



ANTI MONEY LAUNDERING POLICY AND PROCEDURES

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Contents

APPLICATION.....	2
MISSION	2
PURPOSE	2
MONEY LAUNDERING - DEFINED	2
ANTI-TERRORISM CONSIDERATIONS	3
OBLIGATIONS OF ALL EMPLOYEES, TRUSTEES, VOLUNTEERS, CONSULTANTS, SECONDED AND INTERNS	3
RISK FACTORS & SUSPICIOUS ACTIVITY	4
DONOR/PROJECT MANAGEMENT	5
REPORTING PROCEDURES.....	5
OPERATIONAL ELEMENTS	6
PROCEDURES FOR MONITORING COMPLIANCE WITH THIS POLICY.....	7
PROJECT COUNTRY RISKS.....	7
Mongolia	7
Vietnam	8
Contact details for reporting concerns on CNCFI Anti Money Laundering Policy	9

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APPLICATION

As a Global Policy, this policy applies to:

- a. Christina Noble Children's Foundation International ("CNCFI"), including its headquarters in the United Kingdom and all of its country offices, regional offices, liaison offices, and any other offices operating under the name of the Christina Noble Children's Foundation.
- b. All National Organisations that have signed a Members' Agreement and License Agreement with CNCFI; and
- c. All other entities that agree to be bound by the Global Policies.

(together, "CNCF International Entities", or may be referred to as "we" or "us" in this document).

All of the CNCF International Entities shall enact their own procedures which must be in line with global procedures, regulations, or other regulatory documents that enable compliance by its employees, volunteers, interns, Directors (and/or, when applicable, contractors and other partners) with this Global Policy. Where required by law or local practices, CNCF offices and Organisations may enhance the standards and requirements set out in this policy.

MISSION

The Christina Noble Children's Foundation (CNCF) is an international partnership of people dedicated to serving the physical, medical, educational and emotional needs of vulnerable children in Vietnam and Mongolia. We believe that every child is an individual who deserves love, respect and freedom from all forms of exploitation. We establish long-term relationships with the children we support and empower them to live happy, emotionally rich, and independent lives.

PURPOSE

The purpose of this policy is to strengthen and support CNCF International (CNCFI) to enable it to realise its full potential in fund raising and importantly to ensure the integrity, survival and growth of CNCF to achieve Christina Noble's vision to help those children in need throughout the world.

Through this policy CNCF seeks to address the challenges of a changing global financial environment and meet its obligation to promote the transparency and integrity and to recognise that public confidence in the charity's management is paramount. The policy aims to establish best practices in an Anti-Money Laundering (AML) Policy. The policy sets out CNCF's basic goal and purpose so as to permit examination of funds disbursements accordingly and maintain information on the purpose and objectives of CNCF's activities.

MONEY LAUNDERING - DEFINED

Money laundering is the process whereby criminals introduce the proceeds of their criminal activities into a financial system through transactions that attempt to disguise the true source of the funds. In terrorism financing, funds may originate from legitimate or criminal sources. These funds are used to finance terrorist activities.

Criminals and Terrorists have access to large amounts of currency. However, until the currency is deposited into the banking system, their ability to utilise it is restricted. Criminals and Terrorists use charities as a means of making cash deposits knowing that they appear to legitimise (or launder) the source of the cash. CNCF is diligent in detecting and reporting suspicious activity.

Money laundering is the term used for a number of offences involving the proceeds of crime or terrorist funds. It includes possessing, or in any way dealing with, or concealing, the proceeds of any crime.

The process of money laundering has three stages:

1. placement, through which the funds (often in cash) enter the financial systems;
2. layering, by which the funds pass through a complex sequence of transactions designed to make it impossible for investigators to follow a trail of evidence back to the origin of the funds; and
3. integration, the point at which the funds emerge from the process back into the legitimate economy in a way that they are unrecognisable as the proceeds of crime.

Charities can be especially susceptible to the attentions of potential money launderers.

An international presence often in regions where there are serious issues in control and regulation, make them particularly attractive for use as a stage in the layering process.

ANTI-TERRORISM CONSIDERATIONS

CNCF is children's NGO, programme dependent CNCF allocates funds to partners for their exclusive use on humanitarian aid and community development activities to relieve poverty and to address the underlying causes of poverty. Terrorism, in common with other criminal acts, infringes the fundamental rights of the innocent and the powerless and diverts money and attention from the real needs of the communities we are committed to helping.

We do not engage with terrorist organisations or give money to partners who carry out, or fund, or advocate terrorist activity. We are fully committed to ensuring all our business processes minimise the risk of funds being diverted for terrorist or any other criminal purposes.

We work within the law to ensure that our work and that of our partners is free from interference and that resources are used for the purposes intended.

