



INFORMATION FOR NGOs IN THE FIELD OF COMBATING THE FINANCING OF TERRORISM

(Information for NGOs)

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Introduction

Non-governmental non-profit organizations (hereinafter referred to as "NGOs") represent one of the fundamental pillars of society and are active to a greater or lesser extent in all areas of social life.

NGOs are one of the key actors in eliminating terrorism-related risks by contributing to peacebuilding, promoting good governance, respect for human rights and the rules of law, and providing vital assistance in conflict-affected areas where terrorist organisations may operate. In this context, NGOs, the financial sector and state authorities share a common goal of ensuring that aid (goods, services, funds) reaches its intended recipients in a safe and timely manner and is not misused for TF.

NGOs fill a critical role in global and national economies and social systems, and while protection of the non-profit sector is important, measures taken to protect this sector should not aim to undermine or discourage legitimate charitable activities.

Risk factors increasing the possibility of NGO abuse

Some NGOs can be used by terrorist organisations to TF for a variety of reasons. In general, terrorist organisations can exploit various characteristics of NGOs in order to infiltrate their structures and misuse funds to hide or support terrorist activities.

In the international context, there have been cases in which terrorist organisations have targeted NGOs in order to gain access not only to their financial resources, but also to obtain various other material and non-material support. Abuse of NGOs can occur even without their knowledge and therefore due attention needs to be paid to this area.

Appropriate prevention can be achieved by raising awareness in the NGOs of the potential vulnerability to the risk of diversion to TF and the measures that should be taken to protect the NGOs from such diversion.

The main reasons for this are that NGOs have access to considerable financial resources, have a global reach, participate in national and international projects, and operate in areas of war and conflict.

In practice, it is important for the Slovak Republic to put in place mitigating measures that are proportionate to the risks identified through the Slovak Republic's NRA¹ in the NGO sector, avoiding measures that would disproportionately burden NGOs with little or no risk of TF, as:

- the NGO sector is composed of a large number of diverse bodies,
- not all NGOs are exposed to an increased risk of TF.

In general, organisations can be considered among the riskier NGOs in terms of misuse for TF:

- *operating in high-risk areas or regions²,*
- *with non-transparent financing,*
- *making increased use of cash transactions,*
- *with a non-transparent management and staffing structure,*
- *with non-transparent activities,*
- *with functional control mechanisms not in place,*
- *failing to fulfil their statutory obligations.*

The conclusions of the 2th NRA of the Slovak Republic for the period 2016-2019 show that the threat of TF in connection with the use of funds through the not-profit sector does not appear

¹ https://www.minv.sk/swift_data/source/policia/fsj_biro/nhr/Zaverecna%20sprava%20z%20druheho%20NHR.pdf

² High-risk areas or regions may be, for example, those where terrorist activities have been recorded or where terrorist organisations operate, those that are unstable or at war, or those that share a border with territories controlled by terrorist organisations, or countries with strategic deficiencies in the area of ML/TF.

to be frequently used by terrorist groups from a global point of view. In rare cases, however, the non-profit sector may be exploited by terrorists, particularly in relation to the financing of foreign terrorist fighters, which may then pose a significant threat. No cases of use or misuse of the non-profit sector for TF was detected in the Slovak Republic in the period under review (2016 - 2019).

In 2024, the Slovak Republic carried out the first separate sectoral risk assessment focused exclusively on the area of NGOs registered in the territory of the Slovak Republic. The aim of this assessment was to identify the subset of NGOs that fall under the FATF definition, identifying their characteristics and types that could be at risk of being misused for terrorist financing.

The conclusions of this sectoral risk analysis show that no terrorist organisation has been detected in the territory of the Slovak Republic. No cases of terrorist financing involving NGOs were investigated by law enforcement authorities in the period 2020-2023. Potential returnees from conflict regions, where foreign fighters are also active, as well as the increasing incidence of radicalisation, especially of young people, may pose an increased threat. Operating in the high-risk countries, where terrorist organisations are active, may pose a greater threat to NGOs. Most organisations operating in the high-risk countries are part of an international network and are supported by large donors who require tighter controls. These organisations have high-level control mechanisms in place, which include screening donors and aid recipients, using secure payment channels, rigorously selecting and screening aid partners, as well as carrying out sanctions list checks. Based on the findings of the review, several risk areas were identified, including: new technologies, unsystematic and insufficient data collection by state authorities, inconsistent conditions related to different legal forms of NGOs, e.g. not all legal forms are obliged by law to prepare and submit annual reports, but despite the absence of a legal requirement, the majority of NGOs prepare and publish them on their websites in order to demonstrate their transparency in the use of financial resources.

