TF abuse within Bermuda's charity sector.

Q: If the sector is low risk, does that mean charities don't need to worry about TF?

A: No. Low risk does not mean no risk. The NRA rating reflects the absence of evidence of abuse to date, not an absence of exposure. TF methods evolve, and a charity's own individual risk profile can differ significantly from the sector average, particularly where it has overseas operations, foreign donors or beneficiaries, or weaker internal controls. Ongoing awareness and proportionate safeguards remain important for every charity.

2. Why This Matters for Charities

Q: How, in practice, can a legitimate charity end up exposed to TF abuse?

A: There are several recognised typologies. A charity can be exposed through:

- Diversion of funds — donations or programme funds are siphoned off, with or without trustees' knowledge, to support terrorist causes.
- Affiliation — a leader, staff member, volunteer or contractor connected to the charity has ties to an extremist group.
- Programme abuse — aid, goods or funds delivered through a charity's programmes (especially in conflict zones) are rerouted or skimmed.
- Sham NPOs — an entity is set up to look like a genuine charity but exists primarily to raise and move funds for terrorist purposes.
- Recruitment support — facilities or programmes are used as a venue for recruitment or radicalisation.
- False representation — a charity's name and reputation are used, without authorisation, to solicit funds for illegitimate purposes.
- New technologies — crowdfunding platforms, encrypted social media and cryptocurrency are increasingly used to move funds outside traditional, traceable banking channels.

Q: Which of a charity's activities carry the highest inherent TF vulnerability?

A: Cross-border operations (especially in or near conflict zones), reliance on partners in jurisdictions with active TF activity, limited oversight of how funds are ultimately used, and cash-intensive operations such as in-field aid distribution. Charities with limited internal compliance capacity, especially within smaller organisations, are also more vulnerable.

Q: What are the consequences if a charity is exploited for TF, even unknowingly?

A: The consequences can be severe: diverted funds may contribute to violence, instability or loss of life; the charity itself may suffer serious reputational and financial harm; and repeated incidents can damage trust in, and the international reputation of, the wider Bermuda charitable sector. This is why the Registry General treats TF awareness as a shared priority with the charity sector, not solely a compliance exercise.

3. What Puts a Charity at Higher Risk

Q: What factors does the Registry General look at when assessing a charity's TF risk?

A: Consistent with FATF guidance, the Registry General applies a risk-based approach using factors such as:

- Size and financial profile — larger charities with higher transaction volumes present proportionally greater exposure.
- International activities — any activity outside Bermuda, whether direct or through overseas partners, raises the inherent risk profile, particularly near high-risk jurisdictions.
- Geographical exposure — operating in or channelling funds to active conflict zones, FATF black- or grey-list jurisdictions, or fragile/post-conflict states with limited financial oversight.
- Donor and beneficiary profile — anonymous donors, foreign donors, or foreign beneficiaries in high-risk locations warrant additional scrutiny.
- Strength of governance — weak board oversight, poor record-keeping or a lack of financial controls increases vulnerability regardless of the other factors.

Q: Does operating in a foreign country automatically increase a charity's risk for TF?

A: Not automatically, but foreign exposure is a relevant factor. Cross-border activity, including financial transactions with overseas partners or affiliates, raises the potential for TF risk, particularly where the destination is a conflict zone, a grey-listed jurisdiction, or a fragile state with weak financial oversight. Strong internal controls, due diligence on partners, and documented monitoring can meaningfully mitigate this risk. Even a grey-listed country is not automatically high risk, especially where that jurisdiction is making demonstrated progress in addressing the concerns behind its listing.

Q: Does a charity have to be doing something wrong to be subject to additional monitoring?

A: No. Being flagged for closer review reflects risk indicators in a charity's activities, finances or exposure, not wrongdoing. Most Bermuda charities will be considered at low risk for TF and will only be subject to standard registration, annual reporting and general compliance monitoring. A smaller subset with elevated risk profiles will receive enhanced engagement, which is a collaborative process aimed at identifying proportionate safeguards, not an enforcement exercise.

4. Steps Charities Can Take to Manage TF Risk

Q: What does good governance against TF risk actually look like day to day?

A: Effective governance starts with a clear purpose, defined leadership roles and active board or trustee oversight. Trustees should be able to answer, with confidence:

- Do we know where our funds ultimately go, and can we evidence it?
- Have we verified the identity and background of our partners and major donors?
- Are our financial records detailed enough to trace funds from receipt to end use?
- Do we review our TF risk exposure at least annually?

Q: What practical controls should a charity have in place, especially for overseas activity?

A: Depending on the charity's risk profile, useful safeguards include:

- Documented due diligence on overseas partners, including checking individuals and organisations against international sanctions lists (links are available on the Registry General's website).
- Written agreements, such as Memoranda of Understanding, that set out how funds will be used and how a partner may (or may not) use the charity's name.
- Records of fund transfers and their intended purpose, with evidence such as receipts, project reports or audit certificates confirming funds were applied as intended.
- Making distributions from the charity's own bank accounts and, where possible, paying institutions (such as a hospital or university) directly rather than individual beneficiaries.
- Requiring evidence of use, such as receipts, where funds are given directly to beneficiaries, with a clear process to claw back funds if that evidence isn't provided.
- Not accepting anonymous donations where the donor's identity and location cannot be established and applying extra care where a donor places restrictions on how a gift is used.

