The Financial Action Task Force

A Toolkit for Non-Profit Organizations

JUNE 2025

ICNL
INTERNATIONAL CENTER FOR NOT-FOR-PROFIT LAW

Table of Contents

About this Toolkit

Non-profit organizations (NPOs) sometimes run into operational barriers arising from measures to combat money laundering and financing of terrorism, such as restrictions on cross-border transactions and difficulties opening bank accounts. This toolkit aims to introduce NPOs to the Financial Action Task Force (FATF), which sets international standards on anti-money laundering and countering the financing of terrorism (AML/CFT), including those measures that affect NPOs and their work.

This toolkit provides background on FATF and shares guidance on how NPOs can engage the FATF to encourage their government to ensure that their AML/CFT measures protect and promote an enabling environment for NPOs.

> This toolkit is produced for informational purposes only and does not constitute legal advice or substitute for legal counsel. Laws may change, and interpretations of local law may vary.

What is FATF and how does it affect NPOs?

The FATF is an inter-governmental organization that aims to promote the enforcement of legal and regulatory measures against money laundering and terrorist financing. It has issued 40 recommendations to its more than 200 member countries and jurisdictions; access to certain international financial markets is conditional on compliance with these recommendations. Recommendation 8 pertains to NPOs.

Recommendation 8 requires countries to:

- Periodically identify organizations which fall within the FATF definition of NPOs and assess their terrorist financing risks;
- Have in place focused, proportionate, and risk-based measures to address the identified risks; and
- Not unduly disrupt or discourage legitimate NPO activities.

Recommendation 8 also clarifies that countries should ensure oversight and monitoring of civil society organizations, but that they do not need to designate and supervise them as reporting entities.[1]

How does FATF define an NPO?

For FATF, an NPO refers to:

- A legal person or arrangement or organization
- that primarily engages in raising or disbursing funds
- for charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of "good works."

Not all NPOs will fall under the FATF definition, and not all NPOs that fall under the FATF definition should be identified as at high risk of terrorist financing abuse. Governments should identify specific subsets of organizations that are at high risk of terrorist financing abuse and implement a targeted approach, conducting out-

1 Under the FATF standards, reporting entities such as financial institutions and Designated Non-Financial Business or Professions (DNFPBs) must conduct customer due diligence and report suspicious transactions to their country's financial intelligence unit or the competent authorities. The revision to Recommendation 8 makes clear that NPOs are not reporting entities.

reach and exercising oversight to protect these organizations, without unduly disrupting or discouraging NPO activities.

What are the "unintended consequences" of the FATF process on NPOs?

Governments sometimes disrupt legitimate NPO activities through the misapplication of Recommendation 8. Many governments fail to undertake a risk assessment to identify the types of NPOs that are at risk of money-laundering and terrorist financing. Rather, these governments subject the entire non-profit sector to highly burdensome and invasive AML/CFT measures, such as requiring NPOs to obtain government approval to receive foreign funding or requiring all foreign funds to be transferred through a central bank. These measures, when applied broadly to the entire NPO sector, present barriers to legitimate NPOs' operations and access to funding. Some specific examples include:

- Governments introducing new laws or seeking to amend existing laws and policies that tighten regulation of the non-profit sector. In recent years, governments have introduced restrictive FATF-inspired NPO-legislation in Rwanda, Tanzania, Uganda, and Zimbabwe, and are considering similarly restrictive legislation in Angola, Eswatini/Swaziland and Zambia, among others.
- Governments implementing additional burdensome requirements (often related to financial reporting and disclosures, and scrutiny of activities) on the entire non-profit sector, rather than using targeted measures against high-risk organizations. This has been documented most recently in Tanzania, Uganda and Zimbabwe.

What is a risk-based approach?

A risk-based approach requires countries to apply "focused" and "proportionate" measures to organizations based on their assessed level of risk. It cautions against imposing blanket restrictions on the non-profit sector and instructs that governments must justify any regulations based on evidence of existing risk.

What steps should countries take to comply with Recommendation 8?

Countries should:

- Identify organizations that fall within the FATF definition of NPO and assess their terrorist financing risk;
- Apply focused, proportionate, and risk-based measures to protect identified NPOs from terrorist financing abuse;
- Avoid unduly disrupting or discouraging legitimate NPO activities.

