ASEAN HANDBOOK ON PROTECTING NON-PROFIT ORGANISATIONS FROM ABUSE FOR TERRORISM FINANCING

The Financial Action Task Force Recommendation 8 and its Effective Implementation to Mitigate Terrorism Financing Risks for Non-Profit Organisations

asean

one vision
one identity
one community

ASEAN HANDBOOK ON PROTECTING NON-PROFIT ORGANISATIONS FROM ABUSE FOR TERRORISM FINANCING

The Financial Action Task Force Recommendation 8 and its Effective Implementation to Mitigate Terrorism Financing Risks for Non-Profit Organisations

The Association of Southeast Asian Nations (ASEAN) was established on 8 August 1967. The Member States of the Association are Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste, and Viet Nam.

The ASEAN Secretariat is based in Jakarta, Indonesia.

Authors:

Lia van Broekhoven and Sangeeta Goswami

For inquiries, contact:

The ASEAN Secretariat
Community Relations Division (CRD)
70A Jalan Sisingamangaraja
Jakarta 12110
Indonesia
Phone: (+62 21) 724-3372, 726-2991
Fax: (+62 21) 739-8234, 724-3504
E-mail: public@asean.org

364.135

1. ASEAN – Transnational Crime – Non-Profit Organisation
2. Terrorism – Counterterrorism – Terrorism Financing

ASEAN: A Community of Opportunities for All

This publication was co-funded by the European Union. Its contents are the responsibility of the Human Security Collective, and do not necessarily reflect the views of the European Union.

ASEAN Handbook on Protecting Non-Profit Organisations from Abuse for Terrorism Financing

The ASEAN Secretariat
2026

Acknowledgements

We wish to thank the EU and ESIWA+ project for commissioning this Handbook – especially Marc Vierstraete-Verlinde, whose idea it was; Cameron Sumpter, the perfect interlocutor and editor; and Luisa Hohmann and Frank Geens for their support.

We also thank the various contributors who helped flesh out the country contexts: Malaysia's Sub-Committee on Non-Profit Organisations (SCONPO) under the National Coordination Committee to Counter Money Laundering, and Bank Negara Malaysia, especially Afiz Fazriz Azizi. Supranee Satitchaicharoen and Thailand's Anti-Money-Laundering Office (AMLO); Ira Novita (PINGO), Putu Dimi (BNPT), and PPATK in Indonesia; and Victoria Ibezim-Ohaeri of Spaces for Change in Nigeria.

Any remaining errors are, of course, our own.

Lia van Broekhoven & Sangeeta Goswami
Human Security Collective

Foreword(s)

Non-profit organisations make an important contribution to communities across ASEAN and around the world, supporting humanitarian action, social development, education, and community resilience. Ensuring the integrity of the non-profit sector, while enabling legitimate organisations to continue their valuable work, remains an important objective shared by governments, regulators, financial institutions and civil society alike.

The Financial Action Task Force Recommendation 8 has evolved significantly over the past two decades, reflecting growing international experience in addressing terrorism financing risks in the non-profit sector. Effective implementation requires approaches that are risk-based, proportionate, and informed by evidence, while taking into account national contexts and the diverse nature of the non-profit sector. Dialogue and cooperation among relevant stakeholders remain essential to strengthening understanding of risk and supporting practical and effective implementation.

I welcome this handbook as a valuable contribution to ongoing efforts across the region. Developed through dialogue between the European Union and ASEAN Senior Officials Meeting on Transnational Crime (SOMTC), it brings together international expertise, regional experiences, and perspectives from both regulatory authorities and non-profit organisations. By highlighting lessons learned, good practices, and practical considerations, it provides a useful resource for policymakers and practitioners working to implement Recommendation 8 in line with evolving international standards.

The European Union is pleased to support this initiative as part of its longstanding partnership with ASEAN and our shared commitment to addressing transnational security challenges through cooperation, dialogue and mutual learning. I would like to express my appreciation to SOMTC, participating ASEAN Member States, the expert contributors and all those involved in the development of this handbook. I hope it will support continued cooperation and knowledge-sharing across the region in the years ahead.

H.E. Sujiro Seam
European Union Ambassador to ASEAN

Foreword(s)

Indonesia, as the ASEAN Senior Officials Meeting on Transnational Crime (SOMTC) Voluntary Lead Shepherd for the terrorism priority area as well as the Chair of the SOMTC Working Group on Counter Terrorism (WG on CT), is pleased to present the ASEAN Handbook on Protecting Non-Profit Organisations from Abuse for Terrorism Financing.

Non-profit organisations (NPOs) play an indispensable role in supporting humanitarian assistance, social development, community empowerment, and charitable activities across ASEAN. As ASEAN continues to strengthen its efforts to counter terrorism financing, it is equally important to safeguard the integrity of the non-profit sector through approaches that are effective, proportionate, and supportive of legitimate non-profit activities.

This Handbook has been developed in response to evolving international standards and regional priorities related to countering terrorism financing, particularly following the updates to the Financial Action Task Force (FATF) Recommendation 8 on Non-Profit Organisations. The revised Recommendation underscores the importance of adopting a risk-based and proportionate approach that protects NPOs from abuse while ensuring that legitimate activities can continue to operate and contribute positively to society.

The Handbook is an outcome of the collaborative initiative between ASEAN and the European Union (EU) under the ASEAN-EU cooperation framework on counter-terrorism and transnational crime. It is also one of the key outcomes of the ASEAN-EU Workshop on Protecting NPOs from Abuse for Terrorism Financing, held in Bangkok, Thailand, in November 2025. The workshop brought together representatives from all ASEAN Member States, the ASEAN Secretariat, and international experts to exchange experiences, discuss emerging challenges, and identify practical approaches to implementing Recommendation 8 within the regional context. The insights and recommendations generated through these discussions have been reflected throughout this Handbook.

This initiative contributes to the implementation of the Work Plan of the ASEAN Plan of Action to Prevent and Counter the Rise of Radicalisation and Violent Extremism (Bali Work Plan 2019–2026), particularly Priority Areas 1.3, 1.9, and 3.2 concerning frameworks to address the financing of terrorism. It also supports the terrorism component of the ASEAN-EU Work Plan to Combat Terrorism and Transnational Crime (2022–2027), reflecting our shared commitment to strengthening regional cooperation and resilience against terrorism and its financing.

The Handbook provides practical guidance for policymakers, regulators, practitioners and NPOs across the region. By highlighting good practices, encouraging constructive engagement between authorities and the non-profit sector, and promoting effective risk mitigation measures, it seeks to support a balanced approach that strengthens financial integrity while preserving the vital role of NPOs in serving communities across ASEAN.

In this regard, I encourage all relevant stakeholders to make full use of this Handbook and adapt its guidance to their respective national contexts. Through continued cooperation, dialogue, and mutual understanding, we can better protect the non-profit sector from abuse while ensuring it remains a force for positive development, resilience and social cohesion throughout our region.

I trust that this Handbook will serve as a useful regional reference and contribute to our collective efforts to prevent and counter-terrorism financing in ASEAN.

Mr Dionnisius Elvan Swasono

Deputy Head for International Cooperation of BNPT
On behalf of SOMTC-Indonesia and Chair of SOMTC Working Group on Counter Terrorism

Authors

Lia van Broekhoven is the co-founder and Executive Director of Human Security Collective (HSC). Before starting HSC, she worked as a researcher, policy advisor and development practitioner in Latin America, South Asia, Southeast Asia, the UK and the US. Her experience includes work with the United Nations, Natural Resources Institute, the World Bank and Cordaid. In 2013, HSC helped establish the Global NPO Coalition on the Financial Action Task Force (FATF) and continues to co-chair it. In the Netherlands, HSC also co-leads a multistakeholder roundtable with the Ministries of Finance and Foreign Affairs and the Dutch Banking Association to address financial access problems that non-profit organisations face due to FATF and EU anti-money laundering and counter-terrorist financing (AML/CFT) standards and sanctions regulations.

Sangeeta Goswami is Director, Policy and Advocacy at Human Security Collective. Her work, including as part of the Global NPO Coalition on FATF, revolves around assessing and helping mitigate the impact of counterterrorism and countering the financing of terrorism rules and regulations on the operational environment of civil society. To that end, Sangeeta works with civil society, government and private sector stakeholders at the national level and with conglomerations of standard setters at regional and global levels. Her other areas of interest include sanctions and the sociology of risk.

Table of Contents

List of Abbreviations

ACCOBIN	Association of Banks and Chief Compliance Officers in Nigeria
AML	Anti-Money Laundering
AML/CFT	Anti-Money Laundering and Countering the Financing of Terrorism
AMLO	Anti-Money Laundering Office (Thailand)
APG	Asia/Pacific Group on Money Laundering
ASEAN	Association of Southeast Asian Nations
BNPT	National Counter-Terrorism Agency (Indonesia)
CAC	Corporate Affairs Commission (Nigeria)
CBF	Central Bureau on Fundraising (Netherlands)
CBN	Central Bank of Nigeria
CDD	Customer Due Diligence
CFATF	Caribbean Financial Action Task Force
CFT	Countering the Financing of Terrorism
CIN	Compliance Institute of Nigeria
CLBG	Company Limited by Guarantee
CPF	Counter-Proliferation Financing
CT	Counterterrorism
CTED	Counter-Terrorism Committee Executive Directorate (United Nations)
CTR	Cash Transaction Report
DNFBPs	Designated Non-Financial Businesses and Professions
DNB	De Nederlandsche Bank
EAG	Eurasian Group on Combating Money Laundering and Financing of Terrorism
EFCC	Economic and Financial Crimes Commission (Nigeria)
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
EU	European Union
ESIWA+	Enhancing Security Cooperation in and with Asia and the Indo-Pacific

FATF	Financial Action Task Force
FI	Financial Institution
FIU	Financial Intelligence Unit
FSRB	FATF-Style Regional Body
G7	Group of Seven
GABAC	Action Group against Money Laundering in Central Africa
GAFILAT	Financial Action Task Force of Latin America
GIABA	Inter-Governmental Action Group against Money Laundering in West Africa
HSC	Human Security Collective
ICCPR	International Covenant on Civil and Political Rights
ICNL	International Center for Not-for-Profit Law
IIJ	International Institute for Justice and the Rule of Law
IMF	International Monetary Fund
INGO	International Non-Governmental Organisation
ISO	International Organization for Standardization
JI	Jemaah Islamiyah
KYC	Know Your Customer
LEA	Law Enforcement Agency
MACC	Malaysian Anti-Corruption Commission
MENAFATF	Middle East and North Africa Financial Action Task Force
MONEYVAL	Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures
MSB	Money Services Business
MSWGC	Multi-Stakeholder Working Group on Charities
NCC	National Coordination Committee to Counter Money Laundering (Malaysia)
NFIU	Nigeria Financial Intelligence Unit
NGO	Non-Governmental Organisation
NPO	Non-Profit Organisation

NPO TFRA	Non-Profit Organisation Terrorism Financing Risk Assessment
NPORA	Non-Profit Organisation Risk Assessment
NRA	National Risk Assessment
NVB	Dutch Banking Association
OHCHR	Office of the United Nations High Commissioner for Human Rights
Ormas Law	Law on Societal Organisations (Indonesia)
P/CVE	Preventing and Countering Violent Extremism
PPATK	Financial Transaction Reports and Analysis Center (Indonesia)
RBA	Risk-Based Approach
RI	Reporting Institution
RMP	Royal Malaysia Police
SCONPO	Sub-Committee on Non-Profit Organisations (Malaysia)
SCUML	Special Control Unit against Money Laundering (Nigeria)
SDG	Sustainable Development Goal
SKT	Certificate of Registration (Indonesia)
SO	Syam Organizer
SOMTC	ASEAN Senior Officials Meeting on Transnational Crime
STR	Suspicious Transaction Report
TF	Terrorism Financing
TFRA	Terrorism Financing Risk Assessment
UN	United Nations
UNODC	United Nations Office on Drugs and Crime
UNSCR	United Nations Security Council Resolution
USA	United States of America
WHC	World Human Care

Executive Summary

This handbook examines the evolution and implementation of Financial Action Task Force (FATF) Recommendation 8, with a focus on mitigating terrorism financing (TF) risks in the non-profit organisation (NPO) sector while safeguarding legitimate civil society activity. Over the past two decades, Recommendation 8 has been one of the most debated elements of the FATF Standards, reflecting the challenge of balancing financial integrity objectives with an enabling environment for non-profit operations.

Early interpretations of the Recommendation, particularly following its introduction in 2001, led in many jurisdictions to broad and often disproportionate regulatory measures across the NPO sector. In practice, this resulted in unintended consequences, including financial exclusion, de-risking by financial institutions and constraints on civil society activity. Subsequent revisions by the FATF, most notably in 2016 and 2023, have sought to address these issues by emphasising a risk-based approach, clarifying scope and strengthening proportionality and the principle of “do no harm”.

Despite these normative developments, implementation at the national level remains uneven. Evidence from the Indo-Pacific region highlights persistent challenges, including weaknesses in sectoral risk assessments, limited engagement with NPOs and continued reliance on compliance-driven approaches. These gaps undermine both the effectiveness of TF risk mitigation and the functioning of the non-profit sector.

The handbook identifies key elements of effective implementation. Central to this is the conduct of robust, evidence-based risk assessments that distinguish between inherent and residual risk, and focus on the subset of organisations relevant under the FATF definition. Sustained engagement between governments, financial institutions and NPOs is essential to improving mutual understanding, building trust and ensuring that risk mitigation measures are practical and proportionate. The role of sectoral self-regulation is also critical, enabling authorities to focus resources on higher-risk areas.

Country case studies from ASEAN Member States illustrate how these principles are being applied in practice, drawing on perspectives from regulatory authorities and the non-profit sector. While approaches vary, common themes include increasing use of risk-based frameworks, integration of NPO risk into national assessments as well as growing recognition of dialogue and partnership.

The handbook concludes that effective implementation of Recommendation 8 requires a shift away from compliance-driven approaches towards evidence-led, risk-based frameworks tailored to national contexts. This includes ensuring alignment with international legal obligations, particularly in relation to human rights and humanitarian action and addressing risks associated with financial exclusion. Bridging the gap between evolving global standards and implementation on the ground remains the central challenge, and will determine whether both financial integrity and a resilient non-profit sector can be sustained.

