



# POSITIVE PRACTICES IN IMPLEMENTATION OF FATF RECOMMENDATION 8

## GUIDE FOR STATE ACTORS AND CIVIL SOCIETY



## ACKNOWLEDGEMENTS

---

The guide is made possible by U.K. aid from the U.K. government. The views expressed do not necessarily reflect the U.K. government's official policies. The guide was authored by Ben Evans (Greenacre Group) and Vanja Skoric (European Center for Not-for-Profit Law) in coordination with the International Center for Not-for-Profit Law and issued in June 2023. The information in this guide reflects the authors' understanding of the FATF Recommendations and international best practices and does not constitute a legal opinion or advice.

# TABLE OF CONTENTS

<b>4</b>	INTRODUCTION
<b>5</b>	GLOSSARY AND ABBREVIATIONS
<b>8</b>	FATF BASICS
<b>11</b>	FATF RECOMMENDATIONS THAT APPLY TO NPOs
<b>14</b>	KEY RESOURCES ON APPLYING THE FATF RECOMMENDATIONS
<b>15</b>	NPO TERRORIST FINANCING RISK ASSESSMENT
<b>24</b>	REGISTRATION OF NPOs
<b>28</b>	RISK BASED SUPERVISION AND MONITORING
<b>33</b>	OUTREACH TO THE NPO SECTOR
<b>37</b>	SELF-REGULATORY MECHANISMS AND PRACTICES OF THE NPO SECTOR
<b>40</b>	ADDITIONAL FATF RESOURCES

## INTRODUCTION

---

### Who is this guide for?

**STATE ACTORS** seeking to bring measures on anti-money laundering and countering the financing of terrorism (AML/CFT) in line with the Financial Action Task Force (FATF)'s Recommendations.

**CIVIL SOCIETY ACTORS** seeking to analyze state compliance with FATF Recommendations and advocate the government to adopt practices that both comply with the FATF Recommendations and promote an enabling environment for the non-profit sector.

### How can you use this guide?

This guide explains how states can comply with the FATF Recommendations relevant to the non-profit sector. The guide provides concrete examples of positive practices and strategies from peer countries, which state and civil society actors may adapt to their specific contexts to comply with the FATF Recommendations.

The guide covers five key topic areas to facilitate compliance with the FATF Recommendations. Stakeholders can review the AML/CFT measures and practices in their countries with reference to these topic areas:

- (1) Non-profit organization (NPO) Terrorism Financing (TF) Risk Assessment
- (2) Registration of NPOs
- (3) Risk-based supervision and monitoring
- (4) Outreach to the NPO sector
- (5) Self-regulatory mechanisms and practices of NPO sector

### Why should you use this guide?

Non-compliance with the FATF Recommendations may result in a poor evaluation or public criticism by FATF. This can raise a non-compliant country's cost of access to international financial systems, including those affecting banking and government access to loans through international bonds.

## GLOSSARY AND ABBREVIATIONS

---

- (A)ML**                      **Money Laundering/Anti-Money Laundering**
- BPP**                        **Best Practices on Combatting the Abuse of NPOs (“Best Practices Paper”)** *This FATF paper provides non-binding guidance for countries on how to comply with R8.*
- (C)FT**                      **Financing of Terrorism/Countering the Financing of Terrorism**
- FATF**                        **Financial Action Task Force:** *The international body responsible for setting and assessing compliance with AML and CFT rules.*
- FIU**                         **Financial Intelligence Unit:** *The national government institution responsible for collecting and analyzing information on possible ML or TF. The form of FIU varies by country. It may stand alone or operate as part of another government institution such as the Ministry of Finance or the police.*
- FSRB**                      **FATF Style Regional Body:** *The regional bodies responsible for implementing FATF rules for countries which are not full members of FATF in accordance with the FATF Membership Policy and Membership Process and Criteria.*
- IN**                         **Interpretive Note:** *Official and binding FATF-issued guidance on how to implement the FATF Recommendations. Specific Interpretive Notes are often referenced as “INR” followed by the number of the relevant recommendation (e.g., “INR8” refers to the Interpretive Note for R8).*

<b>IO</b>	<b>Immediate Outcome / Immediate Outcome io:</b> IOs are the 11 FATF rules relating to the effectiveness of AML/CFT measures.
<b>IO.IO</b>	IO.IO covers NPOs among other topics.
<b>Jurisdiction</b>	<b>Country:</b> FATF uses “jurisdiction” to refer to a country.
<b>Methodology</b>	<b>Methodology for Assessing Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems:</b> The FATF-issued handbook that explains how FATF assesses compliance with the Recommendations.
<b>ME</b>	<b>Mutual Evaluation:</b> The process by which FATF assesses compliance with the Recommendations.
<b>MER</b>	<b>Mutual Evaluation Report:</b> The outcome of the ME process, which includes a jurisdiction’s score related to compliance with the FATF Recommendations.
<b>ML</b>	<b>Money laundering</b>
<b>NPO</b>	<b>Non-profit organization:</b> FATF uses this term to refer to a legal person or arrangement or organization that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of “good works.”
<b>NPO RA</b>	<b>NPO Risk Assessment:</b> Risk assessment of the NPO Sector, as required by R8 and covered in paragraph 8.1 of the Methodology.

**NRA**

**National Risk Assessment:** *An assessment of the total ML and TF risk in all areas of a country's economy. Required by RI.*

**Recommendations**

**Recommendations:** *These FATF-issued Recommendations outline international standards on combatting ML and TF and proliferation. Specific recommendations are often referenced as "R" followed by the number of the recommendation (e.g., "R8" refers to Recommendation 8).*

**R8**

*Recommendation 8 relates exclusively to technical compliance with TF guidance related to the NPO sector.*

**RBA**

**Risk Based Approach:** *The core concept behind FATF's assessments since 2012, requiring countries to show that they understand their AML/CFT risks and that measures are proportionate and targeted. The RBA is required by IO.I.*

**TF**

**Terrorist Financing**

**Typologies**

**Risk of Terrorist Abuse in Non-profit Organizations:** *An official FATF publication cataloguing global case studies of TF cases in the NPO sector.*

## FATF BASICS

---

### What is FATF?

FATF is an inter-governmental organization that aims to promote the enforcement of legal and regulatory measures against ML and TF. FATF has issued 40 Recommendations on AML/CFT that its members<sup>1</sup> and jurisdictions under FSRBs implement.

### What are the benefits to complying with the FATF Recommendations?

There are several benefits to implementing the FATF Recommendations. These include building a more transparent and stable financing system that is more attractive to foreign investors, mitigating vulnerabilities to organized crime, and meeting a country's international obligations to avoid the risk of sanctions or other responses by the international community.

