Statement by Members of the Global NPO Coalition on FATF, the Core Group of Experts for FATF, and representatives of Latin American NPO networks on FATF Recommendation 8

Members of the Global Non-profit Organization (NPO) Coalition on the Financial Action Task Force (FATF), the Core Group of Experts on FATF, and allied Latin American NPOs[1] met December 2-5, 2019 to join forces and commit together to promote correct implementation of Recommendation 8. We discussed how Recommendation 8 is being implemented in our respective countries through a rich exchange of experiences among civil society leaders and experts. The discussion yielded information on the numerous difficulties NPOs face in carrying out their activities, arising in part from governments' incorrect implementation of Recommendation 8. During the meeting, we therefore focused on strengthening our knowledge and capabilities. Our goal was to come together as a stakeholder committed to providing strategies and solutions to protect the nonprofit sector against potential abuses.

We celebrate GAFILAT's commitment to maintaining a close and constructive dialogue with our network of partners in Latin America. We believe that increasing dialogue and joint action will permit us to generate the confidence needed to collaborate on a targeted approach as established in Recommendation 8's Interpretive Note. The representatives of NPO networks gathered in Arequipa shared with GAFILAT authorities the main problems we identified, and we reaffirmed our commitment to promoting discussion of proposals that will result in a more enabling civic environment for our organizations over the short and medium terms.

The problems we identified and shared with GAFILAT are:

1. The regulations governing NPOs in the 11 named countries are one-size-fits-all, lack a risk-based approach, and do not treat for-profit and non-profit activities differently. In several countries of the region, NPOs – like casinos, financial institutions and other entities engaged in various types of for-profit activities – are required to report suspicious transactions. In other countries, NPOs are required to maintain risk management and prevention systems as if they were for-profit organizations. These requirements create administrative burdens for NPOs which go far beyond what international standard establish and limit their ability to pursue legitimate charitable purposes. Moreover, NPOs may be subject to disproportionate sanctions such as cancellation of legal personality due to technical errors. We are aware that NPOs from other countries in the region[2] that did not participate in this meeting are affected by the same problem.

2. There is a lack of sustained engagement between the NPO sector and member state governments, which have not facilitated NPO participation in processes of sector terrorism

[1] The NPO representatives who participated in this meeting come from the following countries: Argentina, Bolivia, Brazil, El Salvador, Honduras, Mexico, Nicaragua, Panama, Paraguay, and the Dominican Republic.
[2] Uruguay, Chile, Colombia, Costa Rica, and Guatemala, among others.

financing risk assessments or mutual evaluations. Meeting participants shared some experiences of dialogue and engagement between the sector and government entities. It is notable that in almost all cases, the dialogues were initiated by the NPO sector, as was the case, for example, in Argentina, El Salvador, and Honduras.

3. Member states are not producing studies, guidelines or trainings to help the sector understand terrorism financing risks and jointly identify mitigating measures to address those risks. The participants described training initiatives targeting the sector on terrorism financing risks that were initiated by NPOs with support from international cooperation. Such training programs were conducted in Argentina, El Salvador, Honduras, Mexico, Peru and Paraguay, among other countries.

4. Financial institutions manage their relationships with NPOs as if they were a high-risk sector for money laundering and terrorist financing. As a result, NPOs in each of the countries represented at the meeting experience financial exclusion to varying degrees. Because they lack the type of baseline evidence on NPO risk that might be produced through a state conducted NPO sector risk assessment, banks subject NPOs to frequent, burdensome demands for information and documentation. These practices cause delays in financial transactions, rejections of applications for new bank accounts, and closures of existing accounts – frequently without any explanation. Participants shared examples of NPOs that were forced to use unregulated channels or rely on third parties to receive the funds needed to carry out legitimate activities. This is hindering receipt and movement of resources and negatively affecting relationships between NPOs and their donors and beneficiaries, limiting legitimate charitable work and the right to freedom of association in accordance with international treaties. NPOs do not have an avenue to appeal for government action to resolve these problems. In our experience, government policies to promote financial inclusion do not address restrictions affecting NPOs.

We reaffirm our commitment to implementation of Recommendation 8, consistent with Recommendation 1 and the risk-based approach and in conformity with states' obligations related to the freedoms of association, assembly, expression, religion or belief, and international humanitarian law. We propose the following initiatives to inform the search for solutions:

1. Promote initiatives to strengthen the technical capacity of NPO representatives, government officials, and financial institutions to correctly implement Recommendation 8.

2. Promote engagement of NPOs in the processes of conducting national and NPO sector risk assessments on anti-money laundering and countering the financing of terrorism (AML/CFT), mutual evaluations, as well as reviewing and reforming regulations, if applicable.

3. Document cases of good practices including the NPO sector in dialogues with public officials and representatives of the financial sector to improve the understanding of all parties regarding AML/CFT risks that could affect a sub-sector of NPOs.

4. Record and disseminate experiences identifying proportionate mitigation measures based on risk, such as the experiences of NPO networks in the Dominican Republic, Mexico and Argentina.

5. Urge regulatory agencies, Financial Intelligence Units (FIUs) and Central Banks to improve the levels of financial inclusion of NPOs in particular, recognizing the vital importance of NPOs in providing charitable services to vulnerable populations of the region.

6. Contribute to designing a survey to map NPO sector risks of abuse for terrorism financing; data collection; discussion and dissemination of results; and technical assistance to countries within the region.