

September 2021

GOOD PRACTICES MEMORANDUM

FOR THE IMPLEMENTATION OF COUNTERING THE
FINANCING OF TERRORISM MEASURES WHILE
SAFEGUARDING CIVIC SPACE



GCTF

GLOBAL COUNTERTERRORISM FORUM



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INTRODUCTION

Disrupting and preventing terrorist individuals and organizations from raising, moving, storing and using funds is a critical pillar of counterterrorism efforts. Terrorism remains a significant global threat, which evolves and manifests differently across regions, and efforts to counter terrorism are critical. Global measures countering the financing of terrorism (CFT) have evolved with changes in the terrorism landscape over the past decade, including the rise of small cells or lone terrorist operatives conducting inexpensive and often self-financed attacks, as well as continued self-financing through exploitation and extortion of populations, businesses and resources in areas controlled by terrorist entities. While combating terrorism and its financing is primarily the responsibility of States, the financial sector and non-profit organizations (NPOs) have a role to play in working with governments to help address terrorism financing, mitigate potential risks of abuse for terrorism financing purposes, and advance accountability measures that preserve the integrity of the non-profit and financial sectors.

NPOs are key actors in addressing conditions conducive to terrorism, including by contributing to peacebuilding and conflict resilience, supporting good governance, human rights and the rule of law, and by progressing the Sustainable Development Goals. Humanitarian actors continue to provide vital aid in the most fragile and conflict-affected areas, which are increasingly overlapping with areas of terrorist activity and areas controlled by UN-designated armed groups that further compound humanitarian crises. Financial service providers support and facilitate aid efforts by ensuring NPOs and humanitarian actors can access and move funds in a secure and timely fashion, while supporting overall accountability, traceability, and financial integrity. In this regard, NPOs, the financial sector, and state actors share a common goal in ensuring non-profit goods and services reach their intended recipients, while preventing the financing of terrorism.

Although cases of NPOs being abused for terrorism financing purposes have been documented¹, the risk is not uniform or inherently high across the non-profit sector. In 2016, the Financial Action Task Force (FATF),² amended its Standards to address this misconception and indicated that only a subset of NPOs may be vulnerable to abuse by virtue of their characteristics or activities,³ such as access to considerable sources of funds, a global presence that includes areas near or exposed to terrorist activity, and cash-intensive operations.⁴

CFT frameworks and sanctions regimes that respond to terrorist threats require the implementation of rigorous compliance measures, which impact the way the financial sector and NPOs operate. United Nations Security Council resolution 2462 (2019) “[d]ecides that all States shall, in a manner consistent with their obligations under international law, including international humanitarian law, international

¹ See for example: Financial Action Task Force, “[Risk of Terrorist Abuse in Non-Profit Organizations](#),” June 2014.

² The Financial Action Task Force is the international body that sets global standards for preventing and combating money laundering, terrorist financing and proliferation financing. Thirty-seven member jurisdictions and two regional organizations are Members of the FATF. There are also nine FATF-style regional bodies (FSRBs), which are Associate Members and represent their respective memberships at the FATF. Between the FATF and the FSRBs, most of the world’s financial centers are represented. For more information, see <https://www.fatf-gafi.org/about/>.

³ Financial Action Task Force, “[International Standards on Combating Money Laundering and Financing of Terrorism & Proliferation](#),” Recommendation 8 and corresponding Interpretive Note.

⁴ Financial Action Task Force, Interpretative Note to Recommendation 8, paragraph 3.



human rights law and international refugee law, ensure that their domestic laws and regulations establish serious criminal offenses sufficient to provide the ability to prosecute and to penalize in a manner duly reflecting the seriousness of the offense the wilful provision or collection of funds, financial assets or economic resources or financial or other related services, directly or indirectly, with the intention that the funds should be used, or in the knowledge that they are to be used for the benefit of terrorist organizations or individual terrorists for any purpose, including but not limited to recruitment, training, or travel, even in the absence of a link to a specific terrorist act.”⁵

Resolution 2462 also “[d]emands that Member States ensure that all measures taken to counter terrorism, including measures taken to counter the financing of terrorism as provided for in this resolution, comply with their obligations under international law, including international humanitarian law, international human rights law and international refugee law.”⁶ The FATF Standards call for countries to apply focused and proportionate CFT measures, in line with the risk-based approach, to protect the subset of NPOs identified as vulnerable to terrorism financing abuse. Properly designed CFT measures that are applied in accordance with a risk-based approach are essential for disrupting terrorist networks, degrading terrorist organizations and preventing terrorist acts.

Many NPOs and financial sector entities have willingly adopted and implemented CFT and risk mitigation measures to increase overall transparency and accountability. However, CFT measures have resulted in unintended consequences in certain contexts, and CFT approaches that are not designed and implemented consistent with the FATF Standards, including with respect to a risk-based approach, can have a chilling effect on the operations of NPOs, humanitarian actors, donors, and the financial sector. CFT measures have also been abused, misused or misapplied, which can contribute to barriers to principled humanitarian action and the ability of NPOs to operate, as well as unduly hindering access to financial services and constricting civic space, which affects associated individual rights to freedom of expression and association. Upholding a risk-based approach to the design and implementation of CFT measures allows for efficient resource allocation and improves risk mitigation outcomes, while also providing a critical foundation for the prevention of undue negative consequences of CFT on civic space, humanitarian action, and the provision of timely financial services to NPOs and humanitarian actors.

GOOD PRACTICES FOR IMPLEMENTING CFT MEASURES WHILE SAFEGUARDING CIVIC SPACE

This non-binding memorandum provides good practices for States, NPOs, and the financial sector on the implementation of CFT measures while safeguarding civic space. Building upon ongoing dialogues at the national, regional, and international level, the memorandum presents mechanisms to facilitate inclusive, representative, and meaningful collaboration between government, non-profit, and financial sectors to prevent, identify, and respond to instances where CFT measures are intentionally or unintentionally misused, abused, or misapplied. While many good practices are interrelated, the memorandum is organized around four topics:

1. Guiding principles for the implementation of legal and policy frameworks on CFT
2. Assessing and responding to risk of NPO abuse for terrorism financing
3. De-risking and challenges to accessing financial services
4. Advancing and sustaining multi-stakeholder dialogue

⁵ Resolution 2462 (2019), paragraph 5.

⁶ Resolution 2462 (2019), paragraph 6.



The memorandum is also rooted in international law, including international human rights law and, as applicable, international humanitarian law and international refugee law. It is rooted in United Nations Security Council resolutions related to CFT, noting in particular paragraphs 1-6 and 24 of resolution 2462 (2019), and underscores the utility of fully implementing CFT obligations of States in the fight against terrorism. Additionally, the memorandum recognizes and reflects the body of existing international standards and guidance developed by the FATF, in particular Recommendation 8 on protecting NPOs from terrorism financing abuse, its corresponding Interpretative Note, and related guidance materials.

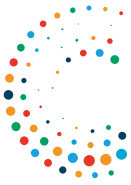
The memorandum is guided by the following framing principles:

- (i) All measures taken to counter terrorism and its financing must be consistent with States' applicable obligations under international law, including international human rights law, international refugee law, and, in the context of armed conflicts, international humanitarian law and as highlighted by UN Security Council resolution 2462 and other relevant UN Security Council resolutions.
- (ii) Civil society plays many critical roles, including in advancing implementation of the UN Counter-Terrorism Strategy, especially pillar 1 on addressing conditions conducive to the spread of terrorism and pillar 4 on measures to ensure respect for human rights for all and the rule of law as the fundamental basis for the fight against terrorism.
- (iii) Focused CFT measures adopted by countries to protect NPOs from terrorist financing abuse should not unduly 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. States should also take into account the potential effects of CFT measures on exclusively humanitarian activities, including medical activities, that are carried out by impartial humanitarian actors in a manner consistent with international humanitarian law. Financial resources are essential for NPOs to operate, and undue barriers to accessing financial services can result in difficulties and delays in providing goods and services. In some circumstances, including due to the mission of the NPO, delays can result in constrictions of civic space, which can affect the individual rights of freedom of association and expression protected under international human rights law. Freedom of association may be subject to certain restrictions only, which need to meet the provisions of Article 22, paragraph 2, of the International Covenant on Civil and Political Rights (ICCPR).⁷

Implementation of Legal and Policy Frameworks on CFT

The international legal framework governing CFT is outlined in the International Convention for the Suppression of Terrorism Financing (1999) and relevant UN Security Council resolutions including 1373 (2001) and 2462 (2019), as well as 1267 (1999) and related resolutions. The FATF has also developed standards and related guidance materials related to CFT. CFT measures can be loosely grouped as the criminalization of terrorism financing; targeted financial sanctions related to terrorism and terrorist financing; prevention, detection and risk mitigation measures, such as risk assessments, customer due

⁷ <https://www.ohchr.org/en/professionalinterest/pages/ccpr.aspx>



diligence, suspicious transaction reporting, risk-based supervision, and sector-specific outreach; and the sharing and utilization of financial intelligence.

