



**Financial Intelligence Centre**  
Republic of Zambia

**COUNTERING THE FINANCING OF TERRORISM GUIDELINES FOR THE NON-PROFIT  
ORGANIZATIONS (NPO) SECTOR**

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## 1.0 INTRODUCTION

Zambia recognizes the vital importance of the Non-Profit Organization (NPO) community in providing charitable services as well as the difficulty of providing assistance to those in need, often in remote places. The country applauds the efforts of the NPO community to meet such needs. Further, there is a broad based, multi-sectoral recognition of the intent and efforts to date of the NPO community to promote transparency within their operations and to prevent misuse of the sector by those wishing to support terrorist financing and terrorist organizations. To this end, NPOs are strategic partners in the fight against Money Laundering/Terrorist Financing (ML/TF) and other serious offences.

In keeping with international obligations and ensuring that Zambia's financial institutions and designated non-financial businesses and professions (DNFBPs) are not abused by persons involved in ML/TF, the Financial Intelligence Centre (FIC) was established to receive suspicious transaction reports (STRs) and other disclosures from reporting entities and other sources. Further the FIC's role is to analyze and disseminate intelligence to Law Enforcement Agencies (LEAs) and other foreign competent authorities for investigations, pursuant to the Financial Intelligence Centre Act No 46 of 2010 ( 'the Act').

Section 2 of the FIC Act designates NPOs among DNFBPs in recognition of the vital role NPOs can play in the fight against money laundering, terrorist financing and other financial crimes. The FIC has the mandate to issue guidelines pursuant to Section 56 of the FIC Act, in order to ensure that stakeholders comply accordingly with the provisions of the Act. Therefore, the purpose of these guidelines is to provide specific guidance for the NPO sector in Zambia on measures to detect and deter the financing of terrorism activities in compliance with the Act.

NPOs perform a vital role in our society, providing relief and support to groups of the population in need, and at times of urgent crisis. Unfortunately, charitable fundraising can also be used to provide cover for the financing of terrorism.

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Terrorists and terrorist organisations may exploit some NPOs in the sector to raise and move funds, provide logistical support, encourage terrorist recruitment, or otherwise support terrorist organisations and operations. This misuse not only facilitates terrorist activity, but also undermines donor confidence and jeopardizes the very integrity of NPOs.

Recommendation 8 of the Financial Action Task Force (FATF) 40 Recommendations of 2012 (see Annexure A) acknowledges that while it is vital to protect NPOs from terrorist abuse, it is also important that the measures taken to protect them do not disrupt or discourage legitimate charitable activities, and should not unduly or inadvertently restrict NPOs' ability to access resources, including financial resources, to carry out their legitimate activities. Rather, such measures should promote transparency and engender greater confidence in the sector, across the donor community and with the general public that charitable funds and services are reaching their intended legitimate beneficiaries.

## **2.0 REVISION OF RECOMMENDATION 8 OF THE FATF 40 RECOMMENDATIONS**

A focused and limited revision of Recommendation 8 of FATF was undertaken in 2016. This was done to incorporate the focus on the subset of NPOs that are intended to be addressed by Recommendation 8, to clarify how the risk based approach relates to the Recommendation 8 requirements and further refine the terminology to distinguish between non-profit organizations as that term is defined by FATF and the NPO sector as a whole.

While it is possible that NPOs, like their for-profit counterparts, may face numerous other risks relating to money laundering, fraud, corruption, and tax evasion, Recommendation 8 is only intended to address the particular vulnerability of NPOs to terrorist abuse. Yet risk mitigation measures to protect against other illicit financial threats, including money laundering, can be useful in mitigating terrorist financing risk.

## **3.0 SCOPE OF GUIDELINES**

The Guidelines are provided as general information only and as such do not represent all the requirements under the law and the obligations imposed by the competent authorities. To this effect, the guidelines do

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not constitute legal advice and are not intended to replace the various pieces of legislation or any other guidelines, directives or regulations, code of ethics issued by the competent authorities. Therefore, NPOs should also consult with relevant authorities on any regulatory requirements incidental to the foregoing.