Chapter 1:
Policy Background

Architecture

The counter-terrorism architecture saw a consolidation at the turn of the twenty-first century, with the events of the 11 September 2001 terrorist attack (9/11) marking an inflection point. The 'War on Terror' that ensued over the following years and decades has changed the very idea and meaning of 'security'. Much of this counter-terrorism architecture was created by and situated at the United Nations (UN), in the form of General Assembly and Security Council resolutions; conventions and protocols; and sanctions regimes. This was underpinned by a UN-wide counter-terrorism strategy with the following four pillars:

1. Measures to address the conditions conducive to the spread of terrorism;
2. Measures to prevent and combat terrorism;
3. Measures to build States' capacity to prevent and combat terrorism and to strengthen the role of the United Nations system in that regard; and
4. Measures to ensure respect for human rights for all and the rule of law as the fundamental basis of the fight against terrorism.

Combating the financing of terrorism emerged as a policy priority during this period, with the groundbreaking counterterrorism resolution, UN Security Council Resolution 1373,[1] calling for the prevention and suppression of terrorism financing. The operational task of countering the financing of terrorism (CFT), however, fell to what was then a little-known body: the Financial Action Task Force (FATF).

Financial Action Task Force (FATF)

Established in 1989 to tackle money laundering, with a membership comprising the G7 countries, the European Commission and eight other countries, the FATF's mandate was expanded immediately after 9/11 when it was also tasked with setting standards to counter the financing of terrorism.[2]

In the weeks following 9/11 in 2001, the FATF came up with a set of 11 Special Recommendations on CFT, to complement the 40 existing anti-money laundering (AML) Recommendations. One of these 11 recommendations (Special Recommendation VIII) was on non-profit organisations (NPOs), which were deemed 'particularly vulnerable' to terrorism financing (TF) abuse and therefore in need of regulation and monitoring for this purpose. Though there was no empirical evidence for such a universal assertion, the perception at the time was that a sector which raised and disbursed large amounts of funds and worked in or near conflict zones was vulnerable to terrorism financing abuse. It therefore followed that the NPO sector across the whole world needed to be regulated and monitored for terrorism financing abuse. In many parts of the world, this meant that NPOs came under the purview of Financial Intelligence Units (FIUs) and started being treated like financial institutions and other designated non-financial professions as reporting or obliged entities.

NPOs were the only legal entity/arrangement that had an entire Recommendation to themselves within the FATF framework. The exceptionalism that was meted out to the sector as a whole, without adequate empirical evidence to justify the 'particularly vulnerable' claim, has had significant adverse effects on the civil society operating environment worldwide over the last two decades, something that was recognised when the FATF set up its 'Unintended Consequences' workstream in 2021.[3]

1 United Nations Security Council (2001). Resolution 1373 (2001).

2 A full list of FATF members, observers and associate members.

3 Financial Action Task Force (2021). Unintended consequences of the FATF Recommendations: Examining the impact on NPOs, financial inclusion, and de-risking.

The FATF is a powerful standard-setting institution in a way very few multilateral standard setters are. This is due to a system whereby countries are assessed periodically through a peer review method known as the Mutual Evaluation Review. The objective of the Review is to ensure that financial systems and the broader economy are protected from the threat of money laundering and the financing of terrorism and proliferation, thereby strengthening financial sector integrity and contributing to safety and security.

Jurisdictions are assessed on whether they have met the compliance requirements set out in the 40 Standards.[4] Technical compliance with the 40 is assessed based on whether the requirements of the FATF Recommendations have been translated into national law and regulation, and whether the various competent authorities with requisite powers and procedures have been established.

Since 2014, there has also been an effectiveness component to the evaluations, with countries assessed on the extent they meet the 11 Immediate Outcomes defined in the Standards.[5] The Mutual Evaluation Reviews are public documents and shortcomings exposed through low evaluation ratings can have far-reaching consequences for countries in terms of international political pressure, and potential impact on trade and aid. In extreme cases, it could lead to the imposition of sanctions.

The FATF framework comprises fundamental requirements that countries must meet to comply with the AML and CFT standards, namely:

Legal framework

Countries must have a legal framework in place that criminalises money laundering and terrorist financing.

Risk-based approach

Countries should carry out national and sectoral risk assessments to underpin the implementation of AML/CFT measures. This should lead to risk-based preventive measures by the private sector and to supervision that is risk-based.

Financial Intelligence Unit

Countries must have a FIU that is responsible for collecting, analysing and disseminating information related to money laundering and terrorist financing.

Law enforcement cooperation

Countries must have effective law enforcement cooperation mechanisms in place to facilitate investigations into money laundering and terrorist financing.

International cooperation

Countries must cooperate with other countries in the fight against money laundering and terrorist financing.

Asset forfeiture

Countries must have laws in place that allow for the seizure and forfeiture of assets derived from money laundering and terrorist financing.

4 The 40+11 were abbreviated to the current 40 in 2012; and apart from money laundering and terrorism financing, the Standards also cover proliferation financing.

5 Financial Action Task Force (2013). FATF methodology for assessing compliance with the FATF recommendations and the effectiveness of AML/CFT systems.

Almost all countries in the world are signed up to implementing the FATF Standards, and though FATF still only has 40 members, all other countries are members of a FATF-Style Regional Body (FSRB), of which there are nine:

- **APG:** Asia/Pacific Group on Money Laundering, based in Sydney, Australia.
- **CFATF:** Caribbean Financial Action Task Force, based in Port of Spain, Trinidad and Tobago.
- **EAG:** Eurasia Group, based in Moscow, Russia.
- **ESAAMLG:** Eastern and Southern Africa Anti-Money Laundering Group, based in Dar es Salaam, Tanzania.
- **GAFILAT:** El Grupo de Acción Financiera de Latinoamérica (Latin America Anti-Money Laundering Group), based in Buenos Aires, Argentina.
- **GABAC:** Le Groupe d'Action contre le blanchiment d'argent en Afrique central (The Action Group against Money Laundering in Central Africa), based in Libreville, Gabon.
- **GIABA:** Inter Governmental Action Group Against Money Laundering in West Africa, based in Dakar, Senegal.
- **MENAFATF:** Middle East and North Africa Financial Action Task Force, based in Manama, Bahrain.
- **MONEYVAL:** Council of Europe Anti-Money Laundering Group, based in Strasbourg, France.

NPOs and FATF Recommendation 8

The exceptionalism meted out to the NPO sector under the Standards, as mentioned above, has meant the sector has been in the CFT spotlight ever since 2001. Countries need to put measures in place that will protect NPOs from TF abuse including, as Recommendation 8 lays out: '(1) by terrorist organisations posing as legitimate entities; (2) by exploiting legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset-freezing measures; and (3) by concealing or obscuring the clandestine diversion of funds intended for legitimate purposes to terrorist organisations.'[6]

The sector itself is vast, heterogeneous and complex, encompassing humanitarian, peacebuilding, human rights, environmental and development organisations. It includes the whole gamut: from global lobby and advocacy organisations to faith-based organisations; from global movements to individual human rights activists; and from social or healthcare providers and voluntary initiatives at community level to research institutes and think-tanks. It includes large international NPOs with thousands of employees and small locally-operated associations staffed only with volunteers.

An initial labelling in 2001 of NPOs as 'particularly vulnerable' to TF abuse resulted in many jurisdictions implementing laws, rules, and regulations for the sector that have had far-reaching consequences for NPO operations, including:

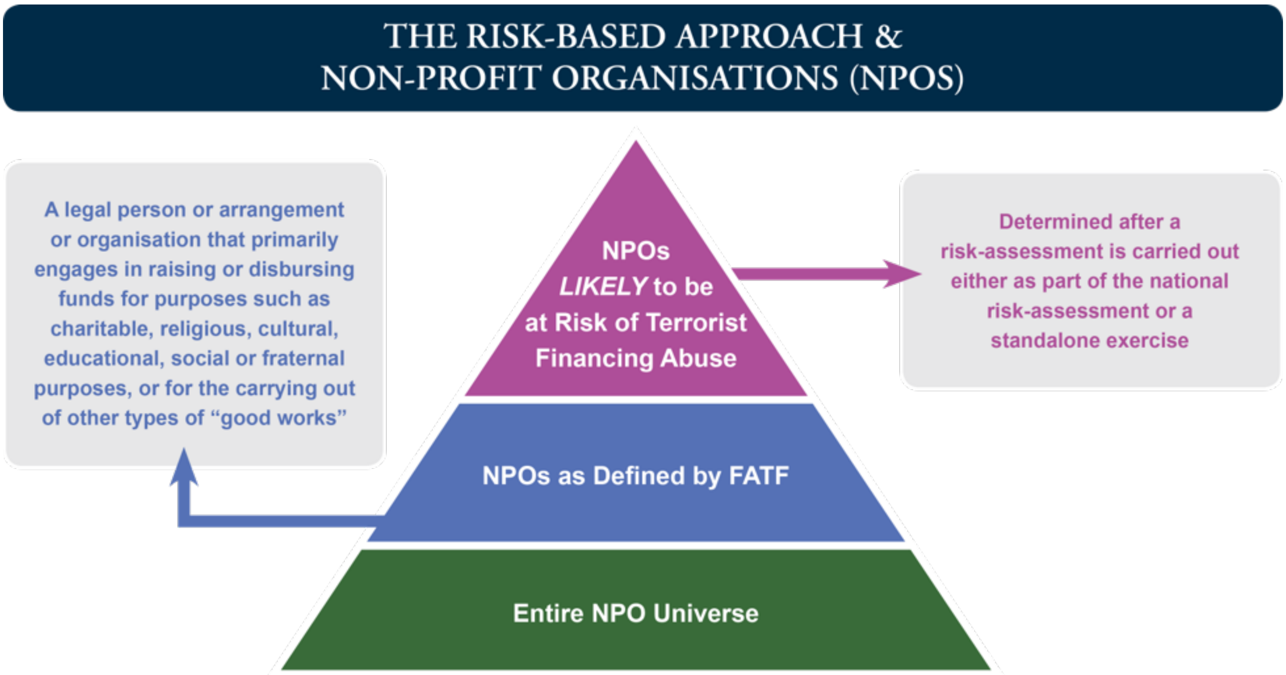
- Burdensome registration, licensing and reporting requirements;
- Restrictions on freedom of expression and association;
- Issues with financial access:
  - » Inability to open a bank account;
  - » Delays with money transfers;
  - » Arbitrary closing of bank accounts;
  - » Onerous due diligence requests;
- Restrictions on receiving foreign funding;
- Branding of human rights defenders as terrorists (e.g., smear campaigns, use of lawfare);[7]
- Restrictions on the formation of organisations.

6 Financial Action Task Force (2012). International standards on combating money laundering and the financing of terrorism & proliferation: The FATF recommendations (p.13).

7 Lawfare has emerged as a buzzword in politics, a shorter, catchier phrase – or perhaps a euphemism – for a practice that has been described as "weaponization of the law" in order to hobble or eliminate a political opponent. https://www.deseret.com/opinion/2024/06/30/lawfare-politics-war-donald-trump-hunter-biden/ See also: https://dictionary.cambridge.org/dictionary/english/lawfare#google_vignette

Among other impacts, this has adversely affected humanitarian aid and development programming with severe (sometimes fatal) consequences as support for people in need has arrived too late or not at all; led to the financial exclusion of civil society; contributed to the shrinking of the operational environment for civil society; and impacted the rollout of the Sustainable Development Goals and the SDG 2030 Agenda.[8] Ironically, it has also impacted the preventing/countering violent extremism (P/CVE) agenda, as the very community and grassroots organisations most impacted by the interpretation and implementation of financial integrity rules at the national level are often the ones that work to build resilience against the appeal of violent extremism messaging through their development, humanitarian and rights work. The result is policy incoherence – the financial integrity framework resulting in unintended financial exclusion, for example, or the CFT rules and laws inadvertently undercutting P/CVE and resilience work in communities.

A lot of the harm was caused by blanket regulations applied to the sector, resulting in a one-size-fits-all approach without adequate cognisance of the sectoral or risk context. In response, the FATF gradually began emphasising the 'Risk-Based Approach', which meant countries, competent authorities and banks were required to identify, assess and understand the money laundering and terrorism financing risk to which they are exposed, and take appropriate mitigation measures in accordance with the associated level of risk. It also clarified that not all NPOs in a country fell within the FATF definition of an NPO and that jurisdictions, regardless of their respective legal definition of an NPO, were forced to determine the NPOs that were relevant for assessment according to the functional definition laid out by the FATF.



© Global NPO Coalition on FATF

8 United Nations. Transforming our world: the 2030 Agenda for Sustainable Development.

Jurisdictions struggle on multiple fronts with implementing the requirements of Recommendation 8 based on the risk-based approach. In general terms, some of these **challenges** include:

The lack of adequate data on NPOs

This is either not available or is scant or scattered across ministries or regulating bodies.

Sifting of NPOs

The FATF requires that for the purposes of compliance with Recommendation 8, jurisdictions look at only those NPOs that meet the functional definition it has set out: '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".' Most jurisdictions include the entire universe of NPOs when conducting a Risk Assessment, which is ineffective. Mitigating measures, if needed, are then also applied to the entire universe, leading to onerous and burdensome rules and regulations for parts of the sector that do not or should not fall under the ambit of the Recommendation.

Resourcing

Given the complexity and heterogeneity of the sector, reaching a scientifically accurate and empirically sound outcome is often a labour-intensive process that most countries do not have the resources (methodology, human resources or expertise) to pursue.

Engagement

There is a lack of outreach to and consultation with the sector. The sector can help enormously with the process, as it is aware of and can point to potential vulnerabilities and risks, and also to the risk mitigating (self-regulatory) measures already in place. Involving sector umbrella bodies early on, for example, helps strengthen the Risk Assessment and Mutual Evaluation Review.

Heavy-handedness when dealing with NPOs deemed at-risk

The NPOs identified after a Risk Assessment process to be potentially vulnerable to TF abuse are just that – 'potentially' vulnerable. It is then incumbent on the government to work with the identified NPOs or types of NPOs to help them mitigate this risk. For example, this could involve helping to strengthen their governance procedures. In practice, however, the NPOs deemed 'at-risk' are stigmatised, and their operations are impeded.

Flawed perception

The discourse around NPOs being 'particularly vulnerable' to TF abuse from 2001 (though amended in the years following) has tended to stick. In terms of countering TF, the regulation of NPOs has often been seen as low-hanging fruit within the standards, with little regard to the fact that both terrorism and terrorism financing methods have evolved in the intervening two decades and more, as have NPO sectoral awareness, oversight and regulation.

