

FATF



BEST PRACTICES

# COMBATING THE ABUSE OF NON-PROFIT ORGANISATIONS (RECOMMENDATION 8)

JUNE 2015



FINANCIAL ACTION TASK FORCE

The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard.

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Applications for such permission, for all or part of this publication, should be made to the FATF Secretariat, 2 rue André Pascal 75775 Paris Cedex 16, France

(fax: +33 1 44 30 61 37 or e-mail: [contact@fatf-gafi.org](mailto:contact@fatf-gafi.org)).

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<b>AML</b>	Anti-money laundering
<b>CRA</b>	Canada Revenue Agency
<b>CFT</b>	Countering the financing of terrorism
<b>DNFBP</b>	Designated non-financial businesses and professions
<b>FIU</b>	Financial intelligence unit
<b>ML</b>	Money laundering
<b>NGO</b>	Non-government organisation
<b>NPO</b>	Non-profit organisation
<b>RBA</b>	Risk-based approach
<b>TF</b>	Terrorist financing
<b>UNSCR</b>	United Nations Security Council Resolution

## BEST PRACTICES PAPER ON COMBATING THE ABUSE OF NON-PROFIT ORGANISATIONS (RECOMMENDATION 8)

This guidance paper should be read in conjunction with:

- the FATF *Recommendations*, especially Recommendation 8 and its Interpretive Note, and Recommendation 1 and its Interpretive Note, and
- the FATF typologies report on the Risk of Terrorist Abuse in Non-Profit Organisations.

Other relevant FATF documents include:

- the guidance on National Money Laundering and Terrorist Financing Risk Assessment
- the typologies report on *Terrorist Financing*
- the Risk-Based Approach Guidance for the Banking Sector, and
- the Revised Guidance on AML/CFT and Financial Inclusion.

## I. INTRODUCTION AND BACKGROUND

1. The Financial Action Task Force (FATF) *Best Practices Paper on Combating the Abuse of Non-Profit Organisations* was first written in 2002 at a time when the FATF had just introduced standards to address specific terrorist financing (TF) vulnerabilities and threats in the wake of the 11 September 2001 terrorist attacks. Since then, the threat environment has evolved, government experience implementing Recommendation 8 has advanced, and the non-profit organisation (NPO) sector and self-regulatory mechanisms have also continued to evolve. A limited update of the best practices paper was conducted in 2013 with specific input from the NPO sector to reflect the revised *FATF Recommendations* and the need to protect the legitimate activities of NPOs. The FATF published a typologies report on the *Risk of Terrorist Abuse in Non-Profit Organisations* (the typologies report) in June 2014, and the best practices paper has now been further revised to reflect some of the findings of that report along with additional input and examples of good practice from governments and the private sector.

2. The FATF recognises the vital importance of the NPO community in providing charitable services around the world, as well as the difficulty of providing assistance to those in need, often in remote regions, and applauds the efforts of the NPO community to meet such needs. One of the main objectives of this best practices paper is to facilitate NPO efforts and protect the integrity of the NPO sector by providing examples of additional ways that governments and the NPO sector can work towards protecting the global NPO sector from terrorist abuse. These good practices are not mandatory elements of the FATF Standards<sup>1</sup>, and are included as examples only.

3. The FATF is committed to maintaining a close and constructive dialogue with the private sector, including the NPO sector, as important partners in ensuring the integrity of the financial system.

4. The FATF recognises the intent and efforts to date of the NPO community to promote transparency within their operations and to prevent misuse of the sector by those wishing to support terrorist financing and terrorist organisations. The NPO sector in many countries has representational and self-regulatory organisations that have developed standards and initiatives to help individual organisations ensure accountability and transparency in their operations, including strengthened internal controls and risk mitigation measures. A sampling of representational and self-regulatory organisations can be found in **Annex 3**.

5. However, more than a decade after the abuse of NPOs by terrorists and terrorist organisations was formally recognised as a concern, some NPOs in the sector continue to be misused and exploited by terrorists through a variety of means. In fact, terrorist actors will often employ deception to mask their activities, particularly those in conflict regions. Well-planned deceptions by terrorists abusing the NPO sector are difficult to penetrate with the resources

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<sup>1</sup> The FATF Standards comprise the FATF Recommendations and their Interpretive Notes.

available to non-governmental actors, making state-based oversight and its capabilities a necessary element to detecting the most sophisticated terrorist threats to the NPO sector.

## II. PURPOSE AND CONTEXT

6. The purpose of this best practices paper is to set out specific examples of good practice which:

- a) Primarily assist countries<sup>2</sup> in their implementation of Recommendation 8 on non-profit organisations, in line with Recommendation 1 and the risk-based approach, and consistent with countries' obligations to respect freedom of association, assembly, expression, religion or belief, and international humanitarian law;<sup>3</sup>
- b) May assist NPOs which fall within the scope of the FATF definition of a *non-profit organisation* to help meet the objectives of Recommendation 8 and mitigate TF threats they may face; and
- c) May assist financial institutions in the proper implementation of a risk-based approach when providing financial services to NPOs, and guide donors who are providing funding to NPOs.

7. The following context is particularly important to keep in mind when implementing the requirements of Recommendation 8 and its Interpretive Note, and when considering the examples of good practice set out in this paper:

- a) Recommendation 8 does not apply to the NPO sector as a whole. Countries should take a targeted approach to implementing the measures called for in Recommendation 8, including oversight and regulatory mechanisms, based on an understanding of the diversity of the NPO sector and the terrorism risks faced by the domestic NPO sector. Given the variety of legal forms that NPOs can have, depending on the country, the FATF has adopted a functional definition of NPO. This definition is based on those activities and characteristics of an organisation which put it at risk of terrorist abuse, rather than on the simple fact that it is operating on a non-profit basis. Recommendation 8 only applies to those NPOs which fall within the FATF definition of a *non-profit organisation*.

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<sup>2</sup> All references to *country* or *countries* apply equally to territories or jurisdictions.

<sup>3</sup> See also the United Nations Global Counter-Terrorism Strategy adopted in September 2006, which includes section IV. Measures to ensure respect for human rights for all and the rule of law as the fundamental basis of the fight against terrorism.

The Preamble of the UN Security Council Resolution 2129(2013) states that the Council recognises “the need for Member States to prevent the abuse of non-governmental, non-profit and charitable organisations by and for terrorists, and calling upon non-governmental, non-profit, and charitable organisations to prevent and oppose, as appropriate, attempts by terrorists to abuse their status, while recalling the importance of fully respecting the rights to freedom of expression and association of individuals in civil society and freedom of religion or belief, and noting the relevant recommendation and guidance documents of the Financial Action Task Force”.



**FATF definition of a non-profit organisation**

A legal person or arrangement or organisation 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”.

Throughout this report, unless otherwise specified, the term NPO refers only to those NPOs falling within the FATF definition. The term does not apply to the entire universe of NPOs.

Within the FATF definition of NPO, Recommendation 8 is intended to apply only to those NPOs that pose the greatest risk of terrorist financing abuse. In some jurisdictions, this may mean those NPOs that control a significant portion of the financial resources of the sector and those NPOs that have a substantial share of the sector’s international activities. In other jurisdictions, a domestic NPO sector review combined with an understanding of the TF risks in the sector may indicate that the risk of terrorist abuse is greater for NPOs with different characteristics. In some jurisdictions, the TF risk in the sector may be low based on the context of the country.<sup>4</sup>

- b) Not all NPOs are high risk, and some may represent little or no risk at all. It may be possible that existing measures are sufficient to address the current TF risk to the NPO sector identified in a country, although periodic reviews may identify new or evolved TF risks over time. This has important implications for both countries and financial institutions in their implementation of a risk-based approach, in line with Recommendation 1. In particular, it means that a “one size fits all” approach to all NPOs is not appropriate, either in terms of how countries supervise and monitor the sector, or how financial institutions manage business relationships with customers who are NPOs. It is also an important consideration for donors who are providing funding to NPOs.
- c) When applying measures to mitigate the risks that have been identified in their domestic NPO sector, it is important for countries to take into account the objectives of Recommendation 8 which are set out in paragraph 3 of its Interpretive Note as follows:

*The objective of Recommendation 8 is to ensure that NPOs are not misused by terrorist organisations: (i) to pose as legitimate entities; (ii) to exploit legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset freezing measures; or (iii) to conceal or obscure the clandestine diversion of funds intended for legitimate purposes, but diverted for terrorist purposes. In this Interpretive Note, the approach taken to achieve this objective is based on the following general principles:*

- a) *Past and ongoing abuse of the NPO sector by terrorists and terrorist organisations requires countries to adopt measures both:*

<sup>4</sup> See paragraph 16 on the findings of the typologies report (FATF, 2014a).

*(i) to protect the sector against such abuse, and (ii) to identify and take effective action against those NPOs that either are exploited by, or actively support, terrorists or terrorist organisations.*

- b) Measures adopted by countries to protect the NPO sector from terrorist abuse should not disrupt or discourage legitimate charitable activities. Rather, such measures should promote transparency and engender greater confidence in the sector, across the donor community and with the general public, that charitable funds and services reach intended legitimate beneficiaries. Systems that promote achieving a high degree of transparency, integrity and public confidence in the management and functioning of all NPOs are integral to ensuring the sector cannot be misused for terrorist financing.*
- c) Measures adopted by countries to identify and take effective action against NPOs that either are exploited by, or actively support, terrorists or terrorist organisations should aim to prevent and prosecute, as appropriate, terrorist financing and other forms of terrorist support. Where NPOs suspected of, or implicated in, terrorist financing or other forms of terrorist support are identified, the first priority of countries must be to investigate and halt such terrorist financing or support. Actions taken for this purpose should, to the extent reasonably possible, avoid negative impact on innocent and legitimate beneficiaries of charitable activity. However, this interest cannot excuse the need to undertake immediate and effective actions to advance the immediate interest of halting terrorist financing or other forms of terrorist support provided by NPOs.*
- d) Developing cooperative relationships among the public, private and NPO sector is critical to raising awareness and fostering capabilities to combat terrorist abuse within the sector. Countries should encourage the development of academic research on, and information sharing in, the NPO sector to address terrorist financing related issues.*
- e) A targeted approach in dealing with the terrorist threat to the NPO sector is essential given the diversity within individual national sectors, the differing degrees to which parts of each sector may be vulnerable to misuse by terrorists, the need for legitimate charitable activity to continue to flourish, and the limited resources and authorities available to combat terrorist financing in each country.*

- f) *Flexibility in developing a national response to terrorist financing in the NPO sector is also essential, in order to allow it to evolve over time as it faces the changing nature of the terrorist financing threat.*
- d) The FATF Recommendation 8 Best Practices Paper, like all FATF best practices papers, is not mandatory for assessing compliance with the FATF Standards, but countries and the NPO sector may find it valuable to consider it when determining how best to prevent and mitigate terrorist abuse in the NPO sector. The specific examples of good practice in this paper should not be used as a checklist of requirements to be applied to or by all NPOs, and are included as examples only. The good practices are not intended to be comprehensive. Rather, they are illustrative of the types of measures that, depending on the circumstances, are good steps towards meeting the objectives of Recommendation 8. Although these good practices are considered to be helpful indicators, they may not be relevant in all circumstances.
- e) As noted in the Interpretive Note to Recommendation 8, terrorists and terrorist organisations may exploit some NPOs in the sector to raise and move funds, provide logistical support, encourage terrorist recruitment, or otherwise support terrorist organisations and operations. This misuse not only facilitates terrorist activity, but also undermines donor confidence and jeopardises the very integrity of NPOs. Therefore, protecting the NPO sector from terrorist abuse is both a critical component of the global fight against terrorism and a necessary step to preserve the integrity of the NPO sector and donor community.

### III. GUIDANCE AND EXAMPLES OF GOOD PRACTICE FOR COUNTRIES

Specific examples of good practice for countries can be found in **Annex 1**.

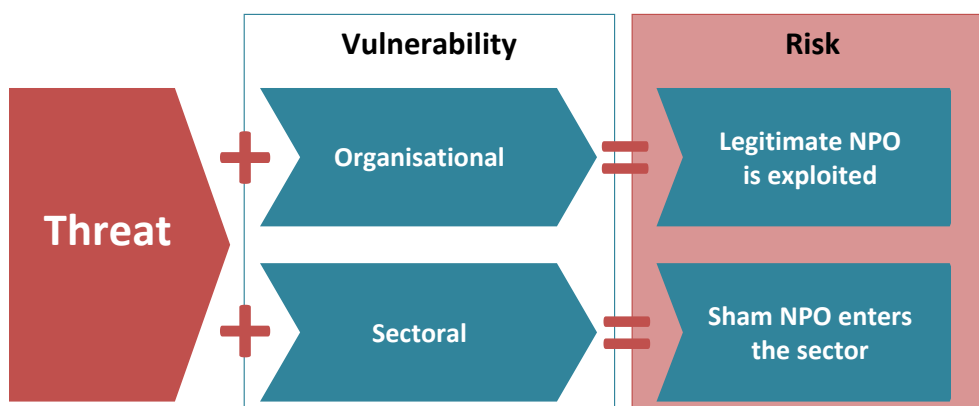
8. Recommendation 8 does not operate in isolation. Its implementation should be consistent with the over-arching requirements of Recommendation 1 on the risk-based approach.

