

## The ABCs for Risk Assessment of the Nonprofit Sector in Your Country



FATF is the **Financial Action Task Force**, an inter-governmental body established in Paris in 1989 by the G7. It seeks to combat money laundering, terrorist financing and other threats to the international financial system. It is both a policy-making and enforcement body. It sets out 40 Recommendations on anti-money laundering and counter-terrorist financing policies to guide countries in their laws and policies.

The FATF has 37 members and more than 20 bodies have observer status (among them, the IMF, World Bank, OECD and various UN law-enforcement bodies). Over 190 countries and territories have committed to implement FATF standards.

### **What is a National Risk Assessment?**

Pursuant to FATF Recommendation 8, member governments should conduct periodic reviews and assessments on the "adequacy of laws and regulations that relate to non-profit organizations which the country has identified as being vulnerable to terrorist financing abuse." FATF Recommendation 1 requires countries to conduct an overall National Risk Assessment, which is a periodic assessment of the risk of terrorist financing abuse in the country, identifying which NPOs are at risk and the specific risks they face, along with mitigation measures in place. All counter-terrorist financing and anti-money laundering regulation of nonprofits in a particular country are based on the risk assessment, so it is vital that NPOs participate in this effort.

Again, the FATF emphasizes the importance of a "risk-based approach, requiring countries to apply "focused and proportionate measures."

This emphasis on a "**risk-based approach**" is significant.

The FATF cautions against a broad-brush approach to countries' terrorist financing measures. Rather than impose blanket restrictions on the nonprofit sector, a government must justify its regulations based on evidence of existing risk. In addition, the FATF expects that countries should update their risk assessments periodically, recognizing that risk changes over time and in different sectors. An important way that governments should assess risk in the nonprofit sector is through continuous dialogue and consultation with civil society stakeholders - you!

### **How can NPOs get involved?**

Civil society stakeholders have an important opportunity to raise our voices and engage with local government, in order to challenge the traditional narrative that nonprofits are "particularly vulnerable."

Based on recent assessments worldwide, there often is a lack of understanding between the government agencies tasked with conducting the risk assessment and the civil society stakeholders.

According to the Charity Finance Group's involvement in the UK's 2016 National Risk assessment, government agencies were not aware of the pre-existing laws and self-monitoring practices that NPOs were voluntarily conducting, such as screening partners, bank channels and progress reports, to mitigate and manage risk. As experts on their own operations, NPOs have the opportunity to educate their governments.

**Top tips:**

- Build a network of NPOs in your country: establishing a coalition will aid information-sharing and dialogue in order to provide one coherent voice
- Locate a singular point of contact between your civil society coalition and the government
- Understand the government: it is important to listen and address the specific risks and concerns from your government
- Consult the Global NPO Coalition on FATF for more information on how to get involved in your region.

This information was sourced from a Global NPO Coalition on FATF webinar, "The ABCs for Risk Assessment of the Nonprofit Sector in Your Country." Available at [bit.ly/ABCsofRisk](https://bit.ly/ABCsofRisk).

For more information about the **Global NPO Coalition on FATF**, contact us:

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