1.1 Basic categories of risks to which NGOs may be exposed

- 1) Diversion of resources to support a terrorist organization can take place at different stages of the NGO's functional scope,³ while entities within the NGO's personnel structure can be responsible, as well as external actors (e.g., foreign partners).

Phases of the functional scope of the NGOs:

³ <https://www.fatf-gafi.org/media/fatf/documents/reports/Risk-of-terrorist-abuse-in-non-profit-organisations.pdf>

- Resourcing - an activity that seeks to raise resources either directly or through third parties such as volunteers.
 - Custody of resources - this refers to the resources that the NGOs dispose and can include the stage from keeping funds in accounts to managing property or other facilities.
 - Resource transfers - transfers can occur at different stages of an NGO's functional activity and refer to transfers between different entities.
 - Resource spending - there is an exchange of NGO's resources for goods or services.
 - Programme delivery - NGOs carry out programme activities, e.g. distributing aid, providing medical treatment, organising fundraising events.
- 2) The NGOs or their representatives knowingly/unknowingly sympathize with a terrorist organization, which may lead to the misuse of the NGO for multiple purposes, including logistical support.
 - 3) NGOs can be misused to support the recruitment program of a terrorist organization.
 - 4) Abuse of the NGO's activities, whereby the NGOs obtain legal resources, but the NGO's activities are abused at the point of performance or delivery of aid (e.g. conflict area).
 - 5) Abuse through false declarations in which terrorist organizations set up false NGOs in order to deceive donors into providing support.

Examples of misuse of NGOs in the context of TF

- *A NGO's employee sympathizes with a terrorist organization and knowingly provides its members with funds obtained from sources intended for legitimate recipients.*
- *The NGO will knowingly provide its premises to meet or train persons who sympathize with terrorists.*
- *A NGO in a third country has built a school, a hospital, and these facilities are being used without its knowledge by a terrorist organization to train, recruit its members.*
- *A NGO conducts a public fundraiser where the money collected is to be used in a third country to build drinking water wells, but some of the funds are misused to propagandize a terrorist organization without the knowledge of the NGO.*
- *Members of the terrorist organisation pretend to cooperate with the NGO and collect funds on its behalf.*
- *A terrorist organisation establishes a fictitious or real NGO in order to raise funds and disguise its activities.*

- *The NGO supports the terrorist organization, provides information, material or immaterial security, or legitimizes its activities.*
- *The NGO raises funds from a major public event, a public fundraiser, then the statutory body authorizes a third party to become a signatory to the NGO's account, which is used to transfer funds to high-risk countries.*

Ways to mitigate the risk of misuse of NGOs for TF

The Slovak Republic is a member of MONEYVAL, the Council of Europe's permanent monitoring body, which is tasked with assessing the compliance with the standards and the effectiveness of implementation of core international standards for combating ML, TF and CFT, as well as with making recommendations to national authorities on necessary improvements to their systems. It is one of the 9 regional organisations of the FATF global network.

The FATF is an independent intergovernmental body whose objective is to set global standards and promote the effective implementation of legal, regulatory and operational measures to combat the ML, TF, CFT and other related threats to the integrity of the global financial system⁴.

One of the FATF's recommendations is Recommendation 8, which focuses on standards for the NPO's (NGOs) sector. Given the variety of legal forms that NPOs (NGOs) may take in different countries, the FATF has adopted a workable definition of a NPOs (NGOs) that is based on those activities and characteristics of the organisation that put it at risk of being misused for TF, and not just on its operation on a no-profit basis.

*A NPO is defined as a legal person, legal entity or organisation primarily engaged in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or community purposes, or carrying out other forms of philanthropy.*⁵

In June 2014, the FATF published a typology report on the risk of terrorist abuse in NPOs⁶, which examined abuses in the NPO sector to understand its interrelated vulnerabilities.

The FATF has also issued a document entitled "Best Practices: Combating the Abuse of NPOs"⁷ to facilitate the efforts of non-profit organizations and to protect the integrity of the sector from abuse by terrorists, both by national authorities and by the NPO sector. These best practices are not mandatory elements of the FATF standards but are included as examples.