### What do countries commit to when they become a FATF member?

A country makes the following commitments when becoming a FATF member:

1. Endorsing and supporting the 2012 FATF Recommendations and the FATF AML/CFT Methodology 2013, as amended.
2. Agreeing to undergo a mutual evaluation during the membership process for the purposes of assessing compliance with FATF membership criteria, using the Methodology applicable at the time of the evaluation, as well as agreeing to submit subsequent follow-up reports.
3. Agreeing to participate actively in the FATF and to meet all the other commitments of FATF membership, including supporting the role and work of the FATF in all relevant fora.<sup>2</sup>

---

<sup>1</sup>FATF members are individual states and multilateral bodies such as the European Commission and Gulf Cooperation Council.

<sup>2</sup>FATF, "Mandate of the FATF" (April 2019), available at <https://www.fatf-gafi.org/en/the-fatf/mandate-of-the-fatf.html>.



## What is a Mutual Evaluation?

A Mutual Evaluation is an in-depth country report analyzing the implementation and effectiveness of measures to combat ML and TF in a jurisdiction. Mutual Evaluations are structured as peer reviews: members from different countries assess their peers. Evaluators issue a Mutual Evaluation Report which describes and analyzes a country's system for preventing criminal abuse of the financial system; the report also shares focused recommendations to the country to further strengthen its system.<sup>3</sup>

## What are the consequences of a poor Mutual Evaluation?

**INCREASED MONITORING OR "GREY LISTING":** Jurisdictions which are rated particularly poorly<sup>4</sup> are subject to enhanced scrutiny. Such jurisdictions have committed with FATF to resolve specific strategic deficiencies in their regimes to counter ML, TF, and proliferation financing. FATF advises other countries of the identified risks of ML, TF, and proliferation financing in these jurisdictions, which can raise their cost of access to international financial systems. Grey listed jurisdictions develop an action plan to address the strategic deficiencies and FATF periodically assesses the jurisdictions' progress in implementing the action plan. FATF may name jurisdictions that fail to implement their action plan or that are otherwise non-cooperative as "high risk jurisdictions."<sup>5</sup>

---

<sup>3</sup>FATF, "Mutual Evaluations," available at <https://www.fatf-gafi.org/en/topics/mutual-evaluations.html>.

<sup>4</sup>FATF typically considers a rating "particularly poor" if a country has failed one of the following tests: (1) it has 20 or more non-Compliant (NC) or Partially Compliance (PC) ratings for technical compliance; (2) it is rated NC/PC on 3 or more of the following Recommendations: 3, 5, 6, 10, 11, and 20; (3) it has a low or moderate level of effectiveness for 9 or more of the 11 Immediate Outcomes, with a minimum of two lows; or (4) it has a low level of effectiveness for 6 or more of the 11 Immediate Outcomes.

<sup>5</sup>FATF, "Jurisdictions under Increased Monitoring," available at <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Increased-monitoring-october-2022.html>

## What are the unintended consequences of FATF on the NPO sector?

Although FATF amended the R8 standard in 2016 to acknowledge the need to apply focused and proportionate measures to protect NPOs from TF abuse (i.e. a “risk-based approach”), jurisdictions continue to fail to adopt or misapply the risk-based approach. The misapplication of the Recommendations has furthered and sustained restrictions on the NPO sector in four broad areas: (1) De-risking;<sup>6</sup> (2) Financial Exclusion;<sup>7</sup> (3) Undue targeting of NPOs; and (4) Curtailment of Human Rights, particularly Due Process and Procedural Rights.<sup>8</sup>

---

<sup>6</sup>FATF defines “de-risking” as “the phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients to avoid, rather than manage, risk in line with FATF’s risk-based approach.” FATF, “High-level synopsis of the stocktake of the unintended consequences of the FATF standards,” available at <https://www.fatf-gafi.org/en/publications/Financialinclusionandnpoissues/Unintended-consequences-project.html>, pg. 2.

<sup>7</sup>“Financial exclusion” refers to the phenomenon of people being unable to access or do not use regulated financial services. *Id.* at pg.3.

<sup>8</sup>*Id.*

## FATF RECOMMENDATIONS THAT APPLY TO NPOS

---



### **Recommendation 8: Non-profit organizations**

“Countries should review the adequacy of laws and regulations that relate to non-profit organizations which the country has identified as being vulnerable to terrorist financing abuse. Countries should apply focused and proportionate measures, in line with the risk-based approach, to such NPOs to protect them from terrorist financing abuse, including:

- a. by terrorist organizations posing as legitimate entities;
- b. by exploiting legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset-freezing measures; and
- c. by concealing or obscuring the clandestine diversion of funds intended for legitimate purposes to terrorist organizations.

Excerpt from *The FATF Recommendations: International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation* (FATF, June 2016).



### **Immediate Outcome 10:**

**Note:** IO.10 assesses the effectiveness of measures to prevent terrorist financing. Its scope is broader than just NPOs – it also covers targeted financial sanctions and asset freezing measures. The excerpts below are most relevant to NPOs.

**Immediate Outcome 10:** Terrorists, terrorist organizations and terrorist financiers are prevented from raising, moving and using funds, and from abusing the NPO sector.

**Characteristics of an effective system:** Terrorists, terrorist organizations and terrorist support networks are identified and deprived of the resources and means to finance or support terrorist activities and organizations. This includes proper implementation of targeted financial sanctions against persons and entities designated by the United Nations Security Council and under applicable national or regional sanctions regimes. The country also has a good understanding of the terrorist financing risks and takes appropriate and proportionate actions to mitigate those risks, including measures that prevent the raising and moving of funds through entities or methods which are at greatest risk of being misused by terrorists. Ultimately, this reduces terrorist financing flows, which would prevent terrorist acts. This outcome relates primarily to Recommendations 1, 4, 6 and 8, and also elements of Recommendations 14, 16, 30 to 32, 37, 38 and 40.

***Core Issues to be considered in determining if the Outcome is being achieved***

10.2. To what extent, without disrupting or discouraging legitimate NPO activities, has the country applied focused and proportionate measures to such NPOs which the country has identified as being vulnerable to terrorist financing abuse, in line with the risk-based approach? ”

Excerpt from *The Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems* (FATF, 2013)

A number of other recommendations apply incidentally to NPOs.

**Recommendation 1** covers assessing risks and applying a risk-based approach. This requires countries to identify, assess, and understand the money laundering and terrorist financing risks for the country,

and to take action to ensure the risks are mitigated effectively. This relates to the *National Risk Assessment* (or NRA), which covers all parts of the economy including NPOs. As discussed later in the chapter on NPO Terrorist Financing Risk Assessments, the NRA is separate from the NPO sector risk assessment.