The FATF emphasizes that a "one size fits all" approach to regulating NPOs is not appropriate. Countries must only apply focused and proportionate measures to NPOs based on their assessed levels of risk. In many cases, existing regulations and self-regulatory measures, as well as NPOs' own internal procedures, will be adequate to address any TF risk within the sector.

How should governments engage with NPOs?

Throughout all steps, governments should conduct outreach with NPOs and involve them in the process. Government should:

- Have clear policies to promote accountability, integrity and public confidence in the administration and management of NPOs.
- Undertake outreach and educational programs as appropriate to raise and deepen awareness among NPOs as well as the donor community about the potential vulnerabilities of NPOs to terrorist financing abuse and terrorist financing risks, and the measures that NPOs can take to protect themselves against such abuse.
- Work with NPOs to develop and refine best practices to address terrorist financing risks and thus protect them from terrorist financing abuse.
- Encourage NPOs to conduct transactions via regulated financial and payment channels, wherever feasible, keeping in mind the varying capacities of financial sectors in different countries and areas and the risks of using cash.[2]

2 FATF (2024), Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT/CPF Systems, p. 50.

How can NPOs engage in an NPO sector risk assessment?

What does a risk assessment look like?

There is no set format or methodology for a risk assessment. However, a risk assessment reviewing the NPO sector's organizational and sectoral vulnerabilities to terrorist financing abuse should include analysis of several factors:

- Types of organizations and their purposes, types and locations of organization activities;
- Donor bases, values of assets in the sector, methods of payment, the amount of cash transactions in the sector;
- Domestic and international intelligence on terrorist financing activity in the jurisdiction;
- Inputs from civil society representatives;
- The adequacy of laws and regulations to protect NPOs from terrorist financing.

The goal of Recommendation 8 is to *protect* NPOs from terrorist financing abuse, not to limit legitimate NPO activities due to perceived vulnerabilities with a lack of evidence. As such, any risk-based approach should balance all the above factors in its assessment.

Before putting in place new measures to mitigate terrorist financing, countries should look at the existing governmental measures, laws, regulations, and policies, as well as NPO sector self-regulation and transparency measures. These existing measures in many cases may be sufficient to address terrorist financing risk.

Which NPOs should participate in the risk assessment?

The risk assessment should include continuous engagement with a representative sample of NPOs considering factors such as size of entities, organizational capacities, nature of operations, diversity of participants, and inclusion of unregistered or unlicensed NPOs. The coordinating agency may use online surveys and questionnaires and engage with umbrella organizations to reach as many groups as possible. Where available, self-regulatory organizations should participate and coordinate with their members in the risk assessment.

What is a shadow risk assessment?

A shadow risk assessment (sometimes referred to as a "parallel" risk assessment) is an NPO sector-produced report that evaluates and challenges the government's policy and the official risk assessment. A shadow risk assessment can support advocacy to improve a country's AML/CFT framework. NPOs may conduct a shadow risk assessment if a government is hostile or non-collaborative. NPOs may also consider conducting a shadow risk assessment where the government is acting in good faith and would accept the shadow risk assessment as a useful contribution to policy development. In recent years, NPOs have conducted successful shadow risk assessments in Kenya and South Africa, among other countries.

Where can NPOs find resources, data, and allies to contribute to a country's NPO sector risk assessment or shadow risk assessment?

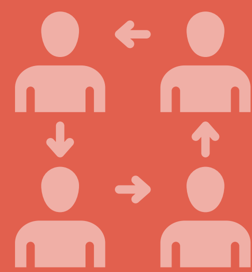
Within the government:

- Financial Intelligence Agency or other agency designated to lead implementation of AML/CFT norms and procedures
- Any ministry or department with authority to regulate the civil sector
- The Central Bank

Outside of government:

- Domestic and international experts on FATF issues (e.g. The Global NPO Coalition on FATF; Global Expert Hub on AML/CFT)
- Academic centers
- Financial institutions
- Donors

How can NPOs engage in the FATF mutual evaluation process?



What is mutual evaluation?