#### A. UNDERSTANDING THE RISK

9. As stated in Recommendation 1, countries should identify, assess, and understand the money laundering and terrorist financing risks for the country, and should take action, including designating an authority or mechanism to coordinate actions to assess risks, and apply resources, aimed at ensuring the risks are mitigated effectively. Based on that assessment, countries should apply a risk-based approach (RBA) to ensure that measures to prevent or mitigate money laundering and terrorist financing are commensurate with the risks identified. This risk-based approach should be an essential foundation to efficient allocation of resources across the anti-money laundering and countering the financing of terrorism (AML/CFT) regime and the implementation of measures throughout the *FATF Recommendations*. Where countries identify higher risks, they should ensure that their AML/CFT regime adequately addresses such risks. Where countries identify lower risks, they may decide to allow simplified measures for some of the *FATF Recommendations* under certain conditions.

10. Risk can be defined as the ability of a threat to exploit a vulnerability. For there to be a risk, both a threat and a vulnerability must be present.

Figure 1. **Threat+Vulnerability=Risk**



11. A domestic sector review has always been an element of Recommendation 8. However, understanding TF risk and responding appropriately using a risk-based approach to effectively implement Recommendation 8 has become more critical following the adoption of the revised *FATF Recommendations* which emphasize the risk-based approach. Recommendation 8 requires countries to undertake a domestic review of their entire NPO sector, or have the capacity to obtain timely information on its activities, size and other relevant features, and review the adequacy of laws and regulations that relate to the portion of the NPO sector that can be abused for the financing of terrorism. In undertaking this review, countries should use all available sources of information in order to identify features and types of NPOs which, by virtue of their activities or characteristics, are at risk of being misused for terrorist financing<sup>5</sup>. In other words, a review of the entire sector would identify which subset of organisations fall within the FATF definition of NPO and then identify which NPOs in the subset would be considered higher risk for TF abuse. Countries should also periodically reassess the NPO sector by reviewing new information on the sector's potential vulnerabilities to terrorist financing activities, trends related to terrorist abuse, and risk mitigation measures.

12. While it is possible that NPOs, like their for-profit counterparts, may face numerous other risks relating to money laundering, fraud, corruption, and tax evasion, Recommendation 8 is only intended to address the particular vulnerability of NPOs to terrorist abuse. Yet risk mitigation measures to protect against other illicit finance threats, including money laundering, can be useful in mitigating terrorist financing risk.

13. An understanding of the domestic NPO sector and the terrorist financing risks it faces are critical to complying with Recommendation 8 in the 4<sup>th</sup> round of Mutual Evaluations. The risk-based approach is the foundation for countries to determine how best to mitigate terrorist financing risks, including how to implement the comprehensive approach called for by Recommendation 8 and which elements of the NPO sector should be subject to oversight mechanisms.

14. In practice, conducting a domestic review of the entire NPO sector is a fundamental and necessary starting point for the proper implementation of Recommendation 8, because it enables countries to:

- a) determine which NPOs in their country fall within the scope of the FATF definition of a *non-profit organisation* and to which NPOs the country's TF mitigation measures should apply;
- b) better understand the domestic NPO sector, including size, type, locations and activities of NPOs;
- c) understand the terrorist financing risks facing their specific NPO sector, and determine which laws, regulations, and other measures are already in place which might help to mitigate those risks, in line with Recommendation 8;

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<sup>5</sup> Paragraph 4 of the Interpretive Note to Recommendation 8 (FATF, 2012).

- d) take the results of the domestic review into account in the context of their national risk assessment, as appropriate<sup>6</sup>; and
- e) ascertain whether the laws, regulations, and other measures already in place are commensurate with the risks identified, in line with Recommendation 1<sup>7</sup>, and whether additional measures are needed to mitigate the risk or if the current measures are sufficient.

15. Elements of a country's domestic sector review could include: the size, type, and scope of NPOs, their activities, their donor base, cross-border activity and financing, movement of funds, means of payments, type and location of activities engaged in, services provided, and the level of risk associated with these elements.

#### Box 1. Example of a sector review

The national regulator of registered charities in Canada, the Canada Revenue Agency (CRA), conducted a domestic review of the entire NPO sector in Canada in order to identify which organisations, by virtue of their activities and characteristics, were at greater risk of being abused for terrorist support.

Specifically, Canada aimed to ensure that:

- It is not taking an overly broad interpretation of the FATF definition of NPO;
- It focuses on those organisations that are at greatest risk; and
- It does not burden organisations not at risk with onerous reporting requirements for TF purposes.<sup>1</sup>

The CRA reviewed existing publications and research by governmental, academic, and non-profit organisations related to the non-profit sector, including reports by Statistics Canada on non-profit institutes, consultations on regulations affecting the sector, and studies on trends in charitable giving and volunteering. In addition, the CRA looked at existing laws and reporting requirements affecting non-profit organisations.

To determine where there is risk, NPOs were categorised based on shared characteristics such as purpose, activities, size and location of operation. The CRA compared those characteristics with the elements of the FATF definition of NPO. It also took into consideration the findings of the FATF typologies report *Risk of Terrorist Abuse in Non-*

<sup>6</sup> For additional information on conducting a national risk assessment, see the FATF guidance document [National Money Laundering and Terrorist Financing Risk Assessment](#) (FATF, 2013).

<sup>7</sup> Paragraph 1 of the Interpretive Note to Recommendation 1 (FATF, 2012).

*Profit Organisations*<sup>2</sup> to identify features that put organisations a greater risk.

The CRA found that, in Canada, the organisations at greatest risk of terrorist abuse because of the nature of their activities and characteristics are charities. This means that in the Canadian context, charities are the organisations that fall within the FATF definition of NPO. While organisations at greatest risk are charities, not all charities are at risk. The insight obtained from the sector review allowed Canada to focus on charities as the starting point for its national risk assessment.

1. See paragraphs 23 and 24.

2. FATF (2014a).

16. The FATF has conducted its own research into the terrorist financing risks<sup>8</sup> facing NPOs. In June 2014, the FATF published a typologies report on [Risk of Terrorist Abuse in Non-Profit Organisations](#)<sup>2</sup> which analysed 102 case studies submitted by 14 countries from across the globe. The typologies report found that more than a decade after the abuse of NPOs by terrorist entities was formally recognised as a concern, the threat remains. While the abuse of the NPO sector by terrorist entities is, in the context of the global NPO sector, a low-probability risk, the impact of such abuse on the NPO sector goes beyond the narrow consideration of monetary value. Donors trust that resources provided to NPOs, either financial or material, will be used for good works; this trust is the foundation for the NPO sector. The diversion of these resources to benefit entities whose principal goal is to harm, undermines the public's trust in the NPO sector, which will have a disproportionate impact on NPO operations. That report found a correlation between the types of activities an NPO is engaged in and the risk of terrorist abuse. The report concluded that:

- a) The NPOs most at risk of abuse for terrorist financing are engaged in “service activities”, meaning programmes focused on providing housing, social services, education, or health care. This is consistent with the FATF definition of *non-profit organisation*. Indeed, none of the NPOs in the case studies analysed were engaging in “expressive activities”, meaning programmes focused on sports and recreation, arts and culture, interest representation or advocacy such as political parties, think tanks and advocacy groups.
- b) The risks facing NPOs engaged in service activities are not equal. There is a stronger risk of abuse for NPOs providing service activities “in close proximity to an active terrorist threat”. This may refer to an NPO operating: i) in an area of conflict where there is an active terrorist threat; or ii) domestically in a country where there is no conflict, but within a population that is actively targeted by a terrorist movement for support and cover. In both cases the key variable of risk is not geographic, but the proximity to an active terrorist threat. Importantly, this does not always correspond to geographic areas of conflict or low-governance. In areas of conflict or low-governance where terrorist

<sup>8</sup> The typologies report defines risk as the potential for harm as a result of a threat (in this case, individuals or groups who support terrorism) exploiting a vulnerability/vulnerabilities (in this case, of an NPO).

<sup>9</sup> FATF (2014a).

movements do not or cannot operate, NPOs may face risks associated with corruption or criminality, but not necessarily terrorist financing. Conversely, terrorist movements may actively target populations within relatively stable environments for support. Ultimately, the principal considerations for determining which NPOs are at a higher risk of abuse are the value of their resources or activities to terrorist entities, and the proximity to an active terrorist threat that has the capability and intent to abuse NPOs<sup>10</sup>. In general, there are five categories of abuse or risk facing NPOs:

- i. The *diversion of funds* is a significant method of abuse, with actors inside the NPO or external actors (such as foreign partners or third-party fundraisers) being responsible for the diversion to support terrorist entities at some point through the NPO's operational or financial processes;
- ii. NPOs or their directing officials knowingly or unknowingly maintaining an *affiliation with a terrorist entity* which may result in the NPO being abused for multiple purposes, including general logistical support to the terrorist entity;
- iii. Abuse to *support recruitment efforts* by terrorist entities;
- iv. The *abuse of programming* in which the flow of resources is legitimate, but NPO programmes are abused at the point of delivery; and
- v. Abuse through *false representation* in which terrorist entities start "sham" NPOs or falsely represent themselves as the agents of "good works" in order to deceive donors into providing support. Well-planned deceptions are difficult to penetrate with the resources available to non-governmental actors, making state-based oversight and its capabilities a necessary element to detecting the most sophisticated threats to the sector's activities.<sup>11</sup>

17. The typologies report also describes useful:

- a) *risk indicators*: indicators which are ultimately leads requiring further investigation to assess the nature or risk of abuse, but which do not necessarily point to terrorism as the only possible explanation; and
- b) *terrorist abuse indicators*: a smaller subset of indicators.

## B. MITIGATING THE RISK

18. There is no "one size fits all" approach to mitigating the terrorist financing risks faced by NPOs. On the contrary, Recommendation 8 expressly acknowledges that there is a diverse range of approaches in identifying, preventing and combating terrorist misuse of NPOs. The Interpretive Note to Recommendation 8 states that a successful approach in identifying, preventing and combating terrorist abuse in the NPO sector involves a flexible, multi-faceted four-pronged approach.

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<sup>10</sup> Page 6 of the *FATF Report on Risk of Terrorist Abuse in Non-Profit Organisations* (FATF, 2014a).

<sup>11</sup> Page 5 of the *FATF Report on Risk of Terrorist Abuse in Non-Profit Organisations* (FATF, 2014a).



19. In cases where terrorist abuse in the NPO sector is detected, a variety of measures could be implemented depending on the severity of the case, including regulatory, administrative actions or targeted financial sanctions, criminal investigation or other actions. However, countries should work to ensure a proportionate response to the TF risk and specific threats they face. The existing regulation(s) and/or other measures, including those adopted to mitigate other risks and illicit activities,<sup>12</sup> may sufficiently address the current TF risk to the sector, while additional or different measures may need to be considered when existing measures are found inappropriate to mitigate the risk, or as the TF risk to the sector evolves and changes over time.

20. An effective approach to protecting the NPO sector from abuse as conveyed in Recommendation 8 involves all four of the following elements implemented using a proportionate, risk-based approach:

**Box 2. Effective approach to protecting the NPO sector**

An effective approach to protecting the NPO sector involves the following four elements:

- 1) Ongoing outreach to the sector;
- 2) Proportionate, risk-based supervision or monitoring;
- 3) Effective investigation and information gathering; and
- 4) Effective mechanisms for international cooperation.<sup>1</sup>

1. Paragraph 5 of the Interpretive Note to Recommendation 8 (FATF, 2012).

21. This does not mean that all NPOs should be made subject to the same measures. This is consistent with Recommendation 1 which requires countries to ensure that measures to prevent or mitigate money laundering and terrorist financing are commensurate with the risks identified. This means that enhanced measures should be applied where risks are higher and, correspondingly, lower, simplified measures may be permitted where risks are lower.

22. Recommendation 8 expressly acknowledges another important consideration when applying risk mitigation measures to the NPO sector. While it is vital to protect NPOs from terrorist abuse, it is also important that the measures taken to protect them do not disrupt or discourage legitimate charitable activities, and should not unduly or inadvertently restrict NPO's ability to access resources, including financial resources, to carry out their legitimate activities. Rather, such measures should promote transparency and engender greater confidence in the sector, across the donor community and with the general public that charitable funds and services are reaching their intended legitimate beneficiaries<sup>13</sup>. Also, as a matter of principle, complying with the *FATF Recommendations* should not contravene a country's obligations under the *Charter of the United Nations* and international human rights law to promote universal respect for, and observance of,

<sup>12</sup> Such as money laundering, fraud, corruption and tax evasion. See paragraph 12.

<sup>13</sup> Paragraph 3 of the Interpretive Note to Recommendation 8 (FATF, 2012).

fundamental human rights and freedoms, such as freedom of expression, religion or belief, and freedom of peaceful assembly and of association.<sup>14</sup>

23. In practice, it is important for countries to implement mitigation measures that are commensurate (i.e. proportionate) with the risks identified through a domestic review of the NPO sector and understanding of the TF risks in the sector, avoiding CFT regulatory measures that disproportionately affect or burden NPOs with little to no TF risk, and that are in line with proper implementation of a risk-based approach. This is important because:

- a) not all NPOs face high terrorist financing risks and many NPOs face little or no such risk;
- b) the sector is comprised of an extremely large number of very diverse entities which means that, in practice, countries need to focus their limited resources on those NPOs which have been identified as higher risk; and
- c) a “one size fits all” approach is not an effective way to combat terrorist abuse of NPOs and is more likely to disrupt or discourage legitimate charitable activities.

24. Detailed registration procedures for NPOs, additional reporting requirements, requirement of appointing a designated staff responsible for counter-terrorism compliance, and an external audit of the organisation, may not be appropriate for CFT purposes for those NPOs facing little to no TF risk. Any of these or other TF risk mitigation measures should be proportionate to the TF risk they face.

