

Guidance

NPO module | NRA Tool

Identifying the categories of NPOs at risk of abuse for terrorist financing purposes

Objective of the NPO module of the World Bank's NRA Tool

The NPO module of the NRA Tool serves as an instrument for jurisdictions to support their analysis on the abuse of NPOs for terrorist financing. Through it, the Working Group will identify NPOs that meet the FATF definition, assess the evidence of NPO abuse for terrorist financing, and assess the inherent risk (exposure to active terrorist threat) and quality of existing mitigating measures. This analysis should seek to complement and draw on national terrorism and terrorist financing risk assessments.¹

Composition of the Working Group

In line with a collaborative approach, the Working Group should represent all of the relevant parts of government and the NPO sector. Representation of the following is required:

- An NPO representative for each type of NPO²
- Authority that keeps oversight of NPOs (may be an oversight authority, e.g. regulator, or a coordinating authority. If there are more authorities, each should be represented)
- Financial Intelligence Unit (FIU)
- Intelligence service (or other authority with operational knowledge of terrorist financing (including confidential information and any ongoing cases).
- Law enforcement authority
- (Tax authority)

Skills and knowledge needed:

- Understanding of the NPO sector
- Understanding of the domestic legal framework for NPOs
- Understanding of the accounting regime for NPOs
- Access to information (including confidential information) on cases of terrorist financing.
- Analytical skills to assess the quality and weight of qualitative evidence
- Meeting facilitation
- Report writing

Sub-tasks may be divided amongst members, but all final assessments will be agreed by the Working Group as a whole.

¹ **Compliance with international legal obligations.** Jurisdictions should ensure that activities protected by international humanitarian law, international human rights law and international refugee law are not treated as negative factors in a risk assessment.

² One NPO representative can represent more than one type of NPO. For example, the NPO may be a representative for an umbrella organization, or an (1) association (2) with a foreign headquarters, working in a (3) a geographical location with close proximity to active terrorist threat may represent three different parts of the sector.

Assessment steps

1. Identify all NPOs that could meet the FATF definition, and collect information about these FATF NPOs.
2. Assess the evidence of the level of terrorist financing abuse of NPOs.
3. Assess the inherent risk of FATF NPOs (for all FATF NPOs together and/or selected categories)
4. Assessing the effectiveness of mitigating measures (for all FATF NPOs together and/or selected categories. *This only needs to be performed for FATF NPOs assessed to be of a high to medium inherent risk. If the FATF NPO category was assessed to be of a low inherent risk, there may not be any need to apply mitigating measures. This is especially the case if there is no or low evidence of TF abuse of NPOs.*)

Outcomes of NPO TF Risk Assessment Tool

- Identification of FATF NPOs, and data collection on their characteristics.
- Assessment of the evidence of the level of terrorist financing abuse of NPOs.
- Assessment of the level of inherent risk by FATF NPO category.
- Assessment of the level of effectiveness of mitigating measures by FATF NPO category.
- Visual summaries of all assessment results, to support analysis.

Participants

- Ensure participation of a representative sample of the NPO sector in the risk assessment. It is particularly important to include representation of unregulated NPOs that meet the FATF definition. To increase reach, instruments such as online surveys and questionnaires (incl. perception surveys) can be used, as well as:
 - Liaising with umbrella organizations as means of enabling participation by NPOs that represent the sector,
 - On-going NPO engagement (rather than one-time consultations),
 - Provide opportunities for NPO participation, such as gathering data, assessing findings and validating results,
 - Exchange information (rather than one-directional training or information).
- Ensure participation and information sharing from relevant authorities and institutions, especially the Tax authority, FIU, LEA, Intelligence Services, Financial institutions, Charity/NPO Oversight body (if applicable)

Data & information

- Use your best available information and list the sources on which your assessment is made. Particularly where data is scarce, not comprehensive and/or inaccurate, it is important to indicate this in your records/report.
- Where requested data is not available, a reliable estimate may be given.
- Obtain information from all relevant sources, including the NPO sector, NPO regulators/supervisors, Financial Institutions, Financial Intelligence Unit, Law Enforcement Authorities, Intelligence Authorities, Tax Authorities etc.
- Should you lack the information/data to reliably complete these tables, you may need to perform more work to collect information/data about FATF NPOs in your jurisdiction. Data collection methods could include:
 - Questionnaires and Surveys;

- Interviews;
- Observations;
- Focus Groups;
- Ethnographies, oral history, and case studies, where they exist; and
- Documents and records, where they exist, such as:
 - Gazette List of Registered NPOs
 - Government Ministries
 - Civil Society Databases

Understanding the NPO Module

Many factors contribute to the risk of terrorist financing abuse of NPO. This module has been developed to reflect the key factors and their underlying relationships, based primarily on the FATF Recommendations and Guidance papers. In this tool, these factors are called “variables”. It is the ratings assigned to these different variables by the Working Group (WG) that ultimately lead to the assessment risk level of terrorist financing abuse of NPOs.

Variables

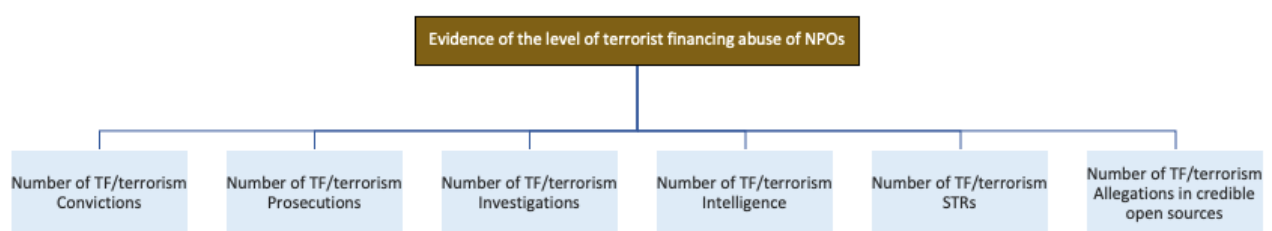
There are two types of variable in the module: (1) input variables, and (2) intermediate variables.

