



CNCF ANTI MONEY LAUNDERING POLICY AND PROCEDURES

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MISSION

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

VISION

A united world where all children are protected, respected and are aware of their human rights. (**Vision**).

VALUES

Love, Compassion, Respect, Honesty, Integrity, Responsiveness, Collaboration and Accountability (**Values**).

APPLICATION OF POLICY

As a Global Policy, this policy (**Policy**) applies to:

- (a) The Christina Noble Children's Foundation CNCF International ("CNCFI"), including its headquarters in Hong Kong and all of its country offices (defined as Fundraising Chapters in the CNCF Articles of Association HK), regional offices, liaison offices, and any other offices operating under the name of the Christina Noble Children's Foundation ("National Organisations"); and
- (b) 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.

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 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 and ensure compliance with anti-money laundering, bribery and corruption laws and regulations. The policy sets out CNCF's basic goal and purpose in order to permit examination of funds disbursements to combat money laundering and to ensure charity resources are received and used for proper purposes.

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 various 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 a children's NGO and 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 CNCFI is potentially vulnerable 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) 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;
- d) 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;
- e) Donors requesting unusual or over-specific restrictions on a gift, or requesting its return in whole or part;
- f) Fraudulent credit or debit card transactions or charges;
- g) Fake fundraising events and requests for donations;
- h) Using the charity to engage in identity fraud.

Other risk areas that CNCF consider are:

- a) Entering partnership arrangements with organisations that may be fronts for criminal activities;
- b) Use of an alternative banking system to move funds to areas of operation;
- c) Use of conduits for funding (money held for the organisation in a conduits name);

- d) Use of couriers to transport cash or valuables (gold or commodities) into areas of operation;
- e) Payment of facilitation charges in an area of operation where these amount to a private benefit rather than a lawful tax or duty
- f) 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;
- g) Operating trading outlets with donated goods with insufficient internal controls. (No purchase invoices to match any sudden increase in cash income);
- h) Operation of trading subsidiaries with insufficient internal controls (can be used to receive loans and repay loans to confuse the audit trail);
- i) Interest-free loans;
- j) 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 training;
- Upholding best practice financial controls for charity guidelines, with regard to the Charity Regulators within which CNCF operates.

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, is CNCF's 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.

Anyone within CNCF is permitted to lodge a CNCF Suspicious Activity Form **as Annexed** to this Policy..

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 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.

CNCFI has a whistleblowing 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 as well as our Suspicious Activity Form and AML Policy Checklist both of which are **as Annexed** to this Policy.

OPERATIONAL ELEMENTS

CNCF Personnel are to adhere to the following guidelines:

- 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 CNCF'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.

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.

This process is to be overseen by the Director of Finance CNCF's Group Finance Manager.

PROJECT COUNTRY RISKS

Mongolia

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.

Vietnam

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.

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.

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

¹ <http://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/Mongolia%20MER%202017%20-%20published%20version.pdf>

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))

CONTACT DETAILS FOR REPORTING CONCERNS ON CNCF 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)
CEO: helenita.noble@cncf.org
Chairman: tom.ward@cncf.org

ANNEXURE 1: CNCF AML CHECKLIST

APPLICATION

This checklist is to be read in conjunction with CNCF’s AML Global Policy (as amended from time to time) (**Policy**) and 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 other entities 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.

PURPOSE

The purpose of this checklist is to ensure that best practices requirements set out in the Policy are considered, evaluated, peer reviewed, and satisfactory evidence obtained to support all Policy requirements.

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.

Please indicate your review of the following by indicating **YES/NO** and provide any comment

where appropriate.

This should be conducted by a financial or governance member of staff and appointed to sign off and / or escalate to CNCF Global on completion.

Date: Updated: [insert date]

Author of Checklist: [insert author]

	Issue	Yes/No	Provide Primary Comment & Course of Action	Secondary Check of Information Conducted (Director level)
1.	What is the amount / value of donation?			
2.	Has a request been made 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 CNCF			
3.	Are the directors / key management personnel known to CNCF? If so, what is the capacity?			
4.	Have the offices of the origination been visited or seen?			

5.	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)).			
6.	Does the donation carry a restriction to a particular project as requested by the individual. If yes, see item 3 below.			
7.	Will a sponsor/donor contract be entered into with CNCF?			
8.	Is the donation being offered in cash?			
9.	Is the donation 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.			
10.	Is the donation in cash in a foreign currency, with the provision as above,			

	but the principal to be returned to the donor in the form of an alternative currency cheque.			
11.	Has the Donor/s requested anything unusual or over-specific restrictions on a gift, or requesting its return in whole or part.			
12.	Is there any concern that entering the partnership could be with an organisation that may be a front for criminal activities.			
13.	Is an alternative banking system being used to move funds to areas of operation			
14.	Is there any use of conduits for funding or any of the money being held for the organization in a conduits name			
15.	Have couriers been used to transport cash or items of value?			
16.	Is there any request for payments or charges other than			

	a lawful tax or duty?			
17.	Has there been any request for CNCF or its accounts to be used as a conduit for the transfer of money			
18.	Has the donor offered the money as an interest-free loan?			
19.	Have you applied 'Know Your Customer Procedures'			
20.	Have you conducted Conduct screening from sanctions and Anti-Terrorist Funding lists, relevant to the funds country of origin.			
21.	Has the AMLO approved the contents of this checklist and supplied a copy to CNCF Global.			

Approved By:	Executive Director of Governance or CEO
Name:	
Date:	
Signature:	

ANNEXURE 2: SUSPICIOUS DONATION
[Suspicious Donation Form.pdf](#)