#### A. OUTREACH TO THE SECTOR

25. The Interpretive Note to Recommendation 8 requires countries to undertake outreach to the NPO sector concerning terrorist financing issues<sup>15</sup>. Regular dialogue with the NPO sector leads to and helps establish collaborative relationship with the sector. In practice, while there are various forms of outreach, it could focus on the subset of organisations that fall within the FATF definition of NPO and which are at higher risk of abuse. This can nevertheless be challenging if there is a large number of diverse entities that comprise the sector. Engaging with NPO associations, coalitions, umbrella organisations, self-regulatory organisations and donor organisations can also be a useful way of effectively reaching out to a large number of NPOs.

26. Another issue is identifying which part of the government should be the focal point for such engagement. All stakeholders, including governmental and non-governmental actors, law enforcement and NPO regulators, can be involved in the development of outreach and education about the specific terrorist risks facing a domestic NPO sector and provide examples of risk mitigation good practices. For countries with a single charities regulator, this could be a logical choice of focal point for outreach. However, in many countries, NPOs and CFT authorities fall under the jurisdiction of numerous government ministries and departments. In some countries, the tax authorities have proven to be a good focal point for engagement since, as is often the case, a large number of NPOs have regular engagement with the tax authorities in the context of qualifying for and maintaining preferential tax treatment.

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<sup>14</sup> See also, for example, the *Universal Declaration of Human Rights* (Articles 18, 19 and 20) and *International Covenant on Civil and Political Rights* (Articles 18, 19, 21 and 22).

<sup>15</sup> Paragraph 5(a) of the Interpretive Note to Recommendation 8 (FATF, 2012).

27. Ideally, outreach should involve a two-way, ongoing dialogue between governments and NPOs. It can include guidance to NPOs and consultation with NPOs to seek their input or feedback. Outreach to the sector could occur during the country's domestic sector review; during the development and implementation of risk mitigation measures and guidance; during the FATF mutual evaluation process; and when specific issues are raised. The following are some of the advantages of such an approach:

- a) Countries may obtain useful information from NPOs in their country about their specific needs, concerns, vulnerabilities, risks and challenges. This information can be used to direct the development of more effective policies, guidance and risk mitigation measures for NPOs.
- b) Issues and concerns flagged by NPOs may help countries prevent or disrupt high-risk activities before they escalate to instances of terrorist abuse or lead to earlier detection of such abuse.
- c) Risk mitigation measures may be implemented more effectively because NPOs will have a better understanding of their terrorist financing risks and how to best to mitigate them.
- d) Countries may learn how to conduct more effective outreach to NPOs on terrorist financing and related issues and engage in more constructive, ongoing dialogue with the sector on protecting NPOs from terrorist abuse.

## **B. SUPERVISION OR MONITORING OF NPOS**

28. The Interpretive Note to Recommendation 8 requires countries to take steps to promote effective supervision or monitoring of their "NPO sector", meaning those organisations that fall within the scope of the FATF definition of NPOs and ultimately those NPOs that are the subset of NPOs deemed to be at higher risk of TF abuse.

29. Recommendation 8 does not require the same measures to be applied to all NPOs. Indeed, a "one size fits all" approach would not be consistent with Recommendation 1 and proper implementation of a risk-based approach. Countries should implement measures that are commensurate with the risks identified through their domestic review of the NPO sector and their understanding of the TF risks facing the sector, and should apply enhanced measures where the TF risks are higher. It is also possible that existing regulatory or other measures may already sufficiently address the current TF risk to the NPOs in a jurisdiction, although TF risks to the sector should be periodically reviewed.

30. In practice, this means that countries should apply the specific measures set out in subparagraphs 5(b)(i) to 5(b)(vii) of the Interpretive Note to Recommendation 8 to address the NPOs falling within the FATF definition of NPOs and at greatest risk of TF abuse. In some jurisdictions, this may mean 1) those NPOs that control a significant portion of the financial resources of the sector and 2) those NPOs that have a substantial share of the sector's international activities. However, in other jurisdictions, input from the domestic sector review and an understanding of the TF risks facing the NPO sector, may indicate that the risk is greater for NPOs with different characteristics. For example, a major finding of the typologies report was that NPOs most at high risk were those

engaged in ‘service’ activities and operating in a close proximity to an active terrorist threat, whether domestically or internationally.

31. The specific measures that could be applied to those NPOs deemed at greater TF risk include requirements for those organisations to:

- a) be licensed or registered. However, countries are not required to impose specific licensing or registration requirements for counter-terrorist financing purposes. For example, in some countries NPOs are already registered with tax authorities and monitored in the context of qualifying for favourable tax treatment such as tax credits or tax exemptions<sup>16</sup>;
- b) maintain information on their activities and those who own, control or direct their activities;
- c) issue annual financial statements;
- d) have controls in place to ensure that funds are fully accounted for and spent in a manner consistent with the NPO’s stated activities;
- e) follow a “know your beneficiaries and associate NPOs” rule;
- f) keep records; and
- g) be subject to monitoring by the appropriate authorities, including the application of effective, proportionate and dissuasive sanctions<sup>17</sup> for violating these requirements.

32. There are some important advantages to properly implementing these aspects of the supervision and monitoring requirements:

- a) Applying measures that are commensurate to the risks identified (rather than applying a “one size fits all” approach) avoids over-regulation of the sector which may place a disproportionate burden on NPOs that have not been identified as being at risk and/or may inadvertently disrupt or discourage legitimate charitable activities.
- b) Those NPOs at risk of TF abuse may change over time and therefore warrant a change in government regulatory, investigative or outreach response.
- c) Countries may be able to help mitigate the terrorist financing risks by leveraging off of transparency, good governance and/or self-regulatory initiatives that are already being implemented by NPOs.
- d) Countries can better allocate their limited supervisory resources by taking steps that are commensurate (i.e. proportionate) to the specific risks that have been identified, rather than applying the full range of measures set out in sub-paragraphs 5(b)(i) to 5(b)(vii) to the numerous and diverse NPOs.
- e) Different countries have adopted different approaches to the supervision and monitoring of NPOs based on a range of factors, including their domestic legal frameworks,

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<sup>16</sup> Footnote 23 of the Interpretive Note to Recommendation 8 (FATF, 2012).

<sup>17</sup> Sanctions for violations should be effective, proportionate and dissuasive, and in line with or at least not surpassing sanctions for violations in other industries or sectors.

investigative expertise, assessment of domestic terrorist financing risks, and other considerations. There is not a single correct approach to ensuring effective oversight of the sector and appropriate transparency within NPOs, as long as the relevant sections of the NPO sector most at risk for TF abuse are appropriately monitored and have appropriate controls in place to mitigate such risks. Government authorities should have the ability to take action when TF threats are identified.

### C. EFFECTIVE INVESTIGATION AND INFORMATION GATHERING

33. In the context of information gathering, countries should ensure effective cooperation, coordination and information sharing to the extent possible among all levels of appropriate authorities (meaning competent authorities, including law enforcement, intelligence and regulatory agencies, accrediting institutions and self-regulatory organisations) or organisations that hold relevant information on NPOs<sup>18</sup>. In practice, this may include, to the extent possible and where appropriate, non-governmental authorities such as NPO associations, coalitions, umbrella organisations or NPO self-regulatory organisations. Such bodies may hold relevant information on NPOs operating in the country and the specific terrorist financing risks that they are facing.

34. Countries should have investigative expertise and capability to examine those NPOs which are suspected of being exploited by, or actively supporting, terrorist organisations. Countries should also ensure that full access to information on the administration and management of a particular NPO (including financial and programmatic information) may be obtained during the course of an investigation<sup>19</sup>. In practice, this means that countries should ensure that designated law enforcement authorities have responsibility for terrorist financing investigations within the framework of national AML/CFT policies and have sufficient powers to do so, in line with Recommendations 29, 30 and 31. Additionally, countries should ensure that all NPOs falling within the FATF definition and deemed at higher risk of TF abuse as part of the subset of NPOs are required to maintain, at a minimum, some financial and programmatic information, so that such information may be obtained should an investigation into possible terrorist abuse arise. Such requirements could be imposed through AML/CFT legislation or may already be in place in other types of legislation. For example, NPOs may be required by law or regulation to maintain some financial and programmatic information for the purpose of establishing that they qualify for favourable tax treatment.

35. Countries should establish appropriate mechanisms to ensure that, when there is suspicion that a particular NPO is being abused by terrorists, this information and any other relevant information are promptly shared with relevant competent authorities, in order to take preventive or investigative action<sup>20</sup>. This does not mean that the *FATF Recommendations* require countries to impose a suspicious transaction reporting obligation on NPOs, along the lines of Recommendation 20. NPOs are not considered designated non-financial businesses and professions (DNFBPs) and should therefore not be subject to the FATF requirements for DNFBPs.

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<sup>18</sup> Paragraph 5(c)(i) of the Interpretive Note to Recommendation 8 (FATF, 2012).

<sup>19</sup> Paragraph 5(c)(ii) and 5(c)(iii) of the Interpretive Note to Recommendation 8 (FATF, 2012).

<sup>20</sup> Paragraph 5(c)(iv) of the Interpretive Note to Recommendation 8 (FATF, 2012).

36. Some practices which have been found to enhance countries' ability to identify and take action against terrorist abuse of NPOs include:

- a) effective interagency collaboration or a "whole-of-government" approach;
- b) considering multiple types of information from different sources which facilitates the detection of abuse (including taking into account NPO regulatory information, open-source information, financial intelligence unit and other financial information, national security information, law enforcement information and information from foreign authorities); and
- c) fostering an environment of trust in which information on particular NPOs of concern for TF or related issues is made available to government authorities from the public and from the NPO sector itself.

37. Information provided by NPOs to regulatory agencies who have, as part of their mandate, the oversight of the NPO sector, is very important to promoting transparency in the NPO sector. However, in cases where complicit organisations relied on deception to mislead donors and other NPOs for terrorist financing purposes, the use of national security or intelligence-gathered information to breach this deception is important in protecting the sector from specific terrorist financing threats. National security intelligence derives from varying sources and reports on a wide-range of subject matters. As demonstrated in the FATF typologies report, national security intelligence provides context to the risk environment in which NPOs operate. This includes information on individuals and organisations with relevant links to TF and other support for terrorist activities.

38. Information deriving from law enforcement activity and intelligence services can also be helpful in identifying terrorist abuse in the NPO sector. Information from criminal investigations can help provide competent authorities with a better understanding of the TF risk environment in which NPOs are operating, and context surrounding instances of abuse and circumstances of risk. It can provide insight on individuals and organisations supporting illicit activities and linked to NPOs, and their relevant links to TF.

39. The case studies in the FATF typologies report showed that, following the detection of abuse or substantial risk in the NPO sector, and depending on the severity of the case, a variety of means resulted in disruption or mitigation. In instances where a criminal threshold had already been crossed, criminal prosecutions were relied on to halt TF abuse.

40. The use of administrative means and targeted financial sanctions to protect the NPO sector from terrorist abuse are also available, including applying sanctions against individuals associated with misuse of NPOs or entire NPOs for supporting terrorist organisations or terrorist activity. FATF Recommendation 6 supports the use of targeted sanctions to prevent TF, which are also internationally anchored in United Nations Security Council Resolutions, particularly Resolutions 1267/1989, 1988, and 1373 and their successor resolutions.

41. There may be other measures that could be implemented for specific organisations identified as potentially a concern for TF without affecting the larger operations of the NPO sector. Such examples are provided in **Annex 1**.

42. A collaborative, inter-agency approach to the detection of abuse and risk ensures that investigative actions being carried out by one body don't conflict with or jeopardize actions being carried out by another.

**D. EFFECTIVE CAPACITY TO RESPOND TO INTERNATIONAL REQUESTS FOR INFORMATION ABOUT AN NPO OF CONCERN**

43. Countries should identify appropriate points of contact and procedures to respond to international requests for information regarding particular NPOs suspected of terrorist financing or other forms of terrorist support<sup>21</sup>.

44. International cooperation is important in protecting NPOs from terrorist abuse given that their work is often global in nature and may span several jurisdictions. This global presence provides a framework for national and international operations and financial transactions, often within or near those areas that are most exposed to terrorist activity.

45. Information from foreign counterparts can also be helpful in identifying and taking action against TF threats because of the transnational nature of many NPO operations. Such information may be obtained from NPOs' foreign partners as well as information from foreign partner (government) agencies.

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<sup>21</sup> Paragraph 5(d) of the Interpretive Note to Recommendation 8 (FATF, 2012).

## IV. ACTIONS NPOS CAN TAKE TO PROTECT AGAINST TF ABUSE

Specific examples of good practice for NPOs to prevent TF abuse, especially if they operate in higher risk areas, can be found in **Annex 2**.

46. The FATF recognises the intent and efforts to date of the NPO community to promote transparency within their operations and to prevent misuse of the sector, including preventing TF. The NPO sector in many countries has representational and self-regulatory organisations that have developed standards and initiatives to help individual organisations ensure accountability and transparency in their operations. Self-regulatory initiatives to enhance transparency and good governance have the positive consequence of also mitigating some TF risks even though they may not have been specifically developed for that purpose.

### A. RISK ANALYSIS AND RISK-BASED APPROACH

47. Most NPOs have good relations with their donors, partner organisations and beneficiaries who give to or work with the organisation in good faith. However, practical risks do exist and NPOs can be abused for terrorist financing purposes.