The non-profit landscape is complex, given the scale of the sector, diversity of actors, and the wide range of services and activities undertaken. States adopt varying definitions and categories of non-profit and civil society actors, which may be subject to different regulatory and supervisory frameworks. Further, NPOs and humanitarian organizations often operate in the context of armed conflicts, including non-international armed conflicts, that trigger the application of international humanitarian law obligations. In some instances, these armed conflicts involve non-State armed groups that are designated, or include individuals and entities that are designated, by the UN Security Council ISIL (Da'esh) and Al-Qaida Sanctions Committee⁸ for their association with ISIL or Al-Qaida, or that are included on regional or national terrorist designation lists.

Legal and policy frameworks related to CFT and NPOs are implemented within the wider context of civic space, referring to the environment that enables individuals and groups to participate meaningfully in the political, economic, social and cultural life of their societies. Any restrictions on civic space, including those pertaining to countering terrorism and its financing, should respect international human rights law.⁹

1. Avoid overly broad, vague, or imprecise definitions of terrorism financing

States have taken different approaches when implementing international frameworks on terrorism financing offenses under national legislation, in accordance with the structure of their respective legal systems and criminal codes. In some instances, concerns have been raised about overly broad definitions of terrorism and its financing that are inconsistent with international standards, as well as international human rights law, international humanitarian law, and international refugee law.

Lack of respect for international law or compliance with the FATF Standards further contribute to inconsistent qualifications of terrorism financing offenses. UN Security Council resolutions¹⁰ and the FATF Standards¹¹ indicate there should be a criminal element of specific unlawful intent required in terrorism financing offenses.

When crafting and applying terrorism financing offenses, States can consult the technical guidance issued by the UN Security Council Counter-Terrorism Committee Executive Directorate (CTED) on the implementation of UN Security Council resolution 1373 (2001) and other relevant resolutions,¹² as well as the FATF Standards and guidance on criminalizing terrorism financing.¹³

2. Develop and apply CFT measures consistent with States' obligations under international law

CFT measures should be focused and taken consistent with States' applicable obligations under international law, including international human rights law, international refugee law, and, in the

⁸ Referring to the UN Security Council Committee pursuant to resolutions 1267 (1999) 1989 (2011) and 2253 (2015) concerning Islamic State in Iraq and the Levant (Da'esh), Al-Qaida and associated individuals, groups, undertakings and entities.

⁹ United Nations, "[Guidance Note on Protection and Promotion of Civic Space](#)," September 2020.

¹⁰ United Nations Security Council resolution 1373 (2001) paragraph 1b, and United Nations Security Council resolution 2178, (2014), paragraph 6b.

¹¹ Financial Action Task Force, Recommendation 5 and corresponding Interpretive Note.

¹² "Technical guide to the implementation of UN Security Council resolution 1373 (2001) and other relevant resolutions," [S/2019/998](#), December 2019.

¹³ Financial Action Task Force, "[FATF Guidance: Criminalising Terrorist Financing \(Recommendation 5\)](#)," October 2016.



context of armed conflicts, international humanitarian law. This could include CFT measures such as the imposition of asset freezes, requests for customer information and transaction records, execution of supervisory mandates, imposition of remedial action, and sanctions for non-compliance. CFT measures should be applied in accordance with international legal obligations and in a non-arbitrary and non-discriminatory way, and persons suspected or charged with terrorist acts, terrorism financing, or related crimes should have adequate procedural and legal safeguards.

3. Uphold a risk-based approach to the design and implementation of CFT measures, including those related to supervisory practices

The FATF's risk-based approach calls for jurisdictions¹⁴ to identify, assess and understand their money laundering, terrorism financing and proliferation financing risks, and to take action to align policies, practices and resources commensurate with the risks identified.¹⁵

The FATF's Recommendation 8 provides further guidance on the application of a risk-based approach to protect NPOs from terrorism financing abuse. The Recommendation calls for jurisdictions to identify which subset of NPOs operating in the jurisdiction meets the FATF's definition;¹⁶ use all relevant sources of information to identify features and types of NPOs, which, by virtue of their activities or characteristics, are likely to be at risk of terrorism financing abuse; identify the nature of threats posed by terrorist entities to those NPOs which are at risk; and review the adequacy of existing legal and regulatory frameworks that relate to the subset of NPOs that may be abused for terrorism financing support in order to take proportionate and effective actions to address the identified risks.¹⁷

In particular, the FATF's guidance recommends a review of existing anti-money laundering legislation, regulations governing the NPO sector and its registration obligations, and self-regulatory mechanisms, including codes of conduct, internal accountability mechanisms and financial management procedures.¹⁸ If this step is overlooked, it can lead to the development of redundant CFT measures that waste resources and add arduous obligations for NPOs and financial service providers.

Supervisory practices for NPOs should be consistent with the treatment of other areas identified as posing similar terrorism financing risk within a jurisdiction and proportionate to the risks identified to the subset of NPOs. To remain consistent with FATF Standards, remedial actions by supervisory authorities should be based on the level and nature of identified gaps or deficiencies, and should be effective, proportionate and dissuasive. Guidance from the FATF notes the following items should be considered when determining the appropriate remedial actions or sanctions to apply in the context of risk-based supervision: whether deficiencies are in relation to areas of higher risk, the impact or potential harm posed by the deficiency or gap, and the severity and systematic nature of the violation.¹⁹

¹⁴ The use of the term "jurisdiction" is understood in the meaning of including states/countries and regions, in consistence with FATF and its Standards.

¹⁵ Financial Action Task Force, Recommendation 1 and corresponding Interpretive Note.

¹⁶ The Financial Action Task Force defines an NPO as: "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'." This functional definition is based on those activities and characteristics of an organization that put it at risk of terrorism financing, rather than on the simple fact that it is operating on a non-profit basis.

¹⁷ Financial Action Task Force, Interpretative Note to Recommendation 8, paragraph 5.

¹⁸ Financial Action Task Force, "[Best Practices Paper on Combating the Abuse of Non-Profit Organisations \(Recommendation 8\)](#)," June 2015.

¹⁹ Financial Action Task Force, "[Guidance on Risk-Based Supervision](#)," March 2021, paragraph 85.



4. Protect the integrity of principled humanitarian action and reduce inefficiencies by streamlining humanitarian safeguards in counterterrorism related targeted financial sanctions

Sanctions are an important tool to protect and promote international peace, including in the fight against terrorism and in non-proliferation. Sanctions serve as a coercive and dissuasive measure, as well as a way to disrupt terrorism financing by targeting and freezing the funds and assets held by designated terrorist individuals and entities. Targeted financial sanctions regimes related to counterterrorism have been used in contexts with humanitarian crises and armed conflict. International, regional and national counterterrorism sanctions regimes may take different approaches with respect to humanitarian action, based on the unique circumstances of the sanctions regime.

