

THE BRITISH INSTITUTE OF PERSIAN STUDIES



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BIPS International Payments Policy

BIPS trustees are under legal duties to safeguard BIPS' money and assets and to act prudently. Trustees also have a duty to avoid undertaking activities that may place BIPS funds, assets or reputation at undue risk.

This means that when receiving, holding and moving funds, BIPS trustees need to ensure they take proper care to ensure BIPS' money is held safely, not placed at undue risk and reaches the intended destination for the purposes intended.

As part of their duty of care, BIPS trustees must also ensure that they use reasonable care and skill when making decisions about financial procedures including movement and use of money. The greater the risks, the more important it is that trustees can show that they have discharged their duty of care.

Ensuring strong financial management procedures and proper internal controls, and applying a common-sense approach, will help BIPS trustees meet their duties. They also need to promote the transparency and accountability of BIPS, particularly as regards its finances.

Payments to sources outside the UK

Depending on the circumstances, and applying BIPS risk management processes, trustees will need to take care, and may need to take extra steps, in identifying, verifying, and handling donations and in paying money outside the UK.

If BIPS, as part of its work, is moving money to an organisation overseas, including charities or NGOs, then it should try to do so by way of electronic bank transfer to a bank account held in the name of the organisation. Payments will usually go through international bank clearing systems.

However, in some countries banking services will not be common and business may be conducted in cash or using alternative systems. This may impact on BIPS' ability to transfer money to that country for use there, and/or it may affect BIPS ability to fund activities or give aid to beneficiaries. Even if a country does have banking services, the regulation and reliability of those services will differ from country to country.

These factors need to be taken into account by BIPS trustees, and in some cases additional safeguards such as specific transaction monitoring, to ensure the money has reached its intended destination, may be required.

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Safeguarding

In order to ensure that BIPS's funds are properly safeguarded and applied in furtherance of the BIPS's purposes, trustees must be satisfied and, if necessary be able to show, that:

- their use of intermediaries is in the best interests of the charity
- they have considered the risks and conducted effective risk management to assess these risks (as well as the benefits and advantages) and they are satisfied that proper and adequate safeguards and controls are in place to protect the charity's funds
- particular consideration has been given to practical aspects of risk management and the general political and social context of the transactions
- all the relevant regulatory issues have been considered and addressed

NB The Finance Act 2010 states that charities' expenditure overseas could be considered non-charitable and therefore liable for tax if organisations do not take the steps HMRC considers are reasonable to ensure that the funds were used for charitable purposes. If a charity cannot provide evidence that it took the necessary steps, the expenditure may be deemed non-charitable and tax exemptions would be restricted accordingly.

BIPS has a Hostel and Library operation in Tehran, which are within the Charitable objectives of BIPS.

BIPS accounts in Iran

BIPS has considered matters noted above. Formal banking facilities are not available for BIPS in Iran.

Following advice BIPS management formed the view that using money exchangers for transfer of money to Iran is not safe. The BIPS Trustees, in consultation with the BA and in the full knowledge of the Charity Commission have agreed with a third party known to one of the BIPS Trustees to make payment for BIPS operational needs to his UK account, after an equivalent payment in Rials is made to the account of BIPS acting manager in Iran.

The exchange rates are negotiated with the treasurer and agreed by the President and the Vice President, before the payment is made in Iran and the General Manager makes transfer to the third party's UK account after the acting manager in Iran confirms receipt of funds in her account in Iran.

Using and transacting in cash

If formal banking facilities are not available for BIPS operating in certain countries cash transfers, with all their inherent risks, may be used for the BIPS proper purposes. The Charities Commission strongly

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advises trustees, their employees, volunteers and agents against moving significant amounts of cash from one location to another on their person or in personal luggage. This could involve an unacceptably high degree of personal and financial risk.

Payments in cash should be kept to a minimum due to the greater risk that handling cash presents, and the difficulties that can arise in establishing clarity and control over significant cash transactions. For more significant or regular amounts trustees need to be sure this is justified in particular or exceptional circumstances; and that consideration has been given to appropriate controls and the regulatory framework in the UK and elsewhere.

There are particular requirements to declare cash to HMRC when leaving or entering the UK, currently above a threshold of £10,000.

Use of intermediaries

There may be situations where BIPS will need to use intermediaries to move funds, which are outside the formal banking system. In particular these are:

- Money Service Businesses - including bureaux de change and agents using alternative remittance systems, referred to as Informal Value Transfer Systems (IVTS)
- Payment services
- Cash couriers
- Other charities or NGOs

These methods are likely to be less transparent and require greater resource and effort on the part of BIPS to ensure adequate systems are in place to protect BIPS, and to ensure proper records are kept to show the legitimate movement and use of charitable funds.

Trustees should ensure that funds transferred by such methods are strictly limited to meeting essential needs where conventional banking systems cannot be used and avoid, where practical, making subsequent transfers until receipt of a previous transfer can be confirmed.

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Appendix – Iran Bank account

As BIPS is not registered in Iran, it is not possible to hold a bank account in BIPS name in that jurisdiction. To address this the bank account is held in the name of the Iran acting manager, which is subject to an agreement with BIPS to the effect that all such monies are held for the benefit of BIPS.

Funds are needed in Iran for maintaining the Property of BIPS which is located on the UK embassy grounds in Tehran. The costs which consist of payment of wages to the housekeeper, gardener and the acting manager plus maintenance and utility costs are met from the Tehran bank account. The acting manager sends the vouchers supporting the costs together with a bank statement to the General Manager, which are reviewed by the Treasurer and recorded in BIPS UK accounting records. Quotes are obtained and agreed in advance for all major maintenance costs and approved by the President, Vice President and the treasurer and communicated to the acting manager before works starts.