48. The nature of the risk in the particular circumstances, the activities that the NPO carries out, and how and where the activities are undertaken, are all reasons why it is important for NPOs to understand the TF risks they face and take appropriate measures to mitigate these risk. Many NPOs already undertake their own risk analysis before working in a new environment or with new partners, as several examples in **Annex 2** demonstrate. Such internal NPO risk assessments can help mitigate a wide variety of potential risks faced by the NPO, including terrorist abuse.

### B. MITIGATING THE RISK

49. The best approach for NPOs to ensure that they are not abused for terrorist purposes is to put in place good governance and strong financial management, including having robust internal and financial controls and risk management procedures. In addition, carrying out proper due diligence on those individuals and organisations that give money to, receive money from or work closely with the NPO is also important. Proper due diligence is dependent upon the circumstances and context of each organisation and the environment in which it operates.

50. Due diligence is the range of practical steps that need to be taken by NPOs so that they are reasonably assured of the provenance of the funds given to the NPO; confident that they know the people and organisations the NPO works with; and able to identify and manage associated risks. NPOs may also undertake their own internal risk analysis to help better understand the risks they face in their operations and design appropriate risk mitigation and due diligence measures.



51. For those NPOs deemed at higher risk of TF abuse, the risk mitigation measures that an individual NPO should implement depend on a range of factors, including various aspects of the NPO's work and the associated risks, existing due diligence and risk mitigation measures, whether the NPO works with partners and whether those partners operate in a close proximity to an active terrorist threat.

### Box 3. Example of a risk analysis by an NPO

An international humanitarian aid organisation, which provides emergency relief in times of crisis as well as long-term recovery assistance, assesses the context and risks in each geographical area where it operates or plans to operate. As part of this analysis, the organisation conducts a review of the security context and an analysis of political authorities and informal power structures in the area. It then determines the potential risks to programme staff or resources, including the risk of resource diversion. In areas without a formal government structure in place, the organisation assesses the role of local clan structures in the area's administration, whether they are distinct from any extremist elements, and whether they can guarantee non-interference by extremist elements and prohibited parties in beneficiary selection, aid distribution, and related programme implementation. The organisation does not work in areas where clan or government structures cannot provide this type of assurance, or where the security environment or risk of aid diversion is unmanageable. The security situation and local dynamics make some areas of the world inaccessible for the organisation.

## C. SELF-REGULATION

52. The growing complexity in the global environment has placed new demands on all legitimate international actors to safeguard the integrity and accountability of their operations. The NPO sector has responded considerably to these demands by developing several different standards and initiatives to help individual organisations ensure accountability and transparency in their operations (See **Annex 3**).

53. The non-profit sector in many countries has representational and self-regulatory organisations, which are a unique resource that can play a role in the protection of the sector against a range of abuses, including terrorist abuse. Such umbrella organisations are directly interested in preserving the legitimacy and reputation of the NPOs and have long been engaged in the development and promulgation of good practices for these organisations in a wide array of functions. The NPO sector in various jurisdictions can further work to disseminate their experience in their self-regulatory measures, provide training and build capacity in the sector (and in different jurisdictions) to adopt such measures, and monitor and evaluate effectiveness and relevance of such measures. As self-regulatory mechanisms in the NPO sector have continued to evolve in various jurisdictions, NPOs without such mechanisms could also consider the development of their own or additional self-regulatory mechanisms to strengthen internal controls and procedures, due diligence

and other measures to improve transparency of their operations and funding and to prevent terrorist and other abuses.

54. Measures to strengthen effective NPO self-regulation should be encouraged as a significant component of decreasing the risk of misuse by terrorist groups in addition to promoting greater transparency and good governance within the larger NPO sector.

#### Box 4. Example of NPO self-regulation

The following are examples of initiatives by representational and self-regulatory organisations that can help NPOs ensure accountability and transparency.

- An independent monitoring organisation, whose aim is to increase public confidence in the country's NPOs and help donors take responsible decisions, developed a report on *Standards of Transparency and Best Practices*. The report took into account domestic legislation, the specific characteristics of the non-profit sector, and responses to a survey of representatives of the non-profit sector. The Standards, which are used to assess compliance by the NPO sector, are structured in blocks, most of which are relevant to countering terrorist abuse of NPOs, including:
  - The running and regulation of the governing board;
  - The clarity and publicity of the organisation's mission;
  - The planning and monitoring of activities;
  - Communication and truthfulness of the information provided;
  - Transparency of funding;
  - Plurality of funding;
  - Control over spending of the funds;
  - Annual reporting and compliance with legal requirements; and
  - Promotion of volunteering.
- An umbrella organisation has implemented a program which awards accreditation to NPOs that implement policies and procedures which uphold the standards relating to governing bodies, financial accountability and transparency, fundraising, staff management and volunteer involvement. The process of applying for and maintaining good standing in the program encourages NPOs to regularly review and improve the systems and policies that they have in place.<sup>1</sup>
- An international umbrella organisation has taken steps to protect the NPO sector against abuses such as fraud, by setting standards and responsibilities for member NPOs related to governing bodies, public benefit goals, finances, fundraising practices and transparency to the public. These are enforced

through an independent monitoring process that awards accreditation to member NPOs that meet the standards and blacklists those deemed to lack transparency.

- Several leading international NPOs have developed and committed to abide by a charter that promotes transparency and accountability in the areas of political and financial independence, responsible advocacy, participatory and effective programmes, transparency in reporting, accuracy of information, good governance and professional and ethical fundraising. Member NPOs commit themselves to applying the provisions of the charter to all their programmes, conducting annual independent fiscal audits, and submitting annual compliance reports, which are reviewed by an independent panel whose assessment is made publicly available.<sup>2</sup>

**Notes:**

1. Imagine Canada, “Standards Program” ([www.imaginecanada.ca/our-programs/standards-program](http://www.imaginecanada.ca/our-programs/standards-program)).
2. INGO Accountability Charter (2014) ([www.ingoaccountabilitycharter.org/home/what-is-the-charter/](http://www.ingoaccountabilitycharter.org/home/what-is-the-charter/)).

#### D. HOW GOOD GOVERNANCE PRACTICES BY NPOS HELP MEET R.8 OBJECTIVES

55. Many NPOs already implement a wide variety of good governance and risk mitigation measures, which can also help mitigate terrorist abuse. The case studies analysed in support of the typologies report demonstrated that terrorist abuse of the NPO sector was commonly the result of a lack of robust internal governance and/or appropriate external oversight.

56. For the subset of NPOs that fall within the FATF definition of NPO and are deemed at higher risk of TF abuse, an effective approach for NPOs to protect themselves from terrorist abuse is the by-product of having robust internal good governance practices in place. For example, while not specifically designed with terrorist financing issues in mind, Transparency International has developed a handbook of good practices on *Preventing Corruption in Humanitarian Operations*. Many of the good practices in the handbook may be helpful in the context of safeguarding organisations against terrorist abuse.<sup>22</sup>

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<sup>22</sup> Transparency International (2015).

57. Good governance can be grouped into four categories.

**Box 5. Good governance for NPOs**

Robust internal governance practices for NPOs can be grouped into the following four categories:

- 1) Organisational integrity;
- 2) Partner relationships;
- 3) Financial transparency and accountability; and
- 4) Programme planning and monitoring.

58. Some characteristics of a good governance system for NPOs are described below. Many of these controls to promote good governance, which are often initially implemented for other purposes or to prevent other illicit activity, can also have an important role in preventing TF abuse.

*1) Organisational integrity*

59. NPOs are established and operate in accordance with a governing document, for example, articles of incorporation, a constitution, or bylaws that outline purposes, structure, reporting practices, and guidelines for complying with local laws. Members of the governing board understand and act in the interest of the organisation. The governing board maintains oversight over the organisation by establishing strong financial and human resource policies, meeting on a regular basis, and actively monitoring activities.

*2) Partner relationships*

60. To prevent the abuse of funds by partners, NPOs carry out appropriate due diligence on those individuals and organisations that the NPO receives donations from, gives money to or works with closely before entering into relationships or agreements. NPOs verify partner reputations through the use of selection criteria and searches of publicly available information, including domestic and UN sanctions lists. Written agreements can also be used to outline the expectations and responsibilities of both parties, which include detailed information as to the application of funds and requirements for regular reporting, audits and on-site visits.

*3) Financial accountability and transparency*

61. NPOs prevent financial abuse and misuse of resources and funds by establishing strong financial controls and procedures. For example, the governing board approves an annual budget and have a process in place to monitor the use of funds. NPOs keep adequate and complete financial records of income, expenses, and financial transactions throughout their operations, including the end use of the funds. NPOs clearly state programme goals when collecting funds, and ensure that funds are applied as intended. Information about the activities carried out is made publicly

available. NPOs are informed as to the sources of their income and establish criteria to determine whether donations should be accepted or refused.

#### 4) *Programme planning and monitoring*

62. NPOs establish internal controls and monitoring systems to ensure that funds and services are being used as intended. For example, NPOs clearly define the purpose and scope of their activities, identify beneficiary groups, and consider the risks of terrorist financing and risk mitigation measures before undertaking projects. They maintain detailed budgets for each project and generate regular reports on related purchases and expenses. NPOs establish procedures to trace funds, services, and equipment, and carry out transactions through the banking system when possible to maintain transparency of funds and mitigate the risk of terrorist financing. Project performance is monitored on a regular basis by verifying the existence of beneficiaries and ensuring the receipt of funds. NPOs take appropriate measures, based on the risks, to account for funds and services delivered.

63. Although many of the measures noted above may primarily be aimed at combatting fraud, tax evasion, embezzlement, money laundering, and other financial crimes in the NPO sector, they can also help mitigate terrorist abuse by enhancing the transparency and integrity of the NPO sector in its operations and flow of funds. The same can be said of government initiatives to enhance transparency and integrity of the NPO sector, even if they are not primarily aimed at combatting terrorist abuse of the NPOs.

## V. ACCESS OF NPOS TO FINANCIAL SERVICES

64. The FATF recognises the importance of ensuring that implementation of its Recommendations does not adversely and disproportionately affect NPOs. NPOs rely on banking facilities and other financial services to carry out important humanitarian and charitable services. However, in recent years, there have been some reports of financial institutions terminating or restricting the access of legitimate NPOs to financial services, or taking longer to process transactions of NPOs. The wholesale termination of individual customers or entire classes of customer, without taking into account their level of risk or risk mitigation measures is not a proper implementation of a risk-based approach and is not consistent with the FATF Standards. Such practice has the potential to drive financial flows underground, thus reducing financial transparency and the ability to identify and take action against TF abuses. Termination and closing of NPO's bank account also inhibits the delivery of aid to developing countries and crisis zones where humanitarian needs are acute and where charitable work contributes positively to the fight against regional and global terrorism. Financial institutions should terminate or not establish customer relationships, on a case-by-case basis, where the money laundering and terrorist financing risks cannot be mitigated<sup>23</sup>.

65. This section of the paper is aimed at clarifying:

- a) how proper application of a risk-based approach by countries and financial institutions may facilitate access of legitimate NPOs to financial services; and
- b) what steps NPOs may take to facilitate their own access to financial services.

66. NPOs that handle funds should maintain registered bank accounts, keep their funds in them, and utilise regulated channels for transferring funds, especially overseas transactions. Where feasible, NPOs should use regulated systems to conduct their financial transactions. This brings the accounts of non-profit organisations, by and large, within the regulated banking system and under the relevant controls or regulations of that system.

67. There may be circumstances in which cash may be the only means possible for the NPO to operate, for example, to provide assistance to a particularly remote region where financial services are not available. While cash is inherently more risky to terrorist abuse, when cash is used, it should be used appropriately in line with international and national laws and regulations, including cash declaration and/or cash disclosure requirements to promote greater transparency and accountability of the funds.

68. Financial institutions should also not view all NPOs as high risk. Most NPOs (using that term in the broader sense, beyond the subset of NPOs as that term is defined by FATF) may face little, if any, risk of terrorist financing abuse. For example, financial institutions should not view NPOs (as that term is defined by FATF) as high risk simply because they may operate in cash-intensive environments or in countries of great humanitarian need.

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<sup>23</sup> Recommendation 10 (FATF, 2012).

69. When considering the potential risks posed by any customer (including one which is an NPO), financial institutions should take appropriate steps to identify and assess their money laundering, terrorist financing risks (for customers, countries or geographic areas; and products, services, transactions or delivery channels), and risk mitigation measures being applied by the NPO. Financial institutions should also be required to have policies, controls and procedures that enable them to effectively manage and mitigate the risks that have been identified (either by the country or by the financial institution)<sup>24</sup>. In practice, when assessing the potential risk of a particular NPO, financial institutions should take into account:

- a) any measures that the NPO itself may have in place to mitigate risk; and
- b) any regulatory requirements that may apply to the NPO, including those which are not specifically aimed at AML/CFT, but which nevertheless help to mitigate terrorist financing risk, such as good governance, due diligence measures and reporting requirements on its activities for tax or other purposes.

70. In practice, if after conducting a risk assessment, a specific risk has been identified in relation to a particular NPO, the financial institution should first assess whether that risk can be sufficiently mitigated by proper safeguards and measures so as to allow legitimate charitable activities to continue. Such measures could include: the mandatory use of consent regimes for particular transactions; excluding certain types of transactions; agreeing to approved routes for transmission of transactions.

71. It is good practice for countries to work with their financial sector and supervisory authorities to foster a mutual understanding of what constitutes appropriate implementation of a risk-based approach and work towards facilitating financial inclusion objectives. When doing so, countries should have regard to the FATF *Risk-Based Approach Guidance for the Banking Sector* and the FATF *Revised Guidance on AML/CFT and Financial Inclusion*. Additionally, the financial sector could consider greater engagement with the NPO sector and/or its specific NPO customers to help exchange views on the risks and work towards more effective risk mitigation measures acceptable to all parties.