Inherent risk versus residual risk

Countries often conduct the first part of the Risk Assessment process: looking at the inherent TF risk the sector faces in terms of threat and vulnerability, and then legislate or regulate based on this alone. But the important second part of the Risk Assessment demands that the mitigating measures be considered: these include already existing laws and regulations and sectoral self-regulation measures. This accounting will provide a measure of the residual risk for the sector, if any.

Proportionality

The risk-based approach demands proportionality, both in terms of assessing the sector for potential TF risk, and then applying mitigating measures to address residual risk, if any. Countries often take a blanket approach to the matter, thus failing the requirements of a risk-based approach.

Policy coherence

The FATF assumes that if countries effectively implement their standards, financial systems and the broader economy will be protected from the threats of money laundering, terrorism financing, proliferation financing, etc. The aim of this framework is financial integrity: a financial ecosystem that is clean, transparent and accountable, ultimately contributing to sustainable development. Such a system would enable NPOs to access regulated channels for financial services, which is an essential element of good governance in the NPO sector.

However, in practice, the implementation of these financial integrity standards tends to cause the financial exclusion of NPOs due to inadequate risk-based approaches by governments and banks, hampering NPO activity. Additionally, there are international legal and normative frameworks that countries have signed up to and must follow, including that of International Humanitarian Law, International Refugee Law and International Human Rights Law. Measures proposed to mitigate risks and plug gaps in the financial integrity framework must also be in line with these laws and must not impinge on countries' fundamental freedom obligations (including association, peaceful assembly and expression) and the freedom to mobilise resources under treaty and customary international law.

Again, this is something that is often overlooked when implementing CFT measures on the ground, leading to grave impacts for NPOs and communities, not least on sustainable development goals.

Risk of overcompliance

With many countries tending to veer towards over-estimating the terrorism financing risks NPOs face, and therefore also introducing more restrictive measures, insufficient attention is paid to the risk of overcompliance with Recommendation 8. In other words: what do we risk when we restrict the work of civil society? What we have seen is that we risk financial inclusion, freedom of association, and the resilience of society.

For the FATF, the risk-based approach has become the most consequential component in a country assessment. This includes assessment for compliance with Recommendation 8. Without the availability of an evidence-based risk assessment of the NPO sector it is hard to gauge whether laws, rules and regulations taken by the government to protect the sector from terrorism financing abuse are proportionate and effective.

The current version of Recommendation 8 reads thus:

> *Countries should identify the organisations which fall within the FATF definition of non-profit organisations (NPOs) and assess their terrorist financing risks. Countries should have in place focused, proportionate and risk-based measures, without unduly disrupting or discouraging legitimate NPO activities, in line with the risk-based approach. The purpose of these measures is to protect such NPOs from terrorist financing abuse...*

The bare bones of the evaluation process for Recommendation 8 looks something like the diagram below:

© Global NPO Coalition on FATF

The Global NPO Coalition on FATF

The implementation of Recommendation 8 at the national level has reflected the many challenges outlined above, leading to burdensome rules and regulations for NPOs that have impacted the operations of legitimate civil society. A Global NPO Coalition on FATF[9] was established in 2013 with the objective of raising awareness of the FATF requirements amongst both jurisdictions and civil society, and to monitor adverse consequences on the sector, including overreach regarding implementation at the national level.

Simultaneously, the Coalition started engaging with the FATF; sporadically at first, but this became more constructive and sustained as time went by. Currently, the loosely structured Coalition comprises 500 members across the globe. The strategy is determined by a core-group from the humanitarian, human rights, peacebuilding and development fields based in different countries around the world. The Coalition has a dedicated website hosted by the Human Security Collective in the Hague.[10] The FATF consults and engages the Global NPO Coalition on matters related to Recommendation 8 and other recommendations that impact the fundamental rights under which civil society operates.

Evidence collected by the Coalition and presented to the FATF resulted in the first policy changes to Recommendation 8 in 2016, when the phrase 'particularly vulnerable' was deleted for descriptions of NPOs and TF risk. Additionally, the Risk-Based Approach was also introduced into the Recommendation.

However, these policy changes did not lead to substantive change on the ground. The Global NPO Coalition frequently heard instances of misimplementation of the Standard from its membership, which was leading to the legitimate work of the sector being greatly impacted in many parts of the world. This was often taking the form of financial access issues such as opening a bank account, making transfers, receiving foreign funding, difficulties in the registration and licensing process and procedures when setting up an NPO or of burdensome reporting requirements. Worryingly, the Coalition also started getting reports of the willful abuse of Recommendation 8 to crack down on NPOs whose agendas were not convenient to the government of the day, with climate and human rights activists, for example, often ending up as victims. More often than not, the country would cite compliance with FATF Standards in their defense.

9 FATF Platform (n.d.). FATF platform. Retrieved [17 October 2024], from www.fatfplatform.org

10 www.fatfplatform.org

Unintended Consequences Workstream

In response to the growing evidence base around misimplementation or disproportionate implementation of its Recommendations, the FATF set up the Unintended Consequences workstream in 2021. A scoping phase[11] mapped out consequences relating to four broad themes:

- De-risking;
- Financial Exclusion;
- Undue targeting of NPOs; and
- Curtailment of Human Rights with a focus on Due Process and Procedural Rights.

The undue targeting or suppression of NPOs was the first to be tackled by the FATF membership. The outcome in November 2023 was a revised Recommendation 8,[12] a revised Interpretive Note[13] to the Recommendation and a new Best Practice Paper.[14]

Policy Changes

The policy change trajectory has been clear. This has ranged from the 2016 changes, removing the 'particularly vulnerable' language and emphasising the risk-based approach, to the 2023 changes, underpinned by the 'do no harm' mantra.

As outlined earlier, the current Recommendation reads:

> *Countries should identify the organisations which fall within the FATF definition of non-profit organisations (NPOs) and assess their terrorist financing risks. Countries should have in place focused, proportionate, and risk-based measures, without unduly disrupting or discouraging legitimate NPO activities, in line with the risk-based approach. The purpose of these measures is to protect such NPOs from terrorist financing abuse, including:*
>
> *(1) by terrorist organisations posing as legitimate entities;*
>
> *(2) by exploiting legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset-freezing measures; and*
>
> *(3) by concealing or obscuring the clandestine diversion of funds intended for legitimate purposes to terrorist organisations.*

Changes include:

A clear redefinition of scope

It has been further clarified that not all NPOs meet the FATF definition, and that the Standard applies to only a subset of NPOs. Countries tend to be cautious, but the revisions provide license to draw the line in the right place. For example, if an organisation is not a legal entity or association (a campaign or a voluntary organisation, for instance) or if it is not engaged in 'good works' (a trade union or a political party or a closed interest organisation such as a housing association) or its primary interest is not that of raising and disbursing funds (an advocacy organisation), then it does not fall within the purview of Recommendation 8.

11 Financial Action Task Force (2021). Unintended consequences of the FATF Recommendations: Examining the impact on NPOs, financial inclusion, and de-risking.

12 Financial Action Task Force (2012). International standards on combating money laundering and the financing of terrorism & proliferation: The FATF recommendations; p.13.

13 Financial Action Task Force (2012). International standards on combating money laundering and the financing of terrorism & proliferation: The FATF recommendations; pp. 60-65.

14 Financial Action Task Force (2015). Best practices on combating the abuse of non-profit organisations (Recommendation 8).

A reconnection with the Risk Assessment

Most NPOs are low risk. The revisions clarify the need to focus on an evidence-based Risk Assessment rather than labeling NPOs as high risk by default.

A focus on 'do no harm'

'*Without unduly disrupting or discouraging legitimate NPO activities'*, as stated in the Recommendation.

A clarification on measures

Measures put in place by countries need to be focused, proportionate and relevant to the risk. Countries need to demonstrate evidence for the measures they have taken.

An emphasis on self-regulation

Jurisdictions are required to take account of sectoral self-regulation measures when they assess mitigating factors.

A clarification that NPOs should not be reporting entities

The Interpretive Note to the Recommendation (pp.60-65) states that 'NPOs are not reporting entities and should not be required to conduct customer due diligence.'

Oversight not supervision

The language around NPO oversight has also changed, with the word 'supervision' dropped entirely (being more applicable for reporting entities, which NPOs are not). The guidance makes it clear that NPOs should be overseen, and the ones at-risk, monitored.

Best Practice Paper

A Best Practice Paper with examples from around the world on engagement with NPOs around this topic, on sectoral self-regulation, on solving financial access challenges, and more.

The Best Practice Paper includes examples of bad practice, i.e. what countries should not do when implementing Recommendation 8.

The Interpretive Note states clearly:

> *It is not in line with Recommendation 8 to apply measures to organisations working in the not-for-profit realm to protect them from TF abuse when they do not fall within the FATF's functional definition of NPOs. It is not in line with Recommendation 8 to implement any measures that are not proportionate to the assessed TF risks, and are therefore overly burdensome or restrictive. NPOs are not reporting entities and should not be required to conduct customer due diligence.*

And the new Best Practice Paper states:

> *Complying with the FATF Recommendations should not contravene a country's obligations under the Charter of the United Nations, and international law, in particular, international human rights law, international refugee law and international humanitarian law.... Implementation of R.8 should respect and observe fundamental human rights and freedoms, such as freedom of opinion, expression, religion or belief, and freedom of peaceful assembly and of association.'*

As the FATF notes, the revision of Recommendation 8 and the publication of the revised guidance *'leaves no room for implementation of measures that are not proportionate to the assessed terrorist financing risks and are therefore overly burdensome or restrictive for organisations working in the not-for-profit realm'.*

An e-learning module on the revised Recommendation 8 has been developed and is available on the FATF's e-learning platform[15] for governmental officials of FATF member countries, FSRB member countries, Secretariats and FATF Observer Organisations. The Global NPO Coalition membership actively helped shape this module.

NPOs have, for some time now, been formally able to submit input to the assessment team ahead of a country's Mutual Evaluation onsite visit.[16] This input, usually centred around how the implementation of the FATF framework impacts the operational environment of civil society in the country, has to be submitted at least two months before the onsite visit and is also shared with the jurisdiction being assessed. Evidence gathered by the Global NPO Coalition over many years, however, found that much of the unintended consequences for the sector relating to overregulation, financial exclusion, or even suppression occurred post the Mutual Evaluation process when the jurisdictions tried to correct a failing technical compliance rating but did so in a way that was not risk-based. To address this, the FATF have introduced an *Unintended Consequences* trigger mechanism. This mechanism is not solely applicable for when a country is in the post-Mutual Evaluation Follow-Up Reporting phase or on the grey list, but can be triggered at any point when there is evidence that a country is implementing obligations regarding NPOs in a way that is having unintended consequences on the sector.[17]

The mechanism can be triggered for FATF members by two parties: one FATF member and either another FATF member, an FSRB member, the IMF, or the World Bank. The procedure applies to all FATF and FSRB members, with FSRBs ratifying the procedure. Where the country is an FSRB member, at least one of the parties must be either a member of the respective FSRB or an FATF member. Unintended Consequence reports must fall within the scope of the FATF Standards as they relate to NPOs (and are not limited to Recommendation 8).

To address financial exclusion and de-risking – and this challenge is not specific to NPOs alone – the FATF revised Recommendation 1 and its Interpretive Note in 2025. Consequential changes were also made to Interpretive Notes 10 (Customer Due Diligence) and 15 (new technologies, including virtual assets). The focus of the amendments is on proportionality and simplified measures under the risk-based approach. The Recommendation now states that '*Where countries identify lower risks, they should allow and encourage simplified measures as appropriate*' (changed from the earlier '*countries may decide to allow simplified measures*'). This revision empowers countries to create a regulatory environment where financial institutions can simplify due diligence measures to lower-risk individuals and entities, enabling them to access financial services without facing excessive compliance hurdles.

The Interpretive Note to Recommendation 1 says that '*By adopting a risk-based approach, competent authorities, financial institutions and DNFBPs should be able to ensure that measures to prevent or mitigate money laundering and terrorist financing are proportionate to the risks identified, and would enable them to make decisions on how to allocate their own resources in the most effective way.'* The focus on proportionality and effectiveness is key.

The accompanying Financial Inclusion Guidance[18] reiterates the fact that financial exclusion is a money laundering and terrorism financing risk. It underlines the impact that a disproportionate and non-risk-based implementation of the FATF Standards can have on the effectiveness of an AML/CFT regime. Additionally, the guidance reflects an expanded understanding of financial inclusion, encompassing not only access, but also appropriate usage and financial literacy.

Challenges with NPO access to financial services are expected to remain in the near term. None more so than with humanitarian payments, even though both the UN and FATF CFT frameworks require compliance with international law, including international humanitarian law, when implementing CT and CFT measures. This is because banks are reluctant to process payments to contexts which fall under multilateral sanctions regimes; despite the fact that the UN adopted a carveout exempting humanitarian aid from asset freeze measures

15 FATF Academy: https://www.fatf-gafi.org/en/pages/FATF-academy.html

16 FAQ: 'How can NPOs and civil society organisations provide input into FATF Mutual Evaluations?'

17 Financial Action Task Force (2025) Procedures: For The FATF AML/CFT/CPF. Mutual Evaluations, Follow-Up and ICRG, para 136 bis ff.

18 Financial Action Task Force (2025). FATF Guidance: Financial Inclusion and Anti-Money Laundering and Terrorist Financing Measures.

imposed by UN sanctions regimes.[19] Financial institutions, however, fear that transfers to sanctioned contexts will make them criminally liable under national CT law even though the UN carveout indemnifies them.

FATF Recommendation 6 requires countries to implement targeted financial sanctions regimes to comply with United Nations Security Council Resolutions (UNSCRs) relating to the prevention and suppression of terrorism and terrorist financing. This is widely reflected in national CT legal and regulatory regimes worldwide, and is also known to be misused against NPOs and activists in a few contexts. The FATF has recently (June 2026)[20] amended Recommendation 6 to include the UN asset freeze carveout. This now needs to be translated to and implemented at the national level and by the private sector to ensure that sanctions measures do not block the flow of funds, assets, resources, goods and services necessary for humanitarian assistance and basic human needs.