**Recommendations 24 and 25** cover the transparency and beneficial ownership of legal persons (R.24) and of legal arrangements (R.25). These standards relate to the disclosure of information on the ultimate owner or controller of legal entities, and thus apply in some cases to some NPOs. There have been some difficulties in applying these rules to non-profit organizations, as discussed later in the chapter on Registration of NPOs.

**Recommendation 31** covers the powers of law enforcement and investigative authorities. This includes powers to use compulsory measures for the production of records, the search of persons and premises, for taking witness statements, and for the seizure and obtaining of evidence from legal persons, which includes NPOs.

## KEY RESOURCES ON APPLYING THE FATF RECOMMENDATIONS

---

FATF has issued five key documents that provide guidance on the application of Recommendation 8:

1. The Interpretive Note to Recommendation 8 within the FATF Recommendations: International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation (2012, updated 2022);
2. The Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems (2013);
3. Combating the Abuse of Non-Profit Organizations (Recommendation 8) (2015), commonly known as the “Best Practices Paper” or “BPP”;
4. The Risk of Terrorist Abuse in Non-Profit Organizations (2014), commonly referred to as the ‘Typologies Paper’ or ‘Typologies’; and
5. The Terrorist Financing Risk Assessment Guidance (2019), which includes a chapter on terrorist financing risk assessments of the NPO sector.

## NPO TERRORIST FINANCING RISK ASSESSMENT

---

### Jurisdictions must undertake an NPO terrorist financing Risk Assessment

R8 requires jurisdictions to review the adequacy of laws and regulations related to NPOs identified as being vulnerable to terrorist financing abuse. To comply with R8, jurisdictions should undertake a formal assessment of TF risks to NPOs and of the effectiveness of measures intended to reduce those risks.



#### There is no “right way” to undertake a Risk Assessment

In the Interpretive Note to R8, FATF states that the assessment “could take a variety of forms and may or may not be a written product.” At the Public Sector Consultative Forum in 2017, FATF officials reiterated that different forms of risk assessment are possible, and there is no preferred methodology for a risk assessment.

A jurisdiction should demonstrate that it understands the specific risks for TF abuse in the NPO sector.

### Resources providing general guidance on Risk Assessments

- Interpretive Notes to R1 and R8
- Part 4 of the Terrorist Financing Risk Assessment Guidance (2019)
- FATF Best Practices Paper

FATF has provided further guidance on risk assessments at fora such as the annual Private Sector Consultative Forum, which brings together representatives from the financial sector, civil society, and FATF members and observers to discuss AML/CFT issues.

## Anatomy of a Risk Assessment

The NPO sector risk assessment should examine two types of risk:

1. **Assessment of Inherent risk:** assessing potential TF abuse threats to NPOs and identifying NPOs or NPO actions that may be more vulnerable to the threats.
2. **Assessment of Residual risk:** assessing “control measures” (i.e., measures intended to reduce inherent risk) to identify actions needed to address any deficiencies.

## Basic steps of a Risk Assessment

### STEP 1:

Set the scope of the Risk Assessment



- Convene relevant stakeholders, including representatives of the NPO sector
- Define key concepts for the risk assessment, including the working definition of “NPO” and types of measures under review

### STEP 2:

Choose an approach for the Risk Assessment



- Consider if one of four main methodologies for the risk assessment are suitable to the jurisdiction’s context
- Be transparent to the NPO sector and broader public about the risk assessment methodology

### STEP 3:

Implement the Risk Assessment



- Continue collaborating with key stakeholders, including the representatives of the NPO sector
- Make risk assessment results accessible to the NPO sector and broader public



## Detailed steps of a Risk Assessment



**STEP 1:** Set the scope of Risk Assessment

**Convene relevant stakeholders, including representatives of the NPO sector<sup>9</sup>**

The state should convene all relevant authorities on TF and the NPO sector, including NPO representatives, to identify an appropriate lead government actor to coordinate the risk assessment process, review potential methodologies, and determine the availability of data and gaps to be filled. The lead government actor should then engage in outreach to the NPO sector, whether through routinely consulting with NPO umbrella organizations and coalitions, issuing open surveys to solicit feedback from a broader range of NPOs, or a combination of both approaches. NPOs can provide information on transparency practices and reporting compliance obligations of self-regulatory programs.

**NOTE:** TF Risk Assessment of the NPO sector is SEPARATE from the National Risk Assessment required in Recommendation 1 and IO.1. The scope of the NRA includes NPOs, but it does not require countries to identify the specific NPOs or NPO activities that are likely to be ‘at risk’ of terrorist financing. A R.1/IO.1-compliant NRA will not necessarily be compliant with the NPO sector risk assessment requirements under R8/IO.10.

---

<sup>9</sup>The [Terrorist Financing Risk Assessment Guidance](#) states that “ongoing engagement with the NPO sector is important in the success of any efforts to identify and assess TF risks within the sector and was identified by NPO representatives as a critical component for them. Engagement and outreach with the NPO sector is also a key element of FATF R8 that requires jurisdictions to undertake outreach to the NPO sector concerning TF issues.” Para. 73.

## Define key concepts for the risk assessment, including definition of NPO and types of measures under review<sup>10</sup>

**DEFINITION OF AN NPO:** Applying terrorism financing countermeasures to the specific subset of NPOs that fall within FATF’s definition of NPOs can help demonstrate that a jurisdiction has complied with the FATF Recommendations. FATF defines an “NPO” as “a legal person or arrangement or organization that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of “good works.”<sup>11</sup>

**REMEMBER:** The FATF NPO definition is based on the function, not structure, of an organization. As a general guideline, service NPOs, predominantly those providing services such as humanitarian assistance, poverty relief, educational services, or similar activities, fall within the FATF definition of an NPO, while expressive organizations, such as those engaged in advocacy, human rights, and watchdog activities, do not.

A jurisdiction should formally identify the NPOs under their authority that fall within this definition. To do this, the lead government actor, in coordination with the NPO sector and other relevant stakeholders, can review data on the NPO sector, including types of activities implemented, location of operations, donor base, and other relevant information.

**TYPES OF MEASURES TO BE REVIEWED:** Jurisdictions should review the laws, regulations, self-regulatory measures, policy measures, and good practices within the NPO sector that relate to the sub-sector of NPOs identified as being at risk for TF abuse.<sup>12</sup>

<sup>10</sup> A World Bank analysis of National Risk Assessments (NRA) from eight advanced countries highlighted four “major conceptual flaws” in NRAs. These included “terminological confusion” and “concepts... lacking clear operationalization.” The report asserts that effective risk assessments should expand on how key concepts are defined and operationalized. World Bank, “National Assessments of Money Laundering Risks: Learning from Eight Advanced Countries’ NRAs” (2022).