For example, a limited exemption exists for certain principled humanitarian actions or actors, subject to certain procedural requirements, operating within one specific jurisdiction subject to conflict-related sanctions imposed by the UN.²⁰ Some autonomous regional sanctions regimes have excluded humanitarian action from their scope of application.²¹ Certain States have also included explicit exemptions in their counterterrorism law for humanitarian activities carried out on the basis of and in conformity with Common Article 3 of the Geneva Conventions, indicating that aid groups that are active in areas controlled by terrorist groups are explicitly exempt from application of the national counterterrorism law.²² Such measures can create space for principled humanitarian action by indicating that if a humanitarian actor engaged in a certain course of conduct and took particular precautions in doing so, the conduct would not be sanctionable or prohibited. Exemption mechanisms, when deemed appropriate and necessary to include in a sanctions regime, could include measures to protect against potential abuses and provide adequate oversight to ensure transparency and compliance with exemption parameters.

Differences between the structure of sanctions regimes and their approach to facilitating humanitarian action reflect the variations in the purpose and the context of their implementation. However, navigating this complex and multi-layered system can be difficult and costly for financial institutions, government, donors, and humanitarian actors, particularly when faced with pressing crises that demand a timely response. In practice, multi-faceted sanction regimes and related de-risking behaviors may have a considerable impact on humanitarian action, such as limiting the ability of humanitarian actors to operate, contributing to financial access challenges, and affecting internal decision-making of humanitarian actors and donors regarding where and how to provide essential humanitarian services.²³ The experiences of States, humanitarian actors and financial institutions in implementing different approaches to protect the integrity of principled humanitarian action can be drawn upon to inform the approach to address the ability of humanitarian actors to operate in targeted financial sanctions regimes established internationally, regionally and nationally to combat terrorism. Doing so will reduce inefficiencies and implementation costs, which will facilitate

²⁰ Exemption included under the sanctions regime imposed by the UN Security Council Committee pursuant to resolution 751 (1992) concerning Somalia.

²¹ https://www.fedlex.admin.ch/eli/cc/54/757_781_799/en.

²² In Swiss law, for example, such a clause entered into force on 1 July 2021, regarding the criminal law provision on organized criminal or terrorist groups (Article 260 of the Swiss Criminal Code; https://www.fedlex.admin.ch/eli/cc/54/757_781_799/en).

²³ Norwegian Refugee Council, "[Principles Under Pressure: the impact of counterterrorism measures and preventing/countering violent extremism on principled humanitarian action](#)," June 2018.



compliance by humanitarian actors and financial service providers, while avoiding undue barriers to timely humanitarian action.

5. Take into account the potential effect of CFT measures on exclusively humanitarian activities, as well as on civic space and the ability of NPOs to operate and access financial services

UN Security Council resolutions 2462 and 2482 (2019) urge States, when designing and applying measures to counter terrorism and its financing, to take into account the potential effect of those measures on exclusively humanitarian activities, including medical activities, that are carried out by impartial humanitarian actors in a manner consistent with international humanitarian law.

States could benefit from also taking into account the potential effect of CFT measures on civic space and the ability of NPOs to operate and access financial services. CFT measures are necessary to respond to terrorism threats and require NPOs and the financial sector to develop and apply rigorous compliance programs. However, the misuse, abuse, or misapplication of CFT measures can infringe upon financial inclusion and civic space and have the potential to conflict with international human rights law, including by unduly restricting the rights of freedom of association and expression. Further, excessive barriers to NPO operations undermine the ability of NPOs to contribute to peacebuilding, sustainable development, and other areas that help address the underlying drivers of terrorism and violent extremism.

By including wider deliberations of the potential impact of CFT measures, States can consider that CFT measures remain proportionate and risk-based, and therefore avoid resource inefficiencies. NPOs and financial institutions can support States by documenting and highlighting the impact of CFT measures on their work, as well as working closely with government officials to enhance risk mitigation measures, while avoiding instances of over-compliance and risk aversion.

The FATF assessment methodology considers whether the CFT measures implemented by jurisdictions are focused, proportionate and in line with the risk-based approach, such that NPOs are protected from terrorist financing abuse and legitimate charitable activities are not disrupted or discouraged.²⁴ The Interpretative Note to FATF's Recommendation 8 indicates that sustained outreach to NPOs is one component of an effective approach to prevent terrorism financing abuse of NPOs, including encouraging and undertaking outreach and education programs with NPOs and donors, and working with NPOs to develop and refine best practices for addressing risks and preventing NPOs from abuse.

In addition, increased engagement with a diverse range of NPOs, as part of the risk assessment and mutual evaluation process, would generate a more comprehensive picture of the real and perceived impacts of CFT measures on NPOs and the financial sector, as well as the risks faced and existing mitigation measures. Information-gathering and assessment on the risk-based approach, including any disruptions and discouragements of legitimate NPO activity in mutual evaluation reports would support jurisdiction efforts to adopt a risk-based approach to protect NPOs from terrorism financing abuse. In this regard, the FATF recently launched a project to study and mitigate the unintended consequences resulting from the incorrect implementation of its Standards, including de-risking, financial exclusion, undue targeting of NPOs, and the curtailment of human rights (with a focus on due process and procedural rights).²⁵

²⁴ Financial Action Task Force, "[Methodology for assessing compliance with the FATF Recommendations and effectiveness of AML/CFT systems](#)," amended November 2020, Immediate Outcome 10, Core Issue 10.2.

²⁵ For more information, see: <https://www.fatf-gafi.org/publications/financialinclusionandnpoissues/documents/unintended-consequences-project.html>



6. Develop adequate oversight and accountability mechanisms at the national level

Oversight and accountability mechanisms at the national level are useful in ensuring that efforts taken by States to combat terrorism and its financing are consistent with their applicable obligations under international law, including international human rights law, international refugee law, and, in the context of armed conflicts, international humanitarian law. Such mechanisms also support States in identifying, tracking, reporting and responding to the misuse, abuse or misapplication of CFT efforts that unduly impact civic space, humanitarian action, and the ability of NPOs to operate and access financing services. A small number of States have established mechanisms that include independent oversight of the application of counterterrorism and CFT measures. Lessons learned from these efforts indicate that it is advisable for the oversight mechanism to be defined by legal frameworks, to include an impartial and independent function, and be provided with the competence to initiate its own inquiry and engage with government, NPO and financial sector representatives. The authority to request information and holding a high degree of clearance to sensitive national security information and personnel can also be beneficial, while also retaining adequate independence within the oversight mechanism to protect the credibility and impartiality of its findings. Oversight mechanisms should be impartial, reinforced and adequately resourced. Oversight mechanisms could include an avenue where NPOs can submit complaints to seek remedies.

7. Enhance reporting on the impacts of CFT measures on NPOs and humanitarian actors by mandated international bodies

International bodies have a role to play in reporting on the impacts of CFT measures on civic space, NPOs and humanitarian actors. The mandates of international bodies touch upon parts of the issue in different ways.

For instance, the framework document for CTED assessments of implementation by Member States of UN Security Council resolutions²⁶ includes the extent to which measures taken comply with international law, including international human rights law and, as applicable, international humanitarian law and international refugee law. Some States have opted to make the findings of their assessment public, a critical step in increasing transparency and accountability. CTED also periodically issues the findings of a global survey on implementation of resolution 1373, which includes a thematic outlook section on human rights.²⁷ Working closely with the United Nations Office of Counter-Terrorism (UNOCT) and CTED, the Special Rapporteur on the promotion and protection of human rights and fundamental freedoms while countering terrorism plays a unique role as the only international body specifically mandated to consider the intersection of counterterrorism and human rights, including issues of CFT and civic space. Joint reports and guidance materials produced by UN bodies, including under the auspices of the United Nations Global Counter-Terrorism Coordination Compact and its Working Groups, track trends across themes and regions. In parallel, the Analytical Support and Sanctions Monitoring Team for the ISIL (Da'esh) and Al-Qaida Sanctions Committee is mandated to report on unexpected challenges and unintended consequences of certain provisions of resolutions 2199 (2015) and 2253 (2015), namely in relation to ways in which terrorist groups can raise

²⁶ United Nations Security Council, "Framework document for Counter-Terrorism Committee visits to Member States aimed at monitoring, promoting and facilitating the implementation of Security Council resolutions 1373 (2001), 1624 (2005), 2178 (2014), 2396 (2017), 2462 (2019) and 2482 (2019) and other relevant Council resolutions," [S/2020/731](#), 21 July 2020.