Mutual evaluations assess FATF members' compliance with the FATF Recommendations, considering two components of a country's system: **effectiveness** and **technical compliance**.

Effectiveness measures how well a country's system is preventing criminal abuse of the financial system in accordance with the FATF standards. **Technical compliance** analyzes a country's legal framework on combatting money laundering and the financing of terrorism and proliferation. The Mutual Evaluation Report provides an in-depth description and analysis of a country's system for preventing money laundering and terrorist financing abuse. It also provides focused recommendations to the country to strengthen its system.

Who conducts the mutual evaluation?

The FATF President appoints the mutual evaluation team from a pool of trained evaluators based on their expertise and linguistic background. The FATF evaluators usually come from countries belonging to the same FATF-style regional body (FSRB). The FSRBs ensure implementation of the FATF recommendations in their respective regions (see below for details on the FSRBs for Africa).

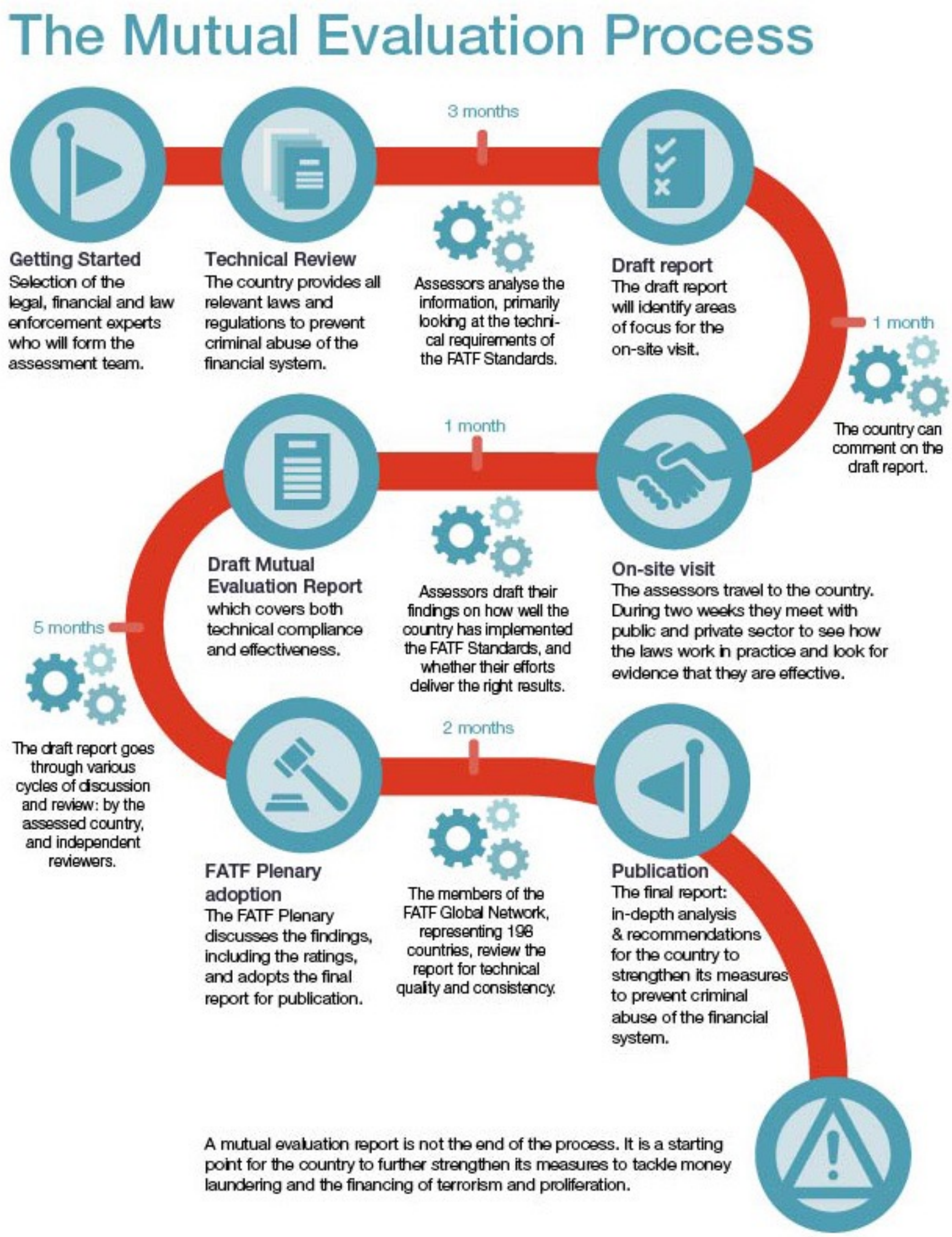
How often does an assessment take place?

