

# The ABCs of FATF: What Nonprofits Need to Know

## WHO?

The Financial Action Task Force is an intergovernmental body, established 1989 by the G7, tasked with developing policies to combat money laundering and terrorist financing worldwide.

The FATF has 37 members, including two regional organisations (the Gulf Cooperation Council and the European Commission). More than 20 bodies have observer status (among them, the IMF, World Bank, OECD and various UN law-enforcement bodies).

## WHAT?

The FATF sets global standards for preventing money laundering and terrorist financing, and assesses how effectively countries are meeting these standards. Among these standards are a series of 40 Recommendations.

Recommendation 8 sets standards for nonprofit organisations (NPOs). 198 countries have committed to implement FATF's recommendations in the form of laws and regulations, including those impacting NPO.

## HOW does FATF impact NPOs?

FATF's Recommendation 8 (R8) pertains specifically to NPOs. It calls on countries to "review the adequacy of laws and regulations that relate to non-profit organisations which the country has identified as being vulnerable to terrorist financing abuse."

In 2016, FATF revised Recommendation 8, removing language that identified the NPO sector as "particularly vulnerable." The new standard clearly acknowledges that not all NPOs are at risk and directs countries to undertake a risk-based approach.

## "RISK-BASED APPROACH"

The FATF's "risk-based approach" instructs countries to implement targeted measures, rather than a broad-brush approach to risk management. This method allows NGOs to work with governments to research, inform and advocate for targeted solutions in the sector.

According to the "risk-based approach":

1. Countries should identify which organisations fall under the definition of NPO in Recommendation 8
2. Countries should work with NPOs to better understand the risk
3. Measures must be focused and proportionate

## The INTERPRETIVE NOTE and BEST PRACTICES PAPER

The Interpretive Note is part of the R8 standard. It lays out objectives, principles and the types of measures countries should take to be rated compliant, and notes that measures adopted by countries should "not disrupt or discourage legitimate charitable activities."

Guidance to the standard is provided through the Best Practices Paper, which includes examples of good practice for countries and outlines actions NPOs can take to protect themselves against terrorist abuse.

## RISK ASSESSMENTS and MUTUAL EVALUATIONS

Under the FATF Recommendations, countries should periodically conduct a national assessment to determine which NPOs are at risk of terrorist financing abuse and what risks they specifically face.

FATF in partnership with regional bodies, conducts periodic evaluations of each country's measures to address money laundering and terrorist financing risks. Through the resulting Mutual Evaluation Reports, countries are rated on their level of compliance, which includes an assessment of effectiveness.

## HOW TO GET INVOLVED:

- Join a coalition to aid in information-sharing and dialogue in order to provide one coherent voice. The Global NPO Coalition, which provides a forum for resources and information exchange, is the worldwide working group on this issue (see below). Country-specific coalitions are useful as well.
- Locate a single point of contact between your civil society organization or coalition and the government.
- Understand what is happening in your country: it is important to listen and address the specific risks and concerns from each country's representatives.

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"The ABCs of FATF: What Nonprofits Need to Know 2017 and Beyond"

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FOR MORE INFORMATION ABOUT THE GLOBAL NPO COALITION ON FATF AND ITS PARTNERS. CONTACT US:



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