<sup>11</sup> Recommendations, Glossary.

<sup>12</sup> R8.1(c) (stating that evaluators are looking for a review of “measures, including laws and regulations”); *Terrorist Financing Risk Assessment Guidance*, para. 64.



## **STEP 2:** Choose an approach for the Risk Assessment

**Consider if one of four main methodologies for the risk assessment are suitable to the jurisdiction's context**

There are four main methodologies for NPO TF Risk Assessments. Jurisdictions can adapt these approaches to suit their contexts:

- 1. Case analysis model:** This model entails collecting and analyzing all available data on TF in the NPO sector to identify any recurrent or instrumental factors which may indicate an increased exposure to TF risk. These factors may be considered “inherent vulnerabilities.” The jurisdiction should assess the adequacy of control measures in relation to these inherent vulnerabilities. This is the model implied by the FATF Methodology.<sup>13</sup>
- 2. Threat intelligence/Gap analysis model:** This model assumes a general vulnerability to TF in relation to a specific, plausible TF threat, and assesses control measures responding to the general vulnerability. A jurisdiction may employ this model when there is a plausible TF threat, but too little case information to identify specific “inherent vulnerabilities” in the situation. This approach may not systematically identify those NPOs or NPO activities likely to be “at risk” of TF abuse, in line with R8.
- 3. Descriptive research model:** This model requires the jurisdiction to describe all known relevant information to TF abuse risks within the NPO sector and to draw conclusions about the adequacy of control measures to address these risks. A flaw of this model is that it may rely too heavily on the expertise and good faith of the assessment authors. One method to mitigate this flaw is to coordinate with the NPO sector to draft and validate the report resulting from the research.

---

<sup>13</sup> See, e.g., [Terrorist Financing Risk Assessment Guidance](#), paras. 69-70 (stating that jurisdictions should consider intelligence, international and domestic typologies, and open source information on links between domestic NPOs and terrorist entities, and then review measures for those NPOs identified as risky by this process).

4. **Aggregated individual assessment model:** This model requires the jurisdiction to assess every NPO for TF risks to generate an overall risk profile of the sector. This is a highly resource intensive approach only suitable in well-resourced countries with small NPO sectors. The approach requires a sound methodology for assessing risks at the organization level and for aggregating the data to reach reliable conclusions.

❖ **Be transparent to the NPO sector and broader public about the risk assessment methodology**

Governments should be transparent with the public about the chosen methodology for conducting a risk assessment. While it may be necessary to withhold confidential information from a published report, no such reasoning applies to the methodology. This helps to ensure that the public, including civil society, has enough information to assess and input on whether the risk assessment considers the real risks of terrorist financing to the NPO sector as informed by the specific country context.<sup>14</sup>



### **STEP 3: Implement the Risk Assessment**

When implementing the risk assessment, state actors should **continue collaborating with key stakeholders, including the representatives of the NPO sector.** For example, state actors should ensure that NPO sector representatives have a chance to input on and validate the resulting findings from the risk assessment. State actors should also **make risk assessment results accessible to the NPO sector and broader public.**

### **CASE STUDIES ILLUSTRATING GOOD PRACTICE FOR RISK ASSESSMENTS**

These case studies do not offer exhaustive details about the risk assessment process; rather, they highlight examples of good practices undertaken for the risk assessments that can be adopted to different country contexts.

---

<sup>14</sup>As a recent World Bank report noted in relation to partially redacted National Risk Assessments, “The logic for the government choosing to publish a report that shows less analytic competence than it demonstrates in the unpublished versions is hard to fathom.” “National Assessments of Money Laundering Risks”, supra note 10.



### **Tunisia: example of a collaborative Risk Assessment process**

Government institutions including the FIU, the General Directorate of Associations and Political Parties at the Presidency of the Government, and the National Counter-terrorism Commission, collaborated<sup>15</sup> with local NPOs to update the risk assessment of the sector using a methodology provided by a consultant with expertise in protecting civil society from terrorist financing risks.<sup>16</sup> The collaboration took place over a series of closed door meetings to discuss the operationalization of FATF R8, measures to address TF risks in the NPO sector, and details related to NPO financing, among other issues. The collaboration led the state to modify its previous risk assessment approach of identifying inherent TF risks within the NPO sector to include an assessment of residual risks as well. These meetings built a mutual understanding and trust between the state and NPO sector, which continue to collaborate to mitigate TF risks in the NPO sector.



### **North Macedonia: example of a collaborative Risk Assessment process and integrating Risk Assessment findings into risk mitigation measures**

The Financial Intelligence Office (FIO) established a 14-member working group with 8 representatives from government and 6 from the NPO sector who were chosen by the local NPO lead for the working group in consultation with an international expert. The government delegation included the agency with regulatory authority over NPOs as well as other state institutions with relevant information. The working group drafted and implemented a risk assessment methodology. A small drafting group comprised of government and NPO representatives selected from the working group then wrote and submitted drafts of the risk assessment report to the full working group and other government stakeholders for feedback, which provided written comments and discussed the drafts in meetings. The NPO representatives provided

<sup>15</sup> [This video by Kadem](#) explains the process in more detail.

<sup>16</sup> Greenacre Group

feedback on the feasibility and effectiveness of proposed TF mitigation measures.

Once the risk assessment was completed, the joint working group reviewed current laws, policies, and actions to align them with the risk assessment's findings. The risk assessment found that a significant number of the NPOs previously considered "at risk" for TF were actually at low-risk. Government and NPO representatives from the working group engaged in outreach to banks to review and mitigate barriers that NPOs face in accessing financial services due to their "at risk" rather than "low risk" rating. The engagement between the NPO sector, FIO, and banks resulted in the adoption by banks of a new set of indicators for transactions suspicious for TF.

The state continues to implement measures to mitigate risks identified in the risk assessment through a collaborative process, consulting with NPO members of the working group and other stakeholders from the sector on the FATF evaluation process and other policies measures.

**TIP:** It is common practice for financial intelligence officials from different countries to network with each other and share information on AML/CFT experts and technical resources to help with risk assessments. Connecting with the relevant financial intelligence officials from the jurisdictions highlighted in these case studies can help a jurisdiction gather tactics to comply with the Recommendations and better protect the non-profit sector from TF abuses.