#### Box 6. Example of collaboration between financial and NPO sectors

To ensure that aid being sent to civilians in need of assistance in and around Syria is used as intended and is in compliance with UK, EU and US sanctions, the British Bankers' Association and the UK's Disasters Emergency Committee, an NPO umbrella organisation, collaborated to produce the following guidance for NPOs:

- Provide banks with a one-page briefing on proposed programmes in the sanctioned country. This should include intended beneficiaries, how they are selected, the programme to be delivered, who will deliver the programme (e.g. the agency itself,

<sup>24</sup> Paragraphs 8 and 9 of the Interpretive Note to Recommendation 1 (FATF, 2012).

or its partner in country), and the procurement procedures for purchases to be made in country.

- Explain how due diligence on local partners is conducted – including the frequency of screening, the sanctions lists used for screening, and the criteria to be met prior to the commencement of a relationship.
- Consider the currency in which payments are to be effected, as this will have an impact on the applicable sanctions legislation.
- Provide banks with a detailed explanation of the purpose of each transaction and include a contact number of a person at the agency who is familiar with the transaction and can assist in providing additional information if required.
- Also provide the payment amount and currency, the name of the local bank where the account is held, the name the account is held in, the name of the local partner, a description of any links to the local government or a sanctioned party, and details of any specific or general licence which permits the transaction.
- Engage with regulators to ensure actions are, if necessary, covered by general or specific licences and make reference to any licences in payment instructions. This will assist the bank in ascertaining the legality of the payment and prevent potential delays in processing.
- Take responsibility for determining the legality of the payment. Banks can advise on the applicable legislation and the agency should then consult with its legal team prior to processing.

72. For donors it is good practice to undertake reasonable steps to research publicly available materials in order to ascertain how an NPO operates, how it is managed, the nature of its programmes and where they operate. This is especially true for NPOs that operate in areas where there is known risk of terrorist activity.

73. In practice, the following may positively impact NPOs' ability to access to financial services both from financial institutions and from donors:

- a) developing constructive working relationships with their financial institution;
- b) engaging in proactive dialogue with the financial institution, including proactive provision of the relevant documentation to the financial institution;
- c) showing awareness of any terrorist financing risks to which the NPO might be reasonably perceived to be vulnerable;



- d) demonstrating that the NPO has implemented measures to mitigate those TF risks, either to fulfil regulatory obligations, to fulfil the requirements imposed by their donors, or at their own initiative;
- e) if potential problems arise, ascertaining whether financial institution's concerns stem from a particular individual involved with the NPO, or from transactions in a particular country or region, and considering and discussing with the financial institution whether the NPO could take additional actions or already has sufficient risk mitigation measures in place; and
- f) involving their umbrella organisations, self-regulatory organisations and/or donors in this dialogue, as needed, to help clarify the risk situation and the risk mitigation measures that are in place.

## ANNEX 1

### EXAMPLES OF MEASURES THAT COUNTRIES HAVE IMPLEMENTED AND WHICH MAY, DEPENDING ON THE CIRCUMSTANCES, HELP TO MITIGATE RISK

1. These are some examples of measures that have been implemented by countries and which may, depending on the circumstances, help to mitigate TF risk. In practice, the unique circumstances and context of each case will determine whether a particular measure is a good practice that is partially or fully mitigating the specific risk involved. The types of circumstances and context which are relevant to such a determination and unique to each jurisdiction include: the level and type of TF risk, the size and type of charitable funds or assets being distributed, the geographical context, and existing measures in place by government authorities, among other considerations.
2. These examples should not be used as a checklist or “gold standard” of measures to be applied in all circumstances. A “one size fits all” approach would not be consistent with proper implementation of a proportionate, risk-based approach, as called for by Recommendation 8.
3. The examples are provided under the following four elements:

#### Box 7. Effective approach to protecting the NPO sector

An effective approach to protecting the NPO sector involves varying degrees of the following four elements depending on the circumstances, TF risks, existing laws and domestic legal framework, and other considerations for each jurisdiction:

- 1) Ongoing outreach to the sector;
- 2) Proportionate, risk-based supervision or monitoring;
- 3) Effective investigation and information gathering; and
- 4) Effective mechanisms for international cooperation.

## OUTREACH TO THE SECTOR

### Box 8. Spain

Spain's Tesoro Publico (Treasury), under the Ministry of Economy and Competitiveness, led the development of a best practices and recommendations paper on *Combating money laundering and terrorist financing: Non-profit organisations sector*<sup>1</sup>. The paper, which is published on the government's website, was developed in consultation with the authorities that have supervisory powers over NPOs, organisations representing the sector, and NPOs. It is meant to assist directing officials in meeting their obligations to ensure that NPOs are not used to channel funds and resources to persons or entities linked to terrorist groups or organisations. The paper recognises that the need to apply such measures is dependent on the risks faced by each NPO, and emphasises the need for NPOs to analyse and evaluate the risks inherent in various activities in order to determine which projects carry higher risks. The paper discusses how NPOs can strengthen overall oversight in the following three areas in order to protect both integrity and reputation:

- *Functioning of directing bodies.* The paper emphasises the need to implement measures that ensure the ethical and professional suitability of directing officials and key employees, and recommends that NPOs establish rules on the powers vested in directing bodies and clearly define duties and procedures by which resolutions are adopted. Ensuring that directing officials act in the best interest of the NPO and that directing bodies are accountable and transparent can help prevent the infiltration of individuals that may abuse NPOs for multiple purposes, including terrorism and terrorist financing.
- *Planning and technical monitoring of activities.* NPOs can use planning and monitoring to prevent the misappropriation of funds for terrorist financing or other criminal activities. The paper recommends that NPOs clearly define their purposes and beneficiaries, and refrain from carrying on any activity not designated to attain those purposes. Understanding where risks exist, setting clear guidelines for the delivery of activities and monitoring those activities on a regular basis can help NPOs ensure that resources are being used as intended.
- *Financial transparency.* NPOs should ensure financial transparency and accountability. Strong financial controls to track and monitor the source and use of funds can assist NPOs in preventing and mitigating the misuse of resources for terrorist activities.

1. While this document pertains to both money laundering and terrorist financing, it is referenced in this report for terrorist financing purposes.

**Box 9. France**

The French Treasury publishes on its website a guide of good conduct for the associations with regards to the terrorist financing risk to which they are exposed. This document intends, in particular with regard to Recommendation 8 of the FATF, to warn the associations and their managers to this specific risk, to improve their diligences measures, and to help them to put in place adequate internal policies, procedures and controls to this end. This guide explains the recommendation 8 of the FATF and the expected measures of the FATF (awareness, control and monitoring of the sector, effective collect of information and investigations, capacity to answer to foreign requests on NPOs). It also exposes the national and European regulation and devices on terrorist financing in particular on assets freezing; the risk assessment on the threat; legal requirements related to the financing including donations; expectations for good financial management; requirements for the nomination of the managers, and legal provisions concerning associations.

The French financial intelligence unit (FIU) Tracfin published in its annual activity report and on the website of the Ministry of Finances a typology case and some warning criteria and indices focused on the misuse of associations for terrorist financing such as : association's bank account financed only by cash payments; use of the association's bank account as a transit account and absence of real activity of the association; credit flows to a personal's bank account from the association's bank account ; environmentally "sensitive" around the association; relatively small financial flows, to link with the sensitive environment.

**Box 10. United Kingdom**

The Charity Commission of England and Wales has established a small outreach team to raise awareness on issues such as fraud and abuse, including abuse by terrorist organisations, within several key charity sectors. The aim of the team is to provide effective and thorough engagement with stakeholders to enable charities (NPOs) to protect themselves from abuse. The outreach team focuses on charities working in areas of highest risk by running events for charities working in Syria, speaking at third party events, publicising existing guidance, and creating new guidance as issues develop.

The outreach team also issues "alerts" on key issues such as due diligence on partner agencies, monitoring, sending funds internationally, counter terrorism legislation and requirements, aid convoys and sending staff and volunteers.

In addition, the Charity Commission has published literature and posted information on its website on giving safely to Syria. This includes advice to make donations to registered charities that have experience providing humanitarian assistance in high risk, insecure and dangerous environments and which have ongoing relief operations in Syria and/or surrounding countries.

The Charity Commission has also worked in collaboration with umbrella organisations and sector leaders to develop an online toolkit to help charities establish good standards of governance and accountability to safeguard themselves from terrorism, fraud and other forms of abuse. The toolkit includes guidance on how terrorism legislation applies to charities, how to deal with individuals and partners on designation lists, both domestically and internationally, and the impact of extremism and radicalisation abuse. It also includes practical examples and tools, such as template partnership agreements, checklists and case studies.

### Box 11. United States of America

The United States engages in sustained dialogue with the US NPO sector, including charities, donors, and specific communities, such as the Muslim-American community, Somalia-American community, and the Syrian American community, among others. The US participates in community outreach events around the country to meet with community leaders and members on a regular basis. The US also provides a number of guidance materials, such as the US Department of the Treasury's website related to protecting the charitable sector from terrorist abuse<sup>1</sup>.

These existing publications include an Office of Foreign Assets Control (OFAC) risk matrix, voluntary Guidelines, charity FAQs, testimony related to protecting the charitable sector from abuse, domestic sanctions against charities, and international publications on the TF threat and risk mitigation best practices. Periodic review of these publications and consultation with the US charitable sector may also lead to updates to these documents over time.

The US Treasury's matrix of common risk factors<sup>2</sup> and Anti-Terrorist Financing Guidelines<sup>3</sup>, among other voluntary guidance for the US non-profit sector, were developed to assist US charities in identifying the level of risk for some of their activities and adopting an effective risk-based approach that can be used when disbursing funds or resources in high risk areas. The risk matrix and Guidelines were designed to provide NPOs with an understanding of the risks that they should consider in the course of conducting their due diligence and some examples of risk mitigation best practices. These guidance documents are intended to be helpful tools for charities to consider using when developing an appropriate compliance program, particularly those charities that conduct overseas charitable activity in higher risk regions. The matrix is not a comprehensive list of risk factors indicating abuse or exploitation of a particular charity or its operations, nor is it meant to establish whether or not a charity or grantee/recipient is engaged in illicit activities. The Guidelines are voluntary recommendations for the charitable sector to consider in adopting practices that may better protect it from the risk of abuse or exploitation by terrorist organisations.

#### Notes

1. [www.treasury.gov/resource-center/terrorist-illicit-finance/Pages/protecting-index.aspx](http://www.treasury.gov/resource-center/terrorist-illicit-finance/Pages/protecting-index.aspx)
2. [www.treasury.gov/resource-center/terrorist-illicit-finance/Documents/charity\\_risk\\_matrix.pdf](http://www.treasury.gov/resource-center/terrorist-illicit-finance/Documents/charity_risk_matrix.pdf)
3. [www.treasury.gov/resource-center/terrorist-illicit-finance/Pages/protecting-charities-intro.aspx](http://www.treasury.gov/resource-center/terrorist-illicit-finance/Pages/protecting-charities-intro.aspx)

**Box 12. Canada**

The national regulator of registered charities in Canada, the Canada Revenue Agency (CRA), provides information on its website to assist charities in meeting the legislative and regulatory obligations. It advises charities to develop and implement sound internal governance and accountability procedures, financial controls, risk management systems, and transparent reporting, in order to protect themselves against actual or alleged abuse of any kind, including allegations of fraud, money laundering, or support for terrorism. The CRA has posted the following checklist to its website to help charities identify vulnerabilities to terrorist abuse.

- Do you know about the individuals and entities associated with terrorism, which are listed in Canada under the United Nations Act and the Criminal Code? Are you aware of the Criminal Code and the Charities Registration (Security Information) Act provisions on financing and supporting terrorism—and the consequences of breaching the provisions?
- Do you have a good understanding of the background and affiliations of your board members, employees, fundraisers, and volunteers?
- Have you read the CRA guidance about [keeping adequate books and records](#), [activities](#), [engaging in allowable activities](#), [operating outside Canada](#), and [charities in the international context](#)?
- Do you have appropriate, sound, internal financial and other oversight and verification controls—for example, appropriate delegations and separations of authority over the collection, handling, and depositing of cash and the issuing of receipts?
- Do you transfer money using normal banking mechanisms, wherever possible? When it is not, do you use reputable alternative systems, and have strong additional controls and audit trails to protect your charity's funds and show how and when they were used?
- Do you know who uses your facilities and for what purpose—for example, your office or meeting space, name, bank account, credit cards, website, computer system, telephone or fax—what they are saying, and what materials they are distributing or leaving behind?
- Do you try to find out who else might be supporting a person or cause that you are endorsing in public statements, and who uses your name as a supporter?
- Do you know where your donations and other support really come from?
- Do you know who has ultimate control over the project that your charity's money and resources are benefiting, and what the money and

resources are used for, including after the particular project is finished?

- Do you know your partners in delivering the work you are doing, and their affiliations to other organisations?
- Do you have clear written agreements with agents/contractors/other partners, in Canada and abroad, covering what activities will be undertaken and how they will be monitored and accounted for? Do you check that the agreements are being followed?

## SUPERVISION OR MONITORING

### Box 13. Norway

Norwegian NPOs active in higher risk areas generally receive part of their funding from the Norwegian government. As a result, they are subject to a number of supervisory measures, including the requirement to register, report on the use of funds, provide statements of income and expenditure, and ensure that they know their beneficiaries and associated NPOs. These measures, which are aimed at uncovering fraud, corruption and terrorist financing, also apply to foreign NPOs receiving funds.