OBLIGATIONS OF ALL EMPLOYEES, TRUSTEES, VOLUNTEERS, CONSULTANTS, SECONDED AND INTERNS

Current criminal law places three obligations on all persons:

1. not to assist in the money laundering process through acquiring, concealing, disguising, retaining or using the proceeds of crime
2. not to prejudice an investigation
3. not to contact any person who has been suspected of, and reported for, possible money laundering in such a way as to make them aware of the suspicion or report ("tipping off")

It is important to note that the law requires all cases of suspicion to be reported, regardless of size.

RISK FACTORS & SUSPICIOUS ACTIVITY

There are a number of specific areas where CNCF International is potentially vulnerable to falling prey to money laundering:

The use of registered charities in money laundering is well known and CNCFI recognises it must be vigilant. CNCFI is exposed to money launderers in part because some organisations have a high cash turnover. CNCFI works internationally, crossing international boundaries and jurisdictions, making any audit trail difficult to follow. Due to this international dimension, the public's perception of CNCFI's integrity and the reliance in part on volunteers is attractive to a money launderer because it creates opportunities to conceal funding flows.

It is impossible to define all activity that would qualify as suspicious. CNCFI is particularly concerned with the following types of activity that relate to unsolicited donations. In cases where the source cannot satisfy CNCFI's requests for proper credentials of the people involved, or the propriety of the donation or loan, CNCFI may refuse a donation.

If offered large donations from persons' unknown to the trustees, the trustees will make further enquiries before accepting the donation, and may opt to refuse a donation if any of the following are applicable:

- a. Country offices may receive requests for unusual transactions, such as a request to pass funds through an office account, or to hold cash on behalf of a third party, or to pass this in some way back to CNCFI
- b. Overseas programmes and partners may be subject to suspicious or unusual transactions resulting from money laundering
- c. Donations which carry a restriction to a particular project as requested by particular individuals or organisations.
- d. Offers of donations in cash, for a certain period of time, whereby the charity is to receive the interest, but the principal is to be returned to the donor at the end of the specified period.
- e. Donations in foreign currencies, with the provision as above, but the principal to be returned to the donor in the form of an alternative currency cheque.
- f. Donors requesting unusual or over-specific restrictions on a gift, or requesting its return in whole or part.

Other risk areas that CNCF consider are:

- g. Entering partnership arrangements with organisations that may be fronts for criminal activities.
- h. Use of an alternative banking system (Hawala) to move funds to areas of operation.
- i. Use of conduits for funding (money held for the organisation in a conduits name).
- j. Use of couriers to transport cash or valuables (gold or commodities) into areas of operation.
- k. Payment of facilitation charges in an area of operation where these amount to a private benefit rather than a lawful tax or duty.

- l.** Suppliers may be set up to provide such money laundering facilities, so we must ensure that due tender and procurement process is followed and suppliers are confirmed as bone fide.
- m.** Operating trading outlets with donated goods with insufficient internal controls. (No purchase invoices to match any sudden increase in cash income.)
- n.** Operation of trading subsidiaries with insufficient internal controls (can be used to receive loans and repay loans to confuse the audit trail).
- o.** Interest-free loans
- p.** Requests to use CNCFI as a conduit and pass money through it.

DONOR/PROJECT MANAGEMENT

To avoid being an unknowing accomplice to money launders, CNCF operates the following guidelines in determining whether to accept a donation or project:

- Project funding - maintain full programme budgets that account for all programme expenses.
- Solicitations – declare to donors the purpose of the funds collected and ensures that the funds are ultimately used for the purpose stated.
- Beneficiaries –documented verification of the disbursements to show that the funds reached the intended recipients, including verification that the beneficiaries are real, the funds have been received and that the transactions are accounted for.
- Onsite examinations – where financial accounting and auditing might be insufficient, direct field audits may be considered in order to satisfy the disbursement of funds and that there has been no misdirection.
- Foreign operations – CNCF exchanges information with foreign operations, conducts regular inspections (with an AML perspective in mind) and ensures than foreign operational staff also undergo relevant AML awareness train

REPORTING PROCEDURES

It is a legal requirement to appoint a Money Laundering Reporting Officer ('MLRO') to be responsible in law for receiving suspicion reports in an organisation and for passing these on to the National Criminal Investigation Service (NCIS).

Following best practice, the MLRO for CNCF International Director of Finance and Audit. He/she will handle all responsibilities regarding this policy and receive suspicious activity report forms. He/she will also be responsible for communication with the NCIS.