Finally, of the four 'unintended consequences' of the (mis)implementation of its standards that the FATF scoped back in 2021, the one on misuse of the Standards to violate human rights and due process has arguably been the most deleterious in terms of harm to activists, journalists, NPOs, academics and others in society who speak truth to power. There was very little explicit guidance on what combatting terrorism and its financing without infringing on fundamental rights and freedoms should look like in practice; nor on how states should design institutions and implement laws and regulations that take these rights and freedoms into account. This gap has now been addressed with the publication of the guidance document[21] on "Ensuring Respect for Human Rights while Taking Measures to Counter the Financing of Terrorism", authored jointly by the UN's Counter-Terrorism Committee Executive Directorate (CTED) and the UN's Office of the High Commissioner for Human Rights.

Amongst other issues, the guidance document speaks to implementing the following in a manner that respects fundamental rights, fundamental freedoms and is international law compliant:

- the definition of terrorism financing offenses;
- financial intelligence and information-sharing;
- terrorism financing investigations and prosecutions; and
- targeted financial sanctions in the context of countering terrorism

It also looks at the impact of CFT measures on:

- non-profit organisations;
- exclusively humanitarian activities; and
- gender.

In addition, the paper examines:

- the nexus between terrorism financing and trafficking in persons; and
- the role and responsibilities of the private sector, including financial institutions in this arena.

As outlined, there has been a course correction at the normative level. However, socialisation of the changes in national-level policy and practice is slow and uneven. The gap, therefore, between the normative and implementation on the ground is only growing, as we will see in Chapter 2.

19 United Nations Security Council Resolution (UNSCR): UNSCR 2664 (2022) and UNSCR 2761 (2024): the latter extending indefinitely the humanitarian carveout afforded to the UNSCR 1267 (Da'esh and Al-Qaida sanctions) regimes.

20 Financial Action Task Force (updated June 2026). The FATF Recommendations

21 United Nations CTED and OHCHR (November 2025) Ensuring Respect for Human Rights while Taking Measures to Counter the Financing of Terrorism.

Chapter 2:
Implementation at the Regional Level

APG Horizontal Review

In 2023, APG, the FATF-Style regional body for the Asia Pacific Region, published a horizontal review[22] of its members's implementation of Recommendation 8. Under the FATF methodology, compliance with each Recommendation is marked either as Compliant, Largely Compliant, Partially Compliant, or Non-Compliant, with the first two being considered pass grades and the last two regarded as a 'fail'. The APG's review found that almost half of the 42 APG members (47%) were rated as either Non-Compliant or Partially Compliant with Recommendation 8. Globally, the situation was even more concerning, with 60% failing compliance at the time of the research in 2023.[23]

The main findings of the review were:

- Sustained outreach to NPOs and donors was found to be one of the biggest areas of weakness. NPOs were rarely involved in discussions around addressing/mitigating TF risk in the sector.
- Risk Assessments of the sector had been conducted in some countries, but these assessments often:
  - failed to take into account existing mitigating measures, or
  - failed to identify the subset of NPOs that fit the FATF's functional definition.

A Risk Assessment is at the heart of the Recommendation 8 compliance process, and a flawed one to begin with will invariably result in a 'fail' grade. In this regard, the review highlighted several recurring challenges, namely:

- Oversight models, which included flawed supervisory ones (where NPOs are deemed obliged entities), were often not risk-based or proportionate, leading to one-size-fits-all burdensome regulation for the entire sector;
- While countries encouraged the use of formal financial channels for NPO banking, there was limited information on how this was implemented, especially considering the widespread de-risking and financial exclusion of the sector. The report also raised concerns about the use of the formal sector in certain problematic contexts for certain types of work; and
- Information gathering and investigation as well as the capacity to respond to international requests for information on NPOs were deemed as areas of strength. However, the report flags that such information gathering and sharing 'must include protections for due process, procedural rights, data, and privacy and uphold states' obligations under international human rights law'.

While the above deals with technical compliance, there is also the element of effectiveness, which is assessed for the NPO sector under Immediate Outcome 10 of the FATF evaluation methodology. This outcome reads '*Terrorists, terrorist organisations and terrorist financiers are prevented from raising, moving and using funds, and from abusing the NPO sector.*' The horizontal review found that the information around effectiveness, whether the outcome had been met effectively, i.e., in a risk-based manner without disrupting legitimate non-profit activity, was supplanted in the Mutual Evaluation Reviews by 'a compliance-centric perspective that emphasizes supervision, monitoring, and regulatory measures.'[24]

22 Protecting Non Profits from Terrorism Financing Abuse: Successes, Challenges, and Lessons Learned from the Asia Pacific Region; https://apgml.org/documents/

23 EU AML/CFT Global Facility (2023). Risk and Consequence: The Future of FATF Recommendation 8 for Financial Integrity and Civil Society.

24 Financial Action Task Force (2023). Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems.

The 'effectiveness' question

Risk-based approach

Implementation of Recommendation 8, as the APG's horizontal review uncovered, tends to be compliance-centric, with countries focusing on meeting the requirements. Countries often simply ticked the boxes of the technical components, while not necessarily focusing on the outcomes of their actions. They thus neglected to mitigate the potential TF abuse of parts of the sector that are deemed to be at-risk, while avoiding disruption to legitimate non-profit activity.

The first cue needs to come from the National Risk Assessment (NRA) which will indicate whether the country is at high, medium or low risk for TF. The sectoral assessment follows from the context set out in the NRA. Being cognisant of this context is the first step in making an effective assessment of the sector. The Sectoral Risk Assessment is the next big step.

Effectiveness for this process entails:

- Involving the sector throughout the Risk Assessment process.
- Filtering out the NPOs that fit the FATF functional definition from the entire universe of NPOs in a country;
- An analysis of the inherent TF risks to which NPOs, as defined under the FATF functional definition, are exposed due to evolving threats and sector-specific vulnerabilities, followed by a systematic comparison of these risks against the existing legal and regulatory framework and applicable self-regulatory measures. These self-regulation measures are usually based on good governance principles and measures of NPOs;
- Determining residual risk for the sector, if any, after the process, including types/features of NPOs that might be at risk, and the nature of the threats they face;
- Establishing measures to deal with the residual risk that are proportional to the risk, and which do not disrupt legitimate non-profit activity;
- Ensuring that the established measures are in line with international human rights, humanitarian and refugee law, and do not impinge on countries' fundamental freedom obligations, including association, peaceful assembly, expression and mobilisation of resources, under treaty and customary international law; and
- Ensuring that this is a dynamic process and that the sectoral Risk Assessment is updated every few years or sooner if the threat or vulnerability context changes.

The underlying principle of the FATF framework when tackling TF is the risk-based approach, which means that a country and its relevant institutions need to understand the TF risk to which they are exposed, in order to then put in place the appropriate mitigation measures calibrated to that risk. While a risk-based approach is necessarily contextual, this is where an essential implementation dichotomy emerges.

The FATF framework is, at the end of the day, a set of universal benchmarks that must be adhered to in vastly different settings. 'Doing well' or passing an assessment is still very much predicated on box-ticking technical compliance with these universal standards. This has created unintended incentives when it comes to Recommendation 8. Countries either deem the entire sector to be high-risk because they fail to conduct a proper Risk Assessment, and it is easier to default to 'high-risk' than hazard defending a 'low-risk' rating. Another pitfall is establishing extensive and blanket regulation for the sector regardless of the risk findings, because it is in many ways easier to do so, though much less effective. Labelling the entire sector high-risk has a tremendous adverse impact – not only does it increase administrative burdens for all, but such blanket designation also causes financial exclusion and de-risking by financial institutions, thus hindering charitable and civil society activity across the spectrum.

Recent policy changes at the FATF should make the risk-based approach more mainstream. However, until FATF evaluations start penalising countries for over-complying and thereby causing de-risking and financial exclusion, or limiting freedoms like association, expression, assembly and access to resources by not applying the Standards in a risk-based manner, these problems will continue to occur at the national level.

Given how scarce government resources and capacities are, it is also not effective to focus on the entire sector, much of which is likely to be at low risk of TF abuse. A risk-based approach – which means carrying out a robust, empirical sectoral Risk Assessment and then putting in place proportionate oversight mechanisms – is less resource-intensive in the long run and much more effective.[25]

Outreach and engagement

Consistently deemed an area of weakness, including in the APG report for the region, engagement on the issue of TF risk in the sector needs to be sustained and proportionate. The NPO sector, especially sector umbrella bodies, are aware of the sector's contours and can point to the strengths and potential weaknesses of the sector in the country. They can be an ally for the government, both in determining risk and in helping to mitigate it. Additionally, based on the national and sectoral Risk Assessments, it is incumbent on the government to raise awareness (at a differentiated level) on this issue with:

- The general public;
- All NPOs/donors; and
- Targeted NPO types (those assessed to be potentially more at risk of TF abuse, which needs mitigating).

This can take the form of information online (website) or in the media, or through training events organised for NPOs, with potentially more specific due diligence training for at-risk NPOs. The sector itself can sometimes complement such awareness raising and training. Donors need to be cognisant of the need for such awareness raising and capacity building and fund these needs accordingly.

It is important here to draw parallels with and take a leaf out of the counter-terrorism and P/CVE (preventing/countering violent extremism) toolbox, where it is important to not only have hard security measures to counter terrorism but also address the root causes of why people turn to violent extremism. This means not only having P/CVE-specific measures, but also taking into account what is P/CVE relevant. Examples include resilience and structural drivers such as the provision of education or economic security and ensuring governments adhere to rights/due process while countering terrorism.[26] Similarly, for NPOs, it is healthy and effective to foster TF-relevant measures rather than focus on the TF-specific only.

These TF-relevant measures are premised on a robust NPO governance approach, which comprises, among others:

- a well-defined vision and mission;
- commitment to ethical behavior and accountability;
- the ability of an NPO to deliver on its mandate;
- accountability to partner NPOs/communities/beneficiaries and to funders/the general public (in case of public fundraising NPOs);
- transparent financial management and adequate financial control;
- legal compliance with the (international) laws and policies for the sector;[27]
- good risk management processes;
- safeguarding practices to deal with threats and vulnerabilities;
- data security; and
- accountable and skilled board of directors/supervisory board or other form of accountable leadership.

An NPO with this kind of due diligence in place – which is TF-relevant and not TF-specific – will be less at risk for terrorism financing abuse. Some of these practices are part of sectoral self-regulation or sectoral hygiene, which will be discussed in more detail in Chapter 3.

25 Financial Action Task Force (2023). Protecting non-profits from abuse for terrorist financing through the risk-based implementation of revised FATF Recommendation 8.

26 United Nations Development Programme (n.d.). Journey to extremism in Africa: Pathways to resilience.

27 Legal compliance to laws and regulations that are premised on the fundamental freedoms of NPOs/civil society.

Sectoral oversight

This is another area where there are efficiency and effectiveness gains to be made. The FATF Standards have removed all references to the word 'supervision' when it comes to NPOs. The 2023 changes have stressed that NPOs should in no way be treated as obliged or reporting entities. National laws which make NPOs reporting entities therefore now need to be changed (as has been done in Nigeria recently).[28] The sector needs 'oversight' and 'monitoring', according to the FATF, and this needs to be proportional to the TF risk and should not harm legitimate charitable activity.

In many jurisdictions, NPOs need to register in order to operate as a non-profit. This is largely with the tax authority, given NPOs often have a tax-exempt status, with a specialised regulator that is responsible for the NPO sector, or with a government entity or entities that are mandated to regulate (subsets of) the sector. At the time of registration, NPOs usually need to specify their mission and mandate and their governance structure, including their 'beneficial owner' or the one who is legally responsible for the organisation.

NPOs are also required in some countries to submit or make public their annual financial statements. NPOs are not expected to perform due diligence on each of the their beneficiaries. However, they are expected to 'take reasonable measures', in the FATF's words, to 'confirm the identity, credentials and good standing' of partner NPOs. It is always good practice for NPOs to keep a record of transactions, both domestic and international, and to ensure the money spent is in line with its stated mandate.

Additionally, many donors impose stringent due diligence requirements on grantees, including counter-terrorism and material support clauses, partner vetting, sanctions screening, and extensive time-based narrative and financial reporting obligations – which increase the administrative and compliance burden on nonprofit organisations, particularly those operating in higher-risk environments.[29,30]

Risk-based approaches that are focused and proportionate are usually not baked into legal and regulatory systems in countries, leading to measures for NPOs that are onerous, burdensome and one-size-fits-all. The dichotomy arises because the oversight for TF needs to be layered onto the general oversight of the sector (functioning/governance/financial accountability/transparency) – this is a relatively new requirement, at just over two decades old.

Countries tend to then move the oversight of the entire sector to security bodies that more generally deal with financial crime like the FIU. This has resulted in NPOs being classed as obliged or supervised entities – something that the FATF has recently stated should not be the case. In other cases, regulating the sector for TF becomes the paramount objective for governments to the detriment of the other general oversight requirements and new laws are rapidly adopted to mandate this for the entire sector.

Light touch TF oversight by the general NPO regulating entity (as mentioned above) is all that is needed for the vast majority of NPOs in a country that are low risk for TF abuse. For those that are deemed to be at high risk for TF abuse, the oversight and monitoring need to be risk-based, focused and proportionate. For example, there could be focused desk-based reviews of NPOs deemed at high-risk because of the lack of coherence between their annual financial statements and their mission and activities. At a more enhanced level, and if needed, there could be targeted visits to some of those NPOs, offering them support and best practice guidance. **Asking all NPOs to re-register annually or making onsite visits to all NPOs are not examples of good or effective practice.**

Additionally, what we find in many jurisdictions is that NPOs are answerable to not just one, but multiple regulatory bodies. This adds to the burden on the sector. The type of oversight body is largely context dependent. NPOs usually register with a ministry. The oversight sometimes sits with relevant ministry or ministries, or sometimes with a designated NPO Authority, which can be autonomous, semi-autonomous or a government department. Sometimes the oversight is devolved to sub-federal levels.

28 Spaces for Change (2022). NPOs no longer listed as designated non-financial institutions in Nigeria.

29 FATF 2025. The FATF Recommendations.

30 Norwegian Refugee Council 2016 -2025. Toolkit for principled humanitarian action.

For terrorism financing related oversight and monitoring to be effective, it must be risk-based. The sectoral Risk Assessment is thus critical to the endeavour. Regulations need to be flexible enough to allow for proportionality and focus. An effective oversight and monitoring system assists NPOs deemed to be at high-risk by enhancing their governance, transparency and accountability so that they are not abused for TF purposes.