## Nigeria: example of a collaborative Risk Assessment process

In 2016, the Nigerian government conducted a risk assessment that flagged NPOs as risks for TF without producing clear evidence of terrorist abuse. The NPO sector pushed back by publishing a parallel report in 2019<sup>17</sup> that identified and explained the issues in the risk assessment, pointing out that the government’s misapplication of FATF standards could lead to a low rating in the country’s next evaluation. The 2021 Mutual Evaluation confirmed the NPO sector’s assessment, finding that Nigeria had not conducted a proper risk assessment of the NPO sector and had misapplied the standard on NPOs.<sup>18</sup>

In response to continued NPO sector advocacy following the parallel report and the negative Mutual Evaluation, the Nigerian government began a collaborative risk assessment process in 2022. The government, led by Nigeria’s Special Control Unit Against Money Laundering (SCUML), formed and included NPOs in multi-stakeholder technical working groups across the 36 states and the Federal Capital Territory as well as one national multi-stakeholder working group. NPO representatives had opportunities to share their perceptions of TF risks, threats, and vulnerabilities within their sector. The government also conducted further interviews with NPOs and other stakeholders as well as virtual briefings for and consultations with NPOs.

This collaborative approach has led to positive adjustments to Nigeria’s CFT measures that reflect the specific risks of TF in the NPO sector. For example, Nigeria repealed the Terrorism Prevention Act and the Money Laundering (Prohibition) Act, which resulted in the removal of NPOs from the list of designated non-financial institutions subject to increased regulation; this will help ease the administrative burden on NPOs.<sup>19</sup>

<sup>17</sup> Spaces for Change, *Unpacking the Official Construction of Risks and Vulnerabilities for the Third Sector in Nigeria*. (March 2019), available at: <https://spacesforchange.org/unpacking-the-official-construction-of-risks-and-vulnerabilities-for-the-third-sector-in-nigeria/>.

<sup>18</sup> GIABA, *Mutual Evaluation Report: AML and CFT measures: The Federal Republic of Nigeria* (August 2021), available at [https://www.giaba.org/media/f/1151\\_Second%20Mutual%20Evaluation%20Report%20of%20the%20Federal%20Republic%20of%20Nigeria.pdf](https://www.giaba.org/media/f/1151_Second%20Mutual%20Evaluation%20Report%20of%20the%20Federal%20Republic%20of%20Nigeria.pdf) (section on Recommendation 8 – Non-profit organizations).

<sup>19</sup> Spaces for Change, “SCUML holds validation workshop on Nigeria’s NPO Risk Assessment” (January 2023), available at <https://spacesforchange.org/scuml-holds-validation-workshop-on-nigerias-npo-risk-assessment/>.

## REGISTRATION OF NPOs

---

### **Jurisdictions should not require NPO registration purely for FATF compliance purposes but registration may help jurisdictions gather information to counter TF risks**

FATF clarifies that jurisdictions should not impose registration requirements for NPOs just for terrorist financing purposes.<sup>20</sup> To engage in targeted risk-based supervision or monitoring of NPOs in compliance with R1, a jurisdiction may apply existing regulatory measures to the sector, such as licensing or registration requirements under an NPO law.<sup>21</sup>

### **NPOs may not have to record and register “beneficial owners” if they do not have “beneficial owners,” but may be required to register their “controllers”**

FATF defines “beneficial owner” as the natural person(s) who ultimately owns or controls the customer or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement.<sup>22</sup>

Some jurisdictions have begun requiring NPOs to register their “beneficial owners” to comply with FATF Recommendations. R24 and R25 require authorities to be able to access information on beneficial ownership and control of domestic companies and other legal persons, including foreign legal persons, that present ML/TF risks and have sufficient links with their country. Legal persons can include NPOs.<sup>23</sup>

---

<sup>20</sup> Best Practices Paper, p. 24 and 31; Interpretation to R8, footnote 28.

<sup>21</sup> Interpretation to R8, para. 6(b)(i).

<sup>22</sup> FATF Recommendations glossary

<sup>23</sup> FATF, “Guidance on Transparency and Beneficial Ownership” (2014), available at <http://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-transparency-beneficial-ownership.pdf>, at para. 24.



The concept of “beneficial owner” may not apply to NPOs for the following reasons:

- *NPOs are not “owned” by anyone.* No natural person has ownership over the funds or assets because an NPO “owns” its own funds and assets. Trustees may exercise control over an NPO.
- *NPO beneficiaries are generally prohibited from controlling an NPO’s assets.* In some jurisdictions, the beneficiaries cannot be the same as the party that exercises control over an NPO.
- *NPO beneficiaries are often not a discrete and defined group of named natural persons.* Beneficiaries of NPOs can be a broad group without named individuals (the “general public”), non-human (“cats”), or even non-sentient (“the environment”). The transparency requirements in R24 and R25 assume a discrete, defined class of beneficiaries who are named individuals.
- *NPO members are not analogous with shareholders.* NPO members do not own the NPO, receive dividends, or have a claim over the NPO’s assets in the event of dissolution. They have no privileged right to benefit from the NPO unless they otherwise and independently fall within the generally defined beneficiary class.

Where jurisdictions find it appropriate to require NPOs to report on beneficial owners, the Global NPO Coalition on FATF recommends that applicable laws clarify that the “beneficial owner” of a non-profit entity is “the one ‘directing’ the organization,” as this definition is more appropriate to the non-profit context.<sup>24</sup>

---

<sup>24</sup> Global NPO Coalition on FATF, “FATF R.24 Review: Global NPO Coalition on FATF Comments” (March 2021), available at <https://fatfplatform.org/news/global-coalition-input-to-fatf-recommendation-24-review>, at pg. 4. This is a proposed definition and the Global NPO Coalition on FATF has noted that further exploration is needed regarding whether beneficial ownership rules should be applied to non-profit entities.

## FATF compliance includes respecting the right to freedom of association as protected under international and domestic law

The right to the freedom of association includes the right to operate without registration; an NPO may choose to obtain legal personality to pursue certain activities, including opening a bank account or employing personnel.<sup>25</sup> There is no evidence that legal restrictions on NPO sector, including a requirement to register, reduce the number of terrorist attacks within a country.<sup>26</sup> FATF stresses that AML/CFT measures should not violate a country's obligations under international human rights law to protect fundamental freedoms such as the right to freedom of association.<sup>27</sup>

### Case studies illustrating good practice for NPO registration



#### Protection of unregistered NPOs:

Several countries protect the right of NPOs to operate without registration. These include Canada, the Republic of Moldova, Slovenia, the United States,<sup>28</sup> and Namibia.<sup>29</sup>



#### “Beneficial owner” registration for NPOs: Sweden

Sweden defines a “beneficial owner” as any natural person(s) who ultimately owns or controls a company, association or other type of legal entity and the natural person(s) on whose behalf a transaction or activity is

<sup>25</sup> African Commission on Human and Peoples' Rights, *Guidelines on the Freedoms of Association and Assembly in Africa*, para. 1; United Nations General Assembly, *Report of the Special Rapporteur on the rights to freedom of peaceful assembly and of association*, Maina Kiai, A/HRC/20/27, para. 56.