²⁷ Counter-Terrorism Committee Executive Directorate, "Global survey of the implementation of Security Council resolution 1373 (2001) by Member States," 2015, pp. 119-121.



funds, such as through exploitation of natural resources, kidnapping for ransom, and extortion and robbery.

Enhanced and consistent public reporting by international bodies on the impact of CFT measures on NPO and humanitarian actors, paired with continued and expanded engagement with NPOs, humanitarian actors, national governments, and financial service providers, can increase understanding of how the issues are materializing at the level of implementation, and identify successes and challenges in responding to and mitigating the issues.

Assessing and Responding to Risk of NPO Abuse for Terrorism Financing

The non-profit sector continues to be plagued by lingering misconceptions of uniform and inherently higher risk levels that are adversely influencing the implementation of CFT measures. UN Security Council resolution 2462 “calls on Member States to periodically conduct a risk assessment of its non-profit sector or update existing ones to determine the organizations vulnerable to terrorist financing and to inform the implementation of a risk-based approach.”²⁸

This language is also found in the FATF’s Recommendation 8, which was revised in 2016 to facilitate risk-based measures to protect NPOs from terrorism financing abuse. The FATF states: “[t]he revisions clarified that not all NPOs represent the same level of [terrorism financing] risk, and that some NPOs represent little or no risk at all.”²⁹ However, implementation of the revised Standard is lagging. Seven of the 111 jurisdictions evaluated are considered fully compliant with FATF’s Recommendation 8 as of July 2021, while a further 40 are largely compliant.³⁰ While there are many reasons why a jurisdiction may lack full compliance with Recommendation 8, per the FATF, “[e]xperience shows that jurisdictions continue to face challenges in assessing [terrorism financing] risk in this area due in part to: the large and often diverse nature of the sector, a lack of identification or understanding of those NPOs falling within the FATF definition, and the limited availability of relevant quantitative information or cases.”³¹

8. Identify the subset of NPOs subject to risk assessment in order to maximize resources and efficiencies

Given that the non-profit sector is often large and diverse, States can maximize resources by ensuring that they properly target the risk assessment effort related to NPOs. The FATF Standards specifically do not call for an assessment of the non-profit sector as a whole, but rather to first identify the subset of NPOs that fall within its operational definition.³² As the FATF definition of NPOs may not be synonymous with national definitions or NPO legislation, it is important to ensure clarity at the onset of the process regarding the segment of NPOs being considered in the risk assessment process.

States are then advised to “use all relevant sources of information, in order to identify the features and types of NPOs which, by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse.”³³ The FATF’s Terrorism Financing Risk Assessment Guidance indicates that States may want to consider the following factors in this regard: the types of organization(s) and the purpose(s) for which they were established, the location of activities in which they are engaged, the

²⁸ United Nations Security Council resolution 2462 (2019), paragraph 23.

²⁹ Financial Action Task Force, “[Terrorist Financing Risk Assessment Guidance](#),” July 2019, paragraph 62.

³⁰ Financial Action Task Force Consolidated Assessment Ratings updated 13 July 2021, <https://www.fatf-gafi.org/publications/mutualevaluations/documents/assessment-ratings.html>.

³¹ Financial Action Task Force, “[Terrorist Financing Risk Assessment Guidance](#),” July 2019, paragraph 62.

³² See footnote 12.

³³ Financial Action Task Force, Interpretative Note to Recommendation 8, paragraph 5.



services provided, their donor base, the value of sector assets, movement of funds, means of payments, and the cash intensity of the sector.³⁴ By narrowing the focus of the assessment to the subset of vulnerable NPOs, States can promote an efficient and more effective risk assessment process.

9. Establish a clear and targeted process for conducting a risk assessment that includes government, non-profit and financial sector actors

States may choose to consider the risk of abuse of NPOs as part of a national assessment of terrorism financing risks. Other States have chosen to conduct a specific assessment focused on the risks faced by NPOs, as a sector or individually, and existing mitigation measures within their jurisdiction. States have also collaborated with their respective FATF-style regional bodies to conduct regional terrorism financing risk assessments, including consideration of the risk of NPO abuse. While there is no one-size-fits-all approach to conducting a risk assessment,³⁵ there are conditions that support an inclusive, efficient and effective process, including:

- **Scope of Assessment:** Resolution 2462 and the FATF Standards indicate that the scope of a risk assessment for NPOs should focus on potential risks of terrorism financing abuse.³⁶ NPOs are not required to be assessed for money laundering or proliferation financing risks. This is an important distinction to keep in mind when including NPOs as part of national-level risk assessments that include consideration of money laundering and proliferation financing risks alongside terrorism financing risks. Establishing a common definition of risk and identifying the nature of risk posed to the subset of NPOs identified as vulnerable will help ensure the risk assessment remains appropriately targeted and efficient. A process for considering existing risk mitigation and compliance measures can also be developed and integrated into assessment practices, in line with risk assessment good practice. State donors can lead this process by financing individual assessments of risk exposure and mitigation measures taken by NPOs.
- **Representative Participation:** Risk assessment processes benefit from the representative participation of NPOs and financial sector actors who can provide additional information and perspectives on the source and nature of risk, as well as effectiveness of existing mitigation measures. Inclusion of NPO and financial sector actors at an early stage helps prevent unintended negative consequences arising from flawed risk assessments. There are a number of factors to consider when selecting participants for a risk assessment process, including the size of entities, organizational capacities, nature of operations, and diversity of participants (including age and gender identity).³⁷ Smaller NPOs and financial service providers should not be overlooked, as the risks and mitigation capabilities they experience may differ from larger counterparts. Similarly, entities operating domestically may face different threat profiles than those operating regionally and internationally. Risk assessment processes also need to be inclusive of all relevant government agencies, in particular NPO regulators and State donors, who often have unique knowledge of the non-profit sector, the diversity of organizations and their risk profiles, and the potential impact of CFT measures on legitimate operations of NPOs.

³⁴ Financial Action Task Force, "[Terrorist Financing Risk Assessment Guidance](#)," July 2019, paragraph 67.

³⁵ Methodologies have been developed by the World Bank and International Monetary Fund, and the Financial Action Task Force and United Nations Office on Drugs and Crime have produced guidance on conducting a risk assessment.

³⁶ United Nations Security Council resolution 2462, paragraph 23, and Financial Action Task Force, Interpretative Note to Recommendation 8.

³⁷ See also Good Practice 21 on inclusive and representative engagement and the UN Guidance Note on Protection and Promotion of Civic Space.



