



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
PO Box 2508
Cincinnati, OH 45201

Project Unified Assistance
c/o Cameron Louise Holland
2925 Marina Drive
Alameda, CA 94501

Date:

March 29, 2016

Employer ID number:

47-5680254

Person to contact / ID number:

Harold J. Fodor

ID# 1011002

Contact telephone number:

513-263-3079

Contact fax number:

855-202-6947

Contact's supervisor:

Tyler Chumney

Supervisor's telephone number:

513-263-4583

Response due date:

April 26, 2016

Dear Applicant:

Why you are receiving this letter

We need more information to complete consideration of your determination letter request.

What you must do

Provide responses to the questions listed on the enclosed *Information Request* using the submission instructions in the document. Your response should be submitted by the due date listed above. If you need additional time to respond, please call me at the contact telephone number listed at the top of this letter.

If you don't respond

If we don't hear from you by the due date, we'll close your case without making a determination, and we won't refund any user fee you paid. You'll need to submit a new request and any applicable user fee payment if you want us to reconsider your request.

Also, if you don't respond to the information request by the due date, we'll conclude that you have not taken all reasonable steps to complete your determination request. Under Internal Revenue Code (IRC) Section 7428(b)(2), you must take all reasonable steps to secure a determination under IRS procedures in a timely manner and exhaust all administrative remedies available to you within the IRS before a court can issue a declaratory judgment regarding your determination. If you fail to timely provide the information we need to act on your request, you may lose your rights to a declaratory judgment under Section 7428.

Additional information

If you have questions, you can call me at the contact number listed at the top of this letter. If you have concerns after speaking with me, you can call my supervisor, whose name and telephone number are also listed at the top of this letter.

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit taxpayeradvocate.irs.gov or call 1-877-777-4778.

A copy of this letter has been sent to the representative named in Form 2848, *Power of Attorney and Declaration of Representative*.

Sincerely,

A handwritten signature in blue ink, appearing to read "Harold J. Fodor", with a stylized flourish at the end.

Harold J. Fodor
Exempt Organizations Specialist

Enclosure:
Information Request

**Information Request
Second Request**

Information we need to make our determination

Include the following declaration with your response, signed and dated by an officer, director, trustee, or other governing body member (not an authorized representative). You can sign and date the statement below or reproduce it in the body of your signed response. The declaration must accompany responses per Revenue Procedure 2015-4.

Under penalties of perjury, I declare that I have examined this information, including accompanying documents, and, to the best of my knowledge and belief, the information contains all the relevant facts relating to the request for the information, and such facts are true, correct, and complete.

Name of Officer or Director

Date

Signature of Officer or Director

1. Your Form 1023 application may not have been signed by an authorized individual. If the executive director is a person whose appointment was not approved by a vote of the board of directors, he is not authorized to sign the Form 1023 application. In this event, please have a board approved officer or member of the board of directors sign the enclosed page 12 of your Form 1023 application.

Please also have an authorized officer or member of the board of directors sign the penalty of perjury declaration submitted on the last page of your March 25, 2016 correspondence and resubmit the entire correspondence with your reply to this letter.

2. Please answer the following in regard to Office of Foreign Assets Control (OFAC) compliance:
 - a. When you conduct activities in foreign countries, will you check the OFAC List of Specially Designated Nationals and Blocked Persons for names of individuals and entities with whom you are dealing to determine if they are included on the list?
 - b. What other practices will you engage in to ensure that foreign expenditures or grants are not diverted to support terrorism or other non-charitable activities?
 - c. Will you comply with all United States statutes, executive orders, and regulations that restrict or prohibit U.S. persons from engaging in transactions and dealings with designated countries, entities, or individuals, or otherwise engaging in activities in violation of economic sanctions administered by OFAC?
 - d. Will you acquire from OFAC the appropriate license and registration where necessary?

How to submit the requested information (do's and don'ts)

- **Don't include** any personal identifying information like bank account or social security numbers that could result in identity theft or other adverse consequences if publicly disclosed. If we approve your application for exemption, we're generally required by law to make the application and the information you submit in response to this letter available for public inspection. If you have questions about the public inspection of your application or other documents, please call me.
- **Do include** the following declaration with your response, signed by one of your principal officers or directors:

Under penalties of perjury, I declare that I have examined this information, including accompanying documents, and, to the best of my knowledge and belief, the information contains all the relevant facts relating to the request for the information and such facts are true, correct, and complete.

- **Do attach** a copy of the cover letter to your response. This enables us to quickly and accurately associate your response with your case file.
- **Do fax or mail** your response to:

Fax:	US Mail:	Street Address (delivery service):
855-202-6947	Internal Revenue Service	Internal Revenue Service
ATT: Harold J. Fodor	Exempt Organizations	Exempt Organizations
Room 4525	P. O. Box 2508	550 Main Street
Group 7829	Cincinnati, Ohio 45201	Cincinnati, Ohio 45202
	ATT: Harold J Fodor	ATT: Harold J Fodor
	Room 4525	Room 4525
	Group 7829	Group 7829
- **Don't provide** multiple copies of your response. Providing more than a single response may result in unnecessary delays in processing your response. We must process, assign, and review each piece of correspondence submitted (whether fax or mail).
- **Do allow** adequate processing time if you want to call to verify we received your response. If you fax your response, allow a minimum of three workdays from the day you fax it. If you mail your response, allow a minimum of seven workdays from the day you mail it.

Part XI User Fee Information

*You must include a user fee payment with this application. It will not be processed without your paid user fee. If your average annual gross receipts have exceeded or will exceed \$10,000 annually over a 4-year period, you must submit payment of \$850. If your gross receipts have not exceeded or will not exceed \$10,000 annually over a 4-year period, the required user fee payment is \$400. See instructions for Part XI, for a definition of **gross receipts** over a 4-year period. Your check or money order must be made payable to the United States Treasury. *User fees are subject to change. Check our website at www.irs.gov and type "User Fee" in the keyword box, or call Customer Account Services at 1-877-829-5500 for current information.**

- 1 Have your annual gross receipts averaged or are they expected to average not more than \$10,000? ☒ Yes ☐ No
 If "Yes," check the box on line 2 and enclose a user fee payment of \$400 (Subject to change—see above).
 If "No," check the box on line 3 and enclose a user fee payment of \$850 (Subject to change—see above).
- 2 Check the box if you have enclosed the reduced user fee payment of \$400 (Subject to change). ☐
- 3 Check the box if you have enclosed the user fee payment of \$850 (Subject to change). ☐

I declare under the penalties of perjury that I am authorized to sign this application on behalf of the above organization and that I have examined this application, including the accompanying schedules and attachments, and to the best of my knowledge it is true, correct, and complete.

Please
Sign
Here

(Signature of Officer, Director, Trustee, or other authorized official)

Ahmed F. Alkhatib

(Type or print name of signer)

Executive Director

(Type or print title or authority of signer)

(Date)

Dec 1, 2015

Reminder: Send the completed Form 1023 Checklist with your filled-in-application.

Form **1023** (Rev. 12-2013)

April 14, 2016

Internal Revenue Service
Attn: Harold Fodor
P.O. Box 2508
Cincinnati, OH 45201

Re: Form 1023 Exemption Application
Response to IRS Letter dated March 29, 2016
EIN 47-5680254

Via facsimile to 855-202-6947, attn.: Harold J. Fodor, Room 4525, Group 7829

Dear Mr. Fodor:

In your letter dated March 29, you requested further information regarding the application for exemption under Section 501(c)(3) of the Internal Revenue Code, of Project Unified Assistance (PUA or the Organization), a California nonprofit corporation.