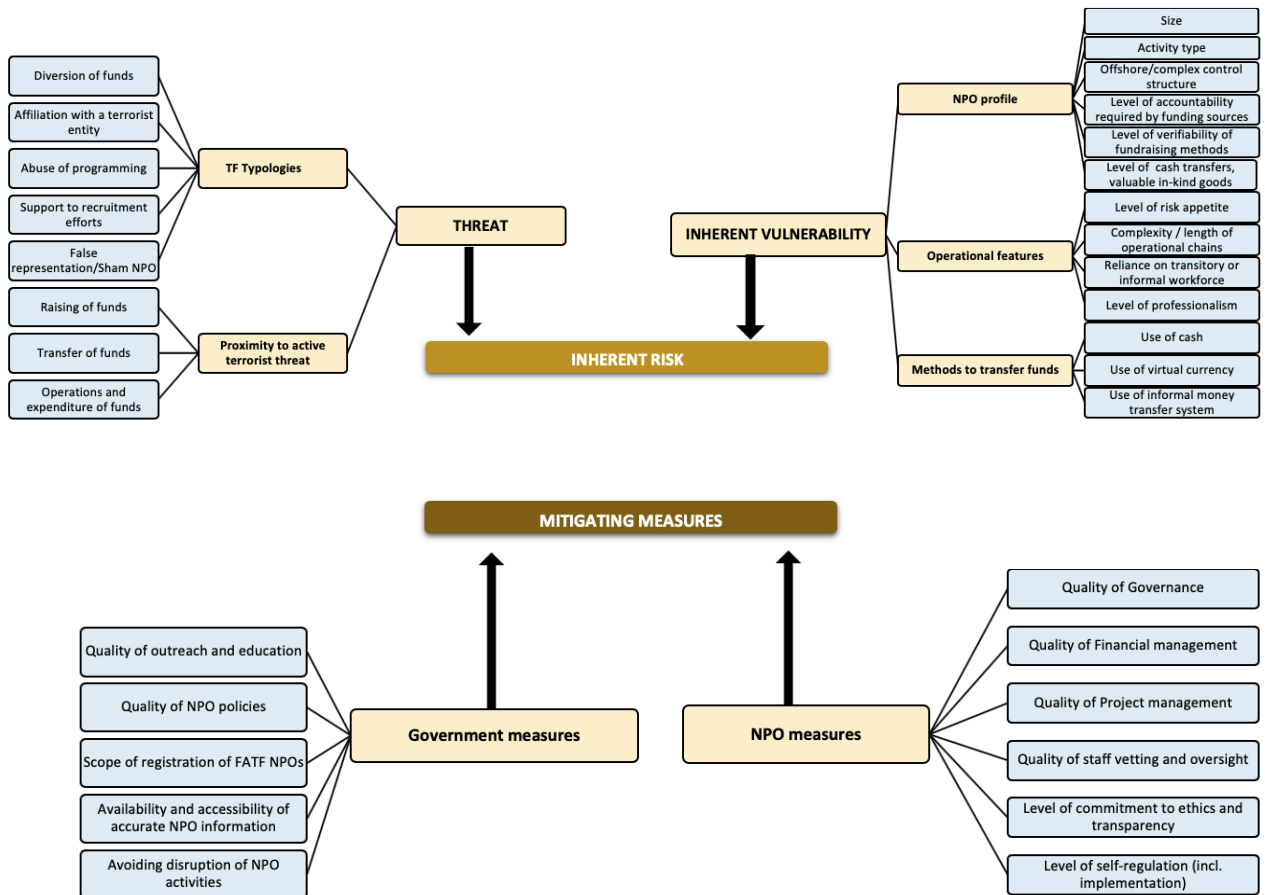
1. *Input variables*: require the Working Group (WG) to enter an assessment rating. For each step of this assessment, you will find guidance on these variables in this document.
2. *Intermediate variables*: are higher-level factors. Based on the ratings entered for the input variables, and underlying formulas that reflect their relationships, the Excel Tool generates the ratings for these intermediate variables.

NPO Module network (The network diagram)

The formulas that have been built into the module make it possible to combine the assessment results of input variables and calculate the ratings for intermediate variables. Each variable in the module has been assigned a weight, and the underlying relationships between the variables of various levels have been determined by setting up certain pre-conditions. The diagrams below reflect the underlying network of variables for the NPO Tool.

Figure: Network diagrams NPO Module



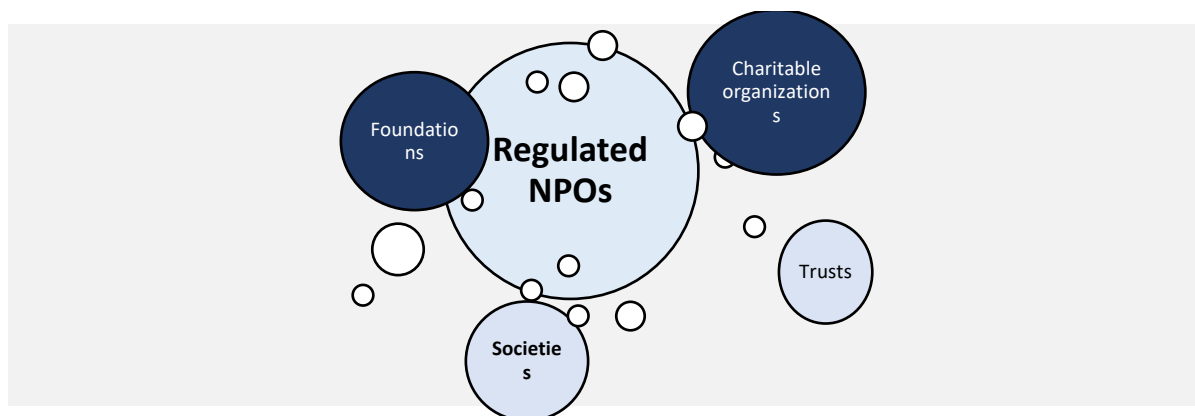


At the end of the assessment, the Excel Tool will help generate (at least) three ratings:

- The evidence of the level of terrorist financing abuse of NPOs
- Inherent risk of NPOs (by category)
- Quality of mitigating measures (by NPO category)

Important: Please be aware, that the NRA tool is **not** a data analysis tool. The input required should be based on your qualitative judgement of the data, information and expert opinions for the different input variables.

Step 1: Identify all NPOs that meet the FATF Definition & data collection



1a. Jurisdiction aid profile

Indicate the level of aid that your jurisdiction has provided and received in the assessment period. Depending on the jurisdiction context (level of TF threat and active terrorist threat), this may be of relevance in determining which category of NPOs might be more exposed to TF threat.

1b. Identify all legal entities, arrangements and organizations that could fall under the FATF definition of NPO

When identifying which NPOs could meet the FATF definition, make sure that the widest array of non-government and not-for-profit legal persons, arrangements and organizations are considered. It may be that the FATF defined NPOs overlap entirely with regulated NPOs in the jurisdiction, but this cannot be assumed. Working Groups should ensure that the broadest scope of NPOs is considered.

The FATF definition for NPO refers to a legal person or arrangement or organization that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of “good works”.

At this stage, it is better to be comprehensive. If a particular legal category in your jurisdiction includes some organizations which meet the FATF definition and some that do not, it should be included.

Nonetheless, certain types of organizations can be safely excluded. Examples include political parties, trade unions, professional associations and credit unions. These are all normally considered outside of the scope of organizations that engage in “good works”.