The Norwegian Agency for Development Cooperation (Norad) and the Ministry of Foreign Affairs' Foreign Service Control Unit (FSCU) monitor the use of international development assistance to prevent and detect irregularities and crime, including terrorist financing. This is done through various means, including audit reports and spot-checks of projects and funding recipients. The FSCU and Norad conduct investigations when required and may share information with the financial intelligence unit (FIU) and the Police Security Service, where appropriate.

NPOs are also required to register in order to open a bank account. In addition, Norway encourages voluntary registration of NPOs by providing incentives such as preferential taxation treatment.

### Box 14. Isle of Man

The Isle of Man had previously made several attempts to implement a registration and oversight regime for AML/CFT compliance across the entire NPO sector. Through consultations with the sector, it was able to propose an approach that would narrow the focus of the regime to only those NPOs considered to be at greatest risk of terrorist financing, rather than the NPO sector in its entirety.

The Isle of Man developed the Specified Non-Profit Organisation (SNPO) designation for NPOs that would be subject to the registration and oversight regime. Criteria for the designation were based on the FATF definition of NPO and several factors related to the risk of terrorist financing.<sup>1</sup> By narrowing its focus to the areas of the sector that are of greatest concern, the Isle of Man will be able to make efficient use of its efforts and resources while protecting low risk NPOs from the unnecessary burden associated with meeting the requirements of the registration and oversight regime.

<sup>1</sup> A Specified Non-Profit Organisation ("SNPO") is defined as: "a body corporate or other legal person, trustees of a trust, partnership, other association or organisation and any equivalent or similar structure or arrangement, established solely or primarily to raise or distribute funds for charitable, religious, cultural, educational, political, social or fraternal purposes with the intention of benefiting the public or



a section of the public and which has-

- i. an annual or anticipated annual income of GBP 5 000 or more; and
- ii. remitted, or is anticipated to remit, at least 30% of its income in any one year to one or more ultimate recipients in or from one or more higher risk jurisdictions;"

The concept of "other good works" as referenced in the FATF's definition of NPO is not included in the definition of the designation on the basis that it is too vague to be realistically enforceable in primary legislation. It should be noted this draft has not entered law at the time of writing and may be subject to minor amendment.

#### Box 15. Canada

Many registered charities in Canada fall within the scope of the FATF's definition of NPO and are considered to be particularly vulnerable to terrorist abuse. In recognition of these inherent vulnerabilities, the national regulator of charities in Canada, the Canada Revenue Agency, has established a specialised division to support the government's anti-terrorism legislation, and to mitigate and manage the risks of terrorism as it pertains to registered charities. This includes preventing organisations with connections to terrorism from obtaining charitable registration, which provides charities with preferential tax treatment, and detecting and revoking the registration when connections exist.

The division uses a risk based approach in reviewing the activities of applicant and registered charities, and takes into consideration factors such as the location of operation and connections to entities with links to terrorism or terrorist financing. Reviews are conducted by senior intelligence analysts, researchers and auditors with specialised training in terrorist financing, using open source information, classified intelligence from security partners, and information submitted by organisations themselves. If an applicant charity does not meet the requirements of registration for any reason, including connections to terrorism, its application will be denied. If a charity that is already registered does not comply with the requirements of registration, for any reason including connections to terrorism, the division can apply a range of regulatory interventions, including education letters, compliance agreements, monetary penalties and, in the most serious cases, revocation of registration. If the division encounters information that is relevant to a terrorism investigation when carrying out these regulatory duties, it has the authority to share that information with national security partners and law enforcement agencies.

Monitoring applicant and registered charities in order to prevent and disrupt organisations with ties to terrorism assists the government in preventing the exploitation of charitable resources to support terrorism.

## EFFECTIVE INVESTIGATION AND INFORMATION GATHERING

### Box 16. Portugal

Portugal introduced legislation creating the Permanent Liaison Group (PLG), which constitutes a forum for information sharing between the Tax Authority and the financial intelligence unit (FIU). The Tax Authority, which also collaborates with law enforcement on tax crimes and related money laundering, may share a wide range of information with AML/CFT authorities through the PLG. This includes sharing relevant information, for TF prevention purposes, including information concerning NPOs for potential terrorist abuse, such as donations received by NPOs, donations made by individuals to NPOs, and declarations concerning cross-border transfers made through the financial system to beneficiaries in tax havens.

### Box 17. United States of America

The United States Government takes an interagency approach to detect, deter and disrupt cases of terrorist abuse within the NPO sector. Several agencies, each operating within the parameters of its own authorities, work together to analyse available data, threats and trends, and to determine an appropriate government response.

The Department of Justice (DOJ), the principal government entity responsible for overseeing the investigation and prosecution of TF offenses at the federal level, uses its authorities to investigate and dismantle terrorist financiers and thus deter future supporters. To advance this mission and in recognition of the importance of tracking the financial underpinnings of terrorist activity, FBI-TFOS (Terrorist Financing Operations Section) was established immediately after 11 September 2001 to identify and disrupt all TF activities. FBI-TFOS is charged with managing FBI's investigative efforts into TF facilitators and ensuring financial investigative techniques are used, where appropriate, in FBI counter-terrorism (CT) investigations. FBI-TFOS works in close coordination with the National Joint Terrorism Task Force (JTTF), which coordinates CT efforts of federal, state and local law enforcement agencies through local JTTFs. In addition to FBI-TFOS, other DOJ components play a key role in TF investigations. When an investigation produces sufficient evidence for a criminal prosecution, the US Attorneys' Offices, working closely with the DOJ's National Security, Criminal and Tax Divisions, leverage multiple federal criminal statutes to prosecute cases involving TF, including cases of charities that have been misused to support terrorist organisations.

Agencies working closely with the Department of Justice and the law enforcement community to identify and take action against TF threats in the NPO sector are the Internal Revenue Service (IRS), as the NPO regulator, as well as several offices of the Department of the Treasury, including the Office of Intelligence and Analysis (OIA), the Financial Crimes Enforcement Network or FinCEN (the financial intelligence unit or FIU of the United States), the Office of Foreign Assets Control (OFAC), and a policy office. In addition to identifying and

responding to terrorist threats to the NPO sector, the various offices of the Treasury are also involved in and conducting outreach and international engagement on this issue.

The IRS, a bureau within Treasury that administers and enforces US tax laws, can also play a supportive role in the US Government's counter terrorist financing (CFT) efforts, in particular through the work of IRS Criminal Investigation (CI) division, which investigates criminal violations of US tax law, as well as money laundering and other financial crimes, and IRS Tax-Exempt/Government Entities (TE/GE) division, which administers IRS laws and regulations related to tax-exempt organisations. When authorised to assist in a TF investigation, these IRS components can provide unique expertise and authorities to support US Government CFT efforts. The IRS analyses financial reporting violations as they pertain to filing requirements and tax compliance. This can lead to further investigations, which provide additional insight into underlying illicit actions, including terrorist financing.

FinCEN establishes the United States AML/CFT regulatory requirements. FinCEN collects financial intelligence through suspicious transaction reporting, cash transaction reports, and other threshold-based declarations/disclosures from financial institutions and persons. This financial intelligence can be used in conjunction with data obtained from the law enforcement and intelligence communities, and publicly available information to help identify individuals and entities involved in illicit actions, including terrorist financing. FinCEN's information can also contribute to the development of economic sanctions against those involved in terrorist financing and can support law enforcement criminal investigations. FinCEN also may pursue enforcement actions against entities or individuals that substantially violate their obligations.

OIA works with the US intelligence community to identify specific illicit finance threats, including terrorist threats within the NPO sector, that then initiate broader interagency discussion about responses to these threats, particularly administrative sanctions actions.

OFAC administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats. OFAC acts under Presidential national emergency powers, as well as authority granted by specific legislation, to impose controls on transactions and freeze assets under US jurisdiction, including the imposition of sanctions against charities for supporting terrorist organisations. Many of the sanctions are based on United Nations and other international mandates, are multilateral in scope, and involve close cooperation with allied governments.

**Box 18. Canada**

The national regulator of registered charities in Canada, the Canada Revenue Agency (CRA), has statutory authority to share information with relevant national security and law enforcement partners where there are concerns that a charity is engaged in providing support to terrorism. To facilitate the sharing of information, a secondment program between the CRA and its partners has been instituted: CRA employees are seconded to the partner agencies and employees from the partner agencies are seconded to the CRA. Employees participating in this program are fully integrated into their host agencies, bringing with them the experience and expertise required to identify risks pertaining specifically to the NPO sector. The program further assists partners in understanding each other's roles in the whole-of-government approach to countering terrorism financing. This has enabled the CRA and its partner agencies to alert one another of situations involving NPOs that support terrorism and to take appropriate measures to protect the NPO sector.

## EFFECTIVE MECHANISMS FOR INTERNATIONAL COOPERATION

### Box 19. Canada, New Zealand, and United Kingdom

Several countries, including Canada, New Zealand and the United Kingdom, have independently developed online tools to make certain information about NPOs publicly available.

These countries provide access to online databases that allow the general public to search for and access information related to the status, activities, finances and governing boards of NPOs. Some of these tools allow users to display information graphically in charts and tables, make connections between NPOs, and to access copies of governing documents, by-laws and financial statements.

These tools help promote transparency and maintain public trust in the NPO sector. They also provide a means through which information can be shared internationally. Because the databases are public, international partners can access them to find information on NPOs that operate outside of their jurisdiction.

### Box 20.

UN Security Council Resolutions 1267 and 1373 have helped foster international cooperation in identifying and taking sanctions action against NPOs and their officials involved in terrorist financing. UNSCR 1267 provides for a global sanctions regime against al Qaida and affiliated groups. UNSCR 1373 allows for countries to take domestic and coordinated bilateral and/or multilateral sanctions against terrorist threats.

A recent group of UN 1267 listings includes the Indonesian organisation HILAL AHMAR SOCIETY INDONESIA (HASI), designated by the UN on March 13, 2015, pursuant to paragraphs 2 and 4 of resolution 2161 (2014) as being associated with Al-Qaida for “participating in the financing, planning, facilitating, preparing, or perpetrating of acts or activities by, in conjunction with, under the name of, on behalf of, or in support of”, “recruiting for” and “otherwise supporting acts or activities of” Jemaah Islamiyah.

Hilal Ahmar Society Indonesia (HASI) is the ostensibly humanitarian wing of Jemaah Islamiyah (JI). Since 2011, HASI has operated as a non-governmental organisation in Indonesia. While not indicative of the activities of the charitable sector as a whole, the activities of HASI demonstrate how terrorist groups, such as JI, continue to abuse charitable giving to raise and use funds to support violent acts and provide cover for logistical requirements for their terrorist organisation. JI is responsible for numerous acts of terrorism including the Bali bombing in 2002, which killed over 200 people from 27 countries.

[www.un.org/sc/committees/1267/NSQDe147E.shtml](http://www.un.org/sc/committees/1267/NSQDe147E.shtml)

## ANNEX 2

### EXAMPLES OF MEASURES THAT NPOS HAVE IMPLEMENTED AND WHICH MAY, DEPENDING ON THE CIRCUMSTANCES, HELP TO MITIGATE RISK

1. These are examples of measures that have been implemented by some NPOs and which may, depending on the circumstances, help to mitigate TF risk. In practice, the unique circumstances and context of each case will determine whether a particular measure is a good practice that is partially or fully mitigating the specific risk involved. The types of circumstances and context which are relevant to such a determination include: the level and type of TF risk, the type of charitable funds or assets being distributed, the geographical context, and other controls and due diligence measures in place, for example.
2. These examples should not be used as a checklist or “gold standard” of measures to be applied to all NPOs. A “one size fits all” approach would not be consistent with proper implementation of a risk-based approach, as called for by Recommendation 8.
3. The following examples, which were provided by NPOs, are presented under the following four categories:

#### Box 21. **Good governance for NPOs**

Robust internal governance practices for NPOs can be grouped into the following four categories:

- 1) Organisational integrity;
- 2) Partner relationships;
- 3) Financial transparency and accountability; and
- 4) Programme planning and monitoring.