If any member of staff knows or suspects that money laundering is taking place, they must report it to the MLRO as soon as the knowledge or suspicion first strikes them. Any delay leaves them open to the two charges of failure to report, and of assisting an offence. There is no need for them to ascertain the nature of the crime which leads them to suspect that the unusual transaction may be an instance of money laundering. However, they must be able to explain what made them suspicious. The report

should always be made immediately to the MLRO, even if later knowledge proves the suspicion to be unfounded.

Do not to discuss any suspicion with colleagues, especially if they also have dealings with the person suspected, as they may (even inadvertently) say or do something which might lead that person to realise that they might be the object of suspicion. The matter should never be discussed with anyone outside of CNCFI other than the appropriate statutory authorities, except with the permission of the MLRO.

Any suspicion should be reported in writing using a Suspicious Activity Report form. The Suspicious Activity Report form should be submitted in hard copy only, or by fax; email will not suffice to discharge the statutory responsibility, and is not sufficiently secure to avoid the danger of alerting the potential money launderer.

Once a report has been submitted, any contact with the person or organisation suspected should only be made with the express agreement of the MLRO. If the MLRO decides to submit a report to the NCIS, then all activity involving the suspected party must be frozen immediately, and no contact made without the consent of NCIS.

CNCF International has a whistleblowing policy and a fraud and loss policy. We have policies and procedures around fund transfers and supplier procurement as well as the management of cash funds in the general finance procedures. This policy on anti-money laundering sits alongside those other policies.

OPERATIONAL ELEMENTS

CNCF Personnel are to adhere to the following guidelines:

- Roles and responsibilities of Directors, operational staff, volunteers, and compliance/legal/MRLO officers as defined in CNCF's Standard Operating Procedures Manual.
- Follow a risk-based approach in dealing with the CNCF's projects (as defined when dealing with capital projects).
- Disbursements – Identify high risk projects and/or locations.
- Conduct due diligence on CNCF's source of funds and their disbursements for first time donors (over \$10,000 USD) and all capital projects (over \$40,000 USD) – using Know Your Customer procedures (Donor/Recipient Due Diligence) for (i) Origins of funds and (ii) Disbursements of funds.
- Conduct screening from sanctions and Anti-Terrorist Funding lists, relevant to the funds country of origin.
- Depending on the risks, adopt Enhanced Due Diligence procedures – such as;
- requesting more information on the at-risk entities, increase the monitoring and reviews of the projects.
- Identification, escalation and reporting of suspicious activities – define suspicious activities and staff responsibility in reporting to the assigned MRLO officer.

- Report to the relevant body in the jurisdiction. Note the confidentiality of Suspicious Transaction Reports/reporting (STRs) and notification to the MRLO and CNCF International Board of Directors.
- Record keeping – CNCF needs to be able to satisfy that it has information on the source of funds (origin of the funds, identity of the person undertaking the transaction, destination of the funds, form of instruction and authority (if identity is anonymous)). Where cash is handled, CNCF have thresholds (Amounts to be specified in consideration to local STR reporting guidelines) on cash donations.
- CNCF will follow record retention procedures for all cash received-these procedures will be made in consultation with legal counsel and in line with CNCFI’s Standard Operating Procedures Manual.
- Education and training – CNCF will provide AML training to directors, staff, volunteers (or entities involved in the treatment of cash and/or transactions) e.g. in the following manner (i) training for new staff and / or directors (ii) training for directors (iii) training for specific high risk individuals or projects and (iv) ongoing training.
- Audit strategy – CNCF have implemented an AML audit component as part of their regular internal audit procedure to be conducted at the time of financial auditing every year.

PROCEDURES FOR MONITORING COMPLIANCE WITH THIS POLICY

A minimum of once a year, the CNCF internal auditor and/or an independent third- party will review the MRLO’s suspicious activity file. The auditor will ensure that all identified suspicious activity was reviewed and appropriately handled. The auditor will also review the accounting system in relation to cash donations and payments to search for suspicious activity that the MRLO may have missed.

PROJECT COUNTRY RISKS

Mongolia is exposed to a range of money laundering threats and vulnerabilities. Mongolia’s long borders with Russia and China are difficult to control and thus make Mongolia a transit country for contraband

Higher risk predicate offences are fraud, environmental crimes, tax evasion, and corruption. Moderate-risk threats include drug offences; smuggling; organised crime; crime against banking regulations; theft and burglary; and risk from foreign proceeds.

The proceeds generated from these predicate crimes are mostly laundered in Mongolia with some proceeds, particularly from corruption, being laundered offshore.

Mongolia’s exposure to terrorism financing (TF) threats seems to be limited. Based on available open source information, Mongolia has no reported or identified instances of Al Qaeda, Taliban or ISIL related activities, and Mongolia has not been identified as a major

source or route jurisdiction for foreign terrorist fighter (FTFs). Furthermore, there have been no reports of terrorist attacks or indigenous terrorist groups operating in Mongolia.