⁴ <https://www.fatf-gafi.org/publications/mutualevaluations/documents/fatf-methodology.html>

⁵ <https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf>

⁶ <https://www.fatf-gafi.org/media/fatf/documents/reports/Risk-of-terrorist-abuse-in-non-profit-organisations.pdf>

⁷ <https://www.fatf-gafi.org/media/fatf/documents/reports/BPP-combating-abuse-non-profit-organisations.pdf>

The FATF recognizes the critical importance of the NPO community in providing charitable services around the world, as well as the difficulties in providing assistance to those in need and appreciates these efforts.

1.2 Legislative measures in the Slovak Republic

Article 419c of Act No. 300/2005 Coll. the Criminal Code, contains the offence of TF:

Section 419c

Terrorism Financing

- 1) Whoever, either themselves or through another person, collects or provides, directly or indirectly, items, funds or other means for a terrorism offender, for a terrorist group or a member thereof or for committing any of the criminal offences of terrorism, or collects items, funds and other means with the intention that they may be used for such a purpose or with the knowledge that they may be used for such a purpose, shall be punished by a prison sentence of five to fifteen years.
- 2) The same punishment referred to a Subsection 1 shall be imposed upon a person who, either themselves or through another person, provides the items, the funds or other means to a close person who participate or participated in the preparation, the attempt or committing of any of the criminal offences of terrorism for the person participates or participated.

In the event that an NGO becomes reliably aware of facts that suggest that a terrorist financing offence may have been committed, they have a statutory obligation to file a criminal complaint under Section 196 of the Criminal Procedure Code. Failure to do so exposes them to prosecution under Section 340 of the Criminal Code.

NGOs have obligations under Act No. 297/2008 Coll. on protection against money laundering and terrorist financing and on amendment and supplements to certain acts, as amended (hereinafter referred "AML Act").

Pursuant to Section 25(1) of the AML Act, the asset association is obliged to make the identification of the donor and the identification of the natural and legal person to whom the asset association has provided funds, if the value of the donation or the amount of the funds provided amounts to at least 1.000 EUR.

Pursuant to Section 25(2) of the AML Act, the FIU is authorized to conduct an inspection under Section 29 of the Act at an asset pool for the purpose of identifying the BO and verifying the truthfulness and completeness of the information about the ultimate beneficial owner, identifying the persons referred to in Section 25(1) of the Act, or for the purpose of verifying the disposition of the assets. The property association has the same obligations as the liable person under section 30 of the Act when carrying out the audit.

Pursuant to Section 30 of the AML Act, the asset association is obliged:

- to create appropriate conditions for the FIU to carry out the audit, provide it with the necessary cooperation and refrain from any action that could interfere with the performance of the audit,
- to allow the FIU to have access to, inspect, extract, make notes and copies of documents or means of computer technology, other technology and records on a data transmission device for the purposes of controlling compliance with and fulfilment of obligations under this Act,
- to provide expert written statements related to the subject matter of its activities,
- to provide the FIU with all information and written documents on request in the state language on the fulfilment of obligations under the Act for the previous five years, if the documentation is in a language other than the state language, the property association shall be obliged to provide, at its own expense, an officially certified translation of the documentation into the state language, and the FIU shall set a deadline for the submission of the required documentation.

According to Section 9(e) of the AML Act, asset associations are defined as a foundation, a NGO providing services of general benefit, a non-investment fund or other special purpose asset pool, regardless of its legal personality, which manages and distributes funds.

1.3 Sanction lists

The enforcement of international sanctions, in particular in the area of restricting access to funds and assets by persons suspected of financing and supporting terrorism, is one of the effective tools in the fight against terrorism at the global level. Lists of sanctioned persons are compiled and updated at the UN level by the various UN Security Council Sanctions Committees and are available in a consolidated version on the UN Security Council website, and at the EU level they are included in the annexes to individual EU Council Decisions and Regulations, which oblige all

Member States to immediately seize the funds and assets of sanctioned persons, or to prohibit travel to or through their territory, as appropriate.