- **Preparing Stakeholders for Participation:** To increase the quality of the assessment, investments may be necessary to develop the technical capacity of certain NPOs, government agencies and financial sector actors to participate in a risk assessment process. For example, there may be a need to familiarize government agencies with trends and risks in terrorist financing, NPO modus operandi, existing regulatory frameworks and risk mitigation mechanisms, and with the intersection between CFT and civic space, NPO operations and humanitarian action. Many financial institutions and regulatory officials are unaware of the risk assessment and due diligence measures NPOs undertake, including in order to comply with sanctions and CFT regulations, as well as to meet donor vetting and grant contracting requirements, and certification and audit requirements. Similarly, NPOs may need training on risks relating to terrorism financing abuse and CFT under domestic law and international standards, including as they relate to UN sanctions regimes.. Financial service providers may also benefit from learning about current typologies for terrorism financing and potential indicators of criminal and terrorism-related activity. All stakeholders may need to improve their mutual understanding of what is carried out by each party (government agencies, NPOs or financial service providers) to identify, limit and mitigate risks. They should undergo training not only at an individual level, but also together, in order to have a global understanding of the challenges at stake.
- **Balancing Inclusivity and Efficiency of Process:** Given the diversity of relevant financial sector actors and the potentially large number of NPOs that fall within the FATF's functional definition, it is important to strike the right balance between inclusive and representative participation and efficiency of process. Multiple channels of engagement allow for broad yet efficient consultation. For example, the FATF's Terrorist Financing Risk Assessment Guidance notes engagement may be facilitated through the use of open or closed online surveys, direct consultation and facilitators or interlocutors to encourage dialogue.³⁸ Engagement of focal points from umbrella organizations or coalitions in the risk assessment process can also help efficiently channel concrete inputs and perspectives.
- **Responsibilities of Stakeholders:** Risk assessment outcomes garner benefit when the role of NPOs and the financial sector is not limited to data collection or consultation, but instead features meaningful participation in the process. This could include, as appropriate, opportunities to reflect on threat analysis, share insights on the effectiveness of existing mitigation measures, and review sanitized findings, where appropriate, prior to finalization of the assessment. In some cases, protective measures may need to be developed to safely allow non-governmental participation in risk assessment processes, given the sensitivity of issues. Risk assessment outcomes could serve as a basis to develop recommendations and further raise awareness within stakeholders, as well as providing adequate support to NPOs and the financial sector when providing assistance in fragile or conflict-affected areas.

10. Develop a robust process for data collection and analysis, including a diversity of sources, to inform risk assessments

The foundation of any risk assessment is a robust process for data collection that ensures assessments are evidence-based, informed by up-to-date information, and do not rely on unfounded assumptions or stakeholder perceptions. Risk assessments benefit from including a mixture of public and financial sector sources, including sanitized data, as appropriate, from intelligence agencies, crime and law enforcement statistics, analysis and typology reports from financial intelligence units, and financial

³⁸ FATF Report, Terrorist Financing Risk Assessment Guidance, paragraph 25.



sector and NPO assessments and surveys. In some cases, there will be an existing body of research from academics, think tanks and investigatory journalists regarding the scope, the scale, and the nature of terrorist threats and financing typologies that can further support and inform risk assessments. The collection of data and analysis must be consistent with national legislation, including in respect of the protection of personal information and the safety and security of NPOs, as well as States' obligations under international law, including international human rights law.

When reviewing data and analytical reports, particular attention should be paid to avoid disinformation and to ensure the credibility and independence of sources. Drawing on a diversity of sources is one way to establish a comprehensive picture of threats, vulnerabilities, and existing mitigation measures, as well as to protect against disinformation. Further, States could consult with financial institutions and NPOs in the development of policies and procedures to prevent discrimination and the basing of risk assessments on stereotypical assumptions relating to characteristics, such as religion or the predominant race of the organization's membership or beneficiaries, as this would constitute unjustified discrimination and is prohibited under international law. Technical assistance may also be needed to increase participant capacities to evaluate source credibility and independence, as well as interrogate and analyze data in order to provide a solid foundation for determining risk ratings.

11. Provide adequate transparency throughout the risk assessment process to increase the credibility of outcomes among target audiences

Non-governmental actors may not be able to participate in all aspects of a risk assessment process or view all contributing source materials. Intelligence material is especially relevant to terrorism financing, and States have a duty to protect confidentiality and sensitive or classified information, as well as to comply with their obligations under international human rights law and respect the right to privacy, as applicable under Article 17 of the ICCPR. Nevertheless, there are multiple ways in which a transparent risk assessment process can still be established.

Authorities responsible for the process can issue public notification of the intent to conduct terrorism financing risk assessments, including objectives, scope, timelines and accountable institutions. Risk assessment teams can facilitate channels of communication with interested parties, including public forums, sector-wide consultation meetings, dedicated websites and digital information portals, clear points of contact for public queries or concerns, and mechanisms to submit written information, such as dedicated email addresses or online submission forums.

The FATF Standards indicate that jurisdictions make competent authorities, relevant financial sector actors and NPOs aware of the results of terrorism financing risk assessments. There is no provision to produce a written report, but it is common practice, and the FATF's Guidance on National Money Laundering and Terrorist Financing Risk Assessment highlights the benefits of sharing findings through a sanitized report.³⁹ If jurisdictions choose to publish a written report, there are further opportunities to provide additional transparency. The report itself could include information regarding the methodology of the risk assessment, types of sources consulted and participating institutions. jurisdictions may also choose to provide a period for public or semi-public comment on the draft report to allow an opportunity to address any concerns and reconcile potentially incomplete or inaccurate findings.

Transparency in risk assessment practices will support the legitimacy and credibility of its outcomes among key stakeholders, which in turn will support more robust risk-based implementation of CFT measures. Building an understanding of the purpose and objective of a risk assessment, including

³⁹ FATF Guidance, National Money Laundering and Terrorist Financing Risk Assessment, February 2013.



clarity around the FATF definition of NPO to which the risk assessment measures are applicable, will help avoid perceptions that the process is meant to unduly scrutinize or target NPOs. Further, transparency in the process and its outcomes can help avoid backlash surrounding measures undertaken on the basis of the risk assessment, as all stakeholders will understand the genesis and evidence-base for undertaking certain actions.

12. Utilize risk assessment findings to inform risk-based approaches to CFT measures, including multi-stakeholder approaches to risk mitigation

Conducting a risk assessment is the foundation for building a risk-based approach to CFT, but it is not an end in itself. The findings of a risk assessment should be used to inform proportionate policies, practices and resource allocations to fully adopt a risk-based approach in line with the FATF Standards.

Government, NPOs, and financial service providers all have a distinct and unique role to play in combating terrorism financing, and they therefore share responsibility for adopting a risk-based approach, and for understanding and mitigating risk of non-profit and financial sector abuse. A central point of divergence between the three categories of actors is the degree to which each feels it shoulders an undue burden for developing and implementing strategies to mitigate risk, often fueled by a lack of nuanced understanding of the roles and responsibilities of each sector with regard to CFT measures.

At the policy level, the Interpretative Note to the FATF's Recommendation 8 guides the development of measures to protect NPOs from abuse. It notes: "[f]ocused 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."

At the operational level, examples of multi-stakeholder collaboration in mitigating risk have emerged within the context of specific crises or related to specialized payment channels. In these instances, building a shared and nuanced understanding of risk was critical early in the process. Sustained participation of all stakeholders and the leadership of government agencies was also important in identifying what financial institutions would need to feel comfortable processing transactions for NPOs operating in high-risk jurisdictions and in developing adequate methods and tools for all parties to mitigate identified risks.

13. Facilitate public-private partnerships to maintain an up-to-date understanding of threats posed by terrorism financiers, including threats posed to NPOs

Resolution 2462 encourages competent national authorities to establish effective partnerships with the private sector, in particular with regard to the evolution of trends, sources and methods of terrorism financing.⁴⁰ Facilitating and properly resourcing public-private sector partnerships, including mechanisms to allow for operational information sharing, while respecting data protection and privacy laws, can help to ensure risk mitigation measures remain dynamic. Risk assessments are time and resource intensive processes, which means there are often several years between comprehensive

⁴⁰ Resolution 2462, paragraph 22.



assessments. This can hinder the ability of financial service providers and NPOs to adapt risk mitigation measures in the face of emerging and evolving threats.

Law enforcement and intelligence agencies have the most comprehensive picture of terrorism and its financing and are therefore often best placed to detect emerging trends. Timely sharing of data on the mechanisms through which terrorism financiers have exploited and abused NPOs can support potentially vulnerable organizations in bolstering prevention and risk mitigation mechanisms. Similarly, data provided by law enforcement can guide financial intelligence units, supervisory bodies and financial service providers in enhancing analysis and refining “red flag” indicators of potentially suspicious or terrorism-related activity, helping to increase the quality and quantity of such reports. Public-private partnerships can also provide useful forums or mechanisms through which guidance and reports on emerging trends can be disseminated.

