From Reform to Implementation: The Questions Beginning to Reshape Recommendation 8

Reflections from *An In-Depth Look at Recommendation 8*, held alongside GAFILAT's 53rd Plenary of Representatives in Lima, Peru—an initiative convened by GAFILAT, with support from GIZ's Global Programme Combating Illicit Financial Flows (GP IFF) and the EU AML/CFT Global Facility, to advance regional dialogue on implementing the revised FATF Recommendation 8.

ANALYSIS
Implementing Recommendation 8

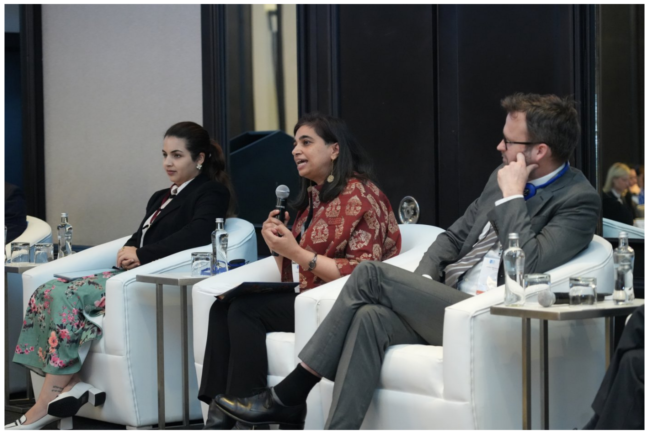
Why it matters

For the past two years, the conversation around the reform has been dominated by a single question: what changed? Today, however, a more consequential question has emerged: what does implementation actually look like in practice? That shift is what this piece is really about.

Drawing on discussions from the workshop An In-Depth Look at Recommendation 8, held alongside GAFILAT's 53rd Plenary of Representatives in Lima, this article explores the questions beginning to define the next stage of regional implementation. Rather than offering settled answers, it reflects on how peer learning can turn national experience into something the wider region can draw on.

Five questions that shaped the dialogue in Lima

- How does implementation change once the standard itself has changed?
- How should countries identify the organisations actually covered by the FATF's definition?
- What does the shift from supervision to *oversight* really mean?
- How can the sector be protected without creating new unintended consequences?
- What can the region now learn from its own experience?



Open dialogue during the workshop. Lima, 15 July 2026.

There was a moment, not so long ago, when the question dominating every room discussing the reform was straightforward: what had changed?

Eighteen Latin American jurisdictions gathered in Lima for two days without asking that question once.

Not because it ceased to matter, but because it ceased to be the most important one. What the *In-Depth Look at Recommendation 8* workshop actually debated wasn't the standard itself, but how it lands in each country: who has to decide, and how much real room they have to do it.

> ***The standard sets the direction. Implementation determines whether it succeeds.***

That shift — from reading the standard to living with it — is the map running through everything that follows:

FATF reform
↓
Understanding the standard
↓
Implementing the standard
↓
Peer learning
↓
Building regional benchmarks

Lima marked the shift from understanding to implementation. The two stages that follow — peer learning and building regional benchmarks — are both still very much a work in progress.

How does implementation change once the standard itself has changed?

The reform was never a cosmetic fix. It was a change in the starting assumption. The old model began from suspicion; the revised one begins from measurement.

2023	2024–2025	2026	5th round
FATF reform of R.8	Understanding	Implementation	Peer learning

The fourth round's figures make the point without much need for interpretation: of eighteen countries, only one achieved full technical compliance with R.8; four reached a substantial level of effectiveness under Immediate Outcome 10. The rest sit somewhere between partial and moderate. GAFILAT doesn't dress this up: terrorist financing has rarely been treated as a priority risk in the region, and that gap has left holes both in understanding and in evidence.

What actually changed?

Before	Now
Uniform control	Differentiated, risk-based management
Suspicion by default	Evidence as the starting point
Every NPO under the same lens	Focus on higher-risk organisations
Compliance as the end goal	Proportionality as the guiding principle
Supervision	Oversight and monitoring

The reform changed more than a single provision. It changed the logic.

The fifth round — already under way in Mexico, Cuba, Costa Rica and Honduras — won't measure whether countries understood the reform. It will measure whether they built something that works with that understanding. Over the next two or three years, that question is what will separate the countries that actually moved forward from those that simply updated their vocabulary.

How should countries identify what actually carries risk?