1. Executive Director as Board Approved Officer

Your first concern is that the individual who signed the original exemption application and the March 25, 2016, correspondence, Ahmed F. Alkhatib, was not a Board-approved officer of the Organization.

Ahmed F. Alkhatib is Executive Director of the Organization. Pursuant to Section 7.6.2 of the Bylaws, the Executive Director also serves as President of the Organization and is a Board-appointed position. Mr. Alkhatib was appointed Executive Director/President via resolution of the Board on November 3, 2015.

2. Office of Foreign Assets Control (OFAC) Compliance

You further sent a list of questions regarding the Organization's compliance with federal anti-terrorism laws, executive orders, and regulations. See below responses.

a. When you conduct activities in foreign countries, will you check the OFAC List of Specially Designated Nationals and Blocked Persons for names of individuals and entities with whom you are dealing to determine if they are included on the list?

Yes. The Organization is committed to checking the SDN List, available through the OFAC website, to make a prior determination as to whether a

particular individual or entity that the Organization may need to deal with is included on the List.

b. What other practices will you engage in to ensure that foreign expenditures or grants are not diverted to support terrorism or other non-charitable activities?

The Organization will implement a series of internal controls to prevent any foreign expenditures or grants from being diverted to support terrorism or other non-charitable activities. Notably, the Organization does not intend to engage in any grant-making activity. Expenditures overseas will be in the nature of independent contractor agreements, vendor services, and other direct costs to support the mission of the Organization. In addition to checking the SDN list, the following internal controls will be implemented:

1) All transactions with foreign partners, vendors, independent contractors, and volunteers, both organizations and individuals will be subject to a written agreement that will include provisions on anti-terrorism, anti-corruption, and anti-trafficking compliance and that will require periodic reporting on expenditures and auditing rights by the Organization.

2) Any overseas financial transaction including entry into any agreement that obligates the Organization in an amount greater than \$1,000 will require prior approval by the Board.

3) Entry into any contracts or agreements with individuals or entities located in the Gaza Strip, regardless of monetary value, will require prior approval by the Board.

4) The Organization will conduct due diligence in addition to checking the SDN List for all Gaza contractors as well as other organizations where a diversion risk may be present. Such additional diligence may include review of other terrorist designation lists, such as the Terrorist Exclusion List (TEL), evaluation of the circumstances of the contract, the stakeholders involved, and reasonable research into the backgrounds of individuals and organizations that may have use of Organization funds. The Organization may request financial or operational documents or other information from the potential contractors prior to entry into an agreement. The vetting process and its outcome will be documented by the Organization and such documentation will be presented to the Board prior to entry into the contract if Board approval is required, and otherwise annually. The Organization will not enter into a transaction where it determines, based on its due diligence procedure, that there is a risk of diversion to terrorist networks.

5) The Organization will structure financial transactions with foreign individuals and entities, where possible, in installments with regular reporting to adequately track use of funds.

6) The Organization will review operational and financial reports from foreign individuals and entities for suspicious activity and if found, will conduct additional auditing. The Organization will demand return of funds if any inappropriate use of funds is substantiated and will terminate any underlying agreement.

7) Financial transfers will occur through bank wires and Western Union to ensure transparency and documentation as to sender, amount, and recipient.

8) The Organization will maintain detailed records of the individuals and organizations with which it engages in financial transactions, including names, addresses, contract information, invoices, receipts, and any other relevant information.

c. Will you comply with all United States statutes, executive orders, and regulations that restrict or prohibit U.S. persons from engaging in transactions and dealings with designated countries, entities, or individuals, or otherwise engaging in activities in violation of economic sanctions administered by OFAC?

Yes. The Organization recognizes that it intends to engage in work in an area that is currently controlled by the U.S. designated terrorist organization, Hamas. Just as many other 501(c)(3) nonprofit organizations that work in sanctioned countries or in areas controlled by SDNs, PUA is alert to the need to comply with relevant U.S. laws and to protect against providing benefits to terrorist groups while also seeking to provide access to humanitarian assistance to the people of Gaza.

The Organization's initial presence in the Gaza Strip will be very limited and will only occur through contractual agreements with third parties such as an engineering firm, a marketing group, a strategy consultant, and local assistance providers. Transactions with these entities will be subject to the internal controls outlined above to ensure funds are not used for terrorism-related purposes. Although its presence may grow somewhat over time, the Organization has no intention of establishing a permanent presence in Gaza.

In all of its transactions within the Gaza Strip and otherwise, the Organization will ensure compliance with OFAC's sanctions regime. The Organization has reviewed the 2014 OFAC Guidance Related to the Provision of Humanitarian Assistance by Not-for-Profit Non-Governmental Organizations (see Attachment A) and seeks to observe all provisions thereof. Consistent with section 5 of the Guidance, the Organization will exercise caution not to provide financial, material, technological, or other services to or in support of any designated entity.

The Organization will restrict transactions with the Palestinian Authority in the Gaza Strip to those authorized under the OFAC General Licenses in effect (see Attachment B) or an applicable specific license. The General Licenses currently permit transactions with the Palestinian Authority, as defined to be the government of Mahmoud Abbas and Prime Minister Salam Fayyad, or any successor Prime Minister appointed by President Abbas, including all branches, ministries, officers, and agencies (independent or otherwise) thereof. General License 7a. They further permit payment of taxes or fees to, and purchase or receipt of permits or public utility services from the Palestinian Authority where such transactions are necessary and ordinarily incident to such persons' day-to-day operations. General License No. 4. For any contemplated transactions with the Palestinian Authority not within the scope of a General License or with entities not included in the definition of the Palestinian Authority, the Organization will seek a specific license. If not issued, the Organization will halt such transaction.

The Organization recognizes the complexity of the situation on the ground in Gaza, including the role of Hamas in local government institutions and agencies. PUA is committed to carefully navigating its limited transactions in this area to ensure that it will not conduct any dealings with designated terrorist entities or individuals. The Organization will further work closely with OFAC to disclose contemplated transactions and determine whether such transactions are permissible under U.S. law.

Finally, the Organization will periodically review the Treasury Department Anti-Terrorist Financing Guidelines: Voluntary Best Practices for U.S.-based Charities (see Attachment C) to determine what additional practices may be beneficial given PUA's operations.

d. Will you acquire from OFAC the appropriate license and registration where necessary?

Yes. See above response.

In sum, the mission of Project Unified Assistance is to promote a UN operated airport in the Gaza Strip to provide humanitarian relief and basic transportation access to the people of Gaza. The ultimate purpose is to help the civilian Gazan population in need of basic relief, not to provide a benefit to local Hamas authorities or any other designated entity. The Organization will be diligent in conducting its activities to avoid direct or indirect benefit to terrorist groups, to remain committed to the needs of the Gazan people, and to implement policies and practices in compliance with all applicable U.S. laws, executive orders, and regulations.

We hope that this response has satisfied any of concerns the Service may have with respect to the Organization's qualification for exemption under section 501(c)(3). If you have any further questions, please do not hesitate to contact me, counsel for the organization.

Sincerely,



Cameron Holland

Declaration of Officer

Under penalties of perjury, I declare that I have examined this information, including the accompanying documents, and, to the best of my knowledge and belief, the information contains all the relevant facts related to the request for information, and such facts are true, correct, and complete.