Each assessment cycle takes about 14 to 18 months, and countries are evaluated every six years.

What is the follow-up process after the evaluation is conducted?

Countries are required to address the shortcomings identified in the report. All countries are subject to post-assessment monitoring. This can include anything from regular updates on improvements for countries that are already largely compliant and committed to addressing the remaining few shortcomings, to issuing public warnings and requiring reporting on a strict timeline and further investigations for countries that make insufficient progress on or reject addressing key deficiencies.

The chart below illustrates the timeline for a typical FATF mutual evaluation.[3]



3 Source: FATF, *Mutual Evaluations*, available at: https://www.fatf-gafi.org/en/topics/mutual-evaluations.html

When and how can NPOs engage in the mutual evaluation process?

NPOs can engage before the Mutual Evaluation in processes such as conducting a risk assessment and providing preparatory information to the evaluators, during the Mutual Evaluation through meeting with the evaluators to discuss the issues faced by NPOs, and after the Mutual Evaluation by monitoring the implementation of the follow-up compliance suggestions provided to the government. The tables below provide ideas for engagement throughout the process, taking into account the varying positions of national governments regarding NPO participation.

1. Government is open to collaborating with the NPO sector

Before the Mutual Evaluation

If the government HAS NOT conducted a risk assessment: Work with the government to conduct a risk assessment.

If the government HAS conducted a risk assessment: Analyze whether the risk assessment complied with FATF standards on process and outputs. Share analysis with the government.

During the Mutual Evaluation

BEFORE the FATF evaluators visit the country: write and deliver to the government and to the FATF Secretariat a short summary of all information gathered by the NPO sector, the NPO that will lead research for any missing data, what the NPO needs from the government in recognition of its collaboration

DURING the FATF country visit: Maximize participation of NPO sector in FATF procedures

After the Mutual Evaluation

FATF finds that country is "mostly compliant" with FATF Recommendations: Find out how the country was rated on Recommendation 8. Reach out to the government to explore opportunities for collaborating on reforms.

FATF follow-ups will take place infrequently (about every 3 to 5 years).

FATF gives country poor ratings or finds that country is only partially compliant with at least 8 of 40 Recommendations: Find out how the country was rated on Recommendation 8. NPO sector should find out when FATF has planned "enhanced follow-ups" with the country, and use these follow-ups as opportunities to push the government to adopt measures that comply with Recommendation 8, especially if FATF rated the country poorly on this Recommendation.

2. Government shows no interest in collaborating with NPO sector

Before the Mutual Evaluation

If the government HAS NOT conducted a risk assessment: Perform a risk assessment and deliver it to the government for consideration.

If the government HAS conducted a risk assessment: Analyze whether the risk assessment complied with FATF standards on process and outputs. Share analysis with the government.

During the Mutual Evaluation

BEFORE the FATF evaluators visit the country: Write a short note summarizing the sector's analysis of the country's system on AML/CFT and deliver the note the FATF Secretariat about 6 months before the country visit.

DURING the FATF country visit: request a meeting with FATF evaluators; provide trainings to organizations representing networks of NPOs; request a channel to communicate with the FATF evaluators during and after their visit to your country.

After the Mutual Evaluation

FATF finds that country is "mostly compliant" with FATF Recommendations: Monitor changes in policies and submit periodic updates to FATF Secretariat.

FATF gives country poor ratings or finds that country is only partially compliant with at least 8 of 40 Recommendations: Monitor changes in policies and submit updates to FATF Secretariat in advance of the scheduled "enhanced follow-ups."

