Non-for-profit organisations
Collect and transfers of funds through a Non-Profit Organisation (NPO)

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Following FATF guidance, NPOs include the following sectors:

1/ “service activities”, meaning programmes focused on providing housing, social services, education, or health care. They may cover for example NPOs engaged in humanitarian aid or development assistance, as well as NPOs carrying out other activities.

As far as humanitarian NPOs are concerned, the objective of humanitarian aid is to save and preserve lives of people affected by natural or man-made disasters, in full respect of International Humanitarian Law and of the humanitarian principles of humanitarian action, neutrality, impartiality, humanity and independence. Humanitarian NPOs may be active within distinct geographical (within and outside of Europe) and operational contexts. Nonetheless, a large part of humanitarian aid is carried out in or is connected to the consequences of armed conflicts and other situations of violence. Also, humanitarian organisations may operate in some regions and countries where persons and entities designated as "terrorist" are present and likely to pursue their activities. While the humanitarian aid sector accommodates a wide range of organisations of various degrees of operational and organisational capacity, there is an important segment of NPOs receiving institutional humanitarian aid funding, among others by the EU and and Member States in charge of the management of EU funds, and are subject to a strict contractual framework with a high degree of safeguards. EU humanitarian aid funding is managed by the European Commission and is channelled through partners, including NPOs, which are selected based on specific legal, financial and operational criteria, and are signatories of a Framework Partnership Agreement (FPA).

2/ "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. They are in general NPOs engaged in philanthropy activities.

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- Establishment of NPOs to "fund raise" whereby criminals funds are gradually sent to the NPOs:
  - complicit NPOs may intentionally support a terrorist group or a criminal organisation
  - legitimate NPOs may be exploited by "outsiders"
  - legitimate NPOs may be exploited by "insiders".
- Criminals may abuse NPOs to fund localised terrorist activities, or may seek to use NPOs to facilitate cross-border financing by sending money to areas where the NPOs
are operating close to terrorist areas of activity
- complicit NPOs may intentionally support a terrorist group or a criminal organisation
- legitimate NPOs may be exploited by "outsiders"
- legitimate NPOs may be exploited by "insiders".

**General comments (if relevant)**

For this risk assessment, it is agreed that NPOs shall be understood as defined in FATF standards (Recommendation 8): expressive NPOs and service NPOs. This assessment will be about all categories of NPOs falling under the FATF definition, to avoid singling out one category of NPO. This risk scenario is intrinsically linked to transfers of funds – NPO.

As the assessment concerns money laundering and terrorist financing affecting the internal market and cross-border activities, this exercise is relevant both for the collection of funds within the internal market and for the collection and transfer of funds from within the EU to third countries.

**Threat**

**Terrorist financing**

The assessment of the TF threat related to collect and transfers of funds by NPOs shows that this modus operandi is not really frequently used by terrorist groups. Indeed, based on the number of NPOs registered, very few are misused. However, existing NPOs may be concerned by the risk of being infiltrated by terrorist groups which may represent a significant threat, in particular as far as foreign terrorist fighters are concerned. In general, collect and transfers of funds through NPOs does not require specific expertise. However, terrorist groups may need more particular knowledge and skills to pass the registration test to enter the NPO. Once infiltrated, the NPO is may be attractive to finance terrorist activities.

As far as humanitarian NPOs are concerned, while there are some inherent risks in humanitarian work taking place at times in high risks areas with presence of non-state armed groups or persons designated as terrorists, the concrete risks depend on various factors, such as the level of 'professionalization' of an NPO, each individual country situation, including the political dynamics of the conflict in question..

**Conclusions:** The NPO landscape is fairly broad. Considering that NPOs are quite easy to infiltrate (low level of controls – see vulnerability assessment), the access to funds collected or transferred by NPOs to finance terrorist activities is quite attractive and does not require specific technical expertise. At the same time, only few NPOs are concerned by this threat. In that context, the level of threat for TF is considered as significant (level 3). For NPOs receiving institutional funding, among others by the EU or Member States in charge of the management of EU funds, the level of threat is however considered as moderately significant (level 2).

**Money laundering**

The assessment of the ML threat related to collect and transfers of funds through NPOs has been considered in conjunction with TF schemes related to collect and transfers of funds through NPOs in order to fund terrorist activities. In that context, the ML threat does not benefit from a separate assessment.
Conclusions: In that context, the level of threat for ML is considered as significant (level 3). For NPOs receiving institutional funding, among others by the EU or Member States in charge of the management of EU funds, the level of threat is however considered as moderately significant (level 2).

Vulnerability

Terrorist financing
The assessment of the TF vulnerability related to collect and transfers of funds by NPOs shows that:

General remarks: the analysis of the NPO sector from a vulnerability perspective is quite complex.

- On the basis of the work undertaken by the FATF, the TF vulnerability has demonstrated that there was an interest to build on the FATF distinction between *expressive NPO* (NPOs predominantly involved in expressive activities, which include programmes focused on sports and recreation, arts and culture, interest representation, and advocacy) and "*service NPOs'* (NPOs involved in diverse activities, including but not being limited to humanitarian services). Competent authorities and FIUs agree to consider that the two categories present differences in their risk exposure and risk awareness. Expressive NPOs present some vulnerability because they can be infiltrated by terrorist organisations that can hide the beneficial ownership making the traceability of the collect of funds less easy.

Service NPOs are more directly vulnerable due to the intrinsic nature of their activity (NPOs on the field): they may be located in conflicts/war areas; in high risk third countries; have high risk customers.

- However, this distinction does not prevent from drawing common characteristics of the NPOs sector vulnerabilities. Some Member States even tend to consider that this distinction is not relevant and that, whatever the category of NPOs concerned, the sector is characterised by a variety of structures and activities which can have an impact on the level of risk awareness and risk exposure.

(a) risk exposure:
As mentioned above, there is an inherent risk for NPOs working in high risk areas and exposed to high risk customers. A part of the funding is channelled through cash which make the traceability of source of funds but also of the transfers (when sent abroad) difficult from LEAs and FIUs points of views.

As far as humanitarian NPOs are concerned, while there are some inherent risks in humanitarian work taking place at times in high risks areas with presence of non-state armed groups or persons designated as terrorists, the concrete risks depend on the level of 'professionalization' of an NPO, each individual country situation, including the political dynamics of the conflict in question. (b) risk awareness:

NPO sector has no centralised organisational framework and the rules applicable to it are not harmonised at EU level and vary from one Member State to another. This lack of centralized organisation limits competent authorities' ability to provide some guidance or assistance. The risk awareness is increasing in the NPO sector. NPOs voluntarily undertake their own risk assessment which takes consideration of the geographic location, the type of activity, the history of the engagement in the area. They are starting developing controls and due diligence
measures on transfers and collects of funds (sanctions lists screening). The sector is also developing peer-learning exchanges on due diligence practices, transparency and accountability questions and risk management as well as awareness raising events on terrorist financing. NPOs actors (in particular from philanthropy) are becoming more and more aware of risks, in particular, where financial transactions are taking place outside of the financial system. There is also greater collaboration and outreach to the banking sector to facilitate safe and regulated channels for legitimate humanitarian causes, thereby increasing transparency and helping to safeguard NPOs from terrorist abuse, while at the same time allowing delivery of humanitarian aid to regions most in need. The sector is engaged in self-regulation’s actions, with the issuance of codes of conduct developed both by the fundraising as the philanthropic sectors which often include governance, reporting, monitoring of the use of funds "know your donors" and "know your beneficiaries". Finally, NPOs that receive institutional humanitarian aid funding from the EU and Member States in charge of the management of EU funds are subject to a strict contractual framework, with a higher degree of safeguards. While acknowledging the vital importance of the NPO community, among others in providing humanitarian assistance around the world, and the need to safeguard the legitimate objectives of humanitarian aid, more awareness raising within the NPO sector of TF risks may be needed to enhance the risk awareness within the NPO sector

(c) legal framework and controls in place:

NPOs are not included in the AML/CFT framework at EU level. Their coverage by AML/CFT rules is left to Member States discretion. The existing AML/CFT requirements are not necessarily considered as adequate to address the specific needs of the NPO sector and controls in place are not equal depending on the Member State concerned. The conditions of registration of NPOs are also not the same. Competent authorities tend to consider that controls in place are quite good concerning the collection of funds within the EU. However, some weaknesses appear when dealing with transfers of funds or expenditures outside the EU.

It is important to note that, beyond AML/CFT requirements, humanitarian NPOs are governed by the Humanitarian Principles that are humanity, impartiality, neutrality and independence. As far as specific categories of humanitarian NPOs are concerned, notably those that have been assessed by the European Commission, it is also important to note that beyond the strict eligibility and suitability criteria, checked through a detailed selection process prior to the signature of the FPA, there are also continued checks during the lifetime of the partnership and specific humanitarian actions, such as detailed reporting on actions, obligations on record keeping, as well as regular audits, both at HQ and in the field.

As far as the legal framework is concerned it is relevant to note that a balance needs to be found between the counter-terrorism agenda and the legitimate objectives of humanitarian NPOs. For example, the Directive (EU) 2017/541 of the European Parliament and of the Council of 15 March 2017 on combating terrorism and replacing Council Framework Decision 2002/475/JHA and amending Council Decision 2005/671/JHA includes a humanitarian exemption for humanitarian activities by impartial humanitarian organisations.

Conclusions: the risk exposure of the NPOs is impacted by the intrinsic nature of their activities, various degree of risk awareness exist, mostly due to a fragmented NPO landscape. The applicable legal frameworks and national practices are diverse while it should be acknowledged the specific setup of the humanitarian sector described above. In that context, the level of TF vulnerability is considered as significant (level 3). For NPOs receiving institutional funding, among others by the EU or Member States in charge of the management of EU funds, the level of threat is however considered as moderately significant (level 2).
Money laundering

The assessment of the ML threat related to collect and transfers of funds through NPOs has been considered in conjunction with TF schemes related to collect and transfers of funds through NPOs in order to fund terrorist activities. In that context, the ML threat does not benefit from a separate assessment.

Conclusions: In that context, the level of vulnerability for ML is considered as significant (level 3). For NPOs receiving institutional funding, among others by the EU or Member States in charge of the management of EU funds, the level of vulnerability is however considered as moderately significant (level 2).

Mitigating measures

1) For the Commission:
   - To provide Commission guidance and/or training to NPO in receipt of EU funding on the relevant EU legal framework, as well as on how to identify risks and meet due diligence requirements.
   - To organise multi-stakeholders exchange involving all professional sectors, in particular the financial sector, involved in business with NPOs

2) For competent authorities
   - Member States should ensure better NPO involvement into national risk assessments, into the development of informational and awareness programs designed to counteract the risk of being abused - support NPOs by providing awareness raising materials for NPOs (at member State as well as at EU level)
   - Member States should also further analyse the risks faced by NPOs sector