#### **4.0 DEFINITION OF KEY CONCEPTS**

**Beneficiaries** – Beneficiaries refers to those natural persons, or groups of natural persons who receive charitable, humanitarian or other types of assistance through the services of the NPO.

**Competent Authorities** – For the purpose of these guidelines, competent authorities refers to all public authorities with designated responsibilities for combating money laundering and/or terrorist financing in the NPO sector. This includes authorities that have AML/CFT supervisory or monitoring responsibilities aimed at ensuring compliance by NPOs with AML/CFT requirements.

**Financial Action Task Force** - The Financial Action Task Force (FATF) is an inter-governmental body established in 1989 by the Ministers of its Member jurisdictions. The mandate of the FATF is to set international standards and to promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and the financing of proliferation, and other related threats to the integrity of the international financial system. In collaboration with other international stakeholders, the FATF also works to identify national-level vulnerabilities with the aim of protecting the international financial system from misuse.

**Money Laundering** - Section 2 of the Prohibition and Prevention of Money Laundering Act No 14 of 2001 as amended by the Prohibition and Prevention of Money Laundering (Amendment) Act No. 44 of 2010 defines money laundering as follows:

"*money laundering*" means, where a reasonable inference may be drawn, having regard to the objective factual circumstances, any activity by a person-

(a) who knows or has reason to believe that the property is the proceeds of a crime; or

(b) without reasonable excuse, fails to take reasonable steps to ascertain whether or not the property is proceeds of a crime; where the person-

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- (i) engages, directly or indirectly, in a transaction that involves proceeds of a crime;
  - (ii) acquires, receives, possesses, disguises, transfers, converts exchanges, carries, disposes, uses, removes from or brings into Zambia proceeds of a crime; or
  - (iii) conceals, disguises or impedes the establishment of the true nature, origin, location, movement, disposition, title of, rights with respect to, or ownership of, proceeds of crime.

**Non-Profit Organization** - For the purposes of these guidelines, Non – Profit Organization (NPO) refers to the NPOs falling within the FATF definition. The FATF definition states that a NPO is “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’”.

**Reporting Entity** - For the purpose of these guidelines, reporting entity refers to NPOs.

**Terrorist Financing** - Under the Anti-Terrorism Act No. 6 of 2018, financing of terrorism" means an act by any person who, irrespective of whether a terrorist act occurs, by any means, directly or indirectly, willfully provides or collects funds or attempts to do so with the intention that the funds should be used or knowing that the funds are to be used in full or in part—

- (i) to carry out a terrorist act;
- (ii) by a terrorist;
- (iii) by a terrorist organisation; or
- (iv) for the travel of a person to a State other than the person's State of residence or nationality for the purpose of perpetration, planning or preparation of, or participation in, terrorist act or the providing or receiving of terrorist training.

## 5.0 OVERVIEW OF THE NPO SECTOR

The legal framework in the NPO sector comprises the following:

- **Societies Act Cap 119 of the Laws of Zambia**

The Registrar of Societies is mandated to register societies falling in the categories of political parties, religious organizations, women/farmers, youth, youth clubs and Associations.

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- **NGO Act No. 16 of 2009**

The NGO Act covers organizations that are a private voluntary grouping of individuals or association, whether corporate or unincorporated, not established or operated for profit, partisan politics or any commercial purposes, and who or which have organized themselves for the promotion of civic education, advocacy, human rights, social welfare, development, charity, research or other activity or program for the benefit or interest of the public, through resources mobilized from sources within or outside Zambia.

- **The Companies Act No. 10 of 2017**

The Companies Act has the mandate to register NPOS that are limited by guarantee. Section 12 of the Companies Act precludes the Patents and Companies Registration Agency (PACRA) from registering NPOs that are religious or faith based.

- **The Persons with Disabilities Act No.6 of 2012**

This Act establishes the Zambia Agency for Persons with Disabilities whose functions include the regulation and registration of institutions that provide services to persons with disabilities and organizations of, and for, persons with disabilities. Section 54(6) of the Persons with Disabilities Act states that “an organization of or for persons with disabilities shall not be required to register under the NGO Act 2009 or Societies Act and shall be exempt from the provisions of those Acts.