 AFA

Ahmed F. Alkhatib
Executive Director, Project Unified Assistance

4/14/2016
Date

ATTACHMENT A
2014 OFAC GUIDANCE



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF FOREIGN ASSETS CONTROL

**GUIDANCE RELATED TO THE PROVISION OF HUMANITARIAN
ASSISTANCE BY NOT-FOR-PROFIT NON-GOVERNMENTAL ORGANIZATIONS¹**

This memorandum is intended to clarify the reach of economic sanctions for those non-governmental organizations involved in the provision of humanitarian assistance. It is the longstanding policy of the Office of Foreign Assets Control (OFAC) to use its licensing authority to support humanitarian relief efforts. Where such transactions are not otherwise exempt or authorized pursuant to OFAC general licenses, OFAC has long had a favorable specific licensing policy supporting the provision of humanitarian assistance notwithstanding economic sanctions, especially in countries subject to comprehensive economic sanctions. OFAC prioritizes requests for licenses to provide humanitarian assistance and endeavors to review such applications expeditiously.

The following guidance applies to transactions by non-governmental organizations that may implicate sanctioned persons or countries.

1. OFAC is fully supportive of the broader U.S. Government approach to facilitating humanitarian assistance. The President's imposition of economic sanctions against regimes or groups carrying out violence against innocent civilians is a complement to – and not in opposition to – the objectives of humanitarian assistance.
2. Consistent with U.S. foreign policy, OFAC issues general licenses where appropriate and prioritizes license applications, compliance questions, and other requests from non-governmental organizations seeking to provide humanitarian assistance.
3. Non-governmental organizations may provide humanitarian assistance in countries that are not subject to comprehensive sanctions (such as Yemen, Iraq, Somalia, South Sudan, or Côte d'Ivoire) without the need for a license from OFAC, so long as they are not dealing with persons blocked by sanctions, such as those listed on OFAC's Specially Designated Nationals and Blocked Persons List (SDNs) or any entity owned 50% or more by blocked persons.
4. Some areas may be dominated by armed groups under circumstances where the group's leaders have been designated by OFAC but the group as a whole has not been designated. An entity that is commanded or controlled by an individual designated by OFAC is not

¹ This guidance applies to registered 501(c)(3) (tax exempt status), not-for-profit non-governmental organizations.

considered blocked by operation of law.² Thus, payments – including “taxes” or “access payments” – made to non-designated individuals or entities under the command or control of an SDN do not, in and of themselves, constitute prohibited activity. U.S. persons should employ due diligence, however, to ensure that an SDN is not, for example, profiting from such transactions.

5. In areas dominated by designated armed entities, for example those listed as Specially Designated Global Terrorists, U.S. persons should exercise caution not to provide financial, material, technological, or other services to or in support of the designated entity. In circumstances involving a dangerous and highly unstable environment combined with urgent humanitarian need, OFAC recognizes that some humanitarian assistance may unwittingly end up in the hands of members of a designated group. Such incidental benefits are not a focus for OFAC sanctions enforcement.
6. Finally, if a non-governmental organization is confronted with a situation in which, in order to provide urgently needed humanitarian assistance, the non-governmental organization learns that it must provide funds or material support directly or indirectly to an SDN group that is necessary and incidental to the provision of such humanitarian assistance, the non-governmental organization should reach out to OFAC directly. OFAC and its interagency partners will work with the non-governmental organization to address any such issues on a case-by-case basis in an expeditious manner.

***Note:** This guidance is provided for informational purposes and does not have the force of law. The legal provisions of U.S. sanctions are set forth in applicable statutes and regulations, which are legally binding and govern the activities described in these guidelines.*

Date: October 17, 2014

² Please note, however, that such controlled entities may be a target for future sanctions actions.

ATTACHMENT B

**OFAC GUIDELINES AND GENERAL LICENSES
REGARDING THE PALESTINIAN AUTHORITY**

OFFICE OF FOREIGN ASSETS CONTROL

Global Terrorism Sanctions Regulations

(31 C.F.R. PART 594)

Terrorism Sanctions Regulations

(31 C.F.R. PART 595)

Foreign Terrorist Organizations Sanctions Regulations

(31 C.F.R. PART 597)

GUIDELINES ON TRANSACTIONS WITH THE PALESTINIAN AUTHORITY

Scope: The United States government has concluded that it is in the national interest to authorize U.S. persons to engage in all transactions with the Palestinian Authority in light of the appointment of Prime Minister Salam Fayyad and a slate of ministers who are not affiliated with the designated terrorist group Hamas. Accordingly, OFAC has issued a general license (discussed below) authorizing such transactions. More generally, while OFAC sanctions do not prohibit U.S. persons from providing assistance to, or engaging in business dealings with, undesignated private individuals, corporations, or organizations in the West Bank or Gaza, U.S. persons should be aware that dealings with designated terrorist entities such as Hamas or other designated persons remain prohibited.

General Licenses: On June 20, 2007, OFAC issued General License No. 7, available on OFAC's website, which broadly authorizes U.S. persons to engage in all transactions with the Palestinian Authority as defined therein. General License No. 7 defines Palestinian Authority to mean the Palestinian Authority government of Prime Minister Salam Fayyad and President Mahmoud Abbas, including all branches, ministries, offices, and agencies (independent or otherwise) thereof. General License No. 7 authorizes all transactions with the Palestinian Authority, including all transactions previously authorized by General Licenses Nos. 1-4 and 6. No application is necessary to engage in activities authorized by the General License, nor is any notification to OFAC required.

Specific licenses: Some or all of the activities authorized by existing specific licenses may now be included under General License No. 7. To the extent that General License No. 7 does not cover specifically licensed activities, those licenses remain in effect.

OFFICE OF FOREIGN ASSETS CONTROL

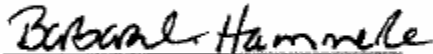
Global Terrorism Sanctions Regulations, 31 C.F.R. Part 594
Terrorism Sanctions Regulations, 31 C.F.R. Part 595
Foreign Terrorist Organizations Sanctions Regulations, 31 C.F.R. Part 597

General License No. 2

Travel, employment, residence and maintenance transactions with the Palestinian Authority.

U.S. persons are authorized to engage in all transactions with the Palestinian Authority otherwise prohibited under 31 C.F.R. parts 594, 595, or 597 that are ordinarily incident to their travel to or from, or employment, residence or personal maintenance within, the jurisdiction of the Palestinian Authority, including, but not limited to, receipt of salaries, payment of living expenses and acquisition of goods or services for personal use. Nothing in this license authorizes any debit to an account of the Palestinian Authority on the books of a U.S. financial institution or to any account blocked pursuant to 31 C.F.R. parts 594, 595, or 597.

Dated: April 12, 2006



Barbara C. Hammerle

Acting Director

Office of Foreign Assets Control

OFFICE OF FOREIGN ASSETS CONTROL

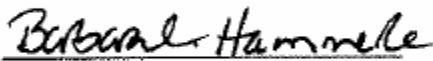
Global Terrorism Sanctions Regulations, 31 C.F.R. Part 594
Terrorism Sanctions Regulations, 31 C.F.R. Part 595
Foreign Terrorist Organizations Sanctions Regulations, 31 C.F.R. Part 597

General License No. 3

Payment of taxes and incidental fees to the Palestinian Authority.

U.S. persons are authorized to pay taxes or fees to, and purchase or receive permits or public utility services from, the Palestinian Authority where such transactions are necessary and ordinarily incident to such persons' day-to-day operations. Nothing in this license authorizes a debit to an account of the Palestinian Authority on the books of a U.S. financial institution or to any account blocked pursuant to 31 C.F.R. parts 594, 595, or 597.