## ORGANISATIONAL INTEGRITY

## Box 22.

An international NPO has provided key features of NPO accountability systems that address the concept of organisational integrity. These features are addressed in the following charts:

<b>Essential NGO internal governance indicators</b>	
<b>Clear governance structure, particularly role of the governing body (the Board).</b>	<ul style="list-style-type: none"> <li>■ Name of body</li> <li>■ Description of relationship to other organisational entities (board functions must be separate from management)</li> <li>■ List of current Board members with occupations and cities/towns of residence</li> <li>■ (where appropriate, the controller/beneficial owner of NGO should also be identified)</li> </ul>
<b>Governing body description to include:</b>	<ul style="list-style-type: none"> <li>■ Basic responsibilities and powers</li> <li>■ Duties of individual board members</li> <li>■ Minimum number of board members</li> <li>■ Membership rules (including eligibility, suspension and expulsion) and terms of office (length of terms, limits on re-election)</li> <li>■ Clear election procedure</li> <li>■ Minimum number of board meetings and method of convening meetings</li> <li>■ Decision-making procedures (number needed for quorum, how to vote and record decisions) with explicit indications that decisions are to be taken collectively</li> <li>■ Record of Board meeting minutes</li> <li>■ Conflict-of-interest provisions (for the Board and organisation overall)</li> <li>■ Board member remuneration (Board Members should <u>not</u> receive compensation beyond reimbursement of expenses)</li> </ul>

<p><b>Board competencies to include:</b></p>	<ul style="list-style-type: none"> <li>■ Annual review of CEO performance</li> <li>■ Review of financial (management) performance / annual financial statements</li> <li>■ Responsibility to recruit CEO</li> <li>■ Responsibility to engage auditor</li> </ul>
<p><b>Essential financial management indicators</b></p>	
<p><b>Existence of basic accounting tools:</b></p>	<ul style="list-style-type: none"> <li>■ Books of accounts (general ledger, general journal etc.)</li> <li>■ Cash receipts book</li> <li>■ Cash disbursements book</li> <li>■ Bank accounts records</li> </ul>
<p><b>Basic accounting practices:</b></p>	<ul style="list-style-type: none"> <li>■ Written policies and procedures that follow accepted principles of accounting and control</li> <li>■ Division of functions: the approving officer for fund releases (e.g. CEO) is different from the bookkeeper and the cash custodian.</li> </ul>
<p><b>Financial reporting and record-keeping</b></p>	<ul style="list-style-type: none"> <li>■ Annual audits commissioned by the Board (auditor must not have a relationship to anyone in the organisation)</li> </ul>
<p><b>Fraud prevention and anti-money laundering practices</b></p>	<ul style="list-style-type: none"> <li>■ Existence of full and accurate audit trails of funds transferred outside NGO jurisdiction/country</li> <li>■ Use of registered bank accounts for money flows in case of every transaction (small amounts of cash for daily expenditure excepted)</li> <li>■ Procedures to verify the identity, credentials and good faith of their beneficiaries, donors and associate NGOs</li> <li>■ Secure and confidential maintenance of the list of bank account numbers under the name of the NGO and any document on identifying information of persons</li> </ul>



**Advanced systems (for more developed organisations)**

- Sound investment policies
- Resource generation plan

Box 23.

An NPO developed a Code of Ethics<sup>1</sup>, which encompasses a statement of principles of development as well as a code of conduct, and outlines the ethical principles that must be adhered to, and promoted, by the organisation and its members.

Below is an excerpt from the Code which relates to organisational integrity, as defined in the report:

*Governance:*

- *Each Organization shall be governed fairly and responsibly by an independent, active, and informed governing body (e.g. Board of Directors).*
- *All voting members of the governing body shall serve without compensation, except for reasonable expenses incurred to fulfil their organizational duties.*
- *Each Organization shall establish and periodically review a governance framework suitable for fulfilling its mandate. The structure shall enable the Organization to make timely decisions and to meet its responsibilities. The framework shall include an appropriate governance structure and operations; relationship of senior staff and the governing body; and decision-making processes.*
- *The Organization's governing body shall review and approve the Organization's annual budget, significant policies, key financial transactions, compensation practices, plans and programs and hold officers, committees and staff accountable for actions taken and results achieved under delegated authority.*
- *The Organization shall adopt a policy preventing and effectively managing conflict of interest situations.*
- *The Organization shall have policies prohibiting discrimination and promoting gender equality and participation of disadvantaged groups at all levels of the Organization. This does not supersede the right of the Organization to self-define when it is done in compliance with the law.*
- *The governing body shall periodically reassess the Organization's governing documents and objects, vision, mission, goals, priorities, alignment of resources and effectiveness through consultation and collaborative planning.*

*Organizational Integrity:*

- *The affairs of the Organization shall be conducted with integrity and transparency. The Organization shall make full, open, and accurate disclosure to the public of relevant information concerning its goals, programs, finances, activities, results, effectiveness and governance. Exceptions are personnel matters, legal matters, proprietary information and ethical and legal requirements of personal privacy.*
- *The Organization shall ensure that complaints are dealt with in a timely manner and impartially, respecting the rights of involved parties for confidentiality and disclosure.*
- *The Organization shall comply with all applicable federal laws and regulations as well as laws and regulations of provinces or municipalities in which it is based or operates. Each Organization conducting activities outside of Canada shall be aware of foreign laws and regulations governing its activities.*
- *The Organization shall oppose and shall not be a participant to any wrongdoing or financial impropriety. It shall take prompt and firm corrective action whenever and wherever wrong-doing of any kind has been committed by any member of its governing body, employee, or volunteer.*

1. Canadian Council for International Co-operation “Code of Ethics”, [www.ccic.ca/about/ethics\\_e.php](http://www.ccic.ca/about/ethics_e.php),

Box 24.

An NPO has produced a series of best practices to improve transparency and good governance. These best practices are designed to provide other organisations with a guide to develop internal guidelines.

Organisational integrity guidelines are included in the following chart:

<b>General guidelines</b>	<ul style="list-style-type: none"> <li>■ Inclusion of ethical behaviour and equality policies</li> <li>■ Non remuneration concept for board members</li> </ul>
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<b>Description of the board</b>	<ul style="list-style-type: none"><li>■ Basic responsibilities and powers</li><li>■ Obligations and responsibilities of individual board members</li><li>■ Requirement of self-evaluation</li><li>■ Right of board members to receive information on financial accounts and activities of the organisation</li><li>■ Conflict of interest provisions</li></ul>
<b>Description of the management team</b>	<ul style="list-style-type: none"><li>■ Recruitment standards and definition of functions</li><li>■ Encouragement of professional development, equal opportunities and accessibility</li><li>■ Requirement to evaluate management of employees of the organisation</li><li>■ Conflict of interest provisions</li></ul>

## PARTNER RELATIONSHIPS

### Box 25.

An independent monitoring organisation, whose aim is to increase public confidence in the country's NPOs and help donors make responsible decisions, developed a report on *Standards of Transparency and Best Practices*. The Standards, which are used to assess compliance by the NPO sector, are structured in blocks, most of which are relevant to countering the financing of terrorism, including some that address partner relationships:

- NPOs should have a documented procedure and criteria for the selection of counterpart organisations. This procedure should be approved by the governing body. Criteria could include the requirement that the counterpart organisation be linked to the organisation's mission, have demonstrated experience in similar projects, have received funds from its government or from international public organisations, comply with legal and tax obligations, and have sound financial structure.
- NPOs should have written agreements with their partner organisations. A written agreement or understanding should be drafted and signed by the participants. This should include the funding organisation and the end user, whether it is an individual, organisation or network. Such an agreement should outline what the funds are to be used for and how the user will report back for accountability purposes. The agreement should also include requirements regarding the management of local employees according to defined ethical standards.

### Box 26.

An organisation working in areas of conflict has developed guidelines for screening donors and partners to prevent the abuse of funds. The organisation verifies that partners are not connected with terrorist organisations and that they do not receive donations, contract, partner or share services with any organisation found in violation of or accused of violating human rights. The organisation's accountants conduct background research on partner organisations and trends using open source information from Interpol, FATF and the equivalent of the Ministry of Finance in other jurisdictions, such as the US Department of Treasury OFAC Specially Designated Nationals (SDN) sanctions list. The organisation also coordinates with other international NPOs to learn about possible infractions by a potential donor from the perspective of another organisation.

## Box 27.

An NPO that provides humanitarian assistance to high risk areas engages partner organisations to oversee the distribution of aid. Once due diligence checks are complete and a partner has been selected, the NPO enters into a written agreement with the partner organisation. In addition to outlining the partner's responsibilities related to distribution schedules, payment conditions, and the general expectations for the distribution of aid, the written agreement contains the following clauses related to the prevention and misuse of funds for terrorist financing purposes:

- Standard certification by the partner organisation that they are in compliance with all laws that prohibit transactions or providing benefit to a terrorist group (the clause is based on the laws of NPOs home country) and will not provide any support or assistance to terrorist supporting persons or entities;
- Standard certification that the partner and its principals are not a debarred, ineligible, voluntarily excluded or suspended party by any Federal department or agency;
- A specific clause prohibiting the partner from providing assistance to or allowing distribution, handling or allocation of assistance by military or combatant groups;
- A specific clause that the partner agrees that, under no circumstances will any funds provided to any or any other entity or individual named on the Specially Designated Nationals list promulgated by the Office of Foreign Assets Control, or any other ineligible party as defined by the United States Government, European Union or the United Nations; and
- A clause that requires, among other things, that the local partner to report any instances of diversion or interference by any armed group, including any terrorist organisation.

When possible, the signing of the written agreement is witnessed by community and partner stakeholders. This ensures that those involved are aware of and understand the provisions of the contract, and ensures that the entire community will safeguard its implementation.

## FINANCIAL ACCOUNTABILITY AND TRANSPARENCY

### Box 28.

An independent monitoring organisation, whose aim is to increase public confidence in the country's NPOs and help donors make responsible decisions, developed a report on *Standards of Transparency and Best Practices*. The Standards, which are used to assess compliance by the NPO sector, are structured in blocks, most of which are relevant to countering the financing of terrorism, including some that address financial accountability and transparency:

- NPOs should have a documented policy for the procurement of goods or selection of suppliers and for the approval of expenses. It is recommended to request three quotes from different suppliers and, for high cost goods/services order, to create a call for proposals with specific criteria to ensure the best goods/services are obtained. It is also recommended to create a standard operating procedure to avoid possible conflict of interest between suppliers and the board/employee/partners of the organisation. Finally, it is recommended to conduct periodical monitoring of the suppliers to ensure that their on-going standards of efficiency, effectiveness, sustainability and quality meet organisation guidelines. All these criteria/procedures are required to be approved by the governing body. This policy should establish who has the power to authorise expenses in the organisation, depending for example on the amount.
- Sources of financing, including details regarding the main contributors, both public and private, as well as the amounts contributed, should be available to the public.
- NPOs should prepare an annual budget for the next year with its corresponding Director's report and analytical review, including variances corresponding to the previous year's budget. The budget and the liquidation should be approved by the governing board and be available to the public.
- NPOs should prepare follow-up and final reports on the projects and make them available to donors.
- NPOs should have a documented anti-corruption policy. Organisations should analyse and define the risks of corruption in the specific context they are working in (e.g. fraud, excessive pricing and kick-backs, double payments, cumulated salaries or exchange rate manipulation.) NPOs should have adequate systems in place like accurate project planning, transparent financial reporting, regular

project reporting and standards for procurements for goods and suppliers as well as double-checks and independent information sources. There should be a standardised process to be followed when cases of misuse of funds are discovered, including information flow, actions to be taken and sanctions to be imposed.

#### Box 29.

An NPO that provides humanitarian assistance to high risk areas uses a variety of internal controls to prevent, deter and detect fraudulent activities, including the diversion of resources to prohibited parties.

Internal controls which are implemented to promote financial accountability and transparency include:

- Responsibilities in key financial, procurement and asset custody processes are separated among several employees rather than entrusted to one employee. When procuring a good, for example, the following are done by separate employees: originating the procurement request, collecting quotations, selecting the vendor, receipt of goods and payment.
- Signatures are required by the originator, approver and financial reviewer at several stages in any financial transaction process in order to avoid unauthorised transactions. Moreover, the organisation maintains a document which outlines the key transactions and functions for which approval must be sought and who has the authority to approve the transaction and up to what level.
- Regular checks are done to verify the existence of assets. These checks include regular and surprise cash counts and annual physical equipment inventories.
- A system of double-checks or reviews with all financial transactions is used. Every financial transaction is approved by an employee other than the originator, and has a financial review by a separate employee. In addition, when used, checks require two signatures, and all bank transfers require dual signatures.
- Budget versus actual expenditure reports are prepared and reviewed with senior management on a monthly basis.
- Manuals and guidelines which provide procedures for support functions in the areas of finance, procurement, administration and

asset management are required to be followed by all of the organisation's field programs.

#### Box 30.

An NPO that operates internationally and occasionally contracts UN Agencies and other humanitarian organisations to provide humanitarian relief implements several measures to maintain accountability and transparency over the use of funds. These measures include the:

- Evaluation and review of program design, budget, feasibility, and assessment of the risks associated with prospective projects.
- Implementation of contractual requirements for procurement processes, regular reporting on the program impact, and budgetary allocations with supporting documentation.
- Transfer of financial transactions through major financial institutions whenever possible to ensure that all funds can be traced to the delivery of services or humanitarian items to the beneficiary.
- Examination of partners' bookkeeping practices and confirmation that expenses reported are substantiated and match the allowed expenditures.
- Adherence to generally accepted accounting principles and undertaking of independent annual audits.

#### Box 31.

An NPO operating in high risk areas uses the following measures to enhance financial accountability and transparency:

- Only makes transfers against performance milestones
- Ensures financial reporting expectations are clear
- Asks for copies of original source documents to substantiate expenditures
- Asks for partners to use a separate bank account and/or ledger for your funds
- Requires that partners seek permission for variances from project



budgets

- Puts a positive obligation to self report on non-compliance in the contract terms
- Has clear financial manuals and record keeping guides and manual of operations for overseas employees
- Ensures overseas employees are trained on financial management practices
- Insists that interest on project funds be reinvested into the project activities
- Is clear on financial record keeping expectations
- Maintains and exercises audit rights

The NPO sets out the types of expenses it is willing to fund for each project. Any other expenses are not reimbursable. This mitigates the chances of potential misunderstandings with partners but also lowers the risk of funds being abused.