1c. Document Core information about FATF defined NPOs

Core information on FATF defined NPOs is collected in this step. Even where data is not available, this table should be completed. In these cases, reliable estimations and expert opinions may be used instead. In your records and report, clearly indicate the degree to which data or information is unavailable, inaccurate, scattered, or outdated. It is common that e.g. registration does not provide 100% coverage, or that NPOs have drifted away from their original missions.

Item	Input	Guidance
Total number of FATF NPOs		Insert the total number of FATF defined NPOs.
Total value of income/budget/expenditure of FATF NPOs		Insert the (estimated) total value of the income, budget or expenditure of all NPOs that meet the FATF definition. Just one of these metrics is sufficient. The metric of choice should be the one that is most

		reliable in establishing the financial size of the NPO sector, which will differ by jurisdiction, depending on the data collected. In your records, please indicate the metric chosen.
Value of income/budget/expenditure of FATF NPOs	<i>Bracket 1: number of NPOs</i>	Establish income, budget or expenditure brackets/bandwidths (income band for the last financial year) to best reflect the NPO sector in your jurisdiction. Breakdown the number of FATF NPOs by these value brackets. Provide best estimate if accurate or comprehensive data is not available. Rows for more brackets can be added as needed.
	<i>Bracket 2: number of NPOs</i>	
	<i>Bracket 3: number of NPOs</i>	
	<i>Etc.</i>	
Number of FATF NPOs with significant international exposure		Insert the number of FATF defined NPOs which raise, or disburse significant international funds, or have international operations. The threshold for significance should be determined by the Working Group. For example, 15-30% of cross border fundraising, disbursement or operations could be considered significant.
Purpose of FATF NPOs with significant international exposure		Using your jurisdiction's NPO classification, please break down (list the (estimated) number of) FATF NPOs by purpose classification. If there is no classification available, the Johns Hopkins' list can be used, which includes categories such as culture, health, social, education, environmental, and development. Rows can be added as needed, to include all necessary classifications.
	<i>Number of NPOs</i>	<i>Purpose classification</i>
	<i>Number of NPOs</i>	<i>Purpose classification</i>
	<i>Number of NPOs</i>	<i>Purpose classification</i>
	<i>Number of NPOs</i>	<i>Purpose classification</i>
	<i>Number of NPOs</i>	<i>Purpose classification</i>
	<i>Number of NPOs</i>	<i>Etc.</i>
Purpose of predominantly domestic FATF NPOs		Using your jurisdiction's NPO classification, please break down (list the (estimated) number of) FATF NPOs by purpose classification. If there is no classification available, the Johns Hopkins' list can be used, which includes categories such as culture, health, social, education, environmental, and development. Rows can be added as needed, to include all necessary classifications.

	<i>Number of NPOs</i>	<i>Purpose classification</i>
	<i>Number of NPOs</i>	<i>Purpose classification</i>
	<i>Number of NPOs</i>	<i>Purpose classification</i>
	<i>Number of NPOs</i>	<i>Purpose classification</i>
	<i>Number of NPOs</i>	<i>Purpose classification</i>
	<i>Number of NPOs</i>	<i>Etc.</i>
Legal types of NPOs	<i>Number of NPOs</i>	Based on the type of legal structures FATF NPOs can take within the jurisdiction, please break down by listing the (estimated) number of) FATF NPOs. Rows can be added as needed. For example: Foundations, Associations, Trusts, Registered societies, Charitable incorporated organizations, Unincorporated associations. Where there are ad-hoc, unregistered and/or informal NPOs, or NPOs that do not have a clear legal structure, these should be added as a category, with an estimate for the number of NPOs (or indicative range).
	<i>Number of NPOs</i>	<i>Legal structure</i>
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	<i>Number of NPOs</i>	<i>Legal structure</i>
	<i>Number of NPOs</i>	<i>Legal structure</i>

1d. Additional FATF NPO information (if available):

Additional information, relevant to TF and terrorism exposure, on FATF defined NPOs is collected in this step. Complete the sections where data is available or can be estimated reliably.

Number of FATF NPOs that raise significant funds abroad		List the number of FATF NPOs that raise significant funds abroad. The threshold for significance should be determined by the Working Group. For example, 15-30% of cross border fundraising could be considered significant.
Source jurisdictions of international funds raised (% breakdown)		Breakdown the share of international funds raised by source jurisdiction / region / 10 main jurisdictions. Alternatively, if a risk classification of jurisdictions has been made at the national or supranational level (e.g. based on a terrorist or terrorist financing assessment, or national security assessment), the breakdown could be categorized based on the risk level of the source jurisdictions.

Number of FATF NPOs with significant international disbursements		Insert the number of FATF defined NPOs that have significant international operations. The threshold for significance should be determined by the Working Group. Alternatively, NPOs with at least 15-30% of cross border operations would meet this threshold.
Destination jurisdictions of international funds disbursed/spent (%)		Breakdown the share of international funds disbursed/spent by destination jurisdiction / region / 10 main jurisdictions. Alternatively, if a risk classification of jurisdictions has been made at the national or supranational level (e.g. based on a terrorist or terrorist financing assessment, or national security assessment), the breakdown could be categorized based on the risk level of the destination jurisdictions.
Number of FATF NPOs with significant disbursements to humanitarian disaster/ emergency situations		Insert the number of FATF defined NPOs that make significant disbursements (incl. their own operations and activities) to humanitarian disaster or emergency situations.
Destination jurisdictions of disbursements for humanitarian/ emergency situations		Breakdown the share of international funds disbursed/spent by destination jurisdiction / region / 5 main jurisdictions.
Number of FATF NPOs with significant disbursements to areas where there is an active terrorist threat		Insert the number of FATF defined NPOs that make significant disbursements (incl. their own operations and activities) to areas or geographical locations where there is an active terrorist threat.
Destination jurisdictions of disbursements with active terrorist threat		Breakdown the share of international funds disbursed/spent by destination jurisdiction / region / 10 main jurisdictions.

Step 2. Evidence of level of terrorist financing abuse of NPOs

Using the NPO module in Excel, assess and document your assessment findings on the different input variables on the evidence of the level of terrorist financing abuse of NPOs. If there is evidence available on the terrorist financing abuse of NPOs, it is advised that you record and include in your records/report descriptive information on the cases (inter alia: characteristics of the NPO, such as legal type, purpose, size, fundraising method, service provided, characteristics of the NPO representative, value, typology – meaning how the NPO was abused, and geographical locations involved).