Under such a regime, the vast majority of low-risk NPOs are allowed to carry out their mandate without any additional burdens and do not fall under the oversight of the regulator that is mandated to monitor high-risk NPOs for terrorism financing risks or abuse. On the rare occasion that an NPO is found to have been set up for terrorism financing purposes (a so-called ‘sham NPO’) in line with evidence from credible sources, the country needs to have a judicial and due diligence system in place to investigate and eventually prosecute the organisation.

Chapter 3:
Modalities of Good Practice

Multistakeholder dialogue

The mandate of an NPO revolves mostly around either social and community development, humanitarian aid, peacebuilding, or enhancing rights. The Ministry of Finance is mandated with overseeing and ensuring financial integrity and stability in a country, among other things. An FIU is mandated with analysing information on suspicious financial activity received from banks. The FATF Recommendations, and especially Recommendation 8, cover all of these actors – NPOs, government departments, banks. NPOs need to be informed of any potential TF risk to the sector and to be well governed to mitigate such risk. Governments need to regularly engage with the NPO sector to apprise them of the larger risk context and conduct sound Risk Assessments of the sector.

NPOs often do not understand why they should be involved in conversations about terrorism financing when it has nothing to do with their everyday work. Governments and financial institutions may also have a limited understanding of the diversity and characteristics of the NPO sector. NPOs are heterogeneous in nature and operate at local, national, regional, or international levels. They encompass a wide range of entities, including social, healthcare and development providers at the local level; human rights advocates and defenders; peacebuilding organisations; transparency and accountability advocates; research institutions and think tanks; global movements; faith-based organisations; sports clubs, grassroots movements and voluntary groups. From this array of formations, governments must determine those that fit the FATF definition for the purposes of Recommendation 8. Engaging with the sector (e.g. umbrella bodies) in this process is essential.

Multistakeholder dialogue processes are an effective way of fostering understanding among the different actors about the purpose of AML/CFT regulations. Trust-building takes time before a common understanding is reached. Governments need to understand that, just like themselves, legitimate charitable actors do not want any part of their sector to be abused for terrorism financing. Trust is built on a shared understanding of the value of financial integrity for the sector. However, the means by which those financial integrity norms and rules are applied to the non-profit sector in a national context are often a matter of contention, given the unintended consequences outlined earlier (overregulation or de-risking). This is where the multistakeholder dialogue process is of value.

The case studies presented are drawn from Europe and Nigeria, they are included as illustrative examples of how governments and civil society have responded to common challenges associated with the implementation of FATF Recommendation 8, including overregulation, financial de-risking, and constraints on humanitarian action. These challenges are not unique to any one region and have been documented across diverse legal and political contexts. The case studies are therefore intended to highlight transferable principles and good practices – such as risk-based regulation, structured government–NPO dialogue, and proportionate oversight approaches – rather than prescribe specific legal or institutional models for ASEAN Member States. Their relevance lies in demonstrating practical approaches that may inform context-specific reforms consistent with FATF's risk-based approach and the diverse regulatory environments within ASEAN.

EXAMPLE BOX

NETHERLANDS

A formalised multistakeholder roundtable was established in 2017 to address issues related to de-risking by banks and payment service providers that have made it difficult for NPOs to access financial services. It is co-convened by an NPO [Human Security Collective (HSC)], the Ministry of Finance, the Ministry of Foreign Affairs, and the Dutch Banking Association (NVB).

Participants include NPOs large and small, the Ministry of Justice and Security, FIU and the commercial banks. One successful feature of the Dutch Roundtable is that the planning and agenda-setting are driven by NPOs. There is a framework document (a Memorandum of Understanding) that underpins the dialogue. Given the high turnover of staff in ministries, the bottom-up approach enables NPOs to be the stakeholders maintaining the institutional memory of the process.

The Dutch Roundtable is a combination of practical and systemic workstreams, open to all types of NPOs that are affected by bank de-risking and other forms of over-regulation stemming from AML/CFT rules and/or sanctions. One of the practical outcomes has been the creation of a portal for NPOs[31] by ABN AMRO Bank, in collaboration with HSC and others. The portal helps NPOs understand their risks as perceived by the bank, thereby facilitating onboarding and transfer processes from a due diligence perspective. The roundtable was also leveraged during the Dutch FATF Mutual Evaluation process during 2021-22, with the government being able to use an already-existing platform and mechanism to engage with the sector on TF risk and mitigation factors, including self-regulation.

The dialogue process has also accelerated the move to find systemic solutions. In 2022, the Dutch Central Bank (DNB) published a report titled 'From Recovery to Balance'[32] after realising that their AML/CFT supervisory approach had not been sufficiently risk-based and was leading to the de-risking of certain classes of customers, including NPOs. A roundtable process was set up in response. This was supported by the Central Bank and the Ministry of Finance, but was coordinated by the Dutch Banking Association. NPOs were part of this roundtable engagement, the result of which was twofold:

- **Risk-Based Industry Baselines**[33] published in May 2023 for banks and customers. These provide banks with clear principles for risk-based customer due diligence.
- **Sector Baselines:** more detailed sector baselines for those sectors most impacted by de-risking, such as NPOs. The NPO baseline,[34] for example, lays out both risk enhancing and risk mitigating factors for NPO transactions. Banks are initially meant to view NPOs as neutral (as opposed to before, when the entire sector was seen as high-risk for TF) and would then apply a risk lens to do 'more if necessary, less if possible' in terms of due diligence. The standard is designed to eliminate unnecessary and burdensome due diligence customer checks on civil society organisations, making it easier for them to access essential banking services. The Dutch Banking Association is monitoring the operationalisation of this sector standard, while NPOs involved in developing the baseline are monitoring whether NPOs still experience problems accessing banking services after the introduction of the standard. These two data points will provide the information required to gauge whether banks have incorporated the baseline in their protocols and procedures. Initial reports have been encouraging: at one of the large Dutch banks, the number of NPOs in the total portfolio assessed as having an increased risk went down from 21% to now approximately 9% with some level of risk and 2.5% considered to be higher risk. This calibration will continue to be refined. The uptake of the NPO risk standard by the bank in question resulted in a reduction of their costs on reviewing NPOs for the risk of terrorism financing. For NPO customers positively affected, it has resulted in a reduction of the compliance work they do for the bank as there are fewer requests for information and a less frequent review of the operations of those NPOs in countries deemed high risk.

31 ABN AMRO (n.d.). Associations and foundations.

32 De Nederlandsche Bank (2022). From recovery to balance: Towards a more resilient financial sector.

33 Nederlandse Vereniging van Banken (2023). NVB baselines: Additional information.

34 Nederlandse Vereniging van Banken (2023). NVB sector standard: Not-for-profit organisations (NPO).

As mentioned, because of the bottom-up nature of the Dutch tripartite arrangement, it has been possible to leverage its agility to address multiple issues (often in smaller working groups), including most recently assessing the impact of the current UN Security Council Resolutions 2664/2761 around the humanitarian exemption on NPO operations in sanctioned and high-risk contexts.

EXAMPLE BOX:

NIGERIA[35]

Background

In 2022, Nigeria's Special Control Unit against Money Laundering (SCUML), a unit within the Economic and Financial Crimes Commission (EFCC), conducted the Terrorism Financing Risk Assessment (TFRA) of the NPO sector, identifying subsets of NPOs at risk of TF abuse. However, financial institutions (FIs) were not considering the TFRA results and TF risk determinations of non-profits in their assessment and due diligence regimes with NPO customers. Consequently, FIs regarded all NPO customers as high risk despite the TFRA's evidence showing that most NPOs were low risk.

Dialogue between banks and NPOs: In February 2024, the organisation Spaces for Change, in partnership with the SCUML, convened a conference called Banks and Civil Society in Nigeria,[36] which brought stakeholders together to mutually explore ways of addressing financial access restrictions faced by NPOs arising from the implementation of banking policies and regulatory measures to counter the financing of terrorism in Nigeria. The conference assembled diverse stakeholders from the banking and civil society sectors, including academia, media, government departments, independent experts on AML/CFT, and industry regulators such as the Central Bank of Nigeria (CBN), the Nigeria Financial Intelligence Unit (NFIU), SCUML, and the Corporate Affairs Commission (CAC).

Based on the evidence presented by civil society representatives to stakeholders, there was consensus among policymakers, regulators, banks and other financial institutions that counter-terrorism measures were, indeed, impacting non-profits negatively. Topping the list of recommendations was the encouragement of multi-sectoral collaboration between NPOs, financial institutions, regulatory bodies and government agencies to develop holistic solutions that balance regulatory imperatives with the need for financial inclusion and safeguarding civil liberties while combating TF abuse. It was this stakeholder consensus that birthed the **Multi-Stakeholder Working Group on Charities (MSWGC)**.

Trisector Dialogue

Banks, policymakers, law enforcement agencies and non-profits in Nigeria then came together to kick off a trisector dialogue on 30 April 2024 to address bank de-risking of NPOs from a multi-sectoral perspective. The trisector dialogue commenced with the inauguration of the Multi-stakeholder Working Group on Charities (MSWGC), facilitated by Spaces for Change (S4C) in Lagos. The MSWGC consists of stakeholders, including FIs, NPOs, FI regulators, NPO regulators and AML/CFT experts. Since its establishment, stakeholders converge periodically to discuss and proffer solutions to the financial services and AML/CFT challenges faced by NPOs.

Nigeria's MSWGC has three elected co-chairs: Spaces for Change, SCUML as well as the Association of Banks and Chief Compliance Officers in Nigeria (ACCOBIN). The co-chairs are supported by the Secretary of the Committee and a Technical Advisor. Spaces for Change serves as the Secretariat of the MSWGC. The main responsibility of the MSWGC is to work together to address the critical TF-linked challenges that NPOs face and encourage voluntary compliance in the NPO sector.

35 Case example provided by Spaces for Change.

36 Spaces for Change (2024). Banks and Civil Society in Nigeria.

The following developments have been recorded under the aegis of the MSWGC since its launch:

- Bilateral meeting with the Chairman of the Economic and Financial Crimes Commission (EFCC). Discussions during the visit explored ways of balancing international terrorism financing standards with the needs of the local context, with emphasis placed on building strong and effective regulatory and law enforcement institutions capable of identifying, mitigating and repelling money laundering and terrorism financing risks.
- Sensitisation of commercial banks to the findings of the Terrorism Financing Risk Assessment (TFRA) and CFT-related banking challenges faced by NPOs in a webinar of over 500 participants organised by the Compliance Institute of Nigeria (CIN).
- Two periodic general meetings of the MSWGC brought together law enforcement, civil society, regulatory agencies and financial institutions. These meetings featured expert presentations shedding light on the historical context and international best practices of trisector dialogue processes in countries like the USA, UK, France, and Macedonia, as well as the new requirements of the revised Recommendation 8 of the Financial Action Task Force's (FATF's) Standards.
- Cooperative dialogue between MSWGC and the Association of Banks and Chief Compliance Officers in Nigeria (ACCOBIN).
- Finally, outreach to banks and NPO sectors, especially to build capacity around the understanding of TF risks and effective mitigation strategies in alignment with global best practices.

EXAMPLE BOX:

UNITED KINGDOM

Following a recommendation from the Independent Reviewer of Terrorism Legislation, a trisector dialogue between government, NPOs and financial institutions was initiated in 2017 to facilitate the work of international NPOs in conflict contexts, while ensuring that funds do not inadvertently fall into the hands of designated individuals and terrorist groups in violation of CFT legislation and domestic or international sanctions. Unlike the Dutch roundtable, where NPOs are in the lead when it comes to agenda-setting and leading the dialogue, in the UK it is the Home Office that convenes the dialogue, decides on the agenda and invites selected NPOs to attend.

The UK dialogue operates through a Working Group that has four workstreams encompassing key thematic areas, namely: (1) research and innovation; (2) legislative guidance; (3) operational guidance; and (iv) communications. It is underpinned by a set of non-binding principles that provide a basis for dialogue and collaboration as well as for any guidance or measures produced by the Working Group. Multi-stakeholder events are held to discuss how counter-terrorism legislation and sanctions regulations are impacting humanitarian, peacebuilding and development activities in high-risk areas. Information notes are also issued, such as one on operating within counter-terrorism legislation, counter-terrorism sanctions and export control in high-risk jurisdictions.[37] The dialogue has helped foster understanding between UK NPOs, financial institutions and government on salient issues for NPO operations in high-risk jurisdictions.

37 UK Government (2020). For information note: Operating within counterterrorism legislation.

Self-regulation

The FATF Best Practice Paper outlines that 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 measures, which include robust internal and financial controls and risk management procedures and measures**.'[38] A well-run NPO is less likely to be abused for TF purposes. The FATF also says that self-regulatory measures (which includes rules and standards applied by self-regulatory organisations and accrediting institutions) are to be considered as mitigating factors when assessing the risk of the sector for potential TF abuse.

Internal measures and controls include: (1) Governance; (2) Financial transparency and accountability; (3) Programme planning and monitoring; and (4) Partner/donor relationships.

In terms of governance, this means being set up and run according to local laws. In most contexts, though not all, NPOs need to register. Registering as a public benefit organisation can mean the organisation can avail tax benefits (and in some contexts be tax exempt): but this also comes with certain obligations – most often the disclosing of annual accounts, the governance structure of the organisation, and its overall strategy and policy.

Having a governing board to oversee the running of the NPO and a deed of formation approved by a notary or other legitimate entity is another sign of organisational integrity.

For financial transparency and accountability, NPOs need to know the provenance of their funds, have at least two persons oversee financial transactions, keep adequate financial records of transactions (income or expenses), and know to what end the funds have been used in line with the NPO's mission and mandate. Larger NPOs can get their finances audited: in fact, many donors demand audited finances for projects they support. It is also advisable, where possible, to use formal financial sector services.

Programme planning and monitoring should ensure that adequate risk mitigation measures are in place and that the deliverables are as set out. Though individual beneficiary vetting is not required (beneficiary types can be identified), an NPO should be able to ensure that the funds are being used for the purpose that it was originally intended for.

It must be noted here that humanitarian work is particularly guided by the principles of humanity, impartiality, neutrality and independence. NPOs delivering humanitarian assistance are increasingly worried about the impact of counter-terrorism measures on their ability to maintain this principled approach. A toolkit developed by the Norwegian Refugee Council,[39] one of the larger humanitarian organisations, which operates in conflict and sanctioned countries, outlines the potential impact of current counter-terrorism measures on principled humanitarian action, while also highlighting the counter-terrorism-related risks that humanitarian organisations may need to manage and mitigate. The toolkit provides, for example, a collation of risk management practices commonly employed in the sector. Types of risk categories that need to be mitigated include operational, fiduciary, legal and accountability, reputational, ethical as well as security.