<sup>26</sup> CSIS, “Liberty of Security: Do Civil Society Restrictions Limit Terrorism?” (June 2018), available at: <https://www.csis.org/blogs/international-consortium-closing-civic-space/liberty-or-security-do-civil-society-restrictions>.

<sup>27</sup> Best Practices Paper, para. 22.

<sup>28</sup> Supra note 24, at para. 56.

<sup>29</sup> USAID, “2021 Civil Society Organization Sustainability Index” (December 2022), available at <https://www.fhi360.org/sites/default/files/media/documents/csosi-africa-2021-report.pdf>, pg. 171.

being conducted. There is a presumption that a natural person(s) exercises ultimate control over a legal entity, if he or she controls more than 25 percent of the total number of votes in the legal entity. Sweden's government page on registering beneficial owners explicitly states that "non-profit associations which do not have any beneficial owners" are exempt from the registration requirement.<sup>30</sup> In practice, an NPO is only required to register a beneficial owner if it can identify a natural person who controls more than 25 percent of the voting rights of the organization. NPOs do not have to disclose the personal details of a beneficial owner of an organization of a political, religious, or cultural nature if the details reveal information about the person's views on these topics, trade union membership, or sexuality or health.

### Examples of NPO registration practices likely to be non-FATF compliant

The following types of measures may lead to non or less-compliant FATF ratings because they apply broad and burdensome NPO registration rules as AML/CTF measures, rather than applying such rules to specific subsets of NPOs identified to be at higher risk of TF.

- Laws granting broad discretion to deny NPO registration, such as on the basis of security and CTF concerns without a clear burden of proof;
- Laws creating overly complicated NPO registration procedures;
- Laws creating NPO registration and re-registration requirements;
- Laws requiring all NPOs receiving foreign funding to register with a relevant authority, rather than applying the requirement to the subset(s) of NPOs identified as most at risk of TF abuse.

---

<sup>30</sup> Swedish Companies Registration Office, "Beneficial ownership register," available at <https://bolagsverket.se/en/omoss/flerverksamheter/omverklighuvudman.2539.html>.

## RISK BASED SUPERVISION AND MONITORING

---

### States should engage in targeted, risk-based supervision and monitoring of NPOs

R 8.4-9.5 and IO.10 emphasize the need for “targeted risk-based supervision and monitoring.” Practically, this means that states could require the subset of NPOs identified to be at higher risk of TF<sup>31</sup> to maintain and make available to the public and state authorities the following types of information:

- the purpose and objectives of their stated activities;
- the identity of the person(s) who own, control or direct their activities;
- annual financial statements providing detailed breakdowns of incomes and expenditures;
- records of domestic and international transactions that are sufficiently detailed to verify that funds have been received and spent in a manner consistent with the purpose and objectives of the organization.<sup>32</sup>

The state could ask higher-risk NPOs to submit this information with their annual reports to relevant state institutions, or to keep record of the information internally.

**REMEMBER:** A targeted, risk-based approach requires a baseline of oversight applied to all NPOs for general regulatory purposes, supplemented by a graduated levels of targeted engagement and interventions to address specific risks as they are identified.

---

<sup>31</sup>FATF explains that “additional reporting requirements ... may not be appropriate for CFT purposes for those NPOs facing little to no terrorist financing risk. Any of these or other terrorist financing risk mitigation measures should be proportionate to the terrorist financing risk they face.” Best Practices Paper, pg. 24.

<sup>32</sup>Interpretive Note to R8, para 6(b)(ii), (iii), and (vi).

## All supervision and monitoring of NPOs undertaken to counter terrorism financing must be in line with international legal standards on freedom of association

As noted, FATF stresses that AML/CFT measures should not violate a country's obligations under international human rights law to protect fundamental freedoms including the right to freedom of association.<sup>33</sup>

Under international law, any restrictions on the right to freedom of association must be prescribed by law, necessary in a democratic society, and in furtherance of at least one of four clearly defined interests, including national security or public safety.<sup>34</sup> In the context of CFT measures, any supervision and monitoring measures that might restrict the right to freedom of association must be:

- **Prescribed by law:** clearly written in law and sufficiently precise to enable a person or organization to assess whether their intended conduct would violate the law and to foresee the likely consequences of such a violation.<sup>36</sup>
- **Necessary in a democratic society:** the least restrictive means possible to protect national security or public order.<sup>37</sup>
- **In furtherance of a clearly-defined interest:** clearly linked to the protection of national security or public order.<sup>38</sup>

**TIP:** The right of an NPO to seek, receive, and use funding is a key part of the right to the freedom of association.<sup>35</sup> Governments must balance the need to monitor the income and spending of NPOs at higher risk of TF abuse with this right. Governments should ensure that CFT-related oversight of higher-risk NPOs does not prevent those or other NPOs from accessing legitimate domestic or foreign funding. For example, a government should NOT require all NPOs to obtain approval from the state's financial intelligence authority before accessing foreign funding. Rather, the authority may apply targeted measures in response to identified threats to the NPO sector. The England & Wales case study demonstrates this approach.

<sup>33</sup> Supra note 27.

<sup>34</sup> International Covenant on Civil and Political Rights, Article 22.

<sup>35</sup> ACHPR Guidelines on FoAA, Chapter V (Financing); A/HRC/20/27, paras. 67-68.

<sup>36</sup> Supra note 24, at para. 16.

<sup>37</sup> Id., at para. 17.

<sup>38</sup> Id.

## Case study illustrating good practice for NPO supervision and monitoring



### England and Wales

The UK Charity Commission engages in a collaborative, transparent process to supervise and monitor NPOs at higher risk of TF abuse. As a general matter, the Commission continuously raises awareness among the sector on reporting requirements, and directly contacts and publicizes the names of charities that are non-compliant with these requirements. It also partners with a whistleblowing charity to facilitate anonymous reports from NPOs' staff on issues including concerns about terrorist financing.