Dated: April 12, 2006



Barbara C. Hammerle
Acting Director
Office of Foreign Assets Control

OFFICE OF FOREIGN ASSETS CONTROL

Global Terrorism Sanctions Regulations, 31 C.F.R. Part 594
Terrorism Sanctions Regulations, 31 C.F.R. Part 595
Foreign Terrorist Organizations Sanctions Regulations, 31 C.F.R. Part 597

General License No. 4

Transactions with entities under the control of the Palestinian President and certain other entities.

(a) U.S. persons are authorized to engage in all transactions otherwise prohibited under 31 C.F.R. parts 594, 595, or 597 with the following entities and individuals:

(i) the Palestinian Authority Presidency, including only the Office of the President, Presidential Security, General Intelligence Apparatus, Governors and Governorate staff, the Attorney General's Office, the Palestine Investment Fund (PIF), the Border Crossings Administration, and the Palestine Broadcasting Corporation (including the Voice of Palestine, Wafa News Agency, and the General Public Information Agency / State Information Services);

(ii) the Palestinian Judiciary, including the Higher Judicial Council;

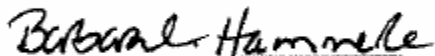
(iii) members of the Palestinian Legislative Council (PLC) who were not elected to the PLC on the party slate of Hamas, or any other Foreign Terrorist Organization (FTO), Specially Designated Terrorist (SDT), or Specially Designated Global Terrorist (SDGT); and

(iv) the following independent agencies: the Central Elections Commission; the Independent Citizens Rights Commission; the General Audit Authority / External Audit Agency; and the Palestinian Monetary Authority.

(b) U.S. financial institutions are authorized to reject transactions with members of the Palestinian Legislative Council (PLC) who were elected to the PLC on the party slate of Hamas or any other Foreign Terrorist Organization (FTO), Specially Designated Terrorist (SDT), or Specially Designated Global Terrorist (SDGT), provided that any such individuals are not named on OFAC's list of Specially Designated Nationals and Blocked Persons.

(c) Nothing in this license authorizes a debit to an account of the Palestinian Authority on the books of a U.S. financial institution or to any account blocked pursuant to 31 C.F.R. parts 594, 595, or 597.

Dated: April 12, 2006



Barbara C. Hammerle

Acting Director

Office of Foreign Assets Control



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF FOREIGN ASSETS CONTROL

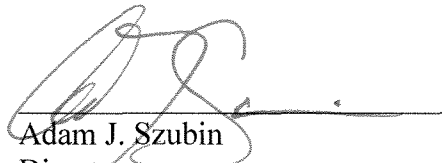
Global Terrorism Sanctions Regulations, 31 C.F.R. Part 594
Terrorism Sanctions Regulations, 31 C.F.R. Part 595
Foreign Terrorist Organizations Sanctions Regulations, 31 C.F.R. Part 597

General License No. 7a

Transactions with the Palestinian Authority authorized.

(a) U.S. persons are authorized to engage in all transactions otherwise prohibited by 31 C.F.R. parts 594, 595, and 597 with the Palestinian Authority.

(b) For purposes of this General License only, the term "Palestinian Authority" means the Palestinian Authority government of President Mahmoud Abbas and Prime Minister Salam Fayyad, or any successor Prime Minister appointed by President Abbas, including all branches, ministries, offices, and agencies (independent or otherwise) thereof.



Adam J. Szubin
Director
Office of Foreign Assets Control

Dated: May 14, 2013

ATTACHMENT C

TREASURY DEPARTMENT ANTI-TERRORIST FINANCING GUIDELINES

U.S. DEPARTMENT OF THE TREASURY ANTI-TERRORIST FINANCING GUIDELINES: VOLUNTARY BEST PRACTICES FOR U.S.-BASED CHARITIES¹

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¹ This document is a revised version of the original *Anti-Terrorist Financing Guidelines: Voluntary Best Practices for U.S.-Based Charities* released by the U.S. Department of the Treasury in November 2002. This revised version incorporates comments received in response to the issuance of the draft revised Guidelines released for public comment in December 2005.

These Guidelines are designed to assist charities that attempt in good faith to protect themselves from terrorist abuse and are not intended to address the problem of organizations that use the cover of charitable work, whether real or perceived, to provide support to terrorist groups or fronts operating on behalf of terrorist groups. Non-adherence to these Guidelines, in and of itself, does not constitute a violation of existing U.S. law. Conversely, adherence to these Guidelines does not excuse any person (individual or entity) from compliance with any local, state, or federal law or regulation, nor does it release any person from or constitute a legal defense against any civil or criminal liability for violating any such law or regulation. In particular, adherence to these Guidelines shall not be construed to preclude any criminal charge, civil fine, or other action by Treasury or the Department of Justice against persons who engage in prohibited transactions with persons designated pursuant to the Antiterrorism and Effective Death Penalty Act of 1996, as amended, or with those that are designated under the criteria defining prohibited persons in the relevant Executive orders issued pursuant to statute, such as the International Emergency Economic Powers Act, as amended. Please see Footnote 12 for an explanation of the master list of Specially Designated Nationals (the “SDN List”), which includes all such designated persons. These Guidelines are also separate and apart from requirements that apply to charitable organizations under the Internal Revenue Code (“IRC”).

I. Introduction

Upon issuance of Executive Order 13224, President George W. Bush directed the U.S. Department of the Treasury (“Treasury”) to work with other elements of the federal government and the international community to develop a comprehensive and sustained campaign against the sources and conduits of terrorist financing. Investigations have revealed terrorist abuse of charitable organizations, both in the United States and worldwide, to raise and move funds, provide logistical support, encourage terrorist recruitment or otherwise cultivate support for terrorist organizations and operations. This abuse threatens to undermine donor confidence and jeopardizes the integrity of the charitable sector, whose services are indispensable to both national and world communities.

In response to this threat, Treasury first released the *Anti-Terrorist Financing Guidelines: Voluntary Best Practices for U.S.-Based Charities* (“Guidelines”) in November 2002. In December 2005, based on extensive review and comment by public and private sector interested parties, Treasury revised and released the Guidelines in draft form for further public comment. Based on the comments received, Treasury has further amended the Guidelines to improve their utility to the charitable sector in adopting practices that can better protect it from terrorists and their support networks.

The Guidelines are designed to enhance awareness in the donor and charitable communities of the kinds of practices that charities may adopt to reduce the risk of terrorist financing or abuse. These Guidelines are voluntary and do not create, supersede, or modify current or future legal requirements applicable to U.S. persons, including U.S. non-profit institutions. Adherence to these guidelines does not constitute a legal defense against any civil or criminal liability for violating any local, state, or federal law or regulations. In addition, these Guidelines do not represent an exhaustive or comprehensive compilation of best practices. Many charities, through their extensive experience and expertise in delivering international aid, have already developed effective internal controls and practices that lessen the risk of terrorist financing or abuse. In view of this fact, Treasury does not want charities to abandon proven internal controls and practices. Rather, the Guidelines are intended to assist charities in developing, re-evaluating, or strengthening a risk-based approach to guard against the threat of diversion of charitable funds or exploitation of charitable activity by terrorist organizations and their support networks.

In addition, these Guidelines are intended to assist charities in understanding and facilitating compliance with preexisting U.S. legal requirements related to combating terrorist financing, which include, but are not limited to, various sanctions programs administered by the Office of Foreign Assets Control (“OFAC”). These preexisting legal requirements are clearly marked in the text of the Guidelines.

