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# FINANCE POLICIES AND PROCEDURES

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JAAFARI MUSLIM ASSOCIATION (SINGAPORE)

UEN: S98SS0005G

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# 1 Investment Policy

## 1.1 Introduction

- a) Jaafari Muslim association (Singapore) (**JMAS or the Charity**) is a charity organization, whose main aim is to promote and advance the understanding of the religion of Islam in accordance with the teaching of Jaafari (Shia Ithna-asheri) school of law and to provide for the upliftment of the social, economic and educational needs amongst members.
- b) JMAS has annual income from donations from members and followers of Jaafari school of law via one time and monthly donations. The Charity's reserve policy is to hold 12 months of planned expenditure as reserves to ensure continued financial security and to provide for contingencies.
- c) The charity is also holding S\$ 555,000 as ABSD tax reserve due to temporary use of the building for association use. This reserve needs to be paid to the Inland revenue authority in case the building is converted to residential use.
- d) At present, the charity does not have any reserve or surplus for investments.
- e) Investments in future for any reserves can only be done with approval from the members in AGM or EOGM. They need to be compliant to Jaafari school of law and should not conflict to its AIM.

## 1.2 Types of Investments and Approvals

- a) The charity will invest the funds in a secure, low risk scheme as and when the funds reach or exceed S500,000 on top of reserve funds. This will be done in order to get a regular income to supplement the operational expenses to minimize dependence on donations/ fund raising activities.
- b) Investments can only be done with approval from the members in AGM or EOGM. Investments need to be compliant to Jaafari school of law and should not conflict to its aim.

## 1.3 Risk

- a) **Attitude to risk:** The Charity is reliant on fund raising and donations for its activities. Investment assets are held as reserves. The key risk to the long-term reserves is inflation, and therefore the assets should be invested to mitigate this risk over the long term.
- b) The short-term reserves are held to provide financial security, and may be required at short notice. As such capital volatility cannot be tolerated and investment of these assets should be focused on minimizing this.

## 1.4 Monitoring of investments

All investments should be monitored by the Honorary Treasurer and Asst. Treasurer. A report should be given to the members in AGM annually and any changes should be approved.

## 2 Loan Policy

### 2.1 Overview

Policies and procedures applied to loans must be in place to ensure the accountability and legitimacy of loans granted, taken and administered by the charity.

### 2.2 Loans and Donations to External Parties

**Proper Authorization:** All loans to Singapore based external parties must be approved by members in AGM or EOGM. Standard Operating Procedure based on Singapore regulations for reporting of any Anti Money Laundering (AML) and Terrorist Financing (TF) activities should always be followed when providing loans to external parties.

**Supporting Documents:** Loans approved and granted should be strictly administered according to the terms and conditions, fully disclosed, recorded and accounted for. Records of loans approved, disbursed and repayments should be maintained.

### 2.3 Loans from external parties or related parties

**Proper Authorization:** All loans above \$50,000 from external parties must be approved by members in AGM and EOGM. Loans below \$50,000 must be approved by the Management committee. Standard Operating Procedure for reporting of any AML and TF activities should always be followed when taking loans from external parties.

**Supporting Documents:** Loans approved and taken irrespective of amount, should be strictly administered according to the terms and conditions, fully disclosed, recorded and accounted for. Records of loans approved, disbursed and repayments should be maintained.

### 2.4 Loan from internal parties

**Proper Authorization:** All loans of above \$50,000 from internal parties must be approved by members in AGM and EOGM. Loans below \$50,000 must be approved by the Management committee. Standard Operating Procedure for reporting of any AML and TF activities should always be followed when taking loans from external parties.

**Supporting Documents:** Loans approved and taken irrespective of amount, should be strictly administered according to the terms and conditions, fully disclosed, recorded and accounted for. Records of loans approved, disbursed and repayments should be maintained.

### 2.5 Loans to Internal Parties

Loan to staff, community members and management committee members is not allowed.

## **2.6 Documentation requirement for loans**

All loans to and from external parties should have a loan agreement and the agreement should cover at-least the below:

- a) Loan amount
- b) Period of Loan
- c) Repayment schedule.

## 3 Fund Raising Policy

### 3.1 Fund Raising by others

All entities who wish to raise funds for a charity must have a written agreement with the charity before soliciting funds. The agreement with the charity must contain the following information:

- Place and date of appeal and fund-raising method;
- Percentage of proceeds to the charity;
- Timeframe within which proceeds will go to the charity; and
- Fees of the fund-raiser

### 3.2 Use of Commercial Fund-Raisers

Where commercial fund-raisers are engaged for any fund-raising appeals, all donations received must be made directly to the charity. Any payment or reimbursement due to the commercial fund-raisers must be made by the charities separately.