The Commission also makes its approach to assessing risks within the sector publicly available through a policy paper.<sup>39</sup> The Commission continuously gathers information about risks and may issue "regulatory alerts" about particular risks or monitor NPOs with identified risk factors through desk-reviews or visits. When the Commission identifies serious concerns, it can open a statutory inquiry which enables it to implement a wide range of regulatory responses including official warnings, removal of trustees, freezing of funds or the removal of an organization from the register.<sup>40</sup>

An example of the Charity Commission's targeted approach is its response to risks posed by the situation in Afghanistan since the Taliban gained control of the jurisdiction in 2021. The Charity Commission identified and individually contacted 500 registered charities which operated in or sent money to Afghanistan to provide advice and guidance on mitigating risks of terrorist financing abuse and responding to the humanitarian crisis. The guidance included "information on how trustees should look to protect their charities from harm, links to safeguarding guidance, and information on how charities should seek to move funds safely and ensure they comply with UK financial sanctions."<sup>41</sup>

<sup>39</sup> Charity Commission for England and Wales, "Policy paper: Regulatory and Risk Framework" (Updated April 2020), available at: <https://www.gov.uk/government/publications/risk-framework-charity-commission/regulatory-and-risk-framework>.

<sup>40</sup> The Commission opened 49 statutory inquiries from 2021-22, which lead to 12 Official warnings and the removal of 14 trustees. Charity Commission for England and Wales, "Charity Commission annual report and accounts 2021 to 2022" (July 2022), available at: [https://www.gov.uk/government/publications/charity-commission-annual-report-and-accounts-2021-to-2022](https://www.gov.uk/government/publications/charity-commission-annual-report-and-accounts-2021-to-2022/charity-commission-annual-report-and-accounts-2021-to-2022).

<sup>41</sup> *Id.*

## Examples of NPO monitoring and supervision measures that can lead to a poorer FATF rating

When monitoring and supervising NPOs to counter TF risks, governments should avoid the following types of restrictions on NPOs. These types of measures often violate international law because they are not the least restrictive means to mitigate TF risks. The following examples of regulations of NPOs that may lead to a poorer FATF rating are from proposed or adopted laws across the globe:

- ❌ **Requiring NPOs to adopt certain internal governance structures:** NPOs have the right to establish and oversee their own internal governance structures including management structures, rules for selecting governance officers, internal accountability mechanisms.<sup>42</sup>
  - **Example(s) of bad practice:** Requiring NPOs to adopt a board of directors with a set number of members or to appoint specific types of officers such as AML/CFT officer.
- ❌ **Imposing onerous or redundant reporting requirements on NPOs:** When a jurisdiction requires NPOs to report on its affairs, it should ensure that the reporting requirements are simple and not overly burdensome. As general guidance, reporting requirements for NPOs should not be more burdensome than those for a for-profit organization of comparable means. A good practice is to require NPOs to report only basic information that would enable the state to ensure the organization's financial propriety, such as a basic description of the organization's projects and activities accounting for the use of the organization's funds.<sup>43</sup>
  - **Example(s) of bad practice:**
    - Requiring NPOs but not requiring for-profit organizations to complete a detailed annual reporting form, which includes submission of full financial information on revenue and expenditure, including an itemization of wages, and salaries paid by the organization.

<sup>42</sup> ACHPR FOAA Guidelines, para. 36.

<sup>43</sup> ACHPR FOAA Guidelines, paras. 48-49.

- Requiring all foreign and foreign-funded NPOs to declare their foreign contributions, undergo an annual audit by a registered chartered accounting firm, and submit third party assessments of their work to the government.
- ⊘ **Granting state officials broad powers of oversight over NPOs:** Jurisdictions should carefully delimit the oversight powers of authorities, including requiring authorities to obtain a judicial order identifying clear legal and factual grounds before engaging in an inspection and clearly defining the powers of inspection officers in law.<sup>44</sup>
  - **Example(s) of bad practice:** Allowing authorities to conduct an audit or examination of an association or non-governmental organization “in case[s] of necessity.”
- ⊘ **Restrictions on NPOs’ ability to access funding:** The right to the freedom of association includes the right of NPOs to seek, receive, and use funds freely for their non-profit aims.<sup>45</sup>
  - **Example(s) of bad practice:** Requiring all NPOs to obtain state authorization to receive and use foreign funds; prohibiting NPOs from receiving or disbursing payments above low thresholds, such as 1000 USD, from a single source, recipient, or day.
- ⊘ **Restrictions on NPO activities:** All NPOs have the right to determine their purposes and activities freely to meet their non-profit aims.<sup>46</sup>
  - **Example(s) of bad practice:** Requiring NPOs to register all aid in a special registry and to obtain government approval for activities; Requiring NPOs to obtain multiple forms of certifications from different authorities to carry out their activities.

---

<sup>44</sup>ACHPR FOAA Guidelines, paras. 33-34.

<sup>45</sup>ACHPR FOAA Guidelines, para. 37.

<sup>46</sup>ACHPR FOAA Guidelines, para. 23.



## OUTREACH TO THE NPO SECTOR

R8 requires jurisdictions to undertake outreach to the NPO sector on TF issues.<sup>47</sup> FATF explains that continued dialogue with the sector can help identify specific “needs, concerns, vulnerabilities, risks, and challenges” to inform CFT measures for NPOs and more effectively detect, prevent, or disrupt activities at high-risk for TF.<sup>48</sup>

Opportunities for engagement with the NPO sector	What this might look like
Undertaking the non-profit sector TF risk assessment for FATF	<ul style="list-style-type: none"> <li>• State authority leading the risk assessment reaches out to NPO umbrella organization, NPO coalition, or other representatives of the NPO sector to gather input on risk assessment. State authority should identify and engage with smaller NPOs as well, as they may face unique issues related to AML/CFT measures.</li> <li>• State authority shares open online surveys and questionnaires to solicit feedback on TF risks and mitigation methods.</li> <li>• In environments where NPOs may be wary of engaging with the state, the relevant authority can identify an NPO to interview other NPO peers to gather input on the risk assessment.</li> </ul>

<sup>47</sup> FATF Terrorist Financing Risk Assessment Guidance, pg. 68; Best Practices Paper, pgs. 15-17; FATF, “Covid-19-related Money Laundering and Terrorist Financing Risks and Policy Responses” (May 2020), available at: <https://www.fatf-gafi.org/en/publications/Fatfgeneral/Covid-19-ml-tf.html>, pg. 13.

<sup>48</sup> Best Practices Paper, para. 27.