The risk-based nature of these Guidelines reflects Treasury’s recognition that a “one-size-fits-all” approach is untenable and inappropriate due to the diversity of the charitable sector and its operations. Accordingly, certain aspects of the Guidelines will not be applicable to every charity, charitable activity, or circumstance. Moreover, Treasury acknowledges that certain exigent circumstances (such as catastrophic disasters) may make application of the Guidelines difficult. In such cases, charities should maintain a risk-based approach that includes all prudent and reasonable measures that are feasible under the circumstances. Charities and

donors are encouraged to consult these Guidelines when considering protective measures to prevent infiltration, exploitation, or abuse by terrorists. Although adherence to these Guidelines does not guarantee protection from terrorist abuse, effective internal controls which incorporate the principles and practices set forth in these Guidelines can prevent the diversion of charitable resources from their proper uses, as well as identify situations involving terrorist financing or abuse.

Treasury recognizes the vital importance of the charitable community in providing essential services around the world. Treasury also understands the difficulty of providing assistance to those in need, often in remote and inaccessible regions, and applauds the efforts of the charitable community to meet such needs. The goal of these Guidelines is to facilitate legitimate charitable efforts and protect the integrity of the charitable sector and good faith donors by offering the sector ways to prevent terrorist organizations from exploiting charitable activities for their own benefit.

II. Fundamental Principles of Good Charitable Practice

- A. Charities are independent entities and are not part of the U.S. Government. Like all U.S. persons, charitable organizations must comply with the laws of the United States, which include, but are not limited to, all OFAC-administered sanctions programs.²

² OFAC sanctions programs include those relating to particular countries or regimes (country-based programs), as well as those relating to groups, individuals, or entities engaged in specific activities (list-based programs). Sanctions programs normally: (i) prohibit U.S. persons from engaging in certain transactions, such as trade in goods and services and financial transactions, and/or (ii) require U.S. persons to block the assets and property of persons designated under the relevant Executive order or law. The particular prohibitions and/or obligations of U.S. persons vary by program. OFAC can issue licenses to U.S. persons to engage in transactions that would otherwise be prohibited, if there is a policy-permissible reason to do so, and if permitted by statute. Further information on how to apply for specific licenses is available at <http://www.treas.gov/offices/enforcement/ofac/faq/index.shtml#license>.

For further information on OFAC-administered sanctions programs and general licensing under these programs, please see <http://www.treas.gov/offices/enforcement/ofac>.

OFAC guidelines for non-governmental organizations wishing to undertake humanitarian activities in sanctioned countries are available at http://www.treas.gov/offices/enforcement/ofac/regulations/ngo_reg.pdf.

Other helpful guidance materials for charities relating to protection from terrorist abuse may be found at <http://www.treas.gov/offices/enforcement/key-issues/protecting/index.shtml>.

The United States relies on a wide array of federal criminal statutes in fighting the threat of terrorist financing. Charities should be particularly aware that in its efforts against the financing of terrorism, the U.S. relies on, among others, the federal statutes that prohibit:

- the financing of terrorism (18 U.S.C. § 2339C),
- providing material support or resources to terrorists (18 U.S.C. § 2339A), and
- providing material support or resources to designated terrorist organizations (18 U.S.C. § 2339B).

In that effort, the U.S. also particularly relies upon the federal statutes which criminalize:

- B. Charitable organizations are encouraged to adopt practices in addition to those required by law that provide additional assurances that all assets³ are used exclusively for charitable or other legitimate purposes.⁴
- C. Individuals acting in a fiduciary capacity for any charitable organization should exercise due care in the performance of their responsibilities, consistent with applicable common law as well as local, state, and federal statutes and regulations.
- D. Governance, fiscal and programmatic responsibility and accountability are essential components of charitable work and must be reflected at every level of a charitable organization and its operations.

III. Governance Accountability and Transparency

- A. Governing Instruments: Charitable organizations should operate in accordance with governing instruments, *e.g.*, charter, articles of incorporation, bylaws, *etc.* The governing instruments should:
 - 1. delineate the charity's basic goal(s) and purpose(s);
 - 2. define the structure of the charity, including the composition of its governing body, how such body is selected and replaced, and the authority and responsibilities of the body;
 - 3. set forth requirements concerning financial reporting, accountability, and practices for solicitation and distribution of funds; and
 - 4. state that the charity shall comply with all applicable local, state, and federal laws and regulations.
- B. Independent Oversight: It is important for charitable organizations to have independent oversight of charitable operations, and each charitable organization should determine what oversight structure best suits that organization and will provide for unbiased scrutiny of its operations. The following provisions set forth

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- the laundering of monetary instruments (18 U.S.C. § 1956), and
 - engaging in monetary transactions in property derived from specified unlawful activity (18 U.S.C. § 1957).

³ An asset is any item of value, including, but not limited to, services, resources, business, equitable holdings, real estate, stocks, bonds, mutual funds, currency, certificates of deposit, bank accounts, trust funds, and the property and investments placed therein.

⁴ A charitable organization may never use charitable assets for illegal purposes; however, a charitable organization may accrue unrelated business taxable income in the course of legitimately doing business as a charitable organization. Even though an organization is recognized as tax exempt, it still may be liable for tax on its unrelated business taxable income.

basic principles for the creation of a transparent and accountable oversight body (the “governing board”).

1. Members of the governing board ordinarily should not have an active role in the day-to-day management of the charitable organization.⁵ The charity should establish a conflict of interest policy for both members of the governing board and employees. That policy should establish procedures to be followed if a member of the governing board or employee has a conflict of interest or a perceived conflict of interest relating to the management or operations of the charity.
2. The governing board should be responsible for the charitable organization’s compliance with relevant laws, its finances and accounting practices and for the adoption, implementation, and oversight of practices, including financial recordkeeping that will safeguard charitable assets effectively.
3. The governing board should maintain records of its decisions.
4. Charities should maintain and make publicly available a current list of members of the governing board, their salaries and their affiliation with any subsidiary or affiliate of the charitable organization.
5. While fully respecting individual privacy rights, charities should maintain records of additional identifying information about the members of the governing board, such as available home, email and URL addresses, social security number, citizenship, *etc.*
6. While fully respecting individual privacy rights, charities should maintain records of identifying information for the members of the governing boards of any subsidiaries or affiliates⁶ receiving funds from them.
7. When served with process or when other appropriate authorization exists, charities should produce requested records maintained in accordance with these Guidelines to the appropriate regulatory/supervisory and law enforcement authorities in a timely fashion.

C. Key Employees⁷

⁵ Certain charitable organizations, such as houses of worship, certain trusts, and corporations sole, may not be able to apply this practice due to their varying organizational and operational structures.

⁶ Subsidiaries or affiliates are organizations that are subject to the general supervision or control of a parent or central organization.

⁷ Key employees include not only highly compensated employees but employees who have responsibilities, powers, or influence similar to those of officials, directors, or trustees. Key employees also include chief management and administrative officials of a charitable organization, including those involved in the disbursement of funds.

1. Charities should maintain and make publicly available a current list of their five highest paid or most influential employees (the key employees) and the salaries and direct or indirect benefits they receive.
2. While fully respecting individual privacy rights, charities should maintain records containing identifying information (such as available home, email and URL addresses, social security or other identification number – *e.g.*, taxpayer identification number, national identity, or passport number – citizenship, *etc.*) about their key, non-U.S. employees working abroad. Such information should be similar to that maintained by charities in the normal course of operations about all U.S. employees, wherever employed, and foreign employees working in the United States.
3. While fully respecting individual privacy rights, charities should maintain records containing identifying information for the key employees of any subsidiaries or affiliates receiving funds from them.