Mongolia is no longer on the FAFT (Financial Action Task Force List) of Countries that have been identified as having strategic AML deficiencies¹

Latest FATF Statement - 27 June 2014

The FATF welcomes Mongolia's significant progress in improving its AML/CFT regime and notes that Mongolia has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in June 2011. Mongolia is therefore no longer subject to FATF's monitoring process under its on-going global AML/CFT compliance process.

Vietnam is not a regional financial centre. Large parts of Vietnam's economy remain cash-based. Aided by a stable currency and low inflation, the government is reducing the use of both gold and U.S. dollars and is seeing success in de-dollarizing the economy. Vietnam is technically compliant with international AML standards and has made progress in many areas, including enacting laws for record keeping and international cooperation. Continuing economic growth and diversification, increased international trade, and a relatively young, tech-savvy population all suggest that Vietnam's exposure to illicit finance will increase in the coming years.

Sources of illicit funds in Vietnam include public corruption; fraud; gaming; prostitution; counterfeiting of goods; and trafficking in persons, drugs, and wildlife and related commodities. Remittances from Vietnamese organized crime groups in Europe, Australia, and North America continue to be a significant source of illicit funds entering Vietnam, particularly proceeds from narcotics and wildlife traffickers using Vietnam as a transit country.

In 2017, Vietnam prosecuted its first money laundering case. To improve further, Vietnam needs to continue to build up its AML capabilities, especially within the Ministry of Public Security (MPS), the Supreme People's Procuracy (SPP), Ministry of Justice, Customs Department within the Ministry of Finance, the State Bank of Vietnam (SBV) and the AML Steering Committee. Vietnam will need political will and a stronger coordinated effort across government to increase enforcement of existing AML laws.

Vietnam remains a predominantly cash-based economy. High-value items, including real estate and luxury vehicles, are routinely purchased with cash with few questions asked. Such practices hinder the effectiveness of monitoring processes within the banking system. As a result, the banking system is still at risk for money laundering through false declarations, including fictitious investment transactions. Customs fraud and the over- and under-invoicing of exports and imports are common and could be indicators of TBML. Illicit funds are used to purchase real estate for subsequent resale.

<http://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/Mongolia%20MER%202017%20-%20published%20version.pdf>

Vietnam’s exposure to terrorism financing threats seems to be limited. Based on available open source information, Vietnam has no reported or identified instances of Al Qaeda, Taliban or ISIL related activities, and Vietnam has not been identified as a major source or route jurisdiction for foreign terrorist fighter. Furthermore, there have been no reports of terrorist attacks or indigenous terrorist groups operating in Vietnam.

Vietnam’s AML/CFT regime is currently in transition - a new Penal Code took effect on 1 January 2018. “Contained within that revised penal code are regulations on AML offences, and that is the law which the authorities should then be relying on when they start looking at investigations.

The new penal code has two sections on financial crimes: Article 300 covers terrorist financing, though it only contains three brief bullet points - these include

- 5-10 years’ imprisonment for persons who mobilise or provide financial support, including money or property, to individual terrorists or terrorist groups;
- 1-5 years for those who prepare to commit the above crimes; and the potential confiscation of property of such offenders.

Vietnam is no longer on the FATF (Financial Action Task Force List) List of Countries that have been identified as having strategic AML deficiencies²

Latest FATF Statement - 14 February 2014

The FATF welcomes Vietnam’s significant progress in improving its AML/CFT regime and notes that Vietnam has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in October 2010. Vietnam is therefore no longer subject to FATF’s monitoring process under its on-going global AML/CFT compliance process

Contact details for reporting concerns on CNCFI Anti Money Laundering Policy

If you have a complaint or would like to discuss our policy further, please find contact details below

Director of Finance and Audit/ MLRO (CNCFI)	Michael Lonergan	michael.lonergan@cncf.org
CEO	Helenita Noble	helenita.noble@cncf.org
Chairman (CNCFI)	Mark Devadason	mark.devadason@cncf.org
Director of Operations Mongolia	Thomas Minter	tom.minter@cncf.org
Director of Operations Vietnam	Trinh Son Nguyen	trinh.son@cncf.org

² [http://www.fatf-gafi.org/publications/?hf=10&b=0&q=Vietnam&s=desc\(fatf_releasedate\)](http://www.fatf-gafi.org/publications/?hf=10&b=0&q=Vietnam&s=desc(fatf_releasedate))



Every child has a right to sleep on their pillow with peace in their hearts, love, security and protection. Children need to be listened to. They need to be understood and given a voice. Every child regardless of background is our responsibility as human beings."

– Christina Noble-

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LinkedIn: <https://www.linkedin.com/company/christina-noble-children's-foundation-international/>

Website: www.cncf.org