

# AN INTRODUCTION TO MOVING MONEY SAFELY

Regardless of size, nature and complexity, every charity needs to move money safely if it is to deliver its charitable objectives.

## Introduction

The controls and techniques needed to safeguard money-in-transit vary from charity to charity, depending on circumstances. If you operate internationally and transfer money across international borders you are likely to face greater risks (financial and reputational) and so will need to do more to mitigate them.

## What does it mean to move money safely?

This means making sure that the money is held securely, is not subject to unnecessary risks in transit, reaches the intended destination safely, and is then used for the purposes intended.

Whenever possible use the services of the regulated financial sector. Even then there should be a clear audit trail for all transactions. You can transfer charitable money using techniques other than traditional banking transactions, but additional precautions will be needed to make sure it remains safe.

## Alternative methods

It may not always be feasible to use UK-regulated financial services providers in certain operating environments. In which case alternative methods, such as a third party (or intermediary) or cash courier, may be required.

Any alternative method will require a thorough risk assessment to make sure that the benefits outweigh the higher potential risks and to confirm that adequate financial controls are in place.

## Intermediaries

You might consider using a third party (or intermediary) to hold and/or transfer money on your behalf. Your options include:

- money service businesses (either on the high street or the internet);
- payment services providers (including money transfer to mobile phones);
- informal value transfer systems (IVTS), such as Hawala or Chiti; and
- another charity or NGO.

To operate legally a money service business or payment services provider must be registered with HM Revenue and Customs (HMRC) or the Financial Conduct Authority respectively. Other options, including IVTS, are likely to be less transparent and so will require even more resources and management effort to make sure the money remains secure. Local laws may affect these alternative methods (but that would also be true for the services of the regulated financial sector).

## Cash couriers

There is no rule explicitly prohibiting charities from using cash couriers, but this is a high risk activity. There is no requirement for cash couriers to be registered as regulated financial services, so their operations are often opaque and officially unsupervised. Cash smuggling is also popular among terrorists, money launderers and organised criminals.

Your cash courier could be an independent third party or one of your own people (a staff member or volunteer). Even so, cash amounts of £10,000 or more moved into or out of Great Britain are legally required to be declared to HMRC (the only exception is when carrying cash from Northern Ireland to Great Britain). The types of cash you must declare include notes and coins, travellers' cheques and bearer bonds. And if a cash courier is found to lack the necessary documentation, including clear evidence of the origin and destination of the cash they are carrying, even charitable money is very likely to be seized by border police.

## Moving money online

Using online services introduces various types of cyber threat, any of which could put your charity's resources and reputation at considerable risk.

Steps should be taken to make sure that all online risks are identified and quantified, with the appropriate response and recovery policies and plans put in place.

## Basic checks

- Have you conducted a risk assessment?
- Does the planned money transfer comply with your charity's financial policies?
- Is there a clear audit trail for the transaction?
- Have you confirmed that the money has been received?

## Be aware

- Intermediaries can lack transparency and oversight.
- Transferring money outside the regulated financial sector requires extra due diligence and monitoring to mitigate the higher risks.
- An IVTS is more vulnerable to money laundering and terrorist financing activity.
- Any cash declared to HMRC could still be seized by customs authorities.
- You could face a penalty of up to £5,000 if you do not declare your cash or you give incorrect information.

## Taking action

To move money safely consider the following.

- Take steps to determine the legality of the payment you are making.
- Declare to HMRC in the 72 hours before you travel any plan to carry £10,000 or more in cash into or out of Great Britain.
- Report matters promptly to your charity regulator. For reports to the Charity Commission for England and Wales treat it as a serious incident. Use the **online form** to make your report, stating what happened and how you're dealing with it.

# CHECKLIST

## BUILDING YOUR CHARITY'S DEFENCES

### ASK YOURSELF:

- Do we have robust financial controls in place or are additional safeguards required?
- Are the financial services we use regulated in the UK?
- Are we aware of the overseas regulations relating to our transactions?
- Do we understand how the political and social conditions in the destination country might affect our transaction?
- Do we keep a record of all financial transactions?

## OTHER RESOURCES

The Charity Commission for England and Wales has produced a range of resources covering this area as part of its compliance toolkit. See chapter two, '**Due diligence, monitoring and verifying the end use of charitable funds**', and chapter four, '**Holding, moving and receiving funds safely in the UK and internationally**'.

**Get Safe Online** provides easy-to-understand information on online safety including **online payments**.

**Take Five** (a UK national campaign) publishes straightforward and impartial advice on preventing financial fraud.

**Preventing Charity Fraud** contains resources to help charities prevent, detect and respond to fraud.

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