Self-regulatory standards

Apart from internal controls, there are external, often independent, self-regulatory standards for the sector, which NPOs can decide to comply with. There is an ISO 9001 certification for NPOs looking to improve the structure and internal processes involved in the daily running of their operations. However, obtaining such certification may involve financial costs and may therefore not be feasible for all NPOs. Another example is the Equivalency Determination, a process by which a US grant-maker evaluates whether an intended foreign grantee is the equivalent of a US public charity. It contains detailed information about the grantee's operations and finances. The organisation NGOSource[40] offers a streamlined version of Equivalency Determination for a foreign grantee, which saves individual grant-makers and the NPO in question from repeating the process for each donor (along with the resources – human and financial – that entails).

38 Financial Action Task Force (2014). Best practices on combating the abuse of non-profit organisations (Recommendation 8), p.32.

39 Norwegian Refugee Council (2024). Toolkit for principled humanitarian action: managing counterterrorism and sanctions risks.

40 NGOSource. What is Equivalency Determination?

Some other examples of independent self-regulation are outlined below.

TrustMark

For NPOs that solicit donations from citizens, it is important to be trusted by the public. Having an independent certification seal goes some way in building this trust. In North Macedonia, the Trust Mark[41] is just such a seal – awarded to organisations that meet certain governance, accountability and transparency criteria.

The following categories are assessed:

- Mission and values;
- Democratic management of the organisation;
- Financial management;
- Transparency and reporting;
- Communication and representation;
- Asset collection; and
- Human resources.

The evaluation of the NPO is carried out by a multi-disciplinary board of experts. Soliciting donations becomes easier for an organisation with a Trust Mark seal, as it is recognised in the community as a trusted partner working for the public benefit.

CBF

CBF[42] is the Dutch fundraising regulator, an independent foundation whose task is to promote trustworthy fundraising and expenditure. The quality standard that it awards is known as the CBF Recognition Scheme.

The interesting point about the standards is that they are classified into different categories based on the size and complexity of the organisation. The scheme recognises that smaller organisations generally have less complex operations, as well as less capacity and need for formalising their operations. Larger organisations generally have more complex operations, along with more capacity and a greater need to formalise their work processes. There are four categories of NPOs, based on this differentiated model, termed A to D (going from small to large). And there is a specific set of standards for those in category A that have less than a EUR 50,000 annual income.

The standards cover checks on:

- Alignment with mission;
- Sources of funding or fundraising methods;
- Financial management policy ;
- Programmatic objectives;
- Governance structure ;
- Annual reporting; and
- The public provision of certain information .

Larger organisations need to do more within each of these, whereas organisations with an annual income of below EUR 50,000 have to fulfill a subset of the basic integrity criteria.

41 https://konekt.org.mk/en/filantropija/individualna-filantropija/sto-e-oznaka-za-doverba/

42 The Dutch Charity Regulator (CBF).

The criteria are put in place by a group of eminent experts from multiple disciplines, who are selected for being dedicated to transparency, integrity and the well-being of the charity sector. CBF is funded by the fees it gets from NPOs for going through the accreditation process. It also gets a subsidy from the government with the objective of enhancing the CBF recognition among NPOs that fundraise both from the general public and from government(s). A CBF recognition is acknowledged by banks (also through the Dutch Banking Association sector standards mentioned earlier) as a risk lowering factor for NPOs, enabling simplified due diligence for that NPO.

START NETWORK

The Start Network is a network of humanitarian organisations which has developed a due-diligence tool[43] encompassing dimensions of:

- Governance;
- Financial controls/oversight;
- Legal compliance;
- Ability to deliver/operational efficiency;
- Risk management;
- Commitment to best practices in humanitarian action;
- Data protection and privacy;
- Safeguarding; and
- Downstream partner management .

This tool is applied to its members, and given the diversity of organisations, members fall within one of three tiers depending on compliance levels. The Start Network provides organisational support for members wishing to move up the due diligence tier chain. The self-assessment tool allows for an inclusion of risks associated with terrorism financing and other financial crime risks that would help banks facilitate the necessary due diligence for NPOs. Compliance also facilitates access to funding from governments and other donors. The aim is to make due diligence 'passportable', so that duplication of effort can be reduced and organisations can be reviewed against common agreed standards.

43 Start Network. Due diligence.

Chapter 4:
Country Case Studies

The following case studies illustrate how Recommendation 8 is being interpreted and applied in practice across Southeast Asia. They draw on different but complementary institutional perspectives, reflecting the multi-stakeholder nature of effective implementation.

The Malaysia and Thailand cases provide perspectives from financial intelligence and regulatory authorities, highlighting efforts to assess risk and apply proportionate oversight measures. These are complemented by the Indonesia case, which brings in a non-profit sector perspective while engaging closely with the national risk and regulatory context, and has been developed in consultation with national authorities. Together, the case studies highlight both the diversity of national approaches and a shared emphasis on risk-based, proportionate implementation.

MALAYSIA

Context of Non-Profit Organisations (NPOs) in Malaysia

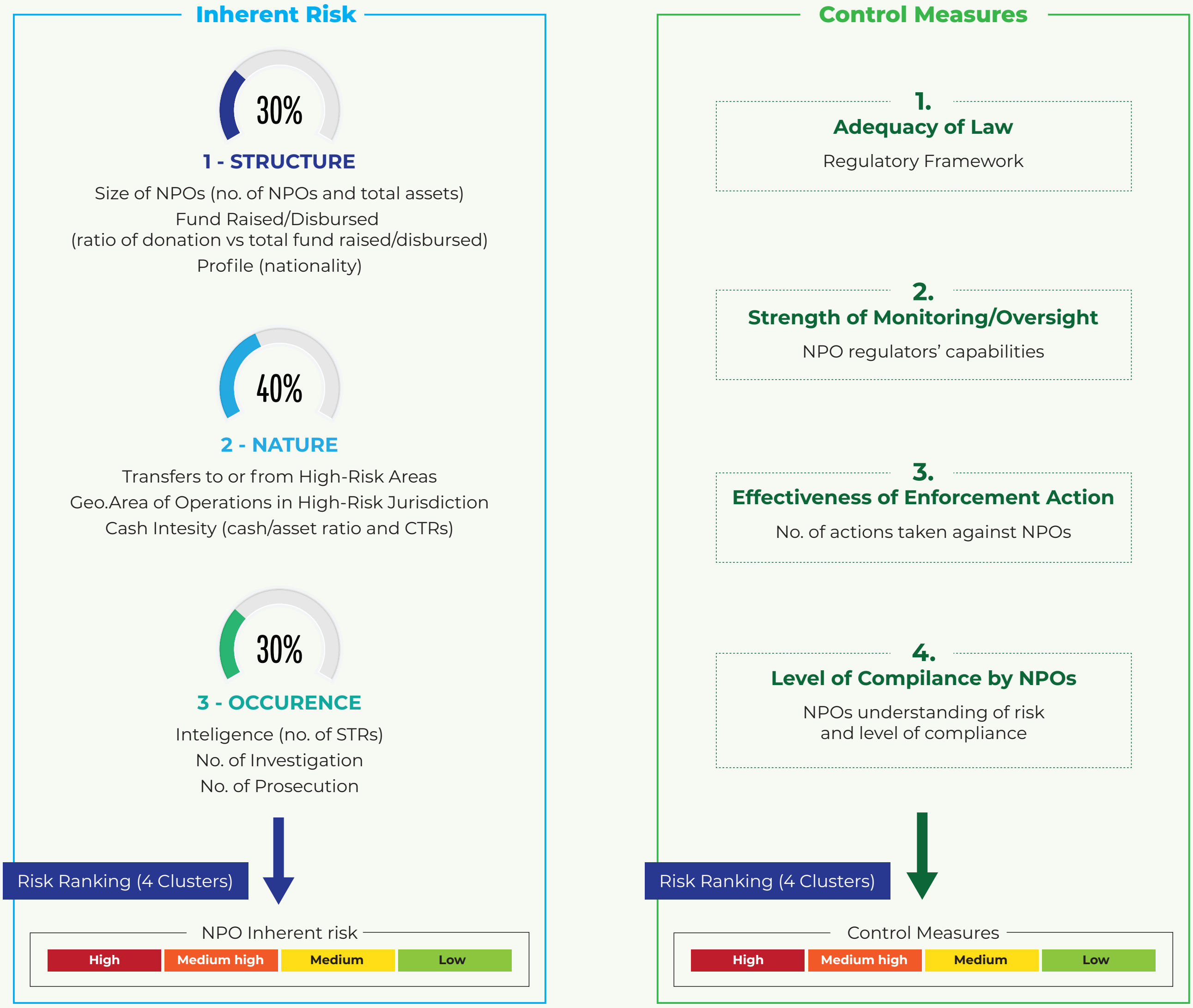
NPOs in Malaysia may take the form of a club, society and association, company limited by guarantee (CLBG), trust or foundation. Each type of NPO is governed by different laws, regulations and regulators. There are currently around 93,000 NPOs in Malaysia (as of February 2026) and the number has been increasing steadily year by year.

The Sub Committee on NPOs (SCONPO), under the National Coordination Committee to Counter Money Laundering (NCC), serves as the main platform for NPO regulators to discuss issues and share crucial information relating to this varied and diverse sector. SCONPO has produced the NPO Terrorism Financing (TF) Risk Assessment 2018 (NPO TFRA) and the NPO Risk Assessment 2024 (NPORA), which were the culmination of efforts by all SCONPO members to assess the TF risk within the NPO sector.

NPORA 2024 Methodology

The NPORA comprises quantitative and qualitative assessments, which are analysed to determine the overall level of TF risk facing the sector, as well as a breakdown of TF risk for each NPO category.

Methodology (Recap):
Inherent Risk for TF and Control Measures



BOX 1:

Detailed breakdown of the NPORA 2024 Methodology

Quantitative

This aspect is split into three further clusters, as follows:

- **Structure of the NPO:** assessing the size of the NPO, the extent to which funds are raised or disbursed in the form of donations and the profile of individuals within the NPOs.
- **Nature of the NPO operations:** analysing whether the NPO transmits or receives funds to or from overseas or has operations or presence abroad, with a focus on higher TF risk jurisdictions, and how cash-intensive the NPO is.
- **Occurrence of TF:** gauging whether there are suspected or known TF occurrences within the NPO.

Qualitative

This aspect serves to supplement the quantitative analysis. The team referred to reputable reports and publications, as well as news related to NPOs, including:

- The Best Practice Paper on Combating the Abuse of NPOs (FATF, 2023).
- Academic research and peer-reviewed journals on the topic of NPO abuse, governance, and transparency of NPOs.
- Risk assessments produced by the NCC, especially on risks relating to TF e.g. the various NRAs, previous NPO TFRA.
- Other relevant risk assessments on NPOs e.g. the Regional NPO TF Risk Assessment 2017 and other countries' NPO risk assessments.

Data sources

- Detailed 5 years' data (2018-2022) from relevant statutory submissions by NPOs to their respective regulators, including financial statements.
- International funds transfer data relating to NPOs within the period.
- Intelligence data, i.e. number and nature of STR and CTR reported by RIs on NPOs during the period.
- Investigation records from LEAs where NPOs are involved, as well as prosecutions involving NPOs, especially if related to TF.

Risk Assessment Process

Initial Analysis of Available Data

Data collected from NPO regulators, the FIU, LEAs, and the central bank were analysed to **compute the indicative risk rating for each NPO category**. Weight was accorded to the data points based on whether the characteristics of the NPO match those identified in TF typologies. The sectors were then **ranked according to the indicative rating**. The laws applying to NPOs, existing measures, including regulators' monitoring and enforcement activities on NPOs are assessed to identify the effectiveness of measures to mitigate the inherent TF risks.

Involvement of Stakeholders

A survey was also issued to various sectors to **gauge the perception of TF risk in the NPO sector**. The survey outcome was positive with 997 responses received from banking institutions, company secretaries, lawyers, accountants, MSBs, e-money issuers, trust companies, Labuan banking institutions and Labuan trust companies.[44] The survey shed light on the perception of risk of TF abuse in NPOs, factors that made NPOs attractive for TF and the **level of controls currently in place to mitigate TF risk** within the NPO sector.

Following this and based on the preliminary results, **several rounds of focus group discussions** were held with NPOs, NPO regulators, LEAs, members of academia and other government authorities to validate the **indicative risk rating** and gather recommendations from stakeholders. These inputs were gathered to finalise the rankings of the NPO categories before the final results (risk ratings, ranking, risk areas and recommendations) are discussed at the NCC for endorsement. Finally, the results were published in the form of an executive summary[45] via multiple channels to reach the widest audience possible.

44 Labuan banking institutions and trust companies are entities licensed in Malaysia's Labuan International Business and Financial Centre to provide offshore banking, fiduciary, and corporate structuring services for cross-border clients.

45 Non-Profit Organisation Risk Assessment (NPORA) 2024.

Focused, Proportionate, and Risk-Based Measures on NPOs

Additional Measures to Identify Risks

In addition to the NPORA, NPO regulators use varied sources of information to identify higher risk NPOs, ranging from information provided by other NPO regulators, other enforcement agencies, or reporting institutions. For example, the discussions at SCONPO also include sharing from the Royal Malaysia Police (RMP), as the key authority on TF surveillance and investigations, on the results of its engagement with NPOs operating in conflict zones to further support SCONPO members in identifying at-risk NPOs.