When establishing public-private sector partnerships, written agreements, arrangements or memorandums between parties can be beneficial. Such agreements, arrangements or memorandums benefit from clearly articulating data protection or privacy obligations under national legislation, as well as applicable international frameworks.⁴¹ Public-private partnerships benefit from having a clear legal basis for the sharing of information, which includes the criteria and purposes for which information may be shared, the entities with which it can be shared, and oversight mechanisms to ensure that obligations in the agreement, arrangement or memorandum are properly adhered to.

De-Risking and Challenges to Accessing Financial Services

The term “de-risking” refers to situations where financial institutions terminate or restrict business relationships with clients or categories of clients to avoid, rather than manage, risk. De-risking particularly impacts NPOs operating in jurisdictions where there are active sanctions regimes or conflict zones with elevated risk of terrorism and terrorism financing. De-risking has a disproportionate effect on women-led and grassroots organizations,⁴² and has also affected remittance channels and correspondent banking relationships, which serve as critical connection points in the global financial system.

Originally, de-risking was used to describe instances where NPOs (among other categories of clients) were unable to secure or retain a formal bank account. As the knowledge base has grown, a more nuanced analysis indicates that the predominant financial access challenges experienced by NPOs are frequent or prolonged delays in processing transfers, including routine transactions. At least some of these delays may result from factors such as legitimate risk management processes. Other commonly reported financial access challenges for NPOs include inappropriately arduous requests for additional information, as well as unwarranted increases in fees. More recently, NPOs have reported instances of “de-platforming”, where their accounts with online payment platforms or financial service companies are cancelled.

There are many factors that can drive de-risking related to NPO clients, including declining risk appetites in the financial sector, lingering misconceptions of inherent risk in the non-profit sector, heightened reputational concerns related to terrorism and its financing, real and perceived regulatory

⁴¹ Examples of international frameworks that may be applicable include Article 12 of the Universal Declaration of Human Rights, Article 17 of the International Covenant on Civil and Political Rights and , and the Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data (CETS No. 108).

⁴² [Tightening the Purse Strings: What Countering Terrorism Financing Costs Gender Equality and Security](#), Duke Law International Human Rights Clinic and Women Peacemakers Program, March 2017.



pressures on anti-money laundering and CFT issues, an increasing number of sanctions regimes, rising costs of CFT compliance and low profitability for NPO clients.⁴³

The FATF and many national policymakers and regulators have emphasized that the practice of unnecessarily de-risking NPOs is not in line with the risk-based approach. Authorities have issued additional and clarifying guidance, but many NPOs continue to report persistent challenges related to reliably accessing timely financial services, which is affecting programmatic decision-making for donors and NPOs.

14. Pursue short-term measures to help preserve the ability of NPOs to raise and access funds in conjunction with longer-term efforts to help address the underlying drivers of de-risking practices

The ability to raise and move funds is essential for NPOs to operate, and de-risking practices can hinder their operations. In order to avoid disrupting and discouraging legitimate non-profit activity, including the implementation of programs funded by States, long-term solutions should be pursued in parallel to short-term measures given the pressing nature of NPO and humanitarian operations.

Short-term approaches can include discussions and cooperation between financial institutions, NPOs, donors and other government bodies to understand risk ratings, discuss the risk-based approach to NPOs, and strengthen risk mitigation measures where necessary. States may be able to facilitate relationship building between financial institutions and a consortium of NPOs that are experiencing similar challenges within a specific context or circumstance. Financial institutions may work with donors and NPOs to identify opportunities to enhance efficiencies in the information and documentation collection process in order to support standard and, where applicable, enhanced due diligence measures. In the pursuit of longer-term efforts, lessons learned from cooperation processes can be promulgated to help identify measures that can be scaled, mainstreamed, and institutionalized, including across States to reflect complete payment channels. Understanding variations in how financial access challenges are experienced across NPOs of different sizes, scale, and geographic operations will also support the sustainability of efforts to avoid unnecessary de-risking.

15. Advance transparency and accountability by facilitating the use of financial services where available

The FATF has noted “[d]e-risking can introduce risk and opacity into the global financial system, as the termination of account relationships has the potential to force entities and persons into less regulated or unregulated channels.”⁴⁴ Identifying remedies to de-risking promotes and facilitates the use of regulated financial channels by NPOs, which increases transparency, traceability and accountability within the financial system and can assist efforts to detect and disrupt terrorism financing.

There are practical limitations regarding the availability of formal financial services in fragile and conflict-affected contexts. The FATF has indicated that financial institutions should not view NPOs as automatically high-risk simply because they operate in cash-intensive environments or in jurisdictions

⁴³ Tracey Durner and Liat Shetret, “[Understanding Bank De-risking and Its Effects on Financial Inclusion](#),” Global Center on Cooperative Security, 2015; Human Security Collective and European Center for Not-For-Profit Law, “[At the Intersection of Security and Regulation: Understanding the Drivers of ‘De-Risking’ and the Impact on Civil Society Organizations](#),” March 2018.

⁴⁴ “[FATF clarifies risk-based approach: case-by-case, not wholesale de-risking](#),” October 2014.



of great humanitarian need.⁴⁵ In instances where formal financial channels are unavailable, NPOs can work closely with their donor and financial service providers to uphold adequate risk mitigation measures and ensure compliance through the least intrusive means necessary.

16. Where possible, streamline compliance mechanisms and approaches in collaboration between States, NPOs and financial service providers

There is no one-size-fits-all approach to CFT compliance that can or should be universally applied. However, there may be opportunities for States and financial institutions to synergize and streamline compliance mechanisms to increase efficiencies and minimize compliance burdens and costs. Financial technologies present one such opportunity, and Resolution 2462 calls upon States to fully exploit the use of new and emerging financial technologies to bolster financial inclusion and to contribute to the implementation of anti-money laundering and CFT measures.⁴⁶

Other examples include financial service providers working together and in collaboration with NPOs and government bodies to develop common templates and frameworks for gathering necessary due diligence information that support NPOs in achieving full compliance through the least intrusive means necessary. In some cases, when an NPO has already undergone vetting and individual risk assessment by state funding agencies, and demonstrated its ability to uphold risk mitigation standards in that context, grant agreements can be drawn up as a resource to streamline financial institution compliance and risk assessment. Existing NPO registration and audit obligations, as well as reporting requirements and other obligations imposed by donors, may also afford another opportunity to leverage existing measures to reduce due diligence burdens. In synergizing compliance mechanisms, it is important to provide sufficient donor or government oversight and develop procedures to ensure that vetting and assessments remain current and do not supersede existing provisions such as licensing measures. Developing synergized frameworks also offers opportunities to clarify common misperceptions, including around the extent of due diligence requirements for NPOs and objectives behind requests for information during onboarding and routine transaction processing. Ensuring adequate information is provided, in the appropriate format, at the onset, will help build trust between stakeholders during the client onboarding process, as well as avoid unnecessary delays in transaction processing.

17. Support a regulatory environment that promotes effective risk mitigation, rather than risk avoidance, when engaging with clients in the non-profit sector

Financial institutions and service providers report continued heightened regulatory scrutiny related to all NPO clients, which can reflect lingering misperceptions of inherent risk in the non-profit sector instead of adherence to a risk-based approach. In other cases, financial institutions describe feeling a need to compete with their peers to have the most diligent CFT compliance practices in order to avoid regulatory scrutiny and potential enforcement measures. Such practices contribute to a culture of risk aversion, which can drive de-risking practices.

Financial service providers continue to report concerns that risk mitigation measures may never be considered fully adequate, especially for non-profit clients operating in terrorism-affected jurisdictions.

⁴⁵ Financial Action Task Force, "[Best Practices Paper on Combating the Abuse of Non-Profit Organisations \(Recommendation 8\)](#)," June 2015, paragraph 68.

⁴⁶ Resolution 2462, paragraph 20(a).



