

DATE: December 14, 2020
BULLETIN: 2020-KDCU-CUB-25
TO: Kansas Chartered Credit Unions
SUBJECT: Customer Due Diligence for Charitable Organizations

CUSTOMER DUE DILIGENCE FOR CHARITABLE ORGANIZATIONS

As everyone hustles from store-to-store, in the midst of their holiday shopping, some will also choose to donate money to charity. While charitable entities are low risk for BSA/AML activity, several federal financial institution regulators, including the National Credit Union Administration (NCUA), issued a [joint statement](#) on November 19, 2020, with regard to Bank Secrecy Act Due Diligence Requirements for Charities and Non-Profit Organizations.

Financial institutions are reminded that, overall, the United States government does not view charities and non-profit organizations (NPO's) as presenting a high or unacceptable risk of being used or exploited for money laundering and/or terrorist financing. However, the issuing agencies remind financial institutions that charities vary in their risk profiles and should be treated accordingly. Can the potential risk be mitigated?

Charities and NPO's are subject to the same BSA/AML regulatory requirements as other members, including CTR and SAR filing, member identification, member due diligence and beneficial ownership.

The risk can vary greatly depending on the operations, activities, leadership and affiliations of the organization. United States charities that operate and provide funds solely to domestic recipients are generally low risk for terrorist financing; however, U.S. charities which operate abroad, provide funding to or have affiliated organizations in conflict regions can present higher terrorist financing risks.

While the following information is not required, it might be useful:

- Purpose and nature of the NPO, including mission, programs and activities;
- Geographic locations served;
- General information about the donor base, funding sources, fundraising methods, etc.; and
- General information about beneficiaries and criteria for disbursement of funds.

It is natural, particularly at this time of the year, for Americans to donate to charities and those charities, of course, need a place to deposit their funds. It is in the best interests of the credit union (and its members) not to let their guard down.

NOTE: In accordance with Governor Laura Kelly's [Executive Orders](#), KDCU Administrator Vickie L. Hurt continues to review the feasibility of resuming the on-site examination program. This is being done in coordination with the NCUA.