Risk-Based Oversight and Monitoring

Area of Oversight	Risk-based Element
Market entry: all NPO regulators vet people intending to set up or manage NPOs	In higher risk situations, RMP is concertedly involved given their experience with T/TF and access to intelligence regarding T/TF. Examples of heightened risks include, among others, applications from religious NPOs, NPOs with overseas presence or foreign office bearers. In some cases, vetting requests are extended to the Immigration Department.
On-site inspections: regulators can conduct on-sites on any NPO. These inspections cover compliance to provisions under relevant Acts and NPOs' constitution	NPO regulators prioritises on-site on higher risk NPOs according to category and presence of foreign elements (activities, individuals, assets/funds, etc). The scope, intensity and frequency also change based on risk. For NPOs exposed to higher TF risk, governance and controls around NPOs' financial activities are checked to ensure funds are not being abused.
Off-site reviews: All NPO regulators carry out off-site reviews of returns/reports submitted by NPOs	These reviews supplement the physical inspections, serving as triggers to ascertain the cash intensity of NPOs and their compliance history, which could then lead to physical inspections in higher risk situations.
Outreach activities: all NPOs are considered with a total of more than 200 programmes annually	Higher risk NPOs are prioritised for outreach, especially if those programmes cover TF topics. Authorities such as the central bank, RMP or the Malaysian Anti-Corruption Commission (MACC) are invited to deliver topics on T/TF, money laundering or corruption. These programmes are targeted to higher risk NPOs and make up roughly 25% of all programmes.
Sanctions imposition: regulators are equipped with the necessary powers but take a facilitative approach when dealing with minor non-compliances by providing advice or consultations	Where advice fails and risk is higher, regulators use administrative measures such as reminder letters, notices and orders to comply. In serious breaches involving mismanagement of finances or funds, or when elements of criminality or TF are detected, the case may be referred to RMP, who will conduct a more in-depth inspection. These thorough inspections invoke investigation powers and may include statement recording and requests for information from witnesses. Suspensions, deregistration and prosecution powers are also available but used sparingly and as a tool of last resort.

BOX 2:

Malaysia's Efforts to Reach out to Inactive NPOs

NPO regulators issued a total number of 65,383 reminders and notices to NPOs between 2020-2023 to encourage inactive NPOs to submit annual returns. Despite positive response from some NPOs, a further 32,665 notices were issued to non-respondents with the intent to deregister eventually leading to 16,964 NPOs being deregistered. As a result of these deregistrations, a total of 51,683 individuals were disqualified from holding posts under the relevant Act.

To mitigate the risk from misuse of deregistered NPOs' bank accounts, the list of deregistered NPOs is shared with the FIU to be disseminated to FIs. This step-up approach highlights Malaysia's mitigation measures to prevent abuse of NPOs.

Changes in Oversight Activities Following Updated NPORA 2024

Previously, there was some focus by NPO regulators on recreational and social NPOs (rated as 'Medium' TF risk in the NPO TF Risk Assessment in 2018). With the updated NPORA, these two categories have become 'Low' risk NPOs, hence oversight activities on these NPOs will continue to moderate moving forward. However, as other factors are also used, some oversight is expected to continue for these and other categories of NPOs. These activities are beneficial as they serve to validate regulators' risk understanding and risk identification and inform future risk assessments.

Future Outlook for Malaysia

Malaysia intends to build upon its foundations, continue to develop an understanding of risk and strengthen the application of a risk-based approach on NPOs, while working with NPOs and broader stakeholders, both domestic and international. Some initiatives under SCONPO:

- To undertake more national outreach programmes including conducting an NPO Symposium, co-organised by NPO regulators in 2026;
- To review the TF risks within NPOs via an upcoming 3rd iteration of the NPORA scheduled between 2027-2028;
- To strengthen risk-based oversight on NPOs, by improving intelligence sharing on TF risks through regular information exchange within SCONPO members, LEAs and financial institutions.
- To enhance operational initiatives by strengthening best practices, identifying common modus operandi and addressing issues related to blacklisted NPOs through sustained collaboration with LEAs and private sectors, including NPOs, banks and money services businesses.

Thailand

Implementing Targeted and Proportionate Regulatory Measures in Thailand's NPO Sector

Context and Rationale

Thailand's 2019 TF Risk Assessment for the NPO sector represented an important step by the Anti-Money Laundering Office (AMLO) in establishing a basis for risk-based supervision. The assessment was conducted in line with the FATF Recommendation 8 framework in force at the time, which emphasised understanding NPO activities and identifying potential channels vulnerable to financial crime. The findings should be interpreted within the context of the applicable international standards at that period, as clearer distinctions between structural vulnerabilities and evidence of actual abuse had not yet been fully articulated. As a result, the assessment reflects the analytical approaches and data sources available at the time of its completion.

Scope and Methodology

The 2019 assessment process established an important baseline through a structured and systematic approach. It began with a comprehensive classification of NPOs registered under Thai law into five primary categories based on their missions, namely: (1) Social Services (2) Religious; (3) Educational; (4) Healthcare; and (5) Foreign NPOs. This classification supported the identification of key characteristics and challenges associated with each group. In addition, the process incorporated data from multiple sources, combining quantitative information from regulatory authorities with qualitative input obtained through workshops involving the NPO sector and law enforcement agencies. The assessment was further supported by an analysis of 21 risk dimensions, including fundraising practices, cross-border activities, cash usage and internal governance arrangements, to provide a balanced overview of sectoral risks based on the information available at that time.

Key Findings and Analysis

The assessment concluded that the overall risk level of the NPO sector in Thailand was "Medium." Within this distribution, Social Service and Educational organisations were assessed at a Medium-High risk level, while Religious organisations were assessed at Medium risk. Foreign and Healthcare were assessed at a Medium-Low level. While the assessment identified certain administrative weaknesses and reporting inconsistencies in some organisations, it did not find empirical evidence indicating that the NPO sector in Thailand was being misused for terrorism financing purposes. In line with current analytical approaches, this underscores the importance of distinguishing between administrative or structural vulnerabilities and deliberate misuse, in order to support proportionate risk assessments and avoid overstating sectoral risk.

National Risk Assessment (NRA) Integration

To align with the revised FATF Recommendation 8, Thailand is in the process of incorporating NPO sector risks into the National Risk Assessment (NRA), with a focus on identifying those NPOs whose activities fall within the internationally defined risk scope. This targeted approach is intended to limit the impact on the broader civil society sector and to support an enabling environment for legitimate charitable activities. The ongoing national assessment reflects current standards by emphasising empirical evidence and relevant threat analysis, thereby helping to ensure that regulatory measures remain proportionate and do not unduly affect lawful charitable operations. This process is supported by continued public–private cooperation, promoting coordination among security agencies, regulatory authorities and civil society to facilitate the collection of reliable, comprehensive and internationally recognised information.

Proportionate Regulatory Framework

The ongoing NRA is shaping a Risk-Based Approach (RBA) that will guide future supervisory measures. As this framework continues to take form, it is designed to enable more proportionate and targeted oversight for groups assessed as higher risk based on empirical evidence, while other groups will be addressed through measures that promote sound governance and strengthen self-regulation.

This evolving framework reflects a shift in the State's approach – from a model centered primarily on control toward one that also supports capacity-building within the NPO sector. It further embeds the principle of proportionality in the application of regulatory measures, with the aim of minimising unnecessary administrative burdens and ensuring that legitimate charitable activities and access to assistance for beneficiaries are not adversely affected.

Limitations and Sustainable Development

Relevant authorities are focused on implementing systemic reforms to enhance the efficiency of future assessments, primarily through the development of an integrated digital database that links registration authorities with investigative bodies. This initiative is intended to support more accurate and timely analysis under the NRA. In addition, it reflects a commitment to maintaining a sustainable balance, whereby ongoing refinement of the NRA process contributes to aligning national financial security objectives with the protection of the operational space for civil society, in accordance with contemporary international standards.

Indonesia[46]

Risk Context and Terrorism Financing

The terrorism financing landscape

Terrorism financing in Indonesia nowadays is leaning more to be supported by legitimate activities, such as business and donations. Social media and online platforms increasingly facilitate domestic and cross-border terrorism financing activities.[47]

According to the 2023 findings of the FATF Mutual Evaluation of Indonesia, the sources of terrorism financing are funds that are raised domestically and internationally by domestic extremist groups via donations, membership fees and self-funding, abuse of NPOs as well as legitimate and criminal activities.[48] The findings by the FATF are underscored by research of academics and think tanks that spotlight the risks of online crowdfunding platforms for allowing anonymous donations, making it easier for illicit funds to flow unnoticed. Domestic extremist groups affiliated with or inspired by either al-Qaeda or ISIL/Da'esh have misused crowdfunding donations or charity boxes for terrorism-related activities, including funding militant operations in conflict zones.[49]

NPOs and terrorism financing risks

Indonesia faces risks from the misuse of NPOs for terrorism financing. A limited number of 32 NPOs out of 491,000 registered NPOs were identified as high risk in the **2022 NPO Sectoral Risk Assessment**.[50]

Some NPOs can be described as sham charitable organisations, as they were primarily established with the purpose of financing terrorism or changed to vehicles for terrorism financing. Examples include:

- **HASI and Jemaah Islamiyiah (JI) affiliated groups such as Syam Organizer (SO),** which was registered as Yayasan (foundation) Amal Syam Abadi **–** Funded terrorism under a humanitarian guise.[51]
- **Abu Ahmad Foundation & World Human Care (WHC)** – Circumvented asset freeze measures and were sanctioned by multiple authorities.
- **BM ABA (Baitul Maal Abdurrahman Bin Auf)** – Initially aiding the poor and later diverted funds to Jemaah Islamiyah (JI).[52]

Between 2004 and 2020, Indonesia identified 11 cases where non-profit organisations (NPOs) were involved in terrorism financing. These actions demonstrate Indonesia's commitment to combatting terrorism financing.[53]

---

46 The Indonesian case study was compiled by Global NPO Coalition member PINGO, Indonesia.

47 Alam et al. (2022). https://journals.ums.ac.id/index.php/profetika/article/view/16799, Fisabillah et al. (2019). https://ejournal3.undip.ac.id/index.php/dlr/article/view/25506, Safrudin (2018). https://jurnal.syntaxliterate.co.id/index.php/syntax-literate/article/download/11944/7516, Verdiani (2017). https://www.researchgate.net/publication/323310352_Penerapan_Costumer_Due_Dilligence_CDD_dalam_Pencegahan_Pendanaan_Terorisme_melalui_Perbankan

48 Financial Action Task Force (2023). Anti-money laundering and counter-terrorist f inancing measures - Indonesia Mutual Evaluation Report (page 39, para 101).

49 IPAC, https://understandingconflict.org/en/publications/extremist-charities-and-terrorist-fund-raising-in-indonesia and Lakshmi, S.W. (2019). Nexus Between Charities and Terrorist Financing in Indonesia. https://www.rsis.edu.sg/wp-content/uploads/2019/09/CTTA-September-2019.pdf

50 PPATK (2022). Pengkinian Penilaian Risiko Organisasi Kemasyarakatan Disalahgunakan Sebagai Sarana Pendanaan Terorisme Tahun 2022.

51 JI has been dis-banned in 2024 – https://thesoufancenter.org/intelbrief-2024-september-26/

52 https://www.tandfonline.com/doi/full/10.1080/23311886.2024.2428370#d1e234

53 Charles Sturt University, The Analysis of Non-profit Organisations in Terrorism Financing in Indonesia.

Regulation of NPOs in Indonesia

The non-profit organisation (NPO) sector in Indonesia is diverse, reflecting the country's social, cultural, economic, and religious pluralism. It plays a vital role in addressing a wide range of social issues, including education, poverty alleviation, human rights, health care, environmental conservation, and disaster relief. Indonesian NPOs operate locally, nationally, internationally or as a chapter of an international NPO. Since 2017, Indonesia has topped the World Giving Index for volunteer participation. With 90% of Indonesians donating money and 65% volunteering time for personal or societal causes, the country's culture of generosity is significantly above the global average.[54]

In 2006, Indonesia ratified the International Covenant on Civil and Political Rights (ICCPR). This covenant commits Indonesia to respecting the civil and political rights of individuals, including the freedoms of speech, association, assembly, and religion. NPOs operate under various laws:

- **Law No. 16 of 2001 on Foundations**, amended by **Law No. 28 of 2004**, which regulates the establishment, management, and supervision of foundations.
- **Law No. 17 of 2013 on Societal Organisations ("Ormas" Law)**, which governs the registration, administration, and dissolution of societal organisations, including both foundations and associations.
- **Government Regulation in Lieu of Law (Perppu) No. 2 of 2017**, which amended the Ormas Law to grant the government enhanced authority to disband organisations deemed to contradict the state ideology, Pancasila.[55]

NPOs that are recognised as associations or foundations must register with the Ministry of Law and Human Rights for legal status.[56] Unincorporated NPOs can still register with the Ministry of Home Affairs to obtain a certificate (SKT) even if they have not applied for legal entity status. NPOs that do not meet registration requirements may be documented by local authorities. Unincorporated and unregistered NPOs can still operate if they do not disrupt public order.

International or foreign Non-Governmental Organisations (INGOs) in the country are governed by Law 17 of 2013. The Ministry of Foreign Affairs is the main gateway for the establishment of an INGO.[57] Every INGO is obliged to obtain a principal permit from the Ministry of Foreign Affairs and an operational permit from the Ministry of Home Affairs or a local government, depending on the nature of the activities. An INGO is prohibited from any fundraising activities in Indonesia.[58]

Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Laws in Indonesia

Indonesia has taken significant steps to combat money laundering and the financing of terrorism by aligning its legal framework with international standards. The country ratified the **International Convention on the Suppression of the Financing of Terrorism (1999)** and enacted **Law No. 9/2013 on the Prevention and Eradication of Terrorism Financing**, which grants authorities the power to block financial assets linked to terrorism and enhances financial oversight. This legal framework supports efforts to track and prevent illicit financial flows that may contribute to criminal activities.

A key institution in Indonesia's AML/CFT regime is the **Financial Transaction Reports and Analysis Center (PPATK),** an independent agency responsible for analysing financial transactions and ensuring compliance with AML/CFT regulations. PPATK collaborates with domestic and international institutions, including financial

54 Charities Aid Foundation (2024). World Giving Index 2024.

55 HAL Open Science. Rémy Madinier: Pancasila in Indonesia a "religious laicity" under attack?

56 In 2024 the president has changed the ministry to coordinating ministry for legal, human rights, immigration and correction affairs: https://setkab.go.id/en/cabinet-profile/

57 NGOs and INGOs are used in the same vein as NPOs.

58 Simbolon Law Firm, How to establish international Non-government organisation.

intelligence units (FIUs) from other countries, to detect and prevent money laundering and terrorism financing. Financial institutions are mandated to report suspicious transactions, and non-compliance may result in severe penalties.

Funds linked to terrorist activities are subject to court rulings that enable asset blocking and seizure. This process involves close coordination between various government bodies, including:

- **Law enforcement agencies** such as the National Police and its elite **Detachment 88 (Densus 88)**;
- **The National Counterterrorism Agency (BNPT)**, responsible for counterterrorism strategies and policies; and
- **The Ministry of Foreign Affairs**, which ensures compliance with international agreements and sanctions.

