

Initiative on Ensuring the Implementation of Countering the Financing of Terrorism Measures While Safeguarding Civic Space

Second Expert Meeting: *From Challenges to Remedies -- Case Study Examination*

27 January (Day 2)

15:00 CET Session 4: Advancing and Sustaining Multi-Stakeholder Dialogue and Collaboration

Case studies will provide examples of sustained forums for dialogue between government, non-profit, and private sector actors to address tensions between CFT, civic space, humanitarian action, and financial inclusion. Examples will emphasize the elements that contribute to successful and productive dialogues in order to advance proportionate and risk-based CFT policies and practices that safeguard civic space and humanitarian operations, and share lessons learned in building trust and rapport and overcoming roadblocks.

Proposed Speech:

- Hello Experts. I am very happy to have the opportunity again to present on the important work of the Financial Action Task Force (or FATF) to this esteemed Group of Experts. Today, in my capacity as FATF Vice President, I will build upon our last discussion that took place in December about the FATF's risk-based approach. Today, I will highlight the FATF's efforts to advance and sustain multi-stakeholder dialogue and collaboration to protect NPOs from potential terrorist financing abuse.
- Over its 32-year history, the FATF has promoted anti-money laundering and counter terrorist financing measures. We do not only set international standards, but we assess the implementation of them through peer reviews involving more than 200 countries, supported by the UN, IMF, World Bank, OECD and others. Effective implementation of the FATF Recommendations helps to prevent, detect and disrupt criminal activity of all sorts, including kleptocrats and those seeking to abuse human rights.
- 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. However, terrorists and terrorist organisations may also abuse some legitimate NPOs, often without the knowledge of their donors, management, or staff, or may create sham charities to funnel money to terrorists. Therefore, one of the FATF's 40 Recommendations—Recommendation 8—aims to protect NPOs from potential terrorist financing abuse. The objective of Recommendation 8 is to ensure that NPOs

are not misused by terrorist organisations to pose as legitimate entities or exploit legitimate NPOs to finance terrorism.

- Beginning in 2014, the FATF engaged with NPOs to draft a typologies report on the risk of terrorist abuse in NPOs, and in 2015 completed a Best Practices Paper on Combatting the Abuse of NPOs. Due to the outcomes of these projects and concerns raised by the NPO community, the FATF—as a matter of priority—revised its Standards. These changes sought to highlight the importance of understanding the domestic non-profit sector, the ability to identify which NPOs meet the FATF’s functional definition. And most importantly, these changes called for countries to use a targeted risk-based approach in implementing the measures called for in Recommendation 8.
- In June 2016, the FATF engaged extensively with NPOs and successfully revised its Recommendation 8. These changes now ensure that Recommendation 8 is in line with the risk-based approach, and does not disrupt or discourage legitimate NPO activities. These revisions also clarify that not all NPOs represent the same level of terrorist financing risk, and that some NPOs represent little or no risk at all. We would not have been able to make these important revisions without the invaluable engagement and coordination of the Global NPO Coalition.
- Several things were important to build this relationship between the FATF and the NPO community.
- **Firstly**, it was important to identify the key interlocutors, at the right level.
 - The FATF is an inclusive, membership-driven organisation and members prioritised these issues and ensured high-level support for both the engagement and reforms. We also dedicated someone at a high level in the FATF Secretariat (Val Schilling) to prioritise and manage this engagement and provide a single point of contact for civil society.
 - On the civil society side, there are such a broad range of stakeholders, often with divergent views. So, to overcome this challenge, the NPOs created a Coalition of interested and informed stakeholders to engage with the FATF. Our key NPO interlocutors were experienced and able to represent and convey other stakeholders’ views from the civil society community. This Coalition—acting on behalf of the NPO community—greatly assisted the FATF as they were able to collect evidence and demonstrate to the FATF what was happening in practice. Importantly, they also provided consistent messages about what changes the FATF should consider to its Standards.
- **Secondly**, it was important to take the necessary time to build trust and understanding.
 - At the beginning of our engagement with civil society, it felt like we were speaking different languages. The FATF Standards are incredibly technical and we use MANY acronyms. It is not easy for anyone, including financial experts, to pick up quickly all of

the FATF's language. There were also misunderstandings about the FATF's mandate and Standards. At that time, the FATF needed to be clear about what it can do based on its limited mandate.

- It also took time and effort to educate parties on all sides and understand better our common objectives – including saving and improving lives and preventing terrorist and criminals from using NPOs to support their activity.
 - Personal relationships and consistency of those individuals involved in the process helped to develop a more constructive dialogue and to make sure we were not starting from square one each time an issue came up.
- **Finally**, transparent, inclusive and structured engagement at every level was, and continues to be, imperative to the success of multi-stakeholder collaboration on NPOs.
 - At the country level, our engagement with civil society is part of every FATF mutual evaluation. Our procedures require this. We are also working with the NPO Coalition to improve our practices and ensure that our processes are transparent and inclusive. For example, we actively engage with the NPO Coalition when developing FATF policy (such as guidance or revisions to our Standards), even if these policies do not have obvious impacts on NPOs. Additionally, we recently made improvements to the FATF's website to provide clarity on how NPOs can provide input on upcoming mutual evaluations.
 - We also combine this engagement with ongoing, regular dialogue to address ad hoc issues and to understand what is happening on the ground.
 - The FATF is committed to actively engaging with the NPO community in an open and transparent manner, in order to ensure that their practical knowledge and experience can be properly reflected in our Standards. We acknowledge that civil society is at the frontline and plays a critical role, and therefore their experience and knowledge is essential in informing effective counter-terrorist financing action. This engagement has been essential in ensuring that our Standards do not cut across other important policy objectives, especially on international development and humanitarian assistance. The FATF is committed to this ongoing engagement and promoting effective and proportionate, risk-based measures in all countries. Thank you for your attention.