## **6.0 CATEGORIES OF RISK/ ABUSE IN THE NPO SECTOR**

### **Terrorism Financing Risk**

Most NPOs have good relations with their donors, partner organizations and beneficiaries who give to or work with the organization in good faith. However, practical risks do exist and NPOs can be abused for terrorist financing purposes. The nature of the risk in the particular circumstances, the activities that the NPO carries out, and how and where the activities are undertaken, are all reasons why it is important for NPOs to understand the TF risks they face and take appropriate measures to mitigate these risks. Many NPOs already undertake their own risk analysis before working

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in a new environment or with new partners. Such internal NPO risk assessments can help mitigate a wide variety of potential risks faced by the NPO, including terrorist abuse.

Literature on the subject shows that terrorist financiers engaged in the logistical support of terrorist organizations, use funds to meet broad logistical requirements, which include but are not limited to, recruitment, travel and the acquiring of weapons. Further, literature shows that terrorist and terrorist organizations “exploit the NPO sector to raise and move funds, provide logistical support, encourage terrorist recruitment, or otherwise support terrorist organizations and operations.

Not all NPOs are high risk, and some may represent little or no risk at all. It may be possible that existing measures are sufficient to address the current terrorist financing risk to the NPO sector identified in a country, although periodic reviews may identify new or evolved TF risks over time.

The 2014 FATF Report on the Risk of Terrorist Abuse in NPOs concluded that the NPOs most at risk of abuse for terrorist financing are engaged in “service activities”, meaning programs focused on providing housing, social services, education, or health care.

### **Categories of Abuse**

In general, there are five categories of abuse or risk facing NPOs. These are not mutually exclusive categories:

- i. The diversion of funds is a significant method of abuse, with actors inside the NPOs or external actors (such as foreign partners or third-party fundraisers) being responsible for the diversion to support terrorist entities at some point through the NPO operational or financial processes;
- ii. NPOs or their directing officials knowingly or unknowingly maintaining an affiliation with a terrorist entity which may result in the NPOs being abused for multiple purposes, including general logistical support to the terrorist entity;
- iii. Abuse to support recruitment efforts by terrorist entities;
- iv. The abuse of programming in which the flow of resources is legitimate, but NPO programs are abused at the point of delivery; and

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- v. Abuse through false representation in which terrorist entities start “fake” NPOs or falsely represent themselves as the agents of “good works” in order to deceive donors into providing support. Well-planned deceptions are difficult to penetrate with the resources available to NPOs, making state-based oversight and its capabilities a necessary element to detecting the most sophisticated threats to the sector’s activities.

## **7.0 VULNERABILITIES OF NPOs**

The abuse of NPOs for terrorist purposes may take a variety of different forms, especially given the diverse nature of the sector. The reputation, international reach and financial system of the NPOs can all provide openings for terrorists. An NPO’s fund, facilities and name are precious assets and vulnerable to exploitation for terrorist purposes. Although these are usually at great risk from influence outside the NPO, abuse can also happen from within the NPO or be carried out by someone connected to it. NPOs are vulnerable to terrorist financing and other criminal abuse for a number of reasons:

- i. They enjoy high levels of public trust and confidence;
- ii. They often rely on goodwill and voluntary support in one form or another;
- iii. They are diverse in nature, involved in a broad range of activities and reaching all parts of society. Because of this reach, large numbers of people come into close contact with NPOs, including those who may abuse them, through their services, the use of their property and through their trustees and volunteers;
- iv. They are relatively easy to set up;
- v. They have a global presence, including in conflict areas and/or where there is little infrastructure, and frequently move money, goods and people to these areas;
- vi. They often have complex financial operations including multiple donors;

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- vii. They may have unpredictable and unusual income and expenditure streams, so suspicious transactions may be harder to identify;
  - viii. They may have branches and/or projects that are not under the direct supervision or regular control of trustee management;
  - ix. They are powerful vehicles for bringing people together for a common purpose and collective action, and may inadvertently provide a ready-made social network and platform of legitimacy for terrorists or terrorist sentiments;
  - x. Individuals supporting terrorist activity may claim to work for an NPO and trade on its good name and legitimacy in order to gain access to a region or community;
  - xi. Terrorist activities may be hidden by or take place alongside additional, and otherwise legitimate, charitable activities;
  - xii. In extreme cases, terrorists may try to set up an organization as a 'sham', promoted as charitable but whose sole purpose is really to raise funds or use its facilities or name to promote or coordinate inappropriate and unlawful activities.