IV. Financial Accountability and Transparency

- A. The charity should have a budget, adopted in advance on an annual basis and approved and overseen by the governing board.
- B. The governing board should appoint one individual to serve as the financial/accounting officer who should be responsible for day-to-day control over the charity's assets.
- C. If the charity's total annual gross income exceeds \$250,000,⁸ the governing board should select an independent certified public accounting firm to audit the finances of the charity and to issue a publicly available, audited financial statement on an annual basis.
- D. Solicitations for Funds
 1. The charity should clearly state its goals for and purposes of soliciting funds so that anyone examining the charity's disbursement of funds can determine whether the charity is adhering to those goals.
 2. Solicitations for donations should accurately and transparently tell donors how and where their donations are going to be expended.
 3. The charity should substantiate on request that solicitations and

⁸ The \$250,000 figure is drawn from the June 2005 final report to Congress of the Panel on the Nonprofit Sector, convened by Independent Sector. This report, which offers a comprehensive approach to improving oversight and governance of charitable organizations, recommends independent financial audits for charities that have more than \$250,000 in total annual revenue. This report is available at <http://www.nonprofitpanel.org/final/>.

informational materials, distributed by any means, are accurate, truthful, and not misleading, in whole or in part.

4. The charity should fully, immediately, and publicly disclose if it makes a determination that circumstances justify applying funds for a charitable purpose different from the purpose for which such funds were contributed or solicited.

E. Receipt and Disbursement of Funds

1. The charity should account for all funds received and disbursed in accordance with generally accepted accounting principles and the requirements of the Internal Revenue Code. The charity should maintain records of the salaries it pays and the expenses it incurs (domestically and internationally).
2. The charity should include in its accounting of all charitable disbursements the name of each grantee,⁹ the amount disbursed, the date, and form of payment for each disbursement.
3. The charity, after recording, should promptly deposit all received funds into an account maintained by the charity at a financial institution. In particular, all currency donated should be promptly deposited into the charity's financial institution account.
4. The charity should make disbursements by check or wire transfer rather than in currency whenever such financial arrangements are reasonably available. Where these financial services do not exist or other exigencies require making disbursements in currency (as in the case of humanitarian assistance provided in rural areas of many developing countries, or in remote areas afflicted by natural disasters), the charity should disburse the currency in the smallest increments sufficient to meet immediate and short-term needs or specific projects/initiatives rather than in large sums intended to cover needs over an extended time frame, and it should exercise oversight regarding the use of the currency for the intended charitable purposes, including keeping detailed internal records of such currency disbursements.

F. Mechanisms for Public Disclosure of Distribution of Resources and Services

⁹ The term "grantee," as it is used throughout these Guidelines, means an immediate grantee of charitable resources or services. To the extent reasonably practicable, charitable organizations should also apply or ensure the existence of applicable safeguards (as described in Sections III, IV, V, and VI) in any downstream sub-grantees or recipients to protect charitable resources from exploitation by terrorists, terrorist organizations, or terrorist supporters. Charities should not enter into a relationship with a grantee where any doubts exist about the grantee's ability to ensure safe delivery of charitable resources independent of influence by or association with any terrorist organization.

1. The charity should maintain and make publicly available a current list of any branches, subsidiaries, and/or affiliates that receive resources and/or services from the charity.
2. The charity should make publicly available or provide to any member of the general public, upon request, an annual report. The annual report should describe the charity's purpose(s), programs, activities, tax exempt status, the structure and responsibility of the governing board of the charity, and financial information.
3. The charity should make publicly available or provide to any member of the general public, upon request, complete annual financial statements, including a summary of the results of the charity's most recent audit. The financial statements should present the overall financial condition of the charity and its financial activities in accordance with generally accepted accounting principles and reporting practices.

V. Programmatic Verification

A. Supplying Resources

When supplying charitable *resources* (monetary and in-kind contributions), fiscal responsibility on the part of a charity should include:

1. determining that the potential grantee of monetary or in-kind contributions has the ability to both accomplish the charitable purpose of the grant and protect the resources from diversion to non-charitable purposes or exploitation by terrorist organizations and/or their support networks;
2. reducing the terms of the grant to a written agreement signed by both the charity and the grantee;
3. ongoing monitoring of the grantee and the activities funded under the grant for the term of the grant; and
4. correcting any misuse of resources by the grantee and terminating the relationship should misuse continue.

B. Supplying Services

When supplying charitable *services*, fiscal responsibility on the part of a charity should include:

1. appropriate measures to reduce the risk that its assets would be used for non-charitable purposes or exploitation by terrorist organizations and/or their support networks; and

2. sufficient auditing or accounting controls to trace services or commodities between delivery by the charity and/or service provider and use by the grantee.

C. Programmatic Review

The charity should review the programmatic and financial operations of each grantee as follows:

1. The charity should require periodic reports from grantees on their operational activities and their use of the disbursed funds;
2. The charity should require grantees to take reasonable steps to ensure that funds provided by the charity are neither distributed to terrorists or their support networks nor used for activities that support terrorism or terrorist organizations. Periodically, a grantee should apprise the charity of the steps it has taken to meet this goal; and
3. The charity should perform routine, on-site audits of grantees to the extent reasonable – consistent with the size of the disbursement, the cost of the audit, and the risks of diversion or abuse of charitable resources – to ensure that the grantee has taken adequate measures to protect its charitable resources from diversion to, or abuse or influence by, terrorists or their support networks.

VI. Anti-Terrorist Financing Best Practices

Charities should consider taking the following steps before distributing any charitable funds (and in-kind contributions). As explained in Section I, these suggested steps are voluntary. The purpose of these steps is to enable charities to better protect themselves from the risk of terrorist abuse and to facilitate compliance with U.S. laws, statutes, and regulations, with which all U.S. persons, including U.S. charities, must comply.

Depending upon the risk profile of an individual charitable organization, adopting all of these steps may not be applicable or appropriate. When taking these steps, charities should apply a risk-based approach, particularly with respect to engagement with foreign grantees due to the increased risks associated with overseas charitable activity.

A. The charity should collect the following basic information about grantees:

1. The grantee's name in English, in the language of origin, and any acronym or other names used to identify the grantee;¹⁰

¹⁰ Charities should also be mindful of the possibility that a grantee may have changed its name or transformed its organizational structure to avoid being associated with prior questionable activity. If a charity has any reason to believe that the grantee is operating under a different identity or has used a different name in the past, the charity should undertake reasonable efforts to uncover any such prior identity or name.

2. The jurisdictions in which a grantee maintains a physical presence;
3. Any reasonably available historical information about the grantee that assures the charity of the grantee's identity and integrity, including: (i) the jurisdiction in which a grantee organization is incorporated or formed; (ii) copies of incorporating or other governing instruments; (iii) information on the individuals who formed and operate the organization; and (iv) information relating to the grantee's operating history;
4. The available postal, email and URL addresses and phone number of each place of business of a grantee;
5. A statement of the principal purpose of the grantee, including a detailed report of the grantee's projects and goals;
6. The names and available postal, email and URL addresses of individuals, entities, or organizations to which the grantee currently provides or proposes to provide funding, services, or material support, to the extent reasonably discoverable;
7. The names and available postal, email and URL addresses of any subcontracting organizations utilized by the grantee;
8. Copies of any public filings or releases made by the grantee, including the most recent official registry documents, annual reports, and annual filings with the pertinent government, as applicable; and
9. The grantee's sources of income, such as official grants, private endowments, and commercial activities.