To address this, further implementation is needed on NPO-related provisions of resolution 2462 and the FATF's revised Recommendation 8, which reinforces a risk-based approach to protecting the subset of NPOs that may be vulnerable to terrorism financing abuse. Inspection manuals can be revised to reflect updated standards, including specific considerations for non-profit clients. Training for inspectors and supervisors can further support adoption and implementation of revised standards and materials. Engagement with supervisory authorities should also reinforce and provide clear guidance to ensure that CFT efforts taken by States comply with their applicable obligations under international law, including international human rights law, international refugee law, and, in the context of armed conflicts, international humanitarian law.

18. Reinforce that the provision of financial services is important to financial inclusion, humanitarian and sustainable development objectives

Governments play a unique role in establishing and coordinating policy across a range of interconnected issues, including financial inclusion, humanitarian aid, sustainable development, protecting the integrity of the financial system, and countering terrorism and its financing. While protecting the integrity of the financial system from terrorism financing abuse, States can consider reinforcing the importance of providing financial services to NPOs as an essential component of the existence and effective operations of the sector.

Supporting the provision of financial services to NPOs, especially those operating in contexts considered higher risk for terrorism financing abuse, is one method through which this signaling can occur. Depending on the State system, this could include incentives such as tax benefits to offset compliance costs for financial service providers who maintain NPO clients or continue operations in target areas. Incentive programs can also be used to spur financial service providers to develop specialized expertise in the provision of NPO banking services that would generate long-term cost efficiencies. Government authorities can provide targeted training and capacity-building programs, as well as produce guidance addressed to both the financial services and their NPO clients. Donors can help establish consortiums to increase the profitability of continuing to provide financial services to identified NPOs or conflict-affected States. By supporting and leveraging emerging technologies for financial inclusion, States can recalibrate market factors that are driving de-risking practices and thereby ensure continued policy cohesion.

Advancing and Sustaining Multi-Stakeholder Dialogue

Resolution 2462 specifically "encourages Member States to work cooperatively with the non-profit sector"⁴⁷ and the FATF Interpretative Note on Recommendation 8 indicates "[d]eveloping cooperative relationships among the public and financial 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."⁴⁸

In recent years, there has been an expansion of multi-stakeholder dialogue forums to identify and promulgate best practices that avoid unnecessary de-risking and strengthen implementation of a risk-based approach to CFT across public and financial sector stakeholders. While establishing a dialogue forum is not required under international standards, it does offer multiple benefits for government, NPOs and the financial sector. Increased collaboration between these stakeholders supports

⁴⁷ Resolution 2462 (2019), paragraph 23.

⁴⁸ Financial Action Task Force, Interpretive Note to Recommendation 8, paragraph 4(f).



implementation of risk-based CFT measures and contributes to the goal of disrupting terrorism financing while safeguarding civic space and humanitarian action. The FATF's multi-year process to revise its Recommendation 8 included significant consultation and participation of NPO representatives. This partnership is sustained through an ongoing relationship with the NPO Global Coalition on FATF and the inclusion of four seats for civil society at the FATF's Public Sector Consultative Forum. The World Bank and Association of Certified Anti-Money Laundering Specialists (ACAMS) collaborated to host a multi-stakeholder dialogue that sought to bring together public and private sector participants from States where de-risking is both occurring and experienced.

At the national level, the existence of dialogue forums is uneven. A few countries have facilitated multi-stakeholder dialogue forums, but the contentious nature of relations between government and NPOs has hindered their development elsewhere. The 2020 UN survey found that while most States have adopted legal and regulatory measures to comply with international requirements on protecting NPOs from terrorism financing abuse, only a third of respondents have taken dedicated practical measures and engage in ongoing dialogue with the non-profit sector on this issue.⁴⁹

19. Develop a shared language and common understanding of the issues across stakeholders at the onset of dialogue forums

NPOs, financial service providers and governments often lack a common language through which to discuss the intersection of CFT and civic space. This can create blind spots in the understanding of issues that can become significant stumbling blocks, especially for early stage multi-stakeholder dialogue forums. To avoid this, participants can undertake an exercise to map existing frameworks, identify issues and tension points, diagnose challenges and clarify potential areas of misunderstanding. Exercises should be routinely revisited to reflect changes in the operational landscape, including progress resulting from the dialogue forums. Although they can be time and resource intensive, such exercises provide a necessary foundation for constructively unpacking and navigating complex, sensitive and highly nuanced issues at the intersection of CFT and civic space. Devoting time to establishing and maintaining a shared understanding of the issues can help build trust and rapport among stakeholders that support constructive dialogue processes.

20. Consider engaging in multistakeholder dialogues with the purpose to navigate possible challenges for the protection of civic space whilst countering the financing of terrorism and to revisit goals and priorities throughout the course of engagement.

By fully respecting the exclusive discretion of states in the field of countering the financing of terrorism, multistakeholder dialogues can be launched with aim of retaining focus and momentum in the face of numerous competing priorities, diverse stakeholder perspectives, and turn-over among agency representatives. For state actors seeking to initiate multistakeholder dialogues, it might be important to navigate these challenges. Engaging in dialogues mentioned can help identify shared goals, contribute to trust building, and build a deeper understanding of the perspectives, priorities, and experiences of all parties. The work in such dialogues can be structured in the following directions:

⁴⁹ Joint report of the Counter-Terrorism Committee Executive Directorate and the Analytical Support and Sanctions Monitoring Team pursuant to resolutions 1526 (2004) and 2253 (2015) concerning Islamic State in Iraq and the Levant (ISIL) (Da'esh), Al-Qaida and the Taliban and associated individuals and entities on actions taken by Member States to disrupt terrorist financing, prepared pursuant to paragraph 37 of Security Council resolution 2462 (2019), prior to paragraph 82.

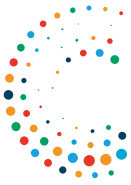


- **Formulating objectives:** To support effective and efficient dialogue, it is important all parties clearly understand the objectives of the intended dialogue, the scope and boundaries of its remit. Articulating shared values can also be useful in setting the tone for a respectful, constructive, inclusive, and collaborative exchange.
- **Multistakeholder dialogue operations:** It is also important to consider the practicalities of how a dialogue might operate. Logistical detail that can be considered include how frequently it will convene, participation criteria, workplan development, production and dissemination of agendas, note-taking mechanisms, and resourcing, and fair and transparent rules, channels, and processes for participation and access to information.
- **Internal construction of the dialogue:** There are multiple ways to structure dialogues to ensure their future and potential operationalization. For example, working groups may be used to tackle specific issue areas while building in feedback channels through routine reporting or regularly scheduled plenary meetings. In some cases, the dialogue can also be held on a smaller scale to tackle specific and individual issues or financial blockage. The structure of multistakeholder dialogues should benefit from remaining flexible enough to allow for evolution in the scope of engagement and to adapt based on lessons learned.
- **Progress benchmarks:** Multistakeholder dialogues may wish to consider identifying short-term goals as well as longer-term objectives to help track progress and sustain momentum. The identification of progress metrics or benchmarks and feedback loops that can be used to evaluate whether these dialogues remain on track to achieving their intended objectives and effectiveness of interventions are critical, especially when addressing complex challenges where progress is slow, often incremental, and time and resource intensive.
- **Shared accountability mechanisms:** Providing representative opportunities for NPOs, financial sector, and public sector can ensure transparency of activities, results, and inputs. Further, engaging in multistakeholder dialogues can ensure shared accountability amongst participants and breed a collaborative environment in order to avoid circumstances where diffuse ownership impedes timely progress.
- **Evaluation and learning:** Finally, it is important to routinely revisit and revise the operation of multistakeholder dialogues to confirm they remain aligned with needs, priorities, and operational contexts of involved parties. Establishment of feedback channels and regular assessments of the effectiveness of multistakeholder dialogues can ensure they remain useful, efficient, and adequately inclusive.

21. Adopt a comprehensive approach by ensuring inclusive and meaningful participation from a non-discriminatory and representative cross-section of stakeholders

Targeted and focused forums are necessary to advance a depth of dialogue on complex issues, but it is equally important to avoid rigid silos between issue areas or specific NPO communities, such as human rights or humanitarian actors. Siloed conversations reduce visibility over the intersectionality of various issues and may overtax participants to whom all issue areas are relevant, especially government and financial sector participants.