Before mitigating anything, there's a prior question that sounds trivial and isn't: who does the Recommendation actually apply to, in practice?

The FATF's definition is functional, not legal. What matters isn't an organisation's legal form, but what it does: whether it is *primarily* engaged in raising or disbursing funds for charitable, religious, educational or social purposes. That word — primarily — is the one that has cost the region the most time.

Defining the universe isn't a statistical exercise. It's a policy judgement.

Colombia identified 132,368 potentially relevant organisations by cross-referencing economic activity codes, while acknowledging that the classification remained imperfect. Costa Rica, working from a narrower criterion, reached 24,119 — unable even to distinguish functional categories within its own registry. Panama and Argentina explored variations of the same exercise, facing similar challenges.

No single criterion has proven definitive yet.

> *"What counts as 'good works' varies from one country and context to another, so we don't define it."*
>
> — FATF Secretariat, public session on the revised R.8

That ambiguity isn't a gap to lament. It's a deliberate choice, and Austria approached it methodically: it identified just 1,200 relevant NPOs under the FATF definition — under 1% of its total universe of associations — and flagged 80 as at risk. Together with Singapore, it was one of the first two countries to achieve full compliance under the fifth round.

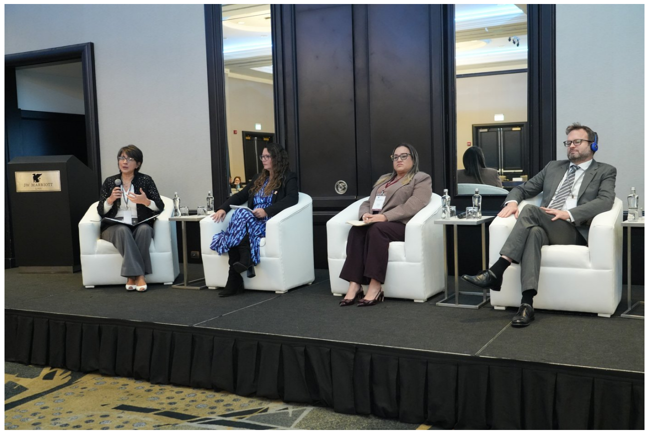
The common thread isn't the method. It's the discipline of starting from evidence rather than assumption.

Defining the universe, though, is only the first question. The one that will divide the region more in the years ahead is the second: what to do once you know, with evidence, who you're actually looking at.

What does the shift from supervision to *oversight* really mean?

There's a word the revised framework dropped deliberately: supervision. In its place: oversight and monitoring. This isn't a translator's nuance. The Interpretive Note is explicit — NPOs are not reporting entities, they do not file suspicious transaction reports, and they should not be subject to customer due diligence on their donors as though they were banks.

	Previous model	**Revised model**
Logic	Mandatory compliance, similar to a reporting entity	Proportionate risk management
Tool	Supervision and licensing	Monitoring and dialogue with the sector
Relationship with the sector	Control	Proportionate control, trust, cooperation
Focus	All NPOs	Higher-risk organisations
Institutional model	Tendency towards uniformity	Solutions tailored to national context



Panel on oversight without supervision. GAFILAT's 53rd Plenary, Lima.

But naming what shouldn't be done is the easy part. The question that remains — and that no country can outsource — is institutional: who, within the existing architecture, actually has the mandate to exercise oversight? A financial intelligence unit, a tax authority, a dedicated regulator, self-regulatory mechanisms backed by the state: the menu is broad. What almost no country in the region has yet been a settled answer.

Guatemala offers an early, partial answer — and it's worth being precise about what it actually did. Its new anti-money laundering law, in force since 17 June 2026, stopped short of treating NPOs as reporting entities: it does not require them to file suspicious transaction reports or apply customer due diligence to their own donors, exactly as R.8 requires. But its only real point of contact with the sector is indirect — it places NPOs that receive state or foreign funding into the enhanced due diligence category that banks must apply to their clients. The obligation sits with the financial institution, not the organisation.

Guatemala has answered one question with notable precision. The other remains open. Guatemala's national coordination body brings together nine government agencies — and none of them has a seat reserved for the sector.

> ***Doing no harm and exercising oversight are two different decisions.***

Guatemala has settled the first. The second — who actually oversees the sector — remains unresolved across most of the region.

How can the sector be protected without creating new barriers?