Input Variable	Assessment rating	Guidance
Number of TF / Terrorism convictions	<div style="background-color: red; color: white; padding: 2px;">High (1.0)</div> <div style="background-color: yellow; padding: 2px;">Medium (0.5)</div> <div style="background-color: orange; padding: 2px;">Low (0.2)</div> <div style="background-color: lightgreen; padding: 2px;">Does not exist (0.0)</div>	<p>Have there been any TF convictions of NPOs or their representatives (including employees, volunteers, or other individuals acting in an official capacity representing an NPO)? If so, how would you rate the level of the number of TF convictions? Consider how this number of TF convictions relates to:</p> <ul style="list-style-type: none"> • The total number of TF convictions in the assessment period (and annual breakdown to identify trends) • The number of FATF NPOs • The total number of criminal convictions in the assessment period (and annual breakdown to identify trends) of NPOs and/or their representatives • The total number of terrorism convictions in the assessment period
Number of TF/Terrorism prosecutions	<div style="background-color: red; color: white; padding: 2px;">High (1.0)</div> <div style="background-color: yellow; padding: 2px;">Medium (0.5)</div> <div style="background-color: orange; padding: 2px;">Low (0.2)</div> <div style="background-color: lightgreen; padding: 2px;">Does not exist (0.0)</div>	<p>Have there been any TF prosecutions of NPOs or their representatives (including employees, volunteers, or other individuals acting in an official capacity representing an NPO)? If so, how would you rate the level of the number of TF prosecutions? Consider how this number of TF prosecutions relates to:</p> <ul style="list-style-type: none"> • The total number of TF prosecutions in the assessment period (and annual breakdown to identify trends) • The number of FATF NPOs • The total number of criminal prosecutions (and annual breakdown to identify trends) of NPOs and/or their representatives • The total number of terrorism prosecutions in the assessment period
Number of TF/Terrorism investigations	<div style="background-color: red; color: white; padding: 2px;">High (1.0)</div> <div style="background-color: yellow; padding: 2px;">Medium (0.5)</div> <div style="background-color: orange; padding: 2px;">Low (0.2)</div> <div style="background-color: lightgreen; padding: 2px;">Does not exist (0.0)</div>	<p>Have there been any criminal investigations related to TF of NPOs or their representatives (including employees, volunteers, or other individuals acting in an official capacity representing an NPO)? If so, how would you rate the level of the number of criminal</p>

		<p>investigations related to TF? Consider how this number of investigations relates to:</p> <ul style="list-style-type: none"> • The total number of criminal investigations related to TF in the assessment period (and annual breakdown to identify trends) • The total number of criminal investigations related to TF charges made • The total number of criminal investigations related to TF charges opened • The number of FATF NPOs • The total number of criminal investigations of NPOs and/or their representatives • The total number of criminal investigations related to terrorism in the assessment period
<p>Number of TF/Terrorism intelligence</p>	<p>High (1.0)</p> <p>Medium (0.5)</p> <p>Low (0.2)</p> <p>Does not exist (0.0)</p>	<p>Have there been any intelligence investigations related to TF of NPOs or their representatives (including employees, volunteers, or other individuals acting in an official capacity representing an NPO)? If so, how would you rate the level of the number of intelligence investigations related to TF? Consider how this number of investigations relates to:</p> <ul style="list-style-type: none"> • The total number of intelligence investigations related to TF in the assessment period (and annual breakdown to identify trends), including: <ul style="list-style-type: none"> ○ The reliability of sources ○ The reliability of the information • The total number of intelligence investigations related to TF • The number of FATF NPOs • The total number of intelligence investigations of NPOs and/or their representatives • The total number of intelligence investigations related to terrorism in the assessment period
<p>Number of TF/Terrorism STRs</p>	<p>High (1.0)</p> <p>Medium (0.5)</p> <p>Low (0.2)</p> <p>Does not exist (0.0)</p>	<p>Have there been any STRs/SARs related to TF on NPOs or their representatives (including employees, volunteers, or other individuals acting in an official capacity representing an NPO)? If so, how would you rate the level of the number of STRs/SARs related to TF? Consider how this number relates to:</p> <ul style="list-style-type: none"> • The total number of STRs/SARs related to TF on NPOs and their representatives that have been referred to other agencies • The total number STRs/SARs related to TF in the assessment period (and annual breakdown to identify trends) • The total number of STRs/SARs related to TF • The number of FATF NPOs • The total number of STRs/SARs related to NPOs and/or their representatives • The total number of STRs/SARs related to terrorism in the assessment period

<p>Number of TF/Terrorism allegations in credible open sources</p>	<p>High (1.0)</p>	<p>Have there been any allegations in credible open sources about terrorist financing and/or terrorism abuse of NPOs or their representatives (including employees, volunteers, or other individuals acting in an official capacity representing an NPO)? If so, how would you rate the level of these allegations? Consider:</p> <ul style="list-style-type: none"> • The credibility of the open sources (academic reports, NPO reports, credible news sources (vs. online anonymous blogs) • The number of allegations made • The nature of the allegations • The substantiation provided
	<p>Medium (0.5)</p>	
	<p>Low (0.2)</p>	
	<p>Does not exist (0.0)</p>	

Step 3: Inherent risk assessment

Objective

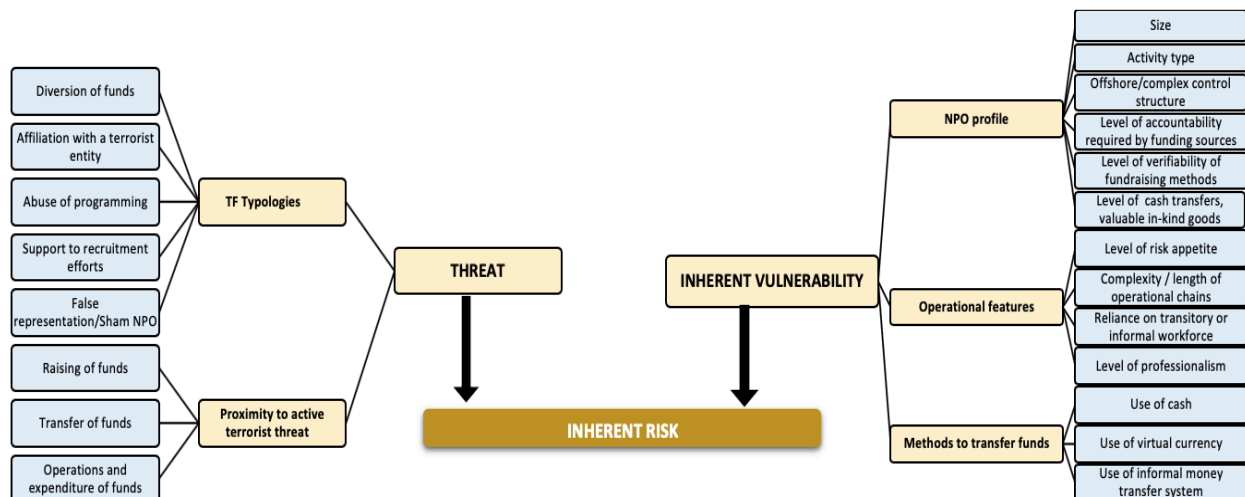
- Establish the level of the inherent risk (by category of FATF NPOs), based on:
 - Assessment of TF threat (by category of FATF NPOs)
 - Assessment of inherent vulnerability (by category of FATF NPOs)

Before the inherent risk assessment: categorization of NPOs

For the inherent risk assessment, the working group will need to decide how to apply the assessment. It can choose to assess all FATF NPOs as one category, or may choose to perform additional or separate inherent risk assessments of different categories. The Excel tool will be able to draw up a comparative risk heatmap if an assessment of different categories of FATF NPOs is made.

