

Financial Action Task Force (FATF) — Recommendation 8 and Immediate Outcome 10 Fact Sheet — SA NPO Sector

FATF Recommendation 8

The FATF Recommendation 8 focuses on the Non-Profit Organisation (NPO) sector, and the potential use of NPOs as vehicles for Money Laundering (ML) and Terror Financing (TF).

Recommendation 8:

Countries should review the adequacy of laws and regulations that relate to Non-Profit Organisations which the country has identified as being vulnerable to terrorist financing abuse. Countries should apply focused and proportionate measures, in line with the risk-based approach, to such non-profit organisations to protect them 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.

Facts

1. FATF does not regard all NPOs and Public Benefit Organisations (PBOs) as at risk to being abused for TF.
2. FATF defines an NPO as an “organisation that primarily engages in raising or disbursing of funds for purposes such as charitable, religious, cultural, educational, social, or fraternal purposes, or for the carrying out of other types of ‘good works’.
3. For SARS purposes, the FATF definition of NPOs will mainly refer to PBOs approved under Section 10(1)(cN) and Section 30 of the Income Tax Act.
4. PBOs with Section 18A approval also fall within the FATF definition of NPOs, although they might not necessarily be deemed as at-risk PBOs.
5. At-risk PBOs can take on any legal entity type, e.g. a Non-Profit Company (NPC) or a Trust or a Voluntary Association (Association of Persons).
6. Identified inherent vulnerabilities, such as specific activities that the PBO performs or characteristics of the PBO, make it more likely for a PBO to be at-risk.
7. The *South African Non-Profit Organisations Sectoral Risk Assessment Report* identified five (5) inherent vulnerabilities for NPOs. These are:
 - a. NPOs established or operated by individuals with known terrorist sympathies.

- b. NPOs with activities in high-risk foreign areas.
 - c. NPOs with links to communities with individuals sympathetic to terrorist causes (including far-right causes).
 - d. NPOs receiving funds from or transferring funds to high-risk countries.
 - e. NPOs using unverifiable methods for raising or transferring funds.
8. FATF requires Government to first identify the NPOs that fall within the FATF definition of NPOs, then identify at-risk NPOs based on the inherent vulnerabilities.
 9. At-risk NPOs must be continuously monitored and supervised as part of the risk-based approach that FATF requires from Government.
 10. SARS is required to provide targeted outreach, engagement, communication, and education to identified at-risk PBOs. This includes providing general information and more targeted information that includes:
 - a. What Terrorism Financing (FT) is;
 - b. What Money Laundering (ML) is;
 - c. The risk of TF funding by PBOs.
 - d. The best-practice paper on the combating of abuse of PBOs.
 11. Regulators and other impacted stakeholders are required to ensure effective co-operation, co-ordination, and information-sharing on NPOs/PBOs.

FATF Immediate Outcome 10

Terrorists, terrorist organisations, and terrorist financiers are prevented from raising, moving, and using funds, as well as abusing the NPO sector. Terrorists, terrorist organisations, and terrorist support networks are identified and deprived of the resources and means to finance or support terrorist activities and organisations.

Facts

1. The Immediate Outcome measures the “effectiveness” of Anti-Money laundering (AML) and counter financing of terrorism (CFT) measures that must be put in place by South Africa.
2. FATF states that a “risk-based approach” is the core principle for supervising and monitoring NPOs. A risk-based approach means applying focused measures in dealing with identified threats of TF abuse of NPOs is essential.

3. South Africa must ensure that the measures put in place to prevent TF do not disrupt or stop NPOs from legitimate public-benefit activities (PBAs). These measures must be adapted to the South African environment. The measures must also be consistent with international human-rights obligations.
4. South Africa must review all applicable laws, regulation, policy, measures, outreach by Government, as well as measures put in place by the NPO Sector and other key stakeholders.
5. The *South African NPO Sectoral Risk Assessment Report* provides different ways that Regulators must have outreaches , consultations, and co-ordination with the NPO Sector and other stakeholders.
6. FATF focuses on the financial inclusion of NPOs, while making sure that they are protected from being used for TF.
7. FATF requires South Africa to develop policies and practices to remove unnecessarily burdensome measures and/or restrictions that hinder PBOs from gaining access to financial services by NPOs.

For more information on FATF Recommendation 8 and Immediate Outcome 10, please visit the following webpages for more information:

- [FATF Recommendations on NPO Sector | South African Revenue Service](#)
- [DSD Presentation on the GLAA Money Laundering and Terror Financing Risk on NPOs](#)
- [FIC FATF Grey Listing Fact Sheet](#)