Therefore, protecting the NPO sector from terrorist abuse is both a critical component of the global fight against terrorism and a necessary step to preserve the integrity of the NPO sector and donor community.

## **8.0 INDICATORS OF TERRORIST FINANCING IN THE NPO SECTOR**

The list below features some of the major indicators of terrorist financing in the NPO Sector and should be treated as a non-exhaustive guide:

- i. Large unexpected donations from unknown individuals, organizations or other sources new to the principals;
- ii. Donations subject to the condition that particular individuals or organizations with whom the NPO is unfamiliar are engaged to carry out work;
- iii. Donors dictating beneficiaries of the grant who are not known to the NPO;

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- iv. Raising funds in the name of the organization which are then diverted and used for criminal and terrorism purposes;
  - v. The NPO being requested by third parties to allow funds to pass through its bank account;
  - vi. Scholarships and training offered to youth by organizations or individuals from high risk jurisdictions.

## **9.0 MEASURES TO PREVENT TERRORIST FINANCING ABUSE IN THE NPO SECTOR**

The competent authorities are a unique resource that can play a role in the protection of the sector against a range of abuses, including terrorist abuse. Such authorities are directly interested in preserving the legitimacy and reputation of the NPOs and have long been engaged in the development and promulgation of good practices for these NPOs in a wide array of functions.

When there is suspicion or reasonable grounds to suspect that a particular NPO is engaged in the following activities, information should be promptly shared with the FIC:

- i. The NPO is involved in terrorist financing abuse and/or is a front for fundraising by a terrorist organization;
- ii. The NPO is being exploited as a conduit for terrorist financing, including for the purpose of escaping asset freezing measures, or other forms of terrorist support; or
- iii. The NPO is concealing or obscuring the clandestine diversion of funds intended for legitimate purposes, but redirected for the benefit of terrorists or terrorist organizations.

The best approach for NPOs to ensure that they are not abused for terrorist purposes is to put in place good governance and strong financial management, including having internal controls and risk management procedures. In addition, carrying out proper due diligence on those individuals and organizations that provide financial technical and material support is also important. Further, due diligence on beneficiaries should be conducted.

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NPOs may undertake their own internal risk analysis to help better understand the risks they face in their operations and design appropriate risk mitigation and due diligence measures. Due diligence checks on the donor should take into account factors such as the size of the donation, source of funds and the location of the donor.

Actions that can be taken in the NPO sector to prevent terrorist financing abuse include but are not limited to:

- i. Enhanced due diligence<sup>1</sup> when the donor is considered to be high risk or from a jurisdiction of higher risk.
- ii. Effective methods for recording and documenting donations and grants;
- iii. Establishing who will be involved in delivering the services of the NPO (know your beneficiaries and partners);
- iv. Identifying and reporting any suspicious activities bordering on terrorist financing to the FIC;
- v. Ensuring transparency in the implementation of the institution's mandate.

## 10.0 HIGH RISK COUNTRIES

In order to protect the international financial system from money laundering and financing of terrorism risks and to encourage greater compliance with the AML/CFT standards, the FATF identifies jurisdictions that have strategic deficiencies and works with them to address those deficiencies that pose a risk to the international financial system.

The NPO Sector should have access to the list of High Risk and Non-Cooperative Jurisdictions published by FATF (<http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/>).

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<sup>1</sup> Examples of **enhanced due diligence** measures include: obtaining additional information on the intended nature of the business relationship; obtaining information on the source of funds or source of wealth of the customer; obtaining the approval of senior management to commence or continue the business relationship and conducting enhanced monitoring of the business relationship.

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NPOs coming from High risk and Non-cooperative Jurisdictions should be subjected to enhanced due diligence during the registration process and enhanced monitoring and inspections thereafter.

## **11.0 REPORTING OF SUSPICIOUS ACTIVITY**

A **suspicious transaction** will often be one which is inconsistent with a partner or beneficiary's known, legitimate or personal activities or with their normal operations. Therefore, the first key to recognition is having enough knowledge about your partners' operations, and recognizing that an activity or transaction is unusual.