Financial institutions, including banks and remittance services, act as the frontline defence against illicit financial flows. They operate under the guidelines of the FATF and must adhere to stringent customer due diligence (CDD) and know-your-customer (KYC) requirements. **Presidential Regulation No. 18/2017 concerning Procedures for Receiving and Providing Donations by NPOs in the Prevention of Criminal Acts of Terrorist Financing. This regulation reinforces the obligation of NPOs to Know Your Donors**

Intersection of NPOs and AML/CFT Regulations

Indonesia has recognised the potential misuse of local, national, and foreign Non-Profit Organizations (NPOs) for illicit financial activities, leading to regulatory measures that enhance transparency and oversight. Under **Law No. 9/2013**, both **registered and unregistered NPOs** are subject to financial monitoring to prevent the misuse of charitable funds for money laundering or terrorism financing.

One of the key regulatory measures is Presidential Regulation Number 18 of 2017, which requires NPOs to identify and verify donors of at least IDR 5 million (approximately USD 320). NPOs are also required to retain records of donor identity information for at least 5 (five) years from the date the donation transaction is completed.

To understand and mitigate these risks, PPATK publishes sectoral risk assessment and regional risk assessment on NPOs activities in ASEAN plus Australia and New Zealand. These assessments help identify high-risk entities and ensure better compliance. However, regulatory and governance complexity pose challenges to effective oversight, particularly among informal organisations that may be at risk of terrorist financing misuse. The government continues to work to simplify regulations to improve compliance while balancing the operational flexibility required by legitimate charities.

FATF Mutual Evaluation Review 2023 Findings and Recommendations

The FATF Asia Pacific Group, which conducted the Mutual Evaluation Review or country evaluation for compliance with the FATF AML/CFT standards, praised Indonesia's legislative frameworks but found the enforcement of the laws and regulations inconsistent with the evidence provided about high-risk NPOs. Identifying high-risk NPOs remains ambiguous, and outreach efforts to educate donors, including the public, and NPOs on terrorism financing risks are limited.

The assessment team concluded that:

> *Indonesia has put certain measures in place for preventing and detecting TF abuse through NPOs that have some elements of the risk-based approach, however moderate shortcomings exist. The exercise to identify the subset of NPOs that fall within the FATF definition and at-risk NPOs is ambiguous. Limited evidence exists on educating the donor community about the potential vulnerabilities of NPOs to TF abuse; working with the NPO community to put measures, practices, and policies in place to protect them; putting risk-based/targeted measures and supervision in place.*[59]

59 Financial Action Task Force (2023). Anti-money laundering and counter-terrorist f inancing measures - Indonesia Mutual Evaluation Report (p 212).

The team risk mitigation recommendations included:

1. **Enhancing Oversight:**
   - » Improve risk assessment methodologies for identifying high-risk NPOs; and
   - » Expand education initiatives for NPOs and donors.
2. **Strengthening Regulation and Coordination:**
   - » Harmonise registration and reporting across regulatory bodies;
   - » Encourage self-regulation using risk management standards (ISO 31000); and
   - » Foster public-private partnerships with financial institutions, NPOs, and regulators.
3. **Public Awareness and Capacity Building:**
   - » Launch campaigns to educate donors on legitimate NPOs; and
   - » Provide training to NPO staff on governance and terrorism financing risks.
4. **Proportionate Measures:**
   - » Adopt risk-based approaches to avoid excessive regulation while protecting NPOs.

Next Steps: Dialogue and Partnership

Since 2014, NPOs have engaged with PPATK and BNPT on a risk-based implementation of FATF Recommendation 8. A coalition involving Dompet Dhuafa, Human Initiative, Yappika, ELSAM and PINGO has worked to prevent financial exclusion of legitimate NPOs.[60] Human Initiative and Dompet Dhuafa have been involved in the PPATK Non-profit risk assessment process in preparation of the FATF Mutual Evaluation Review.

Human Initiative and Dompet Dhuafa manage substantial funds for humanitarian causes, implementing ISO 31000 risk management standards to mitigate risks of terrorism financing, money laundering and fraud.[61] The coalition seeks continued engagement with **PPATK, BNPT, regulators and financial institutions to refine risk assessment frameworks** and implement FATF recommendations through a **public-private partnership approach**. The coalition's common goal is to enhance risk-based assessments and a focused and proportionate to the risk oversight of NPOs through a mechanism that is developed in meaningful engagement and collaboration with the sector.

Overall, Indonesia's AML/CFT framework continues to evolve in response to emerging threats. Strengthening financial oversight mechanisms, improving NPO transparency and ensuring effective inter-agency coordination

---

60 Dompet Dhuafa, an Indonesian Islamic charitable organisation, emphasises accountability through various self-regulatory mechanisms. These include disclosure statements, performance measurement, participation and oversight by a board of trustees. Collectively, these practices form what is described as a "holistic accountability model," ensuring transparency and responsibility in managing "waqf" (endowment) assets. https://www.academia.edu/56558934/A_Study_of_Accountability_Practice_in_Dompet_Dhuafa_Waqf_of_Indonesia.

Human Initiative, established in 1999, is an Indonesian humanitarian organisation dedicated to uplifting human dignity through various programs. The organisation emphasises the importance of collaboration and self-regulation to effectively address humanitarian challenges. Human Initiative has implemented internal policies to ensure ethical conduct and accountability. The organisation is committed to an Anti-Bribery Management System, prohibiting all forms of bribery and gratuities. Additionally, it explicitly states that it does not support or provide funds or materials to individuals or organisations known to advocate, support, or engage in illegal activities, violence, money laundering, or terrorism. https://human-initiative.org/citi-foundation-selects-human-initiative-in-indonesia-for-the-2024-global-innovation-challenge-to-address-homelessness-and-refugee-issues

Yappika-ActionAid. YAPPIKA has 30 years of experience providing support to communities in Indonesia. Based in various regions of Indonesia, YAPPIKA supports local partners to empower women and girls, advocate for safe and well-built schools for children as well as provide humanitarian assistance during emergencies. https://yappika-actionaid.or.id/en/tentang-kami/sejarah-yappika

Elsam or the Institute for Policy Research and Advocacy is a human rights organisation, which was established in Jakarta, since August 1993. Elsam aims to participate in efforts to develop, promote and protect civil and political rights as well as other human rights in general – as mandated by Indonesia's 1945 Constitution and the Universal Declaration of Human Rights. https://www.elsam.or.id/en

Pingo – Portal NGO Indonesia https://greenacregroup.co.uk/greenacre-government/associates/ira-novita-2/

61 The ISO 31000 standard is a set of international guidelines and principles that provide a systematic and structured approach to the identification, assessment, treatment and monitoring of risks in any organisation. The standard was first published in 2009, and its latest update was carried out in 2018. Its main objective is to help organisations protect their assets, achieve their objectives and improve decision-making. The ISO 31000 standard is based on three main components, namely: (1) principles; (2) framework; and (3) risk management process. These components are interconnected and reinforce each other to provide a coherent and effective approach to risk management. https://www.iso.org/standard/65694.html

remain key priorities in mitigating the risks associated with money laundering and terrorism financing. It is vital that the competent authorities engage NPOs meaningfully on the prevention of terrorism financing and money laundering to avoid excessive regulation and develop a risk-based and focused approach to prevent abuse of NPOs. The expertise of the coalition led by NPOs will support the Indonesian government in improving a nuanced risk-based approach to protect NPOs from terrorism financing and money laundering.

Chapter 5:
Recommendations and Conclusion

The following are essential to ensuring that the NPO sector is effectively overseen so it is not misused for TF, while still allowing legitimate activities to operate without unnecessary hindrance:

- A robust, empirically sound sectoral risk assessment that identifies the small subset of NPOs in a country that might be at risk of TF abuse;
- Sustained engagement between government and the NPO sector to better understand (on both sides) mandates and motives, raise awareness and build capacity, as well as discuss risk and mitigation.
- The encouragement, facilitation, and acknowledgement of sectoral self-regulation measures, so that there is in general a high standard of hygiene in the sector in terms of governance, accountability, and transparency. This ensures that authorities can then focus their attention on the subset potentially at TF risk and help mitigate this risk effectively;
- A TF oversight and monitoring regime for NPOs that is differentiated by risk: the only way such a system can be effective and not place additional burden on the sector; and
- The setting up of a multistakeholder dialogue process between key players – NPOs, the FIU, banks, the banking regulator/supervisor, and relevant government departments – to facilitate the risk-based approach to NPO oversight on matters of TF and avoid unnecessary de-risking or debanking.

Financial integrity, which describes the elements of a financial system that operate in a clean, transparent and accountable way, while enabling NPOs to access regulated channels for financial services, and which is an essential element of good governance of the NPO sector, is a common goal for both countries and NPOs. This Handbook has detailed how the sector can improve its self-hygiene so the likelihood of TF abuse is mitigated. It has sought to present how the rules on financial integrity, if correctly implemented, do not infringe on financial inclusion goals or those of the fundamental rights and freedoms accorded to civil society and non-profit organisations.

In conclusion, the effective implementation of Recommendation 8 hinges on a fundamental shift away from compliance-driven, one-size-fits-all regulation toward a genuinely risk-based, evidence-led approach. This requires jurisdictions to invest in robust risk assessments, grounded in empirical data and informed by meaningful engagement with the NPO sector itself. Only by accurately identifying where risks truly lie – and equally, where they do not – can governments design targeted, proportionate measures that protect against terrorism financing without undermining the essential work of civil society. In this regard, NPOs should not be seen merely as subjects of regulation, but as critical partners in safeguarding the integrity of the sector.

At the same time, ensuring policy coherence remains paramount. Measures to counter terrorism financing must be aligned with broader international legal obligations, including human rights, humanitarian and refugee law, as well as with development and financial inclusion objectives. Overregulation, de-risking and financial exclusion not only weaken civil society but may also inadvertently erode the very resilience that helps prevent violent extremism. A balanced approach anchored in proportionality, dialogue and trust will therefore be essential. Bridging the gap between evolving global standards and their implementation on the ground is now the central challenge, and addressing this will determine whether the FATF framework can achieve its dual objective: protecting the financial system while enabling a vibrant, effective and independent non-profit sector.

Annex: Engagement and Activities

The past few years have seen multiple regional activities on the topic of FATF Recommendation 8 and its implementation. These have been with NPOs from the region, but also multistakeholder meetings with the presence of relevant government authorities. Some of these convenings include:

- **ASEAN-EU Workshop on Protecting Non-Profit Organisations from Abuse for Terrorism Financing, November 2025, Bangkok, Thailand:** Convening regulators and experts from all 11 ASEAN Member States (with representatives from three ASEAN Member States participating online) as part of activities under the SOMTC + EU Consultation framework, this interactive engagement delved into the 2023 policy changes to the FATF Recommendation 8 and its implementation effectiveness in ASEAN to date, with an emphasis on good practice in sectoral oversight, while protecting against unintended consequences. Supported by the ESIWA+ Project and EU Global Facility on AML/CFT, the workshop's discussion and presentations informed the content of this Handbook.
- **ASEAN Regional Forum, March 2023, Bali, Indonesia:** Representatives from Ministries of Finance and FIUs across 12 ARF Participants convened for an exchange focusing on the state of implementation of FATF Recommendation 8 and the FATF Unintended Consequences project. Supported by ESIWA and the EU AML/CFT Global Facility, representatives from Human Security Collective, Greenacre Group, the Bangladesh Financial Intelligence Unit, the UK Charity Commission, APG, and researchers provided insights into best practices and challenges related to the implementation of Recommendation 8. This exchange sparked lively and productive discussions among attendees, shedding light on the ongoing challenges they encounter in implementing a global standard in a proportionate and risk-based manner while upholding the fundamental rights of civil society organisations.
- **Workshop, July 2023, Bali, Indonesia:** a three-day workshop for NPO representatives from 15 countries in South and Southeast Asia (and Eurasia) was convened to discuss the unintended consequences of the FATF framework and feed into the (November 2023) revisions of Recommendation 8 and its Interpretative Note.[62] The workshop also gathered good and bad practices for the Best Practices Paper on Combating the Abuse of Non-Profit Organisations.[63] Organized by the EU AML/CFT Global Facility and ICNL, and supported by the Global NPO Coalition on FATF, the meeting was attended by representatives from the Indonesian FIU (PPATK), two FSRBs – APG and MONEYVAL, and the EU's counterterrorism/security expert to South-East Asia.
- **Two workshops for NPOs, Bangkok, December 2023 and December 2024:** Organised by the Community World Service Asia, these workshops for NPOs (as well as network bodies, donors, and academics) from the region and beyond have focused on navigating shrinking civic space challenges related mainly to the non-risk-based implementation (and sometimes deliberate mis-implementation) of the FATF financial integrity standards. Strategies for engagement and advocacy were discussed, and best practice examples from across the Global NPO Coalition membership were shared.

Other technical assistance providers have also convened regional workshops around this topic. The International Institute for Justice and the Rule of Law (IIJ) Malta, for example, held one in Cebu, Philippines, in November 2024 on 'Human Rights-Compliant Approaches to Countering the Financing of Terrorism and Risk-Based Implementation of FATF Recommendation 8' with government stakeholders (and a handful of NPO representatives) from the Philippines, Malaysia, Lao PDR, Thailand, Viet Nam, Cambodia, Indonesia and Myanmar. Representatives from UN CTED, UNODC, UN OHCHR, and the IMF participated in this event, which was supported by the government of Canada.

Additionally, bilateral assistance to countries under Overseas Development Assistance funds continues, including on the implementation of Recommendation 8.

62 Financial Action Task Force (Updated 2023). The FATF Recommendations.

63 Financial Action Task Force (2023). Best Practices on Combating the Abuse of Non-Profit Organisations.

The FATF has developed an e-learning module on Recommendation 8, which will be available to individuals working on AML/CFT/CPF in a country who have access to the FATF e-learning platform. Members of the Global NPO Coalition on FATF helped shape the training with good practice examples and a constant reminder that measures to counter the financing of terrorism must be in line with international human rights, humanitarian and refugee law, and must not impinge on countries' fundamental freedom obligations (including association, peaceful assembly and expression) under treaty and customary international law.

This publication was co-funded by the European Union. Its contents are the responsibility of the Human Security Collective, and do not necessarily reflect the views of the European Union.