## PROGRAMME PLANNING AND MONITORING

### Box 32.

An independent monitoring organisation, whose aim is to increase public confidence in the country's NPOs and help donors make responsible decisions, developed a report on *Standards of Transparency and Best Practices*. The Standards, which are used to assess compliance by the NPO sector, are structured in blocks, most of which are relevant to countering the financing of terrorism, including some that address programme planning and monitoring:

- NPOs should have a documented policy for planning, monitoring and evaluating their projects. This should include requirements regarding narrative and financial reporting by the implementing partner organisation(s), audits, on-site inspections, and frequency and scope of external or internal evaluations. It should also include periodic payments to partner organisations based on satisfactory reporting and the possibility to withhold money if reporting requirements are not met. The policy should specify how partner organisations and beneficiaries participate in the process of planning, implementing and evaluating of projects, and should be approved by the governing body.
- NPOs should establish a multi-year strategy and/or annual plan, which is approved by governing body. The annual plan should clearly indicate the objectives, indicators, calendar and area responsible of the implementation of the project. Also, the plan should include all areas of the organisation, including activities such as fundraising. It is a good practice to include different stakeholders in the development of the plan, like beneficiaries, volunteers and employees. The governing body should also be involved in the development, discussion and approval of the plan.
- NPOs should establish a policy, which is approved by governing body, that calls for an assessment of the organisation's achievements, effectiveness and impact and that it take place at least every two years.

### Box 33.

An NPO that provides humanitarian assistance to high risk areas employs a series of internal monitoring measures to ensure that funds and services are being used as intended. These include:

- Identification of beneficiary groups through a consultative process

involving local partners and often community representatives.

- Verification and screening of potential beneficiaries and local partners connections to “prohibited parties”<sup>1</sup>.
- Regular and timely reporting of budget versus actual expenditure reports are prepared and reviewed by senior management on a monthly basis.
- Delivery verification processes, such as beneficiary verification (including beneficiary signature or thumbprint to confirm receipt of goods, as well as the date, and commodities received), distribution monitoring (employing monitors who are based in the targeted communities to directly monitor distribution or via photos or videos of the distribution by local partners when direct monitoring isn’t possible) and post distribution monitoring (visiting and surveying with a sample of beneficiaries).
- Regular physical checks to verify the existence of assets. These checks include regular and surprise cash counts and annual physical equipment inventories.
- Multi-signature requirements by the originator, approver and financial reviewer at several stages in any financial transaction process.

<sup>1</sup> According to the policy of this NPO, prohibited parties are collectively described as any party believed to be supporting terrorism and/or one of the parties listed on a prohibited party list, or any party that is otherwise actively engaged in fighting or actively supporting armed groups in a high-risk country. It is also this NPO’s policy to prohibit paying bribes to any party, or paying fees to any political authorities in a high risk-country, whether or not these persons or entities are included on any prohibited parties list. In this regard, political authorities in a high risk-country are also considered prohibited parties.

#### Box 34.

An international NPO engaged in the provision of humanitarian relief through implementing partners takes the following measures when working in areas of conflict in which sanctioned or designated entities or individuals are engaged in territorial control.

- Ensures cultural competency and engages community leaders and stakeholders to help secure the delivery of humanitarian aid in a manner that reduces potential for diversion.
- Actively monitors and ceases aid distribution if diversion occurs.
- Delivers aid to areas bordering or in proximity to conflict zone in cases

where a sanctioned or designated entities or individuals is exerting territorial control, to reduce the risk of resources being diverted.

These measures were applied in the following case:

A designated entity took control of a city where the NPO, operating through a domestic implementing partner, was delivering aid services to the beneficiary population. The designated entity attempted to take over the distribution of aid by 're-branding' resources as their own. The implementing partner informed the designated entity that it would cease the distribution of aid, and withdrew from the contested area. The implementing partner moved its resources back to a central warehouse until such time when distribution would be acceptable according to the NPO's terms. Eventually, the implementing partner was able to distribute aid in surrounding areas that were not under the control of the designated entity and where the beneficiary population had congregated.

## ANNEX 3

### A LIST OF REPRESENTATIONAL AND SELF-REGULATORY ORGANISATIONS

1. The NPO sector in many countries has representational and self-regulatory organisations that have developed standards and initiatives to help individual organisations ensure accountability and transparency in their operations, including strengthened internal controls and risk mitigation measures.
2. One World Trust<sup>25</sup> has undertaken a project that provides an inventory of civil society self-regulatory initiatives worldwide. The project examines 309 initiatives currently in use and offers insights into patterns at national, regional and international levels.
3. The following list, taken from the One World Trust's website, shows 83 examples of civil society organisations that undertake certification initiatives.
4. This list is not comprehensive and included only as examples of initiatives in the NPO sector. The FATF is not in a position to verify substance of each entry in this list.

Table 1. Examples of civil society organisations that undertake certification initiatives<sup>1</sup>

Program name	Certifying organisation	Location
Committed to Excellence	European Foundation for Quality Management	Europe
EFA Certification	European Fundraising Association	Europe
COA Eighth Edition Standards	Council on Accreditation	International
ForeignAid Certification	Foreign Aid Ratings LLC	International
Global Accountability Report	One World Trust	International

<sup>25</sup> The One World Trust is an independent charity that conducts research, develops recommendations and advocates for reform to make policy and decision-making processes in global governance more accountable to the people they affect now and in the future, and to ensure that international laws are strengthened and applied equally to all.

Table 1. Examples of civil society organisations that undertake certification initiatives <sup>1</sup>		
Program name	Certifying organisation	Location
HAP 2007 Standard in Humanitarian Accountability and Quality Management	Humanitarian Accountability Partnership International	International
ISO 14000: Environmental Management Systems	International Organisation for Standardisation	International
ISO 9000: Quality Management Standards	International Organisation for Standardisation	International
NGO Benchmarking Certification	Societe Generale de Surveillance	International
Principles and Standards for Fundraising Practice	Fundraising Institute of Australia	Australia
ACFID Code of Conduct	Australian Council for International Development	Australia
Austrian Seal of Quality for Donations	Österreichischen Spendengütesiegels (Austrian Donors Label)	Austria
Guia de Gestão Responsável para OSC (Guide of Responsible Management for Civil Society Organizations)	Parceiros Voluntarios (Volunteer Partners)	Brazil
NGO Governance and Professional Practice Code of Ethical Principles and Minimum Standard for NGOs in Cambodia and Voluntary Certification Scheme	Cooperation Committee for Cambodia	Cambodia
Code of Ethics and Operational Standards	Canadian Council for International Co-operation	Canada
Standards of Organizational Integrity and Accountability	Canadian Council of Christian Charities	Canada

Table 1. Examples of civil society organisations that undertake certification initiatives<sup>1</sup>

Program name	Certifying organisation	Location
Charte de Déontologie des organisations sociales et humanitaires faisant appel à la générosité du public (Charter of ethics and conduct for humanitarian and social services organisations seeking funds from the general public)	Le Comité de la Charte	France
Label "Gouvernance et Gestion Responsable" des associations et des fondations ("Governance and Responsible Management" Label for Foundations and Associations)	Association Française de Normalisation certification	France
Code of Ethics	Citizens Advocate! Program // Civic Initiative Center	Georgia
DZI Spenden-Siegels (DZI Donation Seal)	Deutsches Zentralinstitut für soziale Fragen (German Central Institute for Social Issues)	Germany
Initiative Transparente Zivilgesellschaft	Transparency International Deutschland e. V	Germany
Trademark of Trust	Civil Society Development Foundation Hungary	Hungary
Charity Research Initiative	Copal Partners	India
GiveIndia Credibility Alliance	GiveIndia	India
Norms and Good Practices around Governance and Public Disclosure	Credibility Alliance	India

Table 1. Examples of civil society organisations that undertake certification initiatives <sup>1</sup>		
Program name	Certifying organisation	Location
The Omega Rating	Indian Confederation of NGOs	India
Certification of Indonesian NGOs	Satunama	Indonesia
Carta della donazione (Charter for donation)	Istituto Italiano della Donazione (Italian Institute of Donation)	Italy
Partners in NGO Excellence	Academy for Educational Development- Jordan Civil Society Program	Jordan
National HIV and AIDS Response Code of Conduct	National AIDS Control Council	Kenya
Indicadores de Institucionalidad y Transparencia (Governance and Transparency Indicators)	Centro Mexicano para la Filantropia (Mexican Centre for Philanthropy)	Mexico
Certificate for small charities	Centraal Bureau Fondsenwerving (The Central Bureau on Fundraising)	Netherlands
Certificate of No Objection	Centraal Bureau Fondsenwerving (The Central Bureau on Fundraising)	Netherlands
Seal of Approval	Centraal Bureau Fondsenwerving (The Central Bureau on Fundraising)	Netherlands
NPO Certification Model	Pakistan Center for Philanthropy	Pakistan



Table 1. Examples of civil society organisations that undertake certification initiatives<sup>1</sup>

Program name	Certifying organisation	Location
Certificate of Good Governance for Palestinian Non-Governmental Organizations (NGOs) - Nazaha Project	AMAN Coalition	Palestinian Territories
Sistema de Evaluación de Desarrollo Organizacional- SEDO (Evaluation of Organizational Development System)	Colegio de Organizaciones para el Desarrollo Social (School of Organisations for Social Development)	Paraguay
NGO Certification	Philippine Council for NGO Certification	Philippines
CSO rating agency	Humaneasy Consulting	Portugal
Accountability Standards	Accountability Alert- Sierra Leone	Sierra Leone
Quality System for Slovenian NGOs	Pravno-informacijski center nevladnih organizacij (Legal Informational Centre for NGOs Slovenia)	Slovenia
Norma ONG con Calidad (Norms for NGO with quality)	Instituto para la Calidad ONG (Institute for NGO Quality)	Spain
Principles for Transparency and Good Practice	Fundación Lealtad	Spain
Accountability and Transparency Report and Norms for Ethical Fundraising	Stiftelsen för Insamlingskontroll (Swedish Foundation for Fundraising Control)	Sweden
Label de qualité ZEWO (ZEWO Seal of Approval)	Stiftung ZEWO (ZEWO Foundation)	Switzerland

Table 1. Examples of civil society organisations that undertake certification initiatives <sup>1</sup>		
Program name	Certifying organisation	Location
Swiss NPO Code	Konferenz der Präsidentinnen und Präsidenten grosser Hilfswerke (Conference of the Presidents of Large Humanitarian and Relief Organisations)	Switzerland
NGO Quality Assurance Mechanism (QuAM)	Development Network of Indigenous Voluntary Association	Uganda
Accountability Framework	Disasters Emergency Committee	United Kingdom
Approved Provider Standards	Mentoring and Befriending Foundation	United Kingdom
Investing in Volunteers Standard	Investing in Volunteers	United Kingdom
Investors in People Standards	Investors in People	United Kingdom
Matrix Quality Standard for Information advice and guidance services	ENTO Ltd.	United Kingdom
New Philanthropy Capital Charity Rating Database	New Philanthropy Capital	United Kingdom
NGOIndex Accountability Services	NGO Index	United Kingdom
Practical Quality Assurance System for Small Organisations Quality Mark (PQASSO)	Charities Evaluation Services	United Kingdom
Quality Accreditation	Community Foundation Network	United Kingdom

Table 1. Examples of civil society organisations that undertake certification initiatives<sup>1</sup>

Program name	Certifying organisation	Location
Quality Performance Mark	Action 4 Advocacy	United Kingdom
THA's Quality Standard for Helplines	The Helplines Association	United Kingdom
Pennsylvania Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector	Pennsylvania Association for Nonprofit Organisations	United States
5 Star Rating System	Ministry Watch	United States
Best in America	Independent Charities of America	United States
Charity Navigator Ratings	Charity Navigator	United States
Charity Rating Guide	American Institute of Philanthropy	United States
Child Sponsorship Accreditation Project	InterAction - American Council for Voluntary International Action	United States
Code of Ethical Principles and Standards	Association of Fundraising Professionals	United States
Criteria for membership in Global Impact	Global Impact (formerly International Service Agencies)	United States
ECFA Standards and Best Practices	Evangelical Council for Financial Accountability	United States
GiveWell	GiveWell (The Clear Fund)	United States

Table 1. Examples of civil society organisations that undertake certification initiatives <sup>1</sup>		
Program name	Certifying organisation	Location
InterAction PVO (Private Voluntary Organisation) Standards: Self Certification Plus	InterAction - American Council for Voluntary International Action	United States
International Declaration of Fundamental Principles of Standards of Excellence for Non-Profit Organizations	Non-Profit Evaluation & Resource Center (NPERCI)	United States
Louisiana Standards of Excellence Certification	Louisiana Association of Nonprofit Organizations	United States
Ohio Standards: Guiding Principles	Ohio Association of Non-profit Organisations	United States
Oklahoma Standards for Excellence	Oklahoma Center for Non Profits	United States
Quality Check, Accreditation and Certification Programs	Joint Commission on Accreditation of Healthcare Organizations	United States
Shining Lights and Donor Alerts	Ministry Watch	United States
Smart Givers Network Accountability Wizard	Charities Review Council (Minnesota)	United States
Standards for Charity Accountability	Better Business Bureau Wise Giving Alliance	United States
Standards for Excellence	National Leadership Roundtable on Church Management	United States
Standards for excellence	Colorado Center for Nonprofit Excellence	United States
Standards for Excellence	Delaware Associations for Nonprofit Agencies	United States

Table 1. Examples of civil society organisations that undertake certification initiatives<sup>1</sup>

Program name	Certifying organisation	Location
Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector	Maryland Association of Nonprofit Organizations / Standards for Excellence Institute	United States
Standards of Ethics for Nonprofit Organizations in Utah	Utah Nonprofits Association	United States
Transparency Grade	Ministry Watch	United States

1. Published on [www.oneworldtrust.org/csoproject/cso/initiatives/results/?type=Certification+scheme](http://www.oneworldtrust.org/csoproject/cso/initiatives/results/?type=Certification+scheme)

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