In the Slovak Republic, the implementation of international sanctions is regulated by Act No.289/2016 Coll. on the implementation of international sanctions and on the amendment of Act No. 566/2001 Coll. on Securities and Investment Services and on Amendments and Supplements to Certain Acts (the Securities Act), which defines international sanction in Section 2(a) as a restriction, order or prohibition in the regulations on international sanction for the purposes of securing, maintaining and restoring international peace and security, protecting fundamental human rights, combating terrorism and the proliferation of weapons of mass destruction (proliferation) and achieving the objectives of the Common Foreign and Security Policy of the EU and the Charter of the UN.

Exemptions from the sanctions regime are allowed to the extent necessary for the provision of treatment and medical care to persons subject to international sanctions. These are set out in section 13(1), (2) of the Act mentioned above. This includes, for example, treatment and medical care that will be necessary to preserve their life and health, the provision of humanitarian aid, provided that this is not restricted by decisions of the UN Security Council or the Council of the EU. Humanitarian assistance to states, and to parts and territorial units of states, consists of the provision of food, clothing, medicines, medical supplies and other humanitarian needs necessary for the protection of health, the preservation of life and the dignified accommodation of civilians, as well as the organisation and implementation of rescue operations. In practice, a situation may arise where the territory of a sanctioned state is divided by terrorists into territory controlled by terrorists and territory under the legal government of a particular territory.

State authorities, as the entities responsible for implementing international sanctions⁸ have the power to grant exemptions from the sanctions regime.

Further information on the sanctions lists is also published on the following websites:

<https://www.minv.sk/?legislativa-16>

<https://www.mzv.sk/zahranicna-politika/medzinarodne-sankcie>

https://www.mzv.sk/europske_zalezitosti/europske_politiky-sankcie_eu

[https://www.mfsr.sk/sk/financie/financny-trh/sankcie-eu-osn/oblast-medzinarodnych-sankcii-eu-osn/medzinarodne-sankcie/.](https://www.mfsr.sk/sk/financie/financny-trh/sankcie-eu-osn/oblast-medzinarodnych-sankcii-eu-osn/medzinarodne-sankcie/)

⁸ The state administration bodies competent in matters of international sanctions and the bodies and persons responsible for the implementation of international sanctions are listed in Section 4 of Act No. 289/2016 Coll. on the implementation of international sanctions.

NGOs can use an effective tool to search for legal acts and to verify information on the inclusion of individuals and entities on sanctions lists, the so-called EU Sanctions Map⁹, which is maintained by the European Commission. It contains the consolidated texts of the legal acts of the individual sanction regimes also in the Slovak language and an overview of the sanctioned persons and entities under the individual sanction regimes.

1.4 Transparency in the work of NGOs

- Setting up an effective internal control system,
- application of the “know your client” principle, whereby client means donor, recipient, staff, managers,
- transparent management of funds, proper accounting, control of the acquisition, use and disbursement of funds, financial audit (internal, external),
- the use of transparent accounts¹⁰, cashless payments,
- the use of payment services and systems in accordance with applicable legislation,
- open, truthful and regular publication of information on the activities of the NGO,
- development and adherence to a code of ethics,
- unambiguous dissociation from any support for terrorism or other criminal activities, e.g. in the articles of incorporation, statutes.

In order to set up effective self-regulatory measures, it is important that the NGOs always keep a record of the transactions made when they are using any payment channel. Records should be sufficiently detailed to demonstrate that funds have been received and used in a manner consistent with the purpose and objectives of the organisation.

To strengthen the control mechanisms for those NGOs, that lack the necessary resources and capacity, the support from partner or umbrella organisations could be beneficial by implemented training and education activities. Practical guidance, tailored to specific operational or organisational characteristics, can support more effective risk management settings.

⁹ <https://www.sanctionsmap.eu/#/main>

¹⁰ The Transparent Account is a regular bank account, but all its transactions are publicly available.

1.5 Cooperation between the NGO sector and the public sector

In order to ensure the proper functioning and development of the non-profit sector, the Institute of the Plenipotentiary of the Government of the Slovak Republic for the Development of Civil Society was established in 2011, and a new advisory body to the Government of the Slovak Republic, the Council of the Government of the Slovak Republic for Non-Governmental Non-Profit Organisations¹¹, consisting of representatives of the public administration and representatives of NGOs, was set up in 2012. The conceptions for the development of civil society¹² in the Slovak Republic are adopted in cooperation between representatives of the state sