

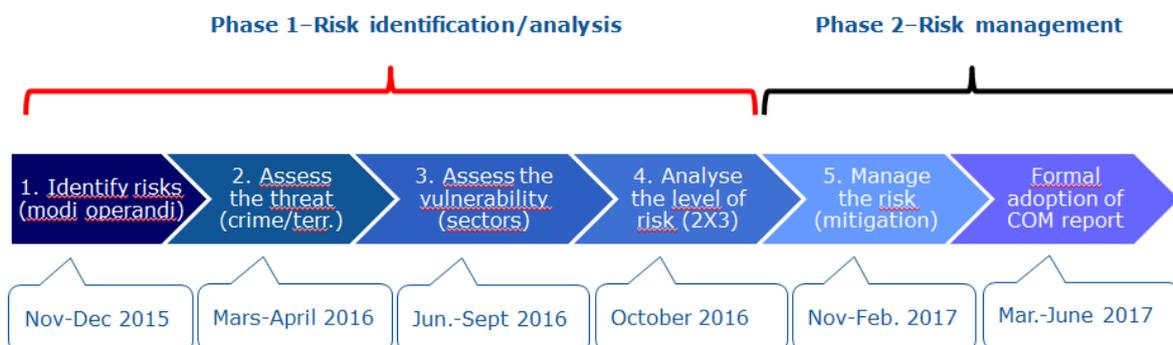
INFORMATION NOTE – August 2016

Why should European NPOs engage in the EU Supranational Risk Assessment of money laundering and terrorism financing risks?

The purpose of this note is to inform the wider European NPO sector about the current state of play of the EU supranational risk assessment of money laundering and terrorism financing risks and how it relates to NPOs.

I. What is a Supra-national risk assessment on AML/CT (SNRA)?

The European Commission is conducting this supranational risk assessment (SRNA) *in order to analyse risks of terrorist financing and money laundering affecting the internal market and propose mitigating actions, including Recommendations to Member States to address such risks.*¹ The Commission has designed a methodology for this assessment which follows the Financial Action Task Force (FATF) methodology for the national risk assessments and has started the analysis process.² This SNRA will result in the publication of a report by June 2017 making recommendations to Member States on the measures suitable for addressing potentially identified risks. This could imply measures at national and EU level. The SNRA process is summarised as follows:



The European Commission is holding consultation meetings with different sectors throughout the process to present and discuss preliminary results of the risk assessment.

II. How does this risk assessment relate to NPOs?

The risk assessment will look at risks related to various different sectors. It became clear at the first consultation meeting with a small group of NPOs and select academics on February

¹ http://europa.eu/rapid/press-release_IP-16-1445_de.htm; http://europa.eu/rapid/press-release_MEMO-16-2381_en.htm

² The SNRA methodology can be downloaded here: <http://fatfplatform.org/wp-content/uploads/2016/03/04112015-Methodology-SNRA-Clean-v1.1.pdf>



29th 2016 that the following **activities surrounding NPOs have been identified by the European Commission as risk factors:**

- *Transfers of funds:* Criminals may abuse NPOs to fund localised terrorist activity, 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. Use of Facebook accounts/Google accounts
- *Collection of funds:* Establishment of NPOs to "fund raise" whereby criminals' funds are gradually sent to the NPOs

Following input provided by European NPOs in spring this year, the European Commission stated that indeed proven abuse of NPOs for terrorism financing is minimal - but it exists. The European Commission will **continue to look at risks specifically related to NPOs**. This approach is in line with the Financial Action Task Force (FATF) methodology for national risk assessments (a specific FATF Recommendation 8 deals with non-profit organisations) and the fact that the European Commission will also be relying on information gathered in national risk assessments for the supranational risk assessment.

III. What are possible negative impacts on the non-profit sector?

The Commission could identify higher level of risk / vulnerability of (parts of) the NPO sector and hence propose measures that may restrict or hamper the non-profit activities of EU based organisation within the EU or beyond. So far EU legislation does not include specific reference to NPOs but this could potentially change if unaddressed risks were identified. In addition, NPOs (as other sectors) will also be considered in the context of other actions (cash transfer, credit cards, pre-paid cards, crowdfunding etc.).

EU level non-profit organizations should hence actively input into the risk assessment process in order to ensure that possible mitigation measures are proportionate to the potential risk to be identified and **do not unduly restrict or hamper the non-profit activities**.

IV. How can NPOs get involved?

- **Seek to register for the next EC consultation meeting on October 4th 2016**

NPOs should use the EC consultation meetings to raise their voice towards the EC. The first private sector consultative meeting on February 29th 2016 was attended by a small group of NPOs and academics. Several NPOs then jointly submitted written input to the European Commission by the end of March 2016, see http://fatfplatform.org/wp-content/uploads/2016/08/2016_ECRiskAssessment_March2016_NPOINPUT_FF.pdf.

The EC will have a second consultative meeting on **October 4th 2016 afternoon**. The October meeting will be the occasion for the Commission to present **preliminary results of the money laundering and terrorist financing risks identified for the NPO sector** (assessing the "threat and vulnerability" aspects) **and to get input from NPOs**. The October



meeting is again by invitation only but interested NPOs can **contact the EC at: JUST-EU-SNRA@ec.europa.eu** and express their interest to be invited as soon as possible.

- **Review draft European NPO coalition input as soon as available**

The informal European NPO coalition under the lead of ECNL, EFC and HSC will also circulate the draft European Commission findings with interested NPOs. The coalition will also share its draft comments with interested NPOs giving them the opportunity to provide additional input or comments ahead of the October 4th meeting.

- **Join the preparatory meeting of NPOs at Philanthropy House on October 4th**

The European NPO coalition together with Civil Society Europe will host a preparatory meeting with interested NPO networks and organisations on **October 4th morning at Philanthropy House**. If you wish to attend, please contact Hanna Surmatz, hsurmatz@efc.be, at the European Foundation Centre.

- **Provide input on current existing national and EU measures into SNRA process**

Since the European Commission will review if potentially identified risks are addressed by national and/or EU level (hard law/soft law), the European Commission already now welcomes NPO input and access to information on national NPO/foundation legislative information and studies. We encourage NPOs to share any relevant information/data/reports on NPO laws with the European Commission before October 2016 at JUST-EU-SNRA@ec.europa.eu.