Additional or separate assessments may be particularly useful where there are categories of NPOs that face more significant concerns, either based on the evidence of terrorist financing abuse (see Step 2), or due to features or characteristics of the NPOs. For example, NPOs that operate in areas where there is a terrorist threat or where terrorists operate could be treated as one category, and NPOs that operate amongst populations known to be supportive or sympathetic towards terrorist groups as another. Also, at this stage it may also be worthwhile to consider if the level of aid that your jurisdiction has provided and received in the assessment period and whether more concern should be given to NPOs that provide aid, or NPOs that provide incoming or domestic aid (particularly if there is an active terrorist threat in your jurisdiction).

Figure: Network diagram for the assessment of inherent risk (by NPO category)



A. Assessment of Threat (by category of FATF NPOs)

Intermediary variable	Input variable for Threat	Assessment rating	Description
TF Typologies ³	Diversion of funds	High (1.0)	There is evidence, or reasonable grounds for believing or suspecting that NPOs (including employees, volunteers, or other individuals acting in an official capacity representing an NPO) in this category of NPOs, have diverted or diverts funds to a known or suspected terrorist entity.
		Medium (0.5)	
		Low (0.2)	
		Does not exist (0.0)	
	Affiliation with a terrorist entity	High (1.0)	There is evidence, or reasonable grounds for believing or suspecting that NPOs (including employees, volunteers, or other individuals acting in an official capacity representing an NPO) in this category of NPOs, maintain an operational affiliation with a terrorist organization or supporter of terrorism
		Medium (0.5)	
		Low (0.2)	
		Does not exist (0.0)	
	Abuse of programming	High (1.0)	There is evidence, or reasonable grounds for believing or suspecting that NPO-funded programs meant to support legitimate purposes are manipulated at the point of delivery to support terrorism
		Medium (0.5)	
		Low (0.2)	
		Does not exist (0.0)	
	Support to recruitment efforts	High (1.0)	There is evidence, or reasonable grounds for believing or suspecting, that NPO-funded programs or facilities are used to create an environment which supports and/or promotes terrorism recruitment-related activities
		Medium (0.5)	
		Low (0.2)	
		Does not exist (0.0)	
	False representation/ Sham NPO	High (1.0)	There is evidence, or reasonable grounds for believing or suspecting that, under the guise of charitable activity, organizations or individuals raise funds and/or carries out other activities in support of terrorism.
		Medium (0.5)	
		Low (0.2)	
		Does not exist (0.0)	
Proximity to active terrorist threat	Collection of funds	High (1.0)	There is evidence, or reasonable grounds for believing or suspecting that, this category of NPOs are collecting funds from entities, populations or persons, known to be supportive or sympathetic towards terrorist groups, terrorist ideology, or radical beliefs (e.g. religion, Ideology).
		Medium (0.5)	
		Low (0.2)	
		Does not exist (0.0)	
	Transfer of funds	High (1.0)	There is evidence, or reasonable grounds for believing or suspecting that, this category of NPOs regularly facilitate transfer of funds through or to areas with an established
		Medium (0.5)	

³ FATF 2014 p. 36, FATF 2019 TF Risk Guidance para 68.

		<p>Low (0.2)</p> <p>Does not exist (0.0)</p>	<p>presence of terrorism.⁴ The exposure could also arise from transferring funds through entities (including financial institutions) known to be supportive or sympathetic towards terrorist groups, terrorist ideology, or radical beliefs (e.g. religion, Ideology), which would represent a significantly higher exposure.</p>
	<p>Expenditure of funds</p>	<p>High (1.0)</p> <p>Medium (0.5)</p> <p>Low (0.2)</p> <p>Does not exist (0.0)</p>	<p>There is evidence, or reasonable grounds for believing or suspecting that, through their expenditure of funds, NPOs in this category are exposed to active terrorist threats. This could be through their disbursements of funds, and delivery of programs, through which they are operating in areas with an active terrorist threat / established presence of terrorist activity. Disbursing funds to or operating in humanitarian emergencies may also increase exposure. The urgency of needs may diminish adherence to oversight and controls, which may raise exposure to abuse. A lesser exposure could also arise from their provision of services to entities, populations or persons, known to be supportive or sympathetic towards terrorist groups, terrorist ideology, or radical beliefs (e.g. religion, Ideology). This includes those who are vulnerable to being exploited for TF purposes (vulnerable persons or groups), e.g. refugees, victims of humanitarian emergencies, children in high-risk areas diaspora groups)</p>

B. Inherent vulnerability (by category of FATF defined NPOs)

Perform the assessment of the inherent vulnerability variables per category of FATF defined NPOs (see step 2).

Intermediary Variables	Input variable	Assessment rating	Guidance
NPO Profile	Size ⁵	<p>Large (1.0)</p> <p>Medium (0.5)</p> <p>Small (0.2)</p>	<p>Indicate the size of this category of NPOs. Take into consideration:</p> <ul style="list-style-type: none"> Value of income/budget/expenditure of the NPOs (The metric of choice should be the one that is most reliable in establishing the financial size of the NPO sector, which will differ by jurisdiction, depending on the data collected) Scale of operations Number of staff (including volunteers)

⁴ FATF 2014, p. 44

⁵ This variable does not have an impact on the inherent risk rating.