3. Government is hostile towards the NPO sector

Before the Mutual Evaluation

If the government HAS NOT conducted a risk assessment: Publish a shadow report with hard evidence demonstrating that the country's measures and policies are inconsistent with FATF standards and curtail the rights of NPOs and that NPOs are aware of the risks of terrorist financing and their own vulnerabilities.

If the government HAS conducted a risk assessment: Analyze whether the risk assessment complied with FATF standards on process and outputs.

During the Mutual Evaluation

BEFORE the FATF country visit:

- Work with the NPO sector to identify the leaders for data collection and analysis
- Seek consensus within NPO sector about government hostility and compliance with FATF standards
- Write a short note to FATF evaluators summarizing the situation (e.g. sharing all information NPO has gathered, the leaders for data collection, analyses of the existing legal framework)
- Prepare a strategy for a public advocacy campaign to resist further restrictions, highlight cases of noncompliance with FATF standards, and mobilize allies

DURING the FATF country visit:

- Request a meeting for evaluators and copy the government in correspondence
- Hold trainings for NPO representatives on FATF standards and findings about the NPO sector
- Present summary of NPO sector's findings to FATF evaluators, media, and other stakeholders
- Request a channel of communication with FATF evaluators

After the Mutual Evaluation

FATF finds that country is "mostly compliant" with FATF Recommendations: Document and analyze noncompliance with FATF standards.

FATF gives country poor ratings or finds that country is only partially compliant with at least 8 of 40 Recommendations: Document and analyze noncompliance with FATF standards and submit them to the FATF Secretariat in advance of the scheduled "enhanced follow-ups."

Additional Resources

FATF Best Practices on Combating the Abuse of Non-Profit Organisations

This paper provides guidance on best practices for combatting the abuse of NPOs in the context of AML/CF, including guidance for state practice and actions NPOs can undertake to protect against abuse.

The Global NPO Coalition on FATF's Outreach and Engagement Guidance

This page provides a brief overview of opportunities for NPOs to engage with the government and the FATF system to ensure that AML/CTF measures do not overly restrict legitimate NPO activities.

The Global NPO Coalition's Resources Page

This page shares resources related to AML/CTF and NPOs, such as an article on de-risking NPOs and a report on ensuring financial access of NPOs.

Mapping Tool for Anti-Money Laundering/Counter Terrorist Financing Standards which Affect NPOs

This tool helps stakeholders identify the laws and policies on AML/CFT that impact NPOs, so that stakeholders have a framework to analyze their compliance with FATF standards, especially Recommendation 8.

Calendar for Upcoming Mutual Evaluations

For the assessment teams to consider input for upcoming evaluations, the inputs should be provided to contact@fatf-gafi.org *at least two months prior to the evaluators' on-site visit.*

Webinar: Risk Assessments and Engagement Strategies

This webinar discusses strategies for NPO engagement in a country's risk assessment, giving different strategies based on the government's level of willingness to engage. It also provides practical examples of different approaches from Latin America, Tunisia, Kosovo, and Germany.

Webinar: Recent Revisions to Recommendation 8

In this webinar, experts discuss the 2023 revisions to FATF Recommendation 8 and its Interpretive Note and how they affect NPO regulation at the global, regional, and national levels.

Webinar: How Governments Abuse FATF Standards to Attack Civil Society

This webinar discusses how authoritarian governments have misused FATF standards to target civil society, journalists, and members of the political opposition.

FATF-Style Regional Bodies in Africa

The FATF-Style Regional Bodies (FSRBs) are regional bodies that aim to ensure adoption and compliance with the FATF recommendations and apply other measures to combat money laundering and the financing of terrorism. The FSRBs coordinate with FATF to facilitate mutual evaluations of members states in their regions. There are three FSRBs representing the Central, Eastern and Southern, and West Africa regions:

- Action Group against Money Laundering in Central Africa (GABAC) (www.gabac.org)
- Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) (www.esaamlg.org)
- Inter Governmental Action Group against Money Laundering in West Africa (GIABA) (www.giaba.org)

ICNL

INTERNATIONAL CENTER FOR NOT-FOR-PROFIT LAW

1660 L Street NW, Suite 600, Washington, DC 20036 USA
www.icnl.org | facebook.com/ICNLAlliance | icnl.bsky.social | LinkedIn