<p>General awareness-raising on CFT issues</p>	<ul style="list-style-type: none"> <li>• State authority makes information available online and offline about potential TF abuse, including how to recognize and mitigate these risks.</li> <li>• State authority organizes periodic multi-stakeholder meetings with the NPO sector to hear about the sector’s perceptions and concerns regarding AML/CFT measures and share resources for recognizing and mitigating TF risks.</li> <li>• State authority ensures that NPOs have a direct line of communication to relevant state authorities such as the NPO regulator and FIU.</li> <li>• State authority maintains dedicated funding to implementing commitments made during discussions with NPO stakeholders on AML/CFT.</li> </ul>
<p>Developing best practices for on CFT within the NPO sector</p>	<ul style="list-style-type: none"> <li>• In consultation with the NPO sector and other relevant stakeholders, develop guidance materials to clarify TF risks within the NPO sector and mitigation tactics. Guidance can include recommendations for approaches to risk mitigation, good governance and financial management, protection from fraud and abuse, and descriptions of regulated financial channels that NPOs can use.</li> </ul>

## Case studies illustrating good practice for outreach to the NPO sector



### The Netherlands:

The Netherlands has a formalized roundtable consisting of the Ministries of Finance, Justice and Security and Foreign Affairs, the Financial Intelligence Unit, NPOs (including umbrella or membership organizations and individual organizations), the NPO fund-raising regulator, the Dutch Banking Association, and international banks, to discuss financial access issues faced by NPOs due to AML/CFT measures. The roundtable is co-convened and co-facilitated by the Ministry of Finance and an NPO that is knowledgeable about AML/CFT regulations and the broader CFT framework. The knowledgeable NPO, the Dutch Banking Association, and the ministries involved, adopted a formal agreement document which outlines the rationale for the roundtable, the responsibility of each of the stakeholders to contribute to the dialogue, and the objectives of the dialogue. The formal roundtable contributes to the legitimacy and sustainability of the multi-stakeholder dialogue, as the agenda is driven by the concerns and practices of NPOs, the AML/CFT and sanctions-related policy analyses of NPOs and government agencies, and the policies and practices of banks regarding customer due diligence.

The roundtable convenors circulate the outcome of the roundtable meetings amongst the roundtable participants. The roundtable is planning a series of smaller dialogue processes with stakeholders outside of the roundtable that will address specific issues for subsets of NPOs, coupled with a comprehensive dialogue for roundtable members that takes place once or twice a year. The roundtable is now considering making its meetings open to the public via a platform or website.

The discussions at the roundtable have generated studies conducted by NPOs on de-risking and a study by a law school in coordination with a bank, an NPO and a law firm on the de-risking of NPOs from a Business and Human Rights perspective, targeted towards a wider banking audience. The roundtable has led to some tangible solutions to address de-risking of NPOs, such as a portal to facilitate the on-boarding of NPOs by banks.



### **North Macedonia, Jordan, and Albania**

have all conducted NPO TF risk assessments in partnership with the NPO sector. In all four countries, NPOs and government agencies jointly collected and analyzed data, assessed the risk, evaluated the effectiveness of mitigating measures and developed strategic recommendations for improvements. Sustained dialogue continued after the assessment: for example, Macedonian NPOs contributed to the development of new official guidelines for financial institutions on NPO clients; and Jordanian NPOs helped the authorities develop a new targeted, risk-based monitoring regime.

## SELF-REGULATORY MECHANISMS AND PRACTICES OF THE NPO SECTOR

---

### **The NPO sector should lead the formation, implementation, and monitoring of self-regulatory mechanisms to mitigate TF risks**

NPOs are best fit to determine self-regulatory mechanisms that work within their local contexts. The relevant state authority can work with the NPO sector to map out existing self-regulatory practices and publicize the mapping to assist the NPO sector to adopt practices to mitigate TF risks.

### **NPOs can integrate 4 key principles into their self-regulatory mechanisms in line with FATF Recommendations**

The Best Practices Paper identifies four key principles<sup>49</sup> that contribute to successful NPO self-regulatory mechanisms to mitigate TF risks:

#### **ORGANIZATIONAL INTEGRITY**

Potential indicators for organizational integrity include but are not limited to:

- NPO has a governing document (e.g., articles of incorporation, constitution, bylaws);
- NPO operates in accordance with the governing document;
- Members of the NPO's governing board meet regularly;
- Members of the NPO's governing board actively monitor activities;
- NPO has strong financial and human resource policies.

---

<sup>49</sup> Best Practices Paper, pg. 44-58.

## **PREVENTION OF ABUSE OF FUNDS BY PARTNERS ("PARTNER RELATIONSHIPS")**

Potential indicators for strong partner relationships include but are not limited to:

- NPO carries out due diligence on donors, beneficiaries, and partners before entering into relationships or agreements;
- NPO verifies partner reputation and risks through using selection criteria and searches of publicly available information (e.g., domestic and UN sanctions lists);
- NPO uses written agreements to outline expectations and responsibilities of all parties (e.g., how funds will be used, reporting and audit requirements).

## **FINANCIAL TRANSPARENCY AND ACCOUNTABILITY**

Potential indicators for financial transparency and accountability include but are not limited to:

- NPO's governing board approves annual budget;
- NPO's governing board has process in place to monitor use of funds;
- NPO keeps complete financial records of income, expenses, and financial transactions;
- NPO clearly states program goals to donors when collecting funds;
- NPO makes information about its activities publicly available;<sup>50</sup>
- NPO has criteria to determine the legitimacy and security of its potential sources of income.

---

<sup>50</sup>NPOs should do this while protecting the privacy rights of beneficiaries, donors, and members in accordance with best practices under international human rights law.

## **PROGRAM PLANNING AND MONITORING TO ENSURE PROPER USE OF FUNDS AND SERVICES**

Potential indicators for proper program planning and monitoring include but are not limited to:

- Before undertaking projects, NPO clearly defines the purpose and scope of its activities, identifies beneficiary groups, and considers terrorist financing and risk mitigation measures;
- For each project, NPO maintains detailed budgets and generates regular internal reports on related purchases and expenses;
- NPO has procedures to trace funds, services, equipment, and carry out transactions through the banking system where possible;
- NPO regularly verifies the existence of beneficiaries and ensure the receipt of funds by beneficiaries.

## ADDITIONAL FATF RESOURCES

---

ICNL's FATF webpage

<https://www.icnl.org/our-work/counter-terrorism-security>

The Global NPO Coalition on FATF

<https://fatfplatform.org/>

FATF website

<https://www.fatf-gafi.org/en/home.html>

FATF publications

<https://www.fatf-gafi.org/en/publications.html>

FATF countries and FSRBs

<https://www.fatf-gafi.org/en/countries.html>

Egmont Group's list of Financial Intelligence Units

<https://egmontgroup.org/members-by-region/>