			<ul style="list-style-type: none"> • Number of locations • Comparison with NPO sector in its entirety • Comparison with other categories of NPOs in the sector
	Activity type	<p>Service (1.0)</p> <p>Expressive (0.0)</p>	<p>Indicate the type of activity that this category of NPO engages, based on this classification.</p> <ul style="list-style-type: none"> • Service activities include programs focused on housing, social services, education and health care. This might be through the provision of cash, in-kind goods, intangible services, or institutional grants or contracts. • Expressive activities include programs focused on sports and recreation, arts and culture, interest representation and advocacy. Such NPOs might provide intangible services, in-kind goods (use of location, equipment and training).
	Offshore/complex control structure	<p>High (1.0)</p> <p>Medium (0.5)</p> <p>Low (0.2)</p> <p>Does not exist (0.0)</p>	<p>Do NPOs in this category have foreign control structures and/or complex control structures that are unusual?</p>
	Level of accountability required by funding sources	<p>High (0.0)</p> <p>Medium (0.5)</p> <p>Low (1.0)</p>	<p>What is the level of accountability associated with the predominant sources of income for this category of NPOs? Income from government institutions and NGOs generally present a lower exposure to abuse because accountability mechanisms allow e.g. due diligence, expenditure conditions, reporting conditions, tracing, and oversight.</p>
	Level of verifiability of fundraising methods	<p>High (0.0)</p> <p>Medium (0.5)</p> <p>Low (1.0)</p>	<p>What is the level of verifiability associated with the predominant fundraising methods for this category of NPOs? Cash-collections and religious contributions are more vulnerable to skimming and frauds of misrepresentation. Social media/online collection, public donation through formal financial channels and member fees tend to allow for much more verification as a formal trail can be consulted/obtained.</p>
	Level of cash transfers, valuable in-kind goods	<p>High (1.0)</p> <p>Medium (0.5)</p> <p>Low (0.2)</p> <p>Does not exist (0.0)</p>	<p>What is the level of cash transfers, or valuable in-kind goods that this category of NPOs provides? This type of service delivery is generally more prone to diversion, misappropriation and abuse, which raises the inherent vulnerability.</p>
Operational features	Level of risk appetite	<p>High (1.0)</p> <p>Medium (0.5)</p> <p>Low (0.2)</p> <p>Does not exist (0.0)</p>	<p>The organizational culture impacts the values that NPOs prioritize. What is level of risk appetite of NPOs in this category of NPOs? Greater exposure arises where a large risk appetite is combined with a higher exposure to threat and poor standards of management. Risk may also arise where organizations are willing to lower risk management standards in order to achieve mission objectives.⁶</p>

⁶ FATF 2014, p. 26. Interpreted as: 'drive to deliver, even if compromises integrity (e.g. FATF 2014 case study 32 on p. 39)

	Complexity / length of operational chains	<p>High (1.0)</p> <p>Medium (0.5)</p> <p>Low (0.2)</p> <p>Does not exist (0.0)</p>	<p>The more complex or longer operational chains are, the higher the inherent vulnerability becomes, due to increased challenges to effective oversight, exposure to diversion of resources and abuse of delivery of program⁷</p> <p>How complex or long are to the logistical networks (i.e. chains through which NPOs in this category collect, retain, transfer and deliver resources). Higher levels of decentralization of management decisions on operations may increase the inherent vulnerability due to a lower ability to perform oversight on the delivery of programs and control of resources.⁸</p>
	Reliance on transitory or informal workforce	<p>High (1.0)</p> <p>Medium (0.5)</p> <p>Low (0.2)</p> <p>Does not exist (0.0)</p>	<p>What is the degree of transitory workers, compared to regular staff of NPOs in this category? A higher level of transitory staff or informal staff members may make it difficult to scrutinize staff (e.g. on technical expertise, risk assessment, compliance, legal matters and integrity) and increase exposure to abuse.⁹</p>
	Level of professionalism	<p>High (0.0)</p> <p>Medium (0.5)</p> <p>Low (1.0)</p>	<p>What is the level of professionalism exercised by this category of NPOs? Considering their size, value of income/budget/expenditure, scale of operations, do they meet expected ethical and professional standards, evidenced by internal codes of conduct, internal and external accountability and structures of governance, including oversight?</p>
Methods to transfer funds	Use of cash	<p>High (1.0)</p> <p>Medium (0.5)</p> <p>Low (0.2)</p> <p>Does not exist (0.0)</p>	<p>How much does this category rely on cash to receive, move and use funds? Strong reliance on cash may increase the exposure to skimming, diversion, misappropriation and abuse, and may limit the verifiability. Particularly, NPOs which have to transport cash physically to areas of operations, because formal financial systems have ceased to operate due to violent conflict, may be more exposed. The same applies to NPOs that make the majority of their disbursements through cash, which, particularly where there is close proximity to an active terrorist threat, or to entities, populations or persons, known to be supportive or sympathetic towards terrorist groups, terrorist ideology, or radical beliefs (e.g. religion, ideology) and those who are vulnerable to being exploited for TF purposes (vulnerable persons or groups).</p>
	Use of virtual currency	<p>High (1.0)</p> <p>Medium (0.5)</p> <p>Low (0.2)</p> <p>Does not exist (0.0)</p>	<p>How much does this category of NPOs rely on virtual currencies which limit the traceability of transactions, or similar emerging payment methods, to receive, move and use funds (e.g. Bitcoin and other digital currencies).¹⁰</p>

⁷ The higher the level of extended logistical networks, the higher the inherent vulnerability becomes, due to increased exposure to diversion of resources and abuse of delivery of programs. Source: FATF 2014

⁸ The higher the level of centralization, the less vulnerable (i.e. higher levels of decentralization increase the inherent vulnerability). Source: FATF 2014, Green Acres

⁹ A higher level of transitory staff may make it difficult to scrutinize staff and increase exposure to abuse. Source: FATF 2014

¹⁰ Source: Austrac NPO risk assessment questionnaire

Use of informal money transfer system	High (1.0)	How much does this category of NPOs rely on informal/alternative remittance and money service businesses (including Hawala and IVTS), which limit the traceability of transactions, to receive, move and use funds? ¹¹
	Medium (0.5)	
	Low (0.2)	
	Does not exist (0.0)	

Step 4. Mitigating factors (by category of FATF defined NPOs)

Objective

- Establish the quality of mitigating measures (by category of FATF NPOs), based on:
 - Assessment of the quality of government measures (applicable to this category of NPOs)
 - Assessment of the quality of NPO measures (taken at an institutional level by this category of NPOs)

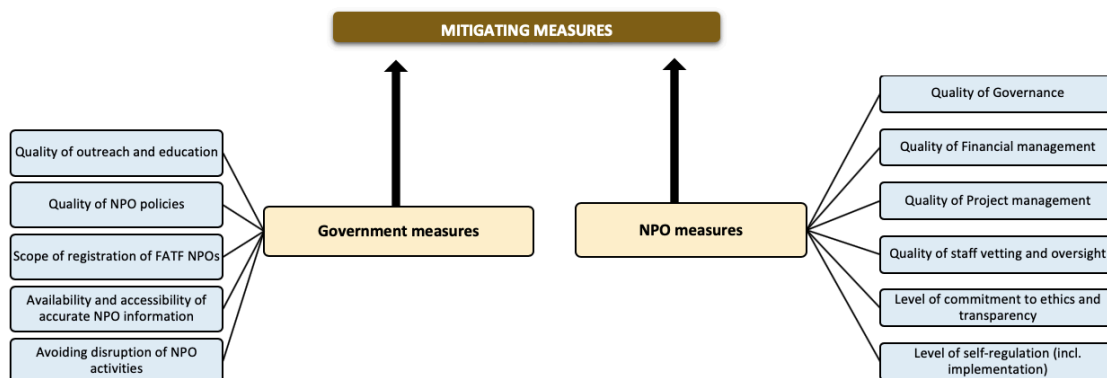
Important: The treatment of the NPO sector is, and should be, different to that of reporting entities such as financial institutions and DNFBPs. NPOs are not obligated to take preventative measures, such as customer due diligence, record keeping and suspicious activity monitoring and reporting. FATF has not set out obligations for NPOs.