B. The charity should conduct basic vetting of grantees as follows:

1. The charity should conduct a reasonable search of publicly available information to determine whether the grantee is suspected of activity relating to terrorism, including terrorist financing or other support. Charities should not enter into a relationship with a grantee where any terrorist-related suspicions exist;¹¹

¹¹ List-checking alone (as described throughout this section) does not guarantee the safe and secure delivery of charitable funds and services in high-risk areas. For this reason, the Guidelines encourage charities to employ all reasonably available resources both when determining the level of risk in a particular charitable operation and when engaging in appropriate vetting procedures. One example of publicly available information of which charities should be aware is the Terrorist Exclusion List (the "TEL"). The TEL was created pursuant to the USA PATRIOT Act, which authorizes the Secretary of State to designate organizations or groups for inclusion on the TEL in consultation with or upon the request of the Attorney General. Inclusion on the TEL allows the U.S. Government to exclude or deport aliens who provide material assistance to, or solicit assistance for, designated TEL organizations. Although many of the organizations included on the TEL are also included on the Office of Foreign Assets Control ("OFAC") SDN List, several TEL organizations are not listed on the SDN List because of the different purposes and legal criteria associated with these lists.

2. The charity should assure itself that grantees do not appear on OFAC's master list of Specially Designated Nationals (the "SDN List"), maintained on OFAC's website at www.treas.gov/offices/enforcement/ofac/sdn/,¹² and are not otherwise subject to OFAC sanctions.¹³
3. With respect to key employees, members of the governing board, or other senior management at a grantee's principal place of business, and for key employees at the grantee's other business locations, the charity should, to the extent reasonable, obtain the full name in English, in the language of origin, and any acronym or other names used; nationality; citizenship;

TEL designations do not trigger any legal obligations for U.S. persons; however, the TEL does provide charities with additional terrorist-related information that may assist charities in making well-informed decisions on how best to protect themselves from terrorist abuse or association. For further information regarding the TEL, including access to the list containing all TEL designees, please refer to the U.S. Department of State's website at <http://www.state.gov/s/ct/rls/fs/2004/32678.htm>.

¹² The master SDN List is an integrated listing of designated parties with whom U.S. persons are prohibited from providing services or conducting transactions and whose assets are blocked. OFAC's designations are available in a variety of formats and can easily be broken down into subsets of the master list by program, by country of residency, individuals vs. entities, and other variations for appropriate use in a charity's risk-based approach. Each charity should determine which OFAC listings align with the specific risks the charity faces in its operations and should check grantees accordingly.

OFAC routinely updates information on its targets, including persons designated under country-based and list-based economic sanctions programs, such as individuals and entities designated under the various Executive orders and statutes aimed at terrorism. OFAC offers a free email subscription service that enables subscribers to keep current with these updates. With respect to terrorism-related OFAC sanctions programs, SDN listings include persons designated under Executive Order 13224, Executive Order 12947, or the Antiterrorism and Effective Death Penalty Act of 1996, as amended; such persons are called "Specially Designated Global Terrorists" or "SDGTs", "Specially Designated Terrorists" or "SDTs", or "Foreign Terrorist Organizations" or "FTOs", respectively. SDN listings also include parties subject to OFAC sanctions pursuant to other list-based programs (such as counter-WMD proliferation and counter-narcotics) and country-based programs.

In addition to checking appropriate SDN listings, charities should consult OFAC's website for other information relating to sanctioned activities or countries that may implicate their operations.

¹³ As discussed in Footnote 12, the SDN List is an integrated list of individuals, organizations, and entities that the U.S. Government has designated pursuant to both country-based and list-based OFAC administered sanctions programs. U.S. persons, including U.S.-based charities, are prohibited from dealing with any of the parties included on the SDN List. A charity wishing to engage in activity in a country subject to economic sanctions should contact OFAC directly about any authorizations necessary to engage in such activity. Although the SDN List includes persons meeting the criteria established in the authorities or Executive orders that define certain OFAC sanctions programs, transactions with actors not named on the SDN List may nevertheless violate U.S. sanctions due to interests of designated parties in such transactions or prohibitions owing to country-based OFAC administered sanctions programs. For example, if a charity engages in a particular transaction with a party not on the SDN List that involves the property or interests in property of a designated actor, the transaction may be subject to OFAC sanctions. This underscores the importance of charities knowing their grantees and monitoring their programs and transactions through the use of appropriate due diligence measures. Therefore, while the SDN List is a critically important compliance tool that can assist charities in meeting their legal obligations under the variety of sanctions programs that OFAC administers, it should only form one part of a charitable organization's broader risk-based approach to protect against the risks of terrorist abuse.

current country of residence; and place and date of birth. The charity should assure itself that none of these individuals is subject to OFAC sanctions.

4. Charities should be aware that other nations may have their own lists of designated terrorist-related individuals, entities, or organizations pursuant to national obligations arising from United Nations Security Council Resolution 1373 (2001).¹⁴
5. With respect to the key employees, members of the governing board, or other senior management described in the preceding paragraph, the charity should also consider consulting publicly available information to ensure that such parties are not reasonably suspected of activity relating to terrorism, including terrorist financing or other support; and
6. As a pre-condition to the issuance of a charitable grant, the charity should require grantees to certify that they are in compliance with all laws, statutes, and regulations restricting U.S. persons from dealing with any individuals, entities, or groups subject to OFAC sanctions, or, in the case of foreign grantees, that they do not deal with any individuals, entities, or groups subject to OFAC sanctions or any other persons known to the foreign grantee to support terrorism or to have violated OFAC sanctions.

C. The charity should conduct basic vetting of its own key employees as follows:

1. The charity should conduct a reasonable search of publicly available information to determine whether any of its key employees is suspected of activity relating to terrorism, including terrorist financing or other support. Charities should not employ a person where any terrorist-related suspicions exist; and

¹⁴ Under United Nations Security Council Resolution 1373 (2001) (UNSCR 1373), UN Member States must generally freeze without delay the funds and other financial assets or economic resources of persons financing or otherwise supporting terrorist activity or terrorist-related individuals, entities, or organizations. In addition, UN Member States must generally prohibit their nationals from engaging in transactions with such parties. In order to implement these obligations under UNSCR 1373, each UN member state should, as a practical matter, develop its own list of parties sanctioned under the criteria of UNSCR 1373. For example, the SDN List incorporates those parties designated by the United States pursuant to its national obligations under UNSCR 1373.

The Guidelines do not legitimize or endorse the UNSCR 1373 lists adopted by foreign jurisdictions. Rather, this information is intended to assist charities in developing their own risk-based programs based upon a full understanding of the law in those jurisdictions in which they may operate. Charities operating in a foreign jurisdiction may choose to take the additional precautionary measures of determining whether that jurisdiction maintains a national list under UNSCR 1373 and screening the identities of grantee organizations (including their directors and key employees) against any such list. Such precautionary measures may protect charities from potential sanctions or other consequences to which they might be subject from foreign jurisdictions as a result of engaging in transactions with individuals, entities, or organizations deemed to be financing or otherwise supportive of terrorist activity under the laws of those jurisdictions.

2. The charity should assure itself that none of its key employees is subject to OFAC sanctions or have violated OFAC sanctions.
- D. Should a charity's vetting practices lead to a finding that any of its own key employees, any of its grantees, or any of the key employees, members of the governing board, or other senior management of its grantees is suspected of activity relating to terrorism, including terrorist financing or other support, there are a number of available mechanisms and resources that a charity may utilize:
1. If the charity believes there is a match between the name of one of the individuals or organizations listed above and a name on the SDN List, the charity should take appropriate due diligence steps to ascertain whether the match is valid. These steps and further guidance are available on OFAC's Web site at <http://www.treas.gov/offices/enforcement/ofac/faq/answer.shtml#hotline>; and
 2. The charity should provide information on any suspicious activity relating to terrorism, including terrorist financing or other support, which does not directly involve an OFAC match, through a referral form available on Treasury's Web site at <http://www.treas.gov/offices/enforcement/key-issues/protecting/index.shtml>. In addition, the Federal Bureau of Investigation maintains local field offices to which charities should provide such suspicious information. A list of the locations and phone numbers of the FBI's field offices is available at <http://www.fbi.gov/contact/fo/fo.htm>.