The FATF has spent several years examining an uncomfortable phenomenon: the unintended consequences that follow when its standards are implemented without a genuinely risk-based approach. Since 2021, that work has focused on de-risking, financial exclusion, the mistreatment of NPOs, and the erosion of rights that follows disproportionate application of AML/CFT measures. The message is clear: the problem isn't always the standard. More often, it's the implementation.

That was, precisely, one of the threads running through Lima's discussions.

It's the bank account closed without an individual risk assessment. It's the humanitarian organisation facing requirements that bear little relation to the risks it actually presents. It's a mutual evaluation used to justify measures the standard never asked for. When that happens, the problem stops being the standard. It becomes the implementation.

> ***De-risking doesn't always reflect a risk assessment. Often, it reflects the absence of one.***

Addressing that challenge requires more than identifying threats and vulnerabilities. It also requires recognising the safeguards already embedded within the sector itself.

Spain offers a particularly useful reference point here. Its 2025 sectoral risk assessment stopped treating NPOs as a single, homogeneous bloc and built a differentiated assessment based on the risk profile of different categories of organisation. Its most significant contribution, though, comes next: the assessment explicitly recognises voluntary self-regulatory mechanisms — such as Fundación Lealtad's Dona con Confianza seal — as factors that help mitigate risk. It recognises them as part of the risk picture.

The discussions in Lima suggested that this principle can be translated into practice in different ways. Some jurisdictions are moving towards increasingly differentiated risk assessments across organisations; others are exploring certification, accreditation or self-regulatory mechanisms capable of generating objective signals of trust. There is no single model, nor does the standard aim to impose one. What is beginning to take shape is a different idea: genuinely risk-based implementation has to weigh existing mitigating measures within the sector, not just its vulnerabilities.

> ***Good implementation is measured not by the number of controls it introduces, but by the quality of the judgements it supports.***

The Conversation Has Only Just Begun

Not one of the five questions this piece opened with was resolved in Lima. And that, perhaps, is the best news of all: it means the conversation is still alive.

None of these answers came out of a single presentation. They emerged from the friction between very different national experiences. That exchange — convened by GAFILAT together with the EU AML/CFT Global Facility and German Cooperation (GIZ), through its Global Programme

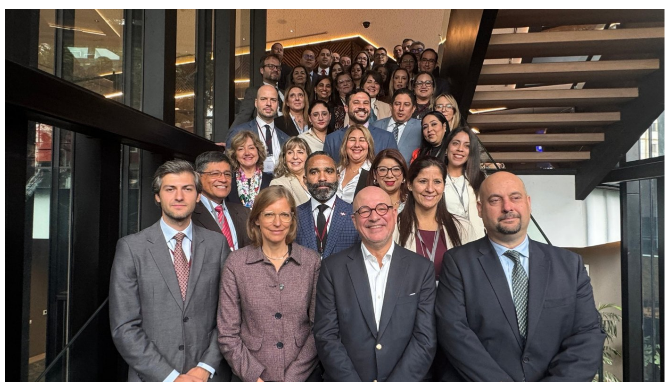
Combating Illicit Financial Flows (GP IFF) — was probably one of the workshop's biggest contributions: turning isolated experience into collective learning.

Mexico and Costa Rica's forthcoming evaluations carry significance well beyond their own jurisdictions. Not because they will settle the debate, but because they could become the region's first real benchmarks for implementing the revised standard. If that happens, learning will stop flowing only from other parts of the world. It will start being built from within Latin America too.

If sustained over time, GAFILAT's regional mapping of terrorist financing risks could become far more than a technical exercise. It could provide Latin America with its first genuinely shared evidence base for implementing Recommendation 8 — not to replicate solutions developed elsewhere, but to build regional reference points grounded in the region's own experience.

But that wasn't the question that mattered most.

The real question is whether these gatherings are still places where standards are interpreted—or whether they are becoming spaces where implementation itself is shaped. Lima didn't offer a final answer. It offered something more valuable — evidence that knowledge on Recommendation 8 is no longer flowing in a single direction. It is beginning to emerge horizontally, through jurisdictions that face similar dilemmas, test different institutional responses and gradually build a shared body of regional practice.



Participants in the In-Depth Look at Recommendation 8 workshop. Lima, July 2026.

Because once a standard changes, understanding it is only the beginning. The real challenge is learning—collectively—how to make it work.

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The author took part as an expert and moderator at the "In-Depth Look at Recommendation 8" workshop, held alongside GAFILAT's 53rd Plenary of Representatives in Lima, Peru.