### 3.3 Duty to Donors

- Any information provided to donors or to the general public is accurate and not misleading.
- To disclose the name of your organization, intended use of funds raised (includes the cause and/or beneficiaries) and whether any commercial fund-raiser has been engaged in soliciting the donation.
- If the fund-raising is done by commercial fund-raisers or commercial participators, all solicitation and publicity material must be accompanied by a written statement with the additional information:
  - Proportion of total proceeds that will go to charitable causes;
  - Breakdown of proceeds to each charity (if funds are raised for more than one charity);
  - Name of the commercial fund-raiser or commercial participator, and its status as a commercial entity;
  - How the fund-raiser or participator's remuneration is calculated.
- Information relating to donors is kept confidential. No information relating to a donor should be given to any other person without the consent of the donor.
- Arrangement to solicit donations must have adequate control measures and safeguards to ensure proper accountability and to prevent any loss or theft of donations.

### 3.4 Use of Donations

The usage of donations should adhere strictly to the following requirements:

- All donations have to be used according to donors' intentions.
- If such intention is not specified, donation must be used according to the purpose communicated to the donor during solicitation.

### 3.5 30/70 Fund-Raising Efficiency Ratio

We are expected to keep fund-raising efficiency ratio below 30%. This is commonly known as the 30/70 rule. The fund-raising efficiency ratio is the total fund-raising expenses to the total gross receipts from fund-raising and sponsorships of the charity for that financial year.

For the purpose of computing the 30/70 efficiency ratio, “fund-raising” refers to the receipt of money or other property from any member of the public, which is given in whole or in part for any charitable purposes, solicited or unsolicited.

For fund-raising done via sale of merchandise, only the net proceeds i.e. the gross amount received from sale of merchandise less cost of relevant goods, will be treated as receipts. The cost of merchandise need not be included as part of fund-raising expenses.

Formula for computing Fund-raising Efficiency Ratio:

$$(E + S) / (R + S) \times 100\% < 30\%$$

“E” refers to the total expenses relating to fund-raising for the financial year, including:

- Direct and material indirect expenses of any kind; and
- Payments made to commercial fund-raisers engaged by the charity / IPC,

but excluding, in a case of the sale of goods by or on behalf of the charity / IPC for fund-raising (and not trading), the cost of the goods sold.

“R” refers to

- The total receipts from such sale (after excluding only the cost of the goods sold), in the case of sale of goods by or on behalf of the charity or IPC for fund-raising (and not trading); and
- The total gross receipts from any other fund-raising for that financial year.

“S” refers to

- Total amount of sponsorships in cash received by the charity or IPC relating to fund-raising for that financial year, conditioned upon the provision of direct or indirect commercial benefit to the sponsors; and
- Total cost or value of sponsored property, goods and services for which tax deduction receipts are issued relating to fund-raising for that financial year (this applies to IPC only).

### 3.6 Fund-Raising for Foreign Charitable Purposes

Any fund raising for foreign charitable purposes a permit from the Commissioner of Charities is required.

### 3.7 Other Permits and Licenses

Depending on the nature and types of fund-raising activities, other permits and licenses from relevant authorities may be required.



### 3.8 Singapore Regulations to be followed.

- The fund raising is carried out in accordance to SOCIETIES ACT (CHAPTER 311, SECTION 34) and Charities (Fund-raising Appeals for Local and Foreign Charitable Purposes) Regulations

## 4 Standard Operating Procedure for reporting of any AML and TF activities

### 4.1 Conducting due diligence checks on the receipts of any gifts and donations

For conducting due diligence, the charity will use “know your” principles which is as below:

- Know your staff / committee members
- know your donor
- know your beneficiaries
- know your partner

At the min the charity should follow the below procedure

- 'identify' - know who you are dealing with
- 'verify' - where reasonable and the risks are high, verify identities
- 'know what the organization's or individual's business is' and can be assured this is appropriate for the charity to be involved with
- 'know' what their specific business is with your charity' and have confidence they will deliver what you want them to
- 'watch out' for unusual or suspicious activities, conduct or requests

### 4.2 Overseas funds transfer

The charity should not transfer funds in normal course of working. If required payment overseas funds transfer can only be done for payment of overseas speakers and should be done via normal banking channels directly to the speaker.

### 4.3 Means of recognizing possible red flags

- The charity will review on an annual basis the following to protect against fraud, abuse, Money Laundering and terrorist financing
  - Internal controls
  - Policies
  - Procedures
  - Programs
  - Partnerships
- The charity will review on a **Quarterly** basis the following to recognize possible red flags
  - Are we clear about the sources of your donations and support?