Q: What should a charity do if something looks wrong — for example a partner appears on a sanctions list, or funds seem to have gone missing?

A: Stop further work or payments connected to the party or activity, gather and review the relevant financial and partnership records, and notify the Registry General without delay. The Registry General would rather hear about a potential concern early than after the fact. The Registry General will work with the charity on next steps and, where warranted, will refer the matter to the Financial Intelligence Agency (FIA) for further investigation.

Q: Do these measures apply equally to every charity?

A: No — they are scaled to risk. The vast majority of Bermuda charities carry standard, low-level obligations. Only NPOs assessed as being at an elevated exposure to TF risk (typically those presenting specific "red flags" in their activities or finances) will be asked to put additional, tailored measures in place. Requirements are proportionate: a low-risk charity carries a light burden, while a charity with an elevated profile works with the Registry General to agree practical, targeted safeguards.

5. The Role of the Registry General and the Charity Team

Q: What is the Registry General's role in managing TF risk in the charity sector?

A: The Registry General is responsible, under the Charities Act 2014 and in line with FATF Recommendation 8, for ensuring Bermuda's NPO sector is not exploited for terrorist financing. It does this through registration and oversight of charities, risk-based review of the information charities submit, and where a charity's risk profile is elevated, direct engagement to agree proportionate mitigation measures. The Registry General's approach is explicitly risk-based and proportionate: oversight is calibrated to each charity's actual risk rather than applied uniformly across the sector.

Q: How does the Registry General actually assess and monitor risk across the sector?

A: The review process generally follows these stages:

- Annual submissions — all registered charities submit annual returns, including financial statements, governance information and declarations of international activity. These form the primary basis for risk screening.
- Desk-based reviews — for charities flagged through their annual returns or other information, the Registry General examines financial flows, governance documents, partner relationships and geographic exposure in the first instance.

- On-site reviews — reserved for cases where a desk-based review identifies concerns that documentation alone cannot resolve. This is not routine and is not applied to most charities.
- Individual discussions — following a review, the Registry General engages directly with the charity to explain findings, the basis for any proposed requirements, and to agree a proportionate mitigation plan collaboratively.

Q: If a charity is asked for additional information, what might that include?

A: For charities identified as carrying elevated TF risk, the Registry General may request items such as:

- Details of any bank accounts held outside Bermuda.
- Details of foreign donors above a defined threshold, including government or institutional donors.
- Copies of MOUs or other agreements with overseas partners.
- Details of all projects, whether delivered directly or through an overseas partner.
- Details of foreign beneficiaries, with evidence that funds were properly applied.
- Information on cash and credit card transactions and the controls around them.
- Copies of relevant financial-crime policies (AML/CFT, due diligence, gift acceptance, whistleblowing, and similar).

It is important to note these are illustrative categories, not a fixed checklist. The specific information requested is tailored to each charity's individual risk profile and circumstances.

Q: Are the legal requirements for charities around TF changing?

A: Yes. The Charities (AML/ATF) Regulations 2014 are being repealed in September 2026. Charities are no longer required to appoint a dedicated Compliance Officer or to report Suspicious Activity Reports (SARs) directly to the Financial Intelligence Agency (FIA). Reporting of TF-related evidence or concerns is still required, but is now made directly to the Registry General, which will escalate to the FIA where warranted. Under the revised approach, only charities assessed as having an elevated exposure to TF risk are required to provide details of how they manage that risk.

Q: Is the Registry General's role purely about enforcement?

A: No. The Registry General sees itself as a partner to the sector, not solely as a regulator. The purpose of TF oversight is to help charities manage their risk effectively and to preserve the integrity and public trust the whole sector depends on, not to create a generalised compliance burden. Engagement with an at-risk charity is intended to be collaborative: identifying practical, proportionate measures that protect the charity and its beneficiaries, while allowing legitimate charitable work to continue without unnecessary disruption.

6. Getting Help and Further Information

Q: Where can a charity find TF-related resources and guidance from the Registry General?

A: The Registry General publishes guidance documents, sanctions list links, and the List of Registered Charities in the Resources section of its website: www.gov.bm/online-services/register-charity. This includes guidance on public benefit, Anti-Terrorist Financing matters, and related governance topics for the charity sector.

Q: Who should a charity contact with questions or concerns about TF risk?

A: For compliance questions, CFT guidance, or to report a potential TF concern, contact the Registry General's Charities section at charityinfo@gov.bm, or reach out to the Legal & Compliance Officer directly at mtnester@gov.bm or 444-1947. General enquiries can also be made through the Registry General's main line at 246-8949. Charities are legally required to notify the Registry General immediately when they are aware of any concerns. Furthermore, early contact allows the Registry General to help resolve issues before they escalate.

Q: Does the Registry General provide TF training for charities?

A: Yes. The Registry General runs information sessions for the NPO sector covering FATF standards, Bermuda's National Risk Assessment findings, TF typologies, practical mitigation measures, and the Registry General's own risk-based review process. Some recent presentations are available on the Registry General's website. The Registry General will hold periodic training and review sessions and will contact the sector when these are held. Charities who have a specific need for additional training or wish to enquire about upcoming opportunities are welcome to reach out to Charities section as above.

This FAQ is a general guide and does not replace the Charities Act 2014, related regulations, or direct advice from the Registry General on a charity's specific circumstances.