



VFSC PROCEDURE FOR INVESTIGATING MISUSE OF NPOS

May 2026

LEGAL DEPARTMENT

1. Purpose

The purpose of this procedure is to provide VFSC with a clear framework to detect, investigate, and respond to the misuse of Non-Profit Organizations (NPOs) for terrorist financing. It ensures compliance with national laws and international standards, protects the integrity of the NPO sector, and enables VFSC to apply proportionate oversight, enforcement, and corrective measures.

2. Scope

This procedure applies to all NPOs registered or operating under VFSC authority. It covers investigations into suspected misuse of NPOs for terrorist financing, including fundraising, donations, disbursements, cross-border transfers, and governance practices. It is implemented under VFSC's supervisory mandate in line with national laws and FATF standards, serving as a regulatory framework for investigative and enforcement actions.

3. Legal Basis

This guidance is issued under -

- Section 15A, 15AA, 15AB and 15AC of the Charitable Associations (Incorporation) Act [Cap 140], and
- Part 7 of the Foundations Act No. 38 of 2009

4. Procedure

Step 1. Receive and Record Complaint

All allegations or suspicions of misuse of an NPO must be formally logged.

- Accept reports from the public, FIU, or other regulators & legal enforcement

Step 2. Initiate Preliminary Review

Do a desk-based review of the NPO's registration, governance, and financial records.

- Verify registration details and compliance status
- Review annual reports and financial statements
- Identify unusual funding sources or activities
- Assess whether the issue involves fraud, AML/CFT risks, or governance breaches

Step 3. Conduct Risk Assessment

Assess the NPO's exposure to terrorist financing risks based on its activities and partners.

- Use the VFSC Risk Assessment procedure
- Map out funding flows and beneficiaries
- Evaluate cross-border transactions
- Identify high-risk donors or jurisdictions

Step 4. Initiate Formal Investigation

- Perform On-Site Inspection
- VFSC may appoint an inspector to investigate and report on the affairs of a foundation
- Carry out targeted inspections to verify governance, financial controls, and operational practices.
- Interview Board members, committee members and key officers
- Review internal policies and procedures
- Inspect records of donations and disbursements
- Request audited financial statements and governance documents

Step 5. Gather and Analyze Evidence

Collect supporting documentation and analyze for indicators of misuse.

- Obtain bank statements and transaction records
- Cross-check donor and beneficiary identities against sanctions lists
- Document anomalies or suspicious patterns

Step 6. Report Suspicious Findings

Escalate findings to the Financial Intelligence Unit (FIU) and relevant authorities.

- Prepare a detailed investigation report
- Submit Suspicious Transaction Reports (STRs)
- Share intelligence with law enforcement

Step 7. Take Regulatory Action

Apply enforcement measures where misuse is confirmed.

- Issue administrative sanctions or fines
- Issue notice to show cause to the NPO if needed to
- Suspend or deregister the NPO
- Refer cases for criminal prosecution

Step 8. Monitor and Follow-Up

Ongoing Oversight

Ensure corrective measures are implemented and monitor compliance.

- Require remedial action plans
- Conduct follow-up onsite inspections
- Maintain continuous risk monitoring

Please contact the following person should you have any questions:

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Dated this 7th day of May 2026



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Branan Karae
Commissioner