This step aims to support the assessment of the adequacy and proportionality of measures applicable to NPOs, including laws and regulations, and policies and programs that promote accountability, integrity, and public confidence in the administration and management of NPOs and raise awareness about the potential vulnerabilities of NPOs to terrorist financing abuse and terrorist financing risks, while preventing disruption of legitimate charitable activities. These measures include self-regulatory measures within the NPO (sub)sector.

The mitigating measures assessment step only needs to be applied to those categories of FATF defined NPOs that were assessed to have a high or medium inherent risk rating. In principle, low risk FATF defined NPOs do not require mitigating measures.

Figure: Network diagram for the assessment of mitigating measures (by NPO category)

¹¹ Source: Austrac NPO risk assessment questionnaire



Intermediary Variables	Input variable	Assessment rating	Guidance
Government measures	Quality of outreach and education	<div style="background-color: green; color: white; padding: 2px;">High (1.0)</div> <div style="background-color: yellow; padding: 2px;">Medium (0.5)</div> <div style="background-color: orange; padding: 2px;">Low (0.2)</div> <div style="background-color: red; color: white; padding: 2px;">Does not exist (0.0)</div>	What is the quality of outreach and education to NPOs by the government? Are at risk NPOs aware of the risks of terrorist abuse and is their knowledge deepened through guidance and preventive education? What measures have government entities taken to improve NPOs understanding of their terrorist financing risk, and possible methods for mitigating it. Do they collaborate with NPOs and others to establish and disseminate best practices? Examples include: awareness raising, targeted risk assessments, monitoring, outreach, support, guidance and training. Working Groups should also consider whether the outreach is sufficiently risk based, providing a higher level of support to higher risk NPOs.
	Quality of NPO policies	<div style="background-color: green; color: white; padding: 2px;">High (1.0)</div> <div style="background-color: yellow; padding: 2px;">Medium (0.5)</div> <div style="background-color: orange; padding: 2px;">Low (0.2)</div> <div style="background-color: red; color: white; padding: 2px;">Does not exist (0.0)</div>	Does the government have clear policies to promote accountability, integrity, and public confidence in the administration and management of NPOs? (FATF Meth 8.2.a)
	Scope of registration of FATF NPOs	<div style="background-color: green; color: white; padding: 2px;">High (1.0)</div> <div style="background-color: yellow; padding: 2px;">Medium (0.5)</div> <div style="background-color: orange; padding: 2px;">Low (0.2)</div> <div style="background-color: red; color: white; padding: 2px;">Does not exist (0.0)</div>	Are all FATF NPOs required to register (e.g. with the Tax authority, Registrar of Companies, Chamber of Commerce or NPO regulator). At which point are they expected to register (trigger points could be: written constitution, legally incorporated, open a bank account, start public fundraising, income exceeds USD 10,000, gets overseas funding, achieves best practice standard). Who are they expected to register with? What is the estimated % of registration

			<p>coverage of the FATF NPOs? Are registration requirements too restrictive, as a result of which there are many NPOs that have been established, but not registered? Does registration collect the information Specified in FATF IN R8.6.b. Note, FATF emphasizes: specific licensing or registration requirements for counter terrorist financing purposes are not necessary. For example, in some jurisdictions, NPOs are already registered with tax authorities and monitored in the context of qualifying for favorable tax treatment (such as tax credits or tax exemptions)</p>
	Availability and accessibility of accurate NPO information	<p>High (1.0)</p> <p>Medium (0.5)</p> <p>Low (0.2)</p> <p>Does not exist (0.0)</p>	<p>Accurate information on NPOs is available and can be accessed by appropriate authorities if there are concerns. This includes the names and addresses of organizations, trustees and directors, legal structure, purpose(s) for which they were established, the location of activities in which they are engaged, the services provided, their donor base, value of income, assets and/or expenditure.</p>
	Avoiding disruption of NPO activities	<p>High (1.0)</p> <p>Medium (0.5)</p> <p>Low (0.2)</p> <p>Does not exist (0.0)</p>	<p>Counter-terrorist financing measures explicitly must not disrupt legitimate NPO activities, and especially minimize the negative impact on beneficiaries of the good works of NPOs. They may not be used to justify abuse of civil society for political purposes. Jurisdictions have an obligation to respect freedom of association, assembly, expression, religion or belief, and international humanitarian law. Indicators of disruption of legitimate NPO activities include:</p> <ul style="list-style-type: none"> • Derisking: have there been signals that NPOs have faced challenges in accessing financial services? Examples include disruptive delays in transfers, closure of bank or MVTS accounts, failure to open bank or MVTS account. • Signals that there have been limitations to freedom of association, assembly, expression, religion or belief, and international humanitarian law (e.g. as identified by the UN Special Rapporteur on Freedom of Association). <p>Where such indicators have arisen, which measures have jurisdictions taken to minimize negative impact?</p>

<p>NPO measures</p>	<p>Quality of Governance</p>	<p>High (1.0) Medium (0.5) Low (0.2) Does not exist (0.0)</p>	<p>Have NPOs in this category implemented effective governance measures to ensure integrity and transparency? Two important elements of governance are authority/stewardship, namely active oversight of organizational governance and policy making by the board of directors (oversee conduct of the NPO's affairs, ensuring a qualified team carries out day to day activities, manage and account for financial and other resources and fulfillment of the mission) and accountability (explain and accept responsibility and taking public trust in consideration when carrying out and providing details on responsibilities, and accepting responsibility for outcomes.)¹² Have NPOs in this category:</p> <ul style="list-style-type: none"> • Established effective organizational governance (versus e.g. opaque leadership or decision-making structures) • Sound management of funds received from donors, governments and expenditures • Effective organizational governance (incl. human resources) • Taken accountability for the outcomes, quality and ranges of their programs and services?¹³
	<p>Quality of Financial management</p>	<p>High (1.0) Medium (0.5) Low (0.2) Does not exist (0.0)</p>	<p>How sound are the financial management practices in this category of NPOs? Internal transparency and accountability practices should ensure effective control over how funds are collected, retained, transferred, spent and programs are delivered. Do NPOs keep records and employ practices consistent with:</p> <ul style="list-style-type: none"> • comprehensive financial planning/budget systems which includes all sources and uses of funds for all aspects of operations • clear procedures for execution of financial matters and separation of duties e.g. authorization functions (for purchasing, cash handling, depositing funds) vs. review and verification functions • clearly documented accounting policies and procedures