NPOs should establish appropriate mechanisms to ensure that when there is a suspicion that a particular NPO is being abused for, terrorists financing, this information and any other relevant information are promptly shared with the FIC. This information should be submitted in the prescribed forms in Annexure B and C.

The completed form by confidential cover must be reported through the following means:

- a. On the FIC e-system (applicable only to reporting institutions with electronic link with the FIC);
- b. Authenticated FIC email address
- c. By courier or in person to the address indicated below; and

The reporting forms may be obtained by contacting the FIC office using the address provided below or emailing [fic@ficzambia.gov.zm](mailto:fic@ficzambia.gov.zm). Further, an electronic copy of the reporting form can be accessed on the FIC website ([www.fic.gov.zm](http://www.fic.gov.zm)).

## **12.0 PROHIBITION AGAINST TIPPING OFF**

A reporting entity is not allowed to disclose any information that identifies, or is likely to identify the person who prepared or made a report, or handled the underlying transaction.

A reporting entity is not allowed to disclose to any person the contents of the reporting form as well as that a report has been made. Further, the

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disclosure of any other information from which a person could reasonably be expected to conclude that a suspicion has been formed or that a report has been or may be made is prohibited. Any person who contravenes this requirement commits an offence and is liable to a fine of up to five hundred thousand penalty units or to imprisonment for a period not exceeding five years, or to both.

### **13.0 PROTECTION OF PERSONS/ENTITIES REPORTING**

According to Section 35 of the FIC Act, no civil, criminal, administrative or disciplinary proceedings for breach of banking or professional secrecy or contract shall be taken against an individual who, in good faith, submits a report or provides information in compliance with directions given by the Act.

### **14.0 TARGETED FINANCIAL SANCTIONS RELATED TO TERRORISM AND TERRORIST FINANCING**

Competent Authorities should freeze without delay the funds or other assets of, and to ensure that no funds or other assets are made available, directly or indirectly, to or for the benefit of, any person or entity either

- i. designated by, or under the authority of, the United Nations Security Council under Chapter VII of the Charter of the United Nations, including in accordance with resolution 1267 (1999) and its successor resolutions; or
- ii. designated by that country pursuant to resolution 1373.

#### **FINANCIAL INTELLIGENCE CENTRE CONTACT DETAILS**

All the completed reports or any queries should be sent to:

The Director General  
Financial Intelligence Centre  
Plot 50 Kudu Road  
P O Box 30481  
Lusaka  
**ZAMBIA**

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## **ANNEXURE A - INTERPRETIVE NOTE TO RECOMMENDATION 8 (NON-PROFIT ORGANISATIONS)**

### **A. INTRODUCTION**

1. Given the variety of legal forms that non-profit organisations (NPOs) can have, depending on the country, the FATF has adopted a functional definition of NPO. This definition is based on those activities and characteristics of an organisation which put it at risk of terrorist financing abuse, rather than on the simple fact that it is operating on a non-profit basis. For the purposes of this Recommendation, NPO refers to a legal person or arrangement or organisation 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”. Without prejudice to Recommendation 1, this Recommendation only applies to those NPOs which fall within the FATF definition of an NPO. It does not apply to the entire universe of NPOs.

2. NPOs play a vital role in the world economy and in many national economies and social systems. Their efforts complement the activity of the governmental and business sectors in providing essential services, comfort and hope to those in need around the world. The FATF recognises the vital importance of NPOs in providing these important charitable services, as well as the difficulty of providing assistance to those in need, often in high risk areas and conflict zones, and applauds the efforts of NPOs to meet such needs. The FATF also recognises the intent and efforts to date of NPOs to promote transparency within their operations and to prevent terrorist financing abuse, including through the development of programmes aimed at discouraging radicalisation and violent extremism. The ongoing international campaign against terrorist financing has identified cases in which terrorists and terrorist organisations exploit some NPOs in the sector to raise and move funds, provide logistical support, encourage terrorist recruitment, or otherwise support terrorist organisations and operations. As well, there have been cases where terrorists create sham charities or engage in fraudulent fundraising for these purposes. This misuse not only facilitates terrorist activity, but also undermines donor confidence and jeopardises the very integrity of NPOs. Therefore, protecting NPOs from terrorist financing abuse is both a critical component of the global fight against terrorism and a necessary step to preserve the integrity of NPOs and the donor community. Measures to protect NPOs from potential terrorist financing abuse should be targeted and in line with the risk-based approach. It is also important for such measures to be implemented in a manner which respects countries’ obligations under the Charter of the United Nations and international human rights law.