Participants in a multi-stakeholder dialogue should reflect a range of expertise, including policymakers, practitioners, advocacy groups and entities directly affected by CFT measures. Efforts to identify and facilitate the participation of new and smaller organizations, who may experience different challenges, require different responses or benefit from different types of support, help



ensure that dialogue forums adopt a comprehensive approach to diagnose issues, and maximize the implementation of their outcomes. It is also important to ensure participants are empowered to make decisions and affect change within their respective institutions and within the dialogue forum. Those involved in forum activities should provide leadership on key issues but also retain a granular understanding of the technical details and the ability to meet the necessary time commitments.

Organizers should seek out a non-discriminatory and representative balance of individual participants, including age, gender identity, race, ethnicity, and religion. Access to facilities should be provided, including for stakeholders with disabilities and those with limited resources or access to technology.

For multi-stakeholder forums to be effective and credible, there needs to be inclusive representation, while balancing logistical and practical efficiency considerations. In some instances, it may be most efficient to nominate a focal point that will be in charge of channeling and reflecting a diversity of experiences from partners and members. In those cases, multi-stakeholder forums benefit from providing adequate provisions to support focal points in soliciting input and down-streaming forum outcomes across their membership.

22. Equip stakeholders to actively participate in substantial and meaningful dialogue

CFT is a highly technical area of practice, and stakeholders may need preparatory support to familiarize themselves with key issues, international frameworks, and domestic laws and policies, in order to facilitate an efficient and effective dialogue. Multi-stakeholder roundtables can be valuable in promoting a shared understanding and building rapport among stakeholders at the onset of forum activities. In other instances, targeted trainings may be necessary to address knowledge gaps within particular sets of actors, including government officials, financial institutions and service providers, NPOs, and donors,

Capacity development and knowledge management is best incorporated as an ongoing component of multi-stakeholder forums, due to the likely turnover of participants and the need to maintain adequate diversity and representation as forums evolve over time. NPOs and financial institutions are encouraged to leverage peer learning models that help transition expertise and lessons learned from larger organizations to smaller partners and peers, especially those working in fragile or higher risk contexts. For example, larger organizations or coalitions can help create virtual resource libraries that consolidate existing guidance documents and provide context to support their implementation.

23. Consider the use of case studies and working groups to help move from a discussion of challenges to constructive solutions and good practices

Multi-stakeholder dialogues often struggle to move past the articulation of challenges to identify and implement concrete measures to mitigate tensions between CFT, civic space and humanitarian action. Limitations on the scope of a dialogue forum, length of engagements and the ad hoc nature of issue-specific forums can create structural and process barriers to advancing constructive conversation. Low or inconsistent will can frustrate the process and hinders the perceived utility of participating in multi-stakeholder dialogues.

Where possible, consideration of hypothetical or sanitized case studies can facilitate a technical examination of how issues manifest in practice, including the various roles and obligations of each party and potential gaps in existing policy or guidance. Moving discussions to the technical level can allow for the identification of potential solutions that can be pursued by the multi-stakeholder forum in the short, medium and long term, and build trust, transparency, and accountability. Bringing a



diversity of expertise together and creating space for reflection can foster creativity and yield innovative solutions.

24. Promote transparency regarding the status of dialogue processes, including through regular communication and outcome reporting

Ensuring adequate transparency, as well as clear channels and processes for participation and access to information, is important for protecting the legitimacy of multi-stakeholder dialogue forums. It can be difficult to balance a desire for transparency with the need to protect confidentiality and ensure that participants are able to safely share sensitive information. Procedures should be established to manage the development and sharing of information among participants, and with wider audiences.

Dissemination of relevant materials prior to meetings encourages preparation and efficient dialogue. Between meetings, process-related updates can be useful in making sure stakeholders remain aware of the current status and key milestones, which may avoid potential perceptions of one-way communication channels. Sanitized or anonymous high-level summaries of forum discussions can be useful in providing information without jeopardizing the ability of stakeholders to participate. At important intervals, more detailed reports can be produced evaluating the dialogue forum and summarizing outcomes and persistent challenges. It is advisable to make reports public in order to promulgate good practices and lessons learned. Utilizing on-line or virtual platforms can optimize the use of limited resources and make efficient use of time.

Additionally, forums benefit from developing a public-facing communication strategy to reach a wider audience and identify new potential participants. Dedicated web portals can be established, or information can be hosted on a participating institution's website. Repositories are also useful tools for transferring institutional knowledge in case of turnover among designated representatives.

25. Sustain mechanisms of collaboration through long-term resource allocation and institutionalization of multi-stakeholder partnerships and engagement practices

To ensure the sustainability of multi-stakeholder dialogue, it is necessary to institutionalize forums and consultation mechanisms that take into account local specificities and contextual differences. Adequate resourcing for dialogue forums and integrating mechanisms of engagement into the operating practices of government and multilateral bodies is essential to long-term viability. Resources could be dedicated to establishing an administrative body that fulfils a logistical and technical support function, in order to reduce the time and resource demands on participating institutions and organizations.

Establishing permanent multi-stakeholder dialogue forums demonstrates a commitment to addressing issues which can reassure NPOs and financial institutions of the value of their participation, especially those with limited human and resource capacity. Long-term forums also promote trend-monitoring and early identification of potential tension points or unintended consequences, reflecting the dynamic nature of terrorism, its financing and evolutions in CFT practices.

26. Leverage the comparative advantages of dialogues at the national, regional and international level, and establish synergies to disseminate lessons learned across them

The implementation of CFT measures is led by national authorities but affects NPO and financial sector actors operating internationally. To adequately address issues emerging at the intersection of CFT and



civic space, there is a need to support multi-stakeholder dialogues at the national, regional, and international level. Forums at each level provide different comparative advantages.

National dialogues allow for the targeted examination of concrete issues reflective of specific risk profiles and CFT policies and implementation practices. Regional dialogue and exchanges can afford similar opportunities to consider issues within a relevant operating context, while providing additional benefits related to exchanging experiences and exploring cross-border and regionalized risks and responses. International forums are also well-suited to experience exchanges and can enhance the knowledge base on the interplay between and across issues affecting particular types of actors or in different contexts, as well as advance normative standards. Regional and international forums are needed to help depoliticize participation in contexts where State-NPO relationships are strained, as well as to streamline responses to financial access challenges across international payment channels. To fully realize the potential of dialogue at each level, it is critical that linkages are established between forums, and that positive outcomes are highlighted and reinforced across each level of engagement.

When considering investments in fostering multi-stakeholder engagement, either nationally, regionally, or internationally, it is important to acknowledge and build on existing initiatives. In some cases, it may be advisable to expand existing dialogue forums or focus efforts toward ensuring connection points between national forums, issue-specific forums, or initiatives pertaining to certain NPO communities, such as human rights and humanitarian actors. Existing regional and international forums may be utilized to maximize efficiencies, promote coordinated approaches and avoid duplication.

27. Provide protection mechanisms where possible to facilitate an open, safe and transparent process for all involved parties

Discussions about counterterrorism and its financing can be political and highly sensitive. By engaging in a dialogue with authorities and financial institutions regarding CFT challenges, NPOs and humanitarian actors can be exposed to threats, harassment, stigmatization, and increased scrutiny. Some actors have reservations about engaging too closely with counterterrorism bodies and national authorities, lest it lead to a perceived politicization or securitization of their charitable or humanitarian efforts.

It is important to acknowledge the potential security and reputational risks NPOs face by participating in risk assessment processes, and to find effective solutions through protection protocols that establish safe spaces (online and offline), ensure transparency about how contributions will be used, and protect operational independence for those involved. Protection mechanisms should be based on the principle of “do no harm”: for example, opportunities may be facilitated to provide anonymous input; meetings may be held on a not-for-attribution basis; or participants may be asked whether they are comfortable being included on public materials and participation lists. Clear procedures and follow-up should be established for implementation of protective measures, including documentation and training where necessary.

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