- Do we know the background and affiliations of the charity's board members, employees, fund-raisers, volunteers and partners?
- Do we know if your charity's name is being used to support a person or cause(s) which you are not familiar with?
- If the charity is in partnership with another organization on projects, do you have a clear written agreement outlining the activities which will be undertaken and how they will be monitored and accounted for? Do you check that the agreements are adhered to?
- Are the beneficiaries of your charity designated as terrorists? Please refer to the Inter-Ministerial Committee – Terrorist Designation ([IMC-TD](#)) for more information.

#### 4.4 Potential Suspicious Activities Which May Indicate ML

- **Donors or Beneficiaries Who Provide Insufficient or Suspicious Information**
  - Donor or beneficiary is a trust or shell company which is unwilling to provide additional information about their beneficial owners or underlying beneficiaries.
- **Fund Transfers**
  - A large number of fund transfers ordered in small amounts in an apparent effort to avoid triggering identification or reporting requirements or foreign exchange transactions performed on behalf of donors or beneficiaries.
- **Activity Inconsistent with the Charity's Operations**
  - Goods or services purchased by the charity does not match the needs of the operations or payment for goods or services made by cheques not drawn from the charity's account.
- **Other Unusual Transactions**
  - Corporate donations made using a personal account or donor makes large contributions which do not seem to commensurate with the donor's known background or income.

#### 4.5 Potential Suspicious Activities Which May Indicate TF

- **Activity Inconsistent with the Charity's Operations**
  - Financial transactions occur for which there appears to be no logical purpose or in which there appears to be no link between the stated activity of the organization and the parties in the transaction.
- **Fund Transfers**
  - A large number of donations made via fund transfers ordered in small amounts in an apparent effort to avoid triggering identification or reporting requirements or foreign exchange transactions performed on behalf of donors or beneficiaries, followed by fund transfers to locations having no apparent connection with the donors or beneficiaries or to high risk areas.

- **Other Unusual Transactions**

- Multiple accounts used to collect and channel funds to a small number of beneficiaries, particularly in high risk areas or transactions involving foreign currency which are subsequently transferred to high risk areas within a short time frame.

#### **4.6 Funds are used in accordance to the intended purposes;**

The Charity will review its expenditure on an annual basis to ensure that funds are channeled towards causes which are congruent with its missions and objectives. Also review that the Charity has not accepted donations which are directed for purposes that are not consistent with the charities' missions and objectives.

#### **4.7 Filing of any suspicious Transaction report through STR (Suspicious Transaction report)**

##### **4.7.1 When an STR should be lodged?**

- Under the CDSA, it is mandatory for any person to lodge a STR if he or she knows or has reason to suspect that any property may be connected to a criminal activity. Failure to do so may constitute a criminal offence.

##### **4.7.2 Who can lodge STR?**

- Everyone can lodge a STR if, in the course of the person's business or employment, as well as the charity administration or operations, he or she has:
  - Reason to suspect that any property represents the proceeds of, or is connected to a criminal activity; or
  - Possession, custody or control of property or information about any transaction (or proposed transaction) relating to any property belonging to terrorism or terrorist entity. The identities of the STR lodger(s) are kept confidential.

##### **4.7.3 How to Lodge a STR?**

- **In writing:**

Head, Suspicious Transaction Reporting Office  
Commercial Affairs Department  
391 New Bridge Road #06-701  
Police Cantonment Complex Block D  
Singapore 088762

- **Online**

Via web-based STR On-Line Lodging System (STROLLS). If your company has a valid STROLLS user account, your authorized officer may lodge an STR via STROLLS. You may wish to emailSTRO@spf.gov.sg to find out if your company has a valid STROLLS account.

#### 4.7.4 What is the difference between filing a Police Report and a STR?

A police report is an official document which initiates police investigation when an offence is disclosed. You should make a police report when

- you are a victim of a crime or a crime has been committed;
- a person is missing;
- property is lost or found.

If the report reveals the commission of an offence, the police will investigate the matter.

A STR provides information on suspicious transactions that one has encountered. This is usually lodged when a person has “reason to suspect” that property is linked to criminal conduct. It is considered as a provision of information and not a complaint of crime committed. It is largely left to **STRO**’s discretion on the appropriate action to be taken.

## 5 Approval and Review

This policy and procedures were prepared by the Honorary Treasurer of Charity to provide a framework for the management on various financial matters. It will be reviewed on an annual basis to ensure continuing appropriateness.

***Approved by the Management Committee in their \_\_\_\_\_ meeting held on***

***Signed by President***

***Name:***

***Date:***

***Reference Minute:***

## 6 Revision History

<b>Date of Change</b>	<b>Responsible</b>	<b>Summary of Change</b>
<b>31<sup>st</sup> October 2019</b>	Mohammad Asif Husain	Ver 1. Initial Document
<b>18<sup>th</sup> August 2020</b>	Mohammad Asif Husain	Ver 2. Added Section 3.8
<b>11 July 2021</b>	Mohammad Asif Husain	Ver 2 , yearly review by Mancom.