¹² <https://www.icnl.org/resources/research/ijnl/self-governance-3>

¹³ <https://www.icnl.org/resources/research/ijnl/self-governance-3>

			<ul style="list-style-type: none"> • sound reporting practices for all revenue and expenditures for the whole organization, programs and funding sources • diligent monitoring procedures for review of revenue and expenditure, including independent audit. <p>Negative indicators may include:</p> <ul style="list-style-type: none"> • Inability to account for the origin of income or final use of resources. • Third parties are used to open NPO bank accounts or carry out some transactions. • Expenditures are not consistent with programs and activities. • Structural inconsistencies in its accounting and/or mandatory reporting.
	Quality of Project management	<div style="background-color: green; color: white; padding: 2px; text-align: center;">High (1.0)</div> <div style="background-color: yellow; padding: 2px; text-align: center;">Medium (0.5)</div> <div style="background-color: orange; padding: 2px; text-align: center;">Low (0.2)</div> <div style="background-color: red; padding: 2px; text-align: center;">Does not exist (0.0)</div>	How sound are the project management practices in this category of NPOs? Do the practices allow for planning, tracking and review of the use of resources vis-à-vis project requirements (effectiveness, budget and deadlines), including when resources have been shifted towards other activities and keeping programmatic information for a reasonable period of time. Does the NPO have milestones, targets and indicators, and mechanisms for monitoring these to ensure project delivery and identify possible problems? Do NPOs perform appropriate checks on donors, partners and beneficiaries, considering the circumstances and context of the organization and the environment in which they operate. (Note that there is no expectation that NPOs apply AML/CFT customer due diligence procedures, as might be applied by financial institutions.)
	Quality of staff vetting and oversight	<div style="background-color: green; color: white; padding: 2px; text-align: center;">High (1.0)</div> <div style="background-color: yellow; padding: 2px; text-align: center;">Medium (0.5)</div> <div style="background-color: orange; padding: 2px; text-align: center;">Low (0.2)</div> <div style="background-color: red; padding: 2px; text-align: center;">Does not exist (0.0)</div>	What is the quality of the processes and procedures that NPOs in this category apply for vetting (or screening) of any person acting in an official capacity representing an NPO, whether paid or unpaid, volunteer or staff – particularly trustees, board members, senior officers and persons in sensitive positions. Such procedures would ensure recruitment of persons with the necessary skills, experience and expertise, but also protect against persons with criminal precedents, e.g. for terrorist activity, money laundering, fraud, bribery.

			How effective is organizational governance and oversight (including structures and processes for managing human resources)?
	Level of commitment to ethics and transparency	<div style="background-color: green; color: white; padding: 2px; text-align: center;">High (1.0)</div> <div style="background-color: yellow; padding: 2px; text-align: center;">Medium (0.5)</div> <div style="background-color: orange; padding: 2px; text-align: center;">Low (0.2)</div> <div style="background-color: red; color: white; padding: 2px; text-align: center;">Does not exist (0.0)</div>	<p>To which extent do NPOs in this category commit to ethical practices and transparency.</p> <p>Do NPOs have policies and procedures for complaints and grievances, and receiving and communicating feedback, both for internal and external stakeholders.</p> <p>Do NPOs adhere to relevant codes of conduct or other external best practice standards?</p> <p>Do NPOs provide open-source information about:</p> <ul style="list-style-type: none"> - the identity of the persons who control or direct the NPO's activities - the purpose and objectives of their activities - transparency of activities - transparency of the source and use of funds
	Level of self-regulation (incl. implementation)	<div style="background-color: green; color: white; padding: 2px; text-align: center;">High (1.0)</div> <div style="background-color: yellow; padding: 2px; text-align: center;">Medium (0.5)</div> <div style="background-color: orange; padding: 2px; text-align: center;">Low (0.2)</div> <div style="background-color: red; color: white; padding: 2px; text-align: center;">Does not exist (0.0)</div>	<p>To which extent have NPOs in this category set up self-regulation measures for good governance, accountability and transparency? This includes internal standards for programs, organizational integrity, governance, management practices, human resources policies, finances, communications, disclosure and fundraising. (In many jurisdictions associations of NPOs have established good practices guidelines for NPOs.)¹⁴</p>

Step 5: Conclusions & dissemination materials

Use the tool to draw your own conclusions

This module is a tool for to consider the relevant factors relating to the terrorist financing risk of abuse of NPOs in a structured and transparent fashion (through the visualization of results by the tool). Its function is to support analysis. In this final step, the Working Group is expected to consider the assessment results and draw conclusions regarding the level of risk and the adequacy and proportionality of measures.

¹⁴ <https://www.icnl.org/resources/research/ijnl/self-governance>

Important: After inserting the assessment results in the Excel tool, it will generate results diagrams for the three assessment steps, and enable a heat map of the inherent risk of different categories of NPOs that meet the FATF definition where various categories have been assessed.

Recommendations based on the risk assessment

Based on the conclusions, the Working Group is expected to make recommendations, including on the (evidence-based) necessity of policies and programs, or amendment to laws and regulations, that promote accountability, integrity, and public confidence in the administration and management of NPOs and raise awareness about the potential vulnerabilities of NPOs to terrorist financing abuse and terrorist financing risks, while preventing disruption of legitimate charitable activities. Where it was found that the inherent risk level is low and/or current measures sufficient, recommendations for further measures would not be necessary.

Disseminating results

The Working Group can choose any medium for recording the conclusions and recommendations to disseminate the results as effectively and efficiently as possible, including:

- presentation,
- targeted report
- sanitized report,
- briefing materials (e.g. factsheet, brochure, manual)

Capture and communicate the conclusions

Whichever medium the Working Group chooses, it should ensure that it reflects clear conclusions on the following items:

- How many NPOs meet the FATF definition, and core information on these NPOs
- What is the level of terrorist financing abuse of NPO as indicated by available information, which sources support this and descriptions of, if any, the type of cases of abuse.
- What is the level of inherent risk of NPOs (for all FATF NPOs together and/or selected categories to which the assessment has been applied), including the main underlying drivers and explanation, distinguishing between:
 - the threat level (by category),
 - the inherent vulnerability level (by category)
- What is the quality of mitigating measures (for all FATF NPOs together and/or selected categories) (*only for of the high or medium inherent risk categories of FATF-defined NPOs. If the FATF NPO category has a low inherent risk, there may not be a need to apply mitigating measures. This is especially the case if there is no or low evidence of TF involvement of NPOs.*)
 - What are the main gaps?
 - Which current measures are particularly effective?
- Recommendations based on the risk assessment, if any.
- Dissemination strategy in collaboration with the NPO sector.