

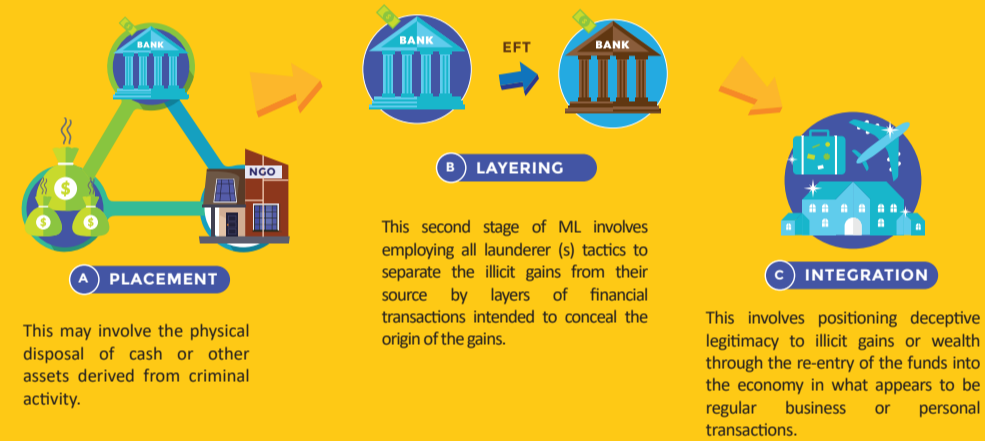
ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING AT A GLANCE

WHAT NPOS NEED TO KNOW ABOUT FATF

What is Money Laundering?

It is imperative to note that there is no universally accepted definition of Money Laundering. However, Money Laundering can simply be defined as the process of making dirty money look clean.

This process involves three stages (S):



What is Terrorism?

Although there is no current agreement regarding a universal legal definition of the concept "Terrorism", There is a customary rule in the international community that requires the presence of the following three key elements regarding the international crime of terrorism:

- 01 The perpetration of a criminal act (such as murder, kidnapping, hostage-taking, arson, and so on), or threatening such an act.
- 02 The intent to spread fear among the population (which would generally entail the creation of public danger) or directly or indirectly coerce a national or international authority to take some action, or to refrain from taking it.
- 03 When the act involves a transnational element.

Source: UNDOC (Interlocutory Decision, 2011, para. 85).

What is Terrorism Financing?

Just Like money laundering, there is no universal definition of Terrorism Financing. However, if simply defined, terrorism financing can be taken to mean financial support, in any form, of terrorism or of those who encourage, plan, or engage in terrorism.

This process involves:

- 01 Collecting the money for purposes of supporting the terrorist (from legitimate or illegitimate sources).
- 02 Storing of the money while determining that its use is in line with the act.
- 03 Moving the money to the place and at the time it is needed.
- 04 Putting the money to use in advancing the terrorist organization's goals.



Who is FATF?



Founded in 1989, the **Financial Action Task Force (FATF)** is an inter-governmental body whose purpose is to set international standards for combating Money Laundering (ML), Terrorist Financing (TF), and other related threats to the integrity of the international financial system. While FATF has 39 official members and jurisdictions, it depends on the support of nine FATF-style regional bodies (FSRBs) to ensure that its policies extend to all corners of the world.

What is the International AML, CFT Framework?

These are international standards, designed to combat transnational crimes. The International AML, CFT Framework is purposefully designed to weaken the economic power of the perpetrators of transnational crimes, by preventing the usage of their illicit gains and averting the effects of the criminal economy and terrorism.

The main source of documents on Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) are the Legal Instruments. They include:

1. The United Nations Conventions and Resolutions.
2. United Nations Counter-Terrorism Strategy.
3. Financial Action Task Force Standards.

FATF is the world's foremost anti-money laundering (AML) and counter-terrorism funding (CFT) regulator.

Risk-Based Approach

Under its Recommendation 1, The FATF emphasizes the application of a Risk-Based Approach when regulating the sector so that legitimate charitable activities are not impacted or interfered with.

It is worth noting, that the implementation of the standards in some of the jurisdictions, has not always been risk-based or proportionate, with the one-size-fits-all approach leading to unintended consequences for the sector, including operational difficulties impacting freedoms of association and expression, and issues with financial access.

What is the FATF Recommendation on NGOs? (Recommendation 8)

A key element of FATF's efforts is its detailed list of appropriate standards as set out in the 40 Recommendations. Of the 40 FATF recommendations, R. 8 requires Countries to review the adequacy of laws and regulations that relate to Non-Profit Organizations (NPOs) and ensure that they cannot be misused:

- 01 by terrorist organizations posing as legitimate entities;
- 02 to exploit legitimate entities as conduits for terrorist financing, including to escape asset-freezing measures; and
- 03 to conceal or obscure the clandestine diversion of funds intended for legitimate purposes to terrorist organizations.

FATF defines NPOs as a legal person or arrangement or organization that primarily engages in raising or disbursing funds for charitable, religious, cultural, educational, social, or fraternal purposes for the carrying out of other types of "good works."

Are all NGOs Vulnerable?



NPOs are defined by their purpose, their reliance on contributions from donors, and the trust placed in them by the wider community. Not all NPOs are inherently high-risk organizations, and it is desirable to identify the high-risk NPOs, i.e. NPOs which by their activities, characteristics, asset size, and international and geographical activities are likely to be at risk for terrorist financing abuse, for proper risk management.

How can NPOs Mitigate the Risk of TF?

Guided by the FATF Risk Based Approach, NPOs should intentionally:

- 01 Adopt CFT Best Practices,
- 02 Strengthen Good Governance,
- 03 Know Their Beneficiaries and Partners,
- 04 Know Their Respective Donors,
- 05 Know Their Employees,
- 06 Ensure Transparency and Financial Accountability.