ANNEX TO GUIDELINES

The risk of terrorist abuse facing charitable organizations is ongoing and significant and cannot be measured from the important but relatively narrow perspective of terrorist diversion of charitable funds to support terrorist acts. Rather, terrorist abuse also includes the exploitation of charitable services and activities to radicalize vulnerable populations and cultivate support for terrorist organizations and activities. As reported through a wide range of media sources, terrorist organizations deliberately establish, infiltrate, or otherwise exploit charitable organizations to build terrorist support networks.¹⁵ Recent developments – such as the exploitation by Lashkar e Tayyiba (a.k.a. Jamaat-ud-Dawa) and other terrorist entities/charitable fronts of relief efforts following the October 2005 earthquake in South Asia, the critical role of Hamas-associated charities in building popular support in the Palestinian territories for the terrorist organization, and Hezbollah's substantial control of charitable distribution networks in southern Lebanon – demonstrate the ongoing intent and effectiveness of terrorist organizations in exploiting charitable organizations and relief efforts.

Treasury, together with other Departments across the U.S. Government, is continuing to combat such terrorist abuse of the charitable sector by: (i) administratively sanctioning terrorist-related charities and charitable officials through terrorist financing designations; (ii) contributing financial information and investigative resources and expertise to advance criminal investigations and prosecutions of charities and charitable officials providing material support for designated terrorist organizations or activities; (iii) facilitating international action to address these abuses; and (iv) conducting comprehensive outreach to the charitable sector to raise awareness of terrorist exploitation and the steps charities can take protect themselves from such abuse.

U.S. designations of charities and charitable officials demonstrate the breadth of the problem of terrorist infiltration and exploitation of the charitable sector. To date, the United States has designated forty-three charities worldwide and twenty-nine associated individuals for their support of terrorist organizations and operations. These seventy-two charities and individuals

¹⁵ See, e.g., Matthew Levitt, *HAMAS: Politics, Charity and Terrorism in the Service of Jihad*; New Haven, CT: Yale Univ. Press, 2006 (documenting the logistical and financial support Hamas charities provide for the group's political and terrorist activities); Heather Timmons, *British Study Charitable Organizations for Links to Plot*, N.Y. TIMES, Aug. 25, 2006 (describing the risks inherent in delivering charitable aid and resources to high-risk areas where terrorist organizations are known to operate); Robert F. Worth & Hassan M. Fattah, *Relief Agencies Find Hezbollah Hard to Avoid*, N.Y. TIMES, Aug. 23, 2006 (describing Hezbollah's efforts to cultivate support by controlling the provision of charitable resources and services across southern Lebanon); Laila Bokhair, *Political Struggle Over Earthquake Victims*, Norwegian Defense Research Establishment, Nov. 23, 2005 (documenting terrorist organizations such as Lashkar-e-Taiba and Jaish-e-Mohammed efforts to provide humanitarian aid to affected areas in the months following the earthquake in South Asia); Christopher Kremmer, *Charities Linked to Extremists Lead Quake Relief*, AGE, Nov. 21, 2005 (reporting that in addition to providing relief in South Asia, terrorist organizations are recruiting and indoctrinating orphan children in their extensive network of orphanages); Evan Kohlmann, *The Role of Islamic Charities in International Terrorist Recruitment and Financing* (2006), Danish Institute for International Studies: available at <http://www.diiis.dk/graphics/Publications/WP2006/DIIS%20WP%202006-7.web.pdf> (tracing the historical link between charitable organizations and terrorist activities from the Soviet-Afghan war through to the present); BBC News, *Faith, hate and charity: Transcript*, BBC One, Recorded from Transmission, July 30, 2006 (reporting on one of Britain's leading Islamic charities, Interpal, and illustrating Interpal's use of a network of charities in Gaza and the West Bank to support and fund Hamas, a terrorist organization designated by the U.S. Government and the European Union).

comprise over fifteen percent of all U.S.-designated terrorist supporters or financiers, indicating the primary importance of charities as a critical means of support for terrorist organizations and activities. Treasury maintains a summary of all designated charities, including unclassified background information summarizing the basis of each designation, to assist the donor and charitable communities in identifying those charities associated with terrorist financing and support. Further information and press releases relating to these designations are available on the Treasury Web site at http://www.treas.gov/offices/enforcement/key-issues/protecting/charities_exec-orders.shtml.

In addition to these ongoing efforts by Treasury and the U.S. Government, other countries and organizations from around the world have recognized and helped curb abuse of the charitable sector by terrorist organizations. The Financial Action Task Force (FATF) – the premier inter-governmental organization responsible for developing and promoting global policies to combat money laundering and terrorist financing – has studied the problem of terrorist financing and abuse across the charitable sector globally and has published typologies of such abuse. The FATF has also published Best Practices for Non-Profit Organizations and more recently issued interpretive guidance strengthening the international standard for combating terrorist abuse of non-profit organizations. Additionally, FATF style regional bodies (FSRBs) such as the Asia Pacific Group (APG), Eurasian Group (EAG) and the Middle East and North Africa Financial Action Task Force (MENA FATF) are developing typologies and studies on the active threat of terrorist financing and support through charities that operate within their regions.¹⁶ These organizations and their member countries are implementing measures to actively combat this threat through the development and application of supervisory, investigative, and financial authorities to identify and dismantle charities engaged in terrorist financing or support. Many of these documents, which underscore the threat that terrorist organizations and operations pose to the charitable sector, are available on the Treasury Web site at <http://www.treas.gov/offices/enforcement/key-issues/protecting/index.shtml>.

Treasury continually engages in outreach and updates its Web site to communicate useful information regarding: (i) the ongoing risks of terrorist abuse in the charitable sector; (ii) ongoing U.S. and other governmental efforts to mitigate these risks and combat terrorist abuse, and (iii) steps the sector can take to protect against such abuse. Treasury's Guidelines represent one essential component and product of the ongoing outreach that Treasury is conducting with the charitable sector to empower and protect the sector from terrorist abuse. Another example of available resources is Treasury's December 2005 advisory paper, which provides information to charities delivering relief in areas affected by the 2005 South Asia earthquake by detailing typologies of terrorist abuse of charities and reports on activity by militant and terrorist groups in those areas. This paper also shows, through media reports, the extent to which terrorist organizations pose a risk to charities trying to deliver aid in unstable areas, where terrorist

¹⁶ The efforts of the MENA FATF are particularly exemplary of international efforts to combat terrorist abuse of charities. MENA FATF Member States have issued a best practices paper, based on the FATF's international standard for combating terrorist abuse of the non-profit sector, tailored to the specific religious, social, and economic values of the region. The comprehensive framework, crafted by the MENA FATF, outlines legislative, regulatory, and procedural measures to ensure that the charitable sector is not misused or abused by terrorist financiers. The MENA FATF charities best practices paper is an indispensable tool for the Middle East and North Africa region in helping to protect against terrorist abuse of charities by offering guidance to promote transparency and accountability in the charitable sector.

organizations themselves and/or their charitable fronts are often engaged in delivering relief as an effective recruitment mechanism in building broader support for their organizations.

Treasury will continue its outreach and informational efforts as part of its larger mission to combat terrorist financing and safeguard the charitable sector from terrorist abuse.