3. Some NPOs may be vulnerable to terrorist financing abuse by terrorists for a variety of reasons. NPOs enjoy the public trust, have access to considerable sources of funds, and are

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often cash-intensive. Furthermore, some NPOs have a global presence that provides a framework for national and international operations and financial transactions, often within or near those areas that are most exposed to terrorist activity. In some cases, terrorist organisations have taken advantage of these and other characteristics to infiltrate some NPOs and misuse funds and operations to cover for, or support, terrorist activity.

#### **OBJECTIVES AND GENERAL PRINCIPLES**

4. The objective of Recommendation 8 is to ensure that NPOs are not misused by terrorist organisations: (i) to pose as legitimate entities; (ii) to exploit legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset freezing measures; or (iii) to conceal or obscure the clandestine diversion of funds intended for legitimate purposes, but diverted for terrorist purposes. In this Interpretive Note, the approach taken to achieve this objective is based on the following general principles:

(a) A risk-based approach applying focused measures in dealing with identified threats of terrorist financing abuse to NPOs is essential given the diversity within individual national sectors, the differing degrees to which parts of each sector may be vulnerable to terrorist financing abuse, the need to ensure that legitimate charitable activity continues to flourish, and the limited resources and authorities available to combat terrorist financing in each country.

(b) Flexibility in developing a national response to terrorist financing abuse of NPOs is essential, in order to allow it to evolve over time as it faces the changing nature of the terrorist financing threat.

(c) Past and ongoing terrorist financing abuse of NPOs requires countries to adopt effective and proportionate measures, which should be commensurate to the risks identified through a risk-based approach.

(d) Focused measures adopted by countries to protect NPOs from terrorist financing abuse should not disrupt or discourage legitimate charitable activities. Rather, such measures should promote accountability and engender greater confidence among NPOs, across the donor community and with the general public, that charitable funds and services reach intended legitimate beneficiaries. Systems that promote achieving a high degree of accountability, integrity and public confidence in the management and functioning of NPOs are integral to ensuring they cannot be abused for terrorist financing.

(e) Countries are required to identify and take effective and proportionate action against NPOs that either are exploited by, or knowingly supporting, terrorists or terrorist organisations taking into account the specifics of the case. Countries should aim to prevent and prosecute, as appropriate, terrorist financing and other forms of terrorist support. Where NPOs suspected of, or implicated in, terrorist financing or other forms of terrorist support are identified, the first priority of countries must be to investigate and halt such terrorist financing or support. Actions

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taken for this purpose should, to the extent reasonably possible, minimise negative impact on innocent and legitimate beneficiaries of charitable activity. However, this interest cannot excuse the need to undertake immediate and effective actions to advance the immediate interest of halting terrorist financing or other forms of terrorist support provided by NPOs.

(f) Developing cooperative relationships among the public and private sectors and with NPOs is critical to understanding NPOs' risks and risk mitigation strategies, raising awareness, increasing effectiveness and fostering capabilities to combat terrorist financing abuse within NPOs. Countries should encourage the development of academic research on, and information-sharing in, NPOs to address terrorist financing related issues.

### **C. MEASURES**

5. Without prejudice to the requirements of Recommendation 1, since not all NPOs are inherently high risk (and some may represent little or no risk at all), countries should identify which subset of organisations fall within the FATF definition of NPO. In undertaking this exercise, countries should use all relevant sources of information in order to identify features and types of NPOs, which, by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse.<sup>21</sup> It is also crucial to identify the nature of threats posed by terrorist entities to the NPOs which are at risk as well as how terrorist actors abuse those NPOs. Countries should review the adequacy of measures, including laws and regulations, that relate to the subset of the NPO sector that may be abused for terrorism financing support in order to be able to take proportionate and effective actions to address the risks identified. These exercises could take a variety of forms and may or may not be a written product. Countries should also periodically reassess the sector by reviewing new information on the sector's potential vulnerabilities to terrorist activities to ensure effective implementation of measures.

6. There is a diverse range of approaches in identifying, preventing and combating terrorist financing abuse of NPOs. An effective approach should involve all four of the following elements: (a) sustained outreach, (b) targeted risk-based supervision or monitoring, (c) effective investigation and information gathering and (d) effective mechanisms for international cooperation. The following measures represent examples of specific actions that countries should take with respect to each of these elements, in order to protect NPOs from potential terrorist financing abuse.

(a) Sustained outreach concerning terrorist financing issues

(i) Countries should have clear policies to promote accountability, integrity and public confidence in the administration and management of NPOs.

(ii) Countries should encourage and undertake outreach and educational programmes to raise and deepen awareness among NPOs as well as the donor community about the potential

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vulnerabilities of NPOs to terrorist financing abuse and terrorist financing risks, and the measures that NPOs can take to protect themselves against such abuse.

(iii) Countries should work with NPOs to develop and refine best practices to address terrorist financing risks and vulnerabilities and thus protect them from terrorist financing abuse.

(iv) Countries should encourage NPOs to conduct transactions via regulated financial channels, wherever feasible, keeping in mind the varying capacities of financial sectors in different countries and in different areas of urgent charitable and humanitarian concerns.

(b) Targeted risk-based supervision or monitoring of NPOs

Countries should take steps to promote effective supervision or monitoring. A “one-size-fits-all” approach would be inconsistent with the proper implementation of a risk-based approach as stipulated under Recommendation 1 of the FATF Standards. In practice, countries should be able to demonstrate that risk-based measures apply to NPOs at risk of terrorist financing abuse. It is also possible that existing regulatory or other measures may already sufficiently address the current terrorist financing risk to the NPOs in a jurisdiction, although terrorist financing risks to the sector should be periodically reviewed. Appropriate authorities should monitor the compliance of NPOs with the requirements of this Recommendation, including the risk-based measures being applied to them.<sup>22</sup> Appropriate authorities should be able to apply effective, proportionate and dissuasive sanctions for violations by NPOs or persons acting on behalf of these NPOs.<sup>23</sup> The following are some examples of measures that could be applied to NPOs, in whole or in part, depending on the risks identified:

(i) NPOs could be required to license or register. This information should be available to competent authorities and encouraged to be available to the public.<sup>24</sup>

(ii) NPOs could be required to maintain information on: (1) the purpose and objectives of their stated activities; and (2) the identity of the person(s) who own, control or direct their activities, including senior officers, board members and trustees. This information could be publicly available either directly from the NPO or through appropriate authorities.

(iii) NPOs could be required to issue annual financial statements that provide detailed breakdowns of incomes and expenditures.

(iv) NPOs could be required to have appropriate controls in place to ensure that all funds are fully accounted for, and are spent in a manner that is consistent with the purpose and objectives of the NPO’s stated activities.

(v) NPOs could be required to take reasonable measures to confirm the identity, credentials and good standing of beneficiaries<sup>25</sup> and associate NPOs and that they are not involved with and/or using the charitable funds to support terrorists or terrorist organisations<sup>26</sup>. However, NPOs should not be required to conduct customer due diligence. NPOs could be required to take reasonable measures to document the identity of their significant donors and to respect donor confidentiality. The ultimate objective of this requirement is to prevent charitable funds from being used to finance and support terrorists and terrorist organisations.

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(vi) NPOs could be required to maintain, for a period of at least five years, records of domestic and international transactions that are sufficiently detailed to verify that funds have been received and spent in a manner consistent with the purpose and objectives of the organisation, and could be required to make these available to competent authorities upon appropriate authority. This also applies to information mentioned in paragraphs (ii) and (iii) above. Where appropriate, records of charitable activities and financial operations by NPOs could also be made available to the public.

(c) Effective information gathering and investigation

(i) Countries should ensure effective cooperation, coordination and information-sharing to the extent possible among all levels of appropriate authorities or organisations that hold relevant information on NPOs.

(ii) Countries should have investigative expertise and capability to examine those NPOs suspected of either being exploited by, or actively supporting, terrorist activity or terrorist organisations.

(iii) Countries should ensure that full access to information on the administration and management of a particular NPO (including financial and programmatic information) may be obtained during the course of an investigation.

(iv) Countries should establish appropriate mechanisms to ensure that, when there is suspicion or reasonable grounds to suspect that a particular NPO: (1) is involved in terrorist financing abuse and/or is a front for fundraising by a terrorist organisation; (2) is being exploited as a conduit for terrorist financing, including for the purpose of escaping asset freezing measures, or other forms of terrorist support; or (3) is concealing or obscuring the clandestine diversion of funds intended for legitimate purposes, but redirected for the benefit of terrorists or terrorist organisations, that this information is promptly shared with relevant competent authorities, in order to take preventive or investigative action.

(d) Effective capacity to respond to international requests for information about an NPO of concern. Consistent with Recommendations on international cooperation, countries should identify appropriate points of contact and procedures to respond to international requests for information regarding particular NPOs suspected of terrorist financing or involvement in other forms of terrorist support.

## **D. RESOURCES FOR SUPERVISION, MONITORING, AND INVESTIGATION**

7. Countries should provide their appropriate authorities, which are responsible for supervision, monitoring and investigation of their NPO sector, with adequate financial, human and technical resources.

### **Glossary of specific terms used in this Recommendation**

**Appropriate authorities**

refers to competent authorities, including regulators, tax authorities, FIUs, law enforcement,

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	intelligence authorities, accrediting institutions, and potentially self-regulatory organisations in some jurisdictions.
<b>Associate NPOs</b>	includes foreign branches of international NPOs, and NPOs with which partnerships have been arranged.
<b>Beneficiaries</b>	refers to those natural persons, or groups of natural persons who receive charitable, humanitarian or other types of assistance through the services of the NPO.
<b>Non-profit organisation or NPO</b>	refers to a legal person or arrangement or organisation 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”.
<b>Terrorist financing abuse</b>	refers to the exploitation by terrorists and terrorist organisations of NPOs to raise or move funds, provide logistical support, encourage or facilitate terrorist recruitment, or otherwise support terrorists or terrorist organisations and operations.

**ANNEXURE B - : Suspicious Transaction/Activity Report (STR/SAR) Format  
(For suspicious NPO Customer/ Beneficiary)**

<b>A.</b>	<b>Reporting Organization:</b>	
	1. Name of the NPO	
	2. Address of Head Office:	
<b>B.</b>	<b>Suspected Activity/ Transaction:</b>	
	1. Money Laundering	
	2. Terrorist Financing	
<b>C.</b>	<b>Details of Report:</b>	
	Date	
	Name of Project/Program where person is a beneficiary	
	Address of the NPO Project Office	
<b>D.</b>	<b>Details of Customer/Beneficiary</b>	
	Name	
	Date of Birth	
	Occupation	
	Address	
	Nationality	
<b>E.</b>	<b>Reasons for Considering Activity Suspicious or Unusual</b>	
<b>F.</b>	<b>Has your NPO taken any action on this matter? If yes, please give details.</b>	
<b>G.</b>	<b>Attached Documents</b>	
	1.	
	2.	

**Annexure C-: Suspicious Transaction/Activity Report (STR/SAR) Format  
(For suspicious NPO)**

<b>A.</b>	<b>Reporter's Details</b>	
	1. Name:	
	2. Address:	
	3. Organization	
<b>B</b>	<b>Suspected Activity/ Transaction:</b>	
	1. Money Laundering	
	2. Terrorist Financing	
<b>C.</b>	<b>Details of Report:</b>	
	1. Date of sending report	
	2. Name of suspected NPO	
	3. Address	
	4.a. License No. and Date b. Licensing Authority	
	5. Projects/ Activities of the NPO	
	6. Names of key persons in the NPO:	
	7. Names of suspected persons in the NPO:	
<b>D.</b>	<b>Reporter's Relation with Suspected NPO (if any):</b>	
<b>E.</b>	<b>Nature of Suspicious Activity/Transaction and Reasons for Considering it as suspicious</b>	
<b>F.</b>	<b>Attached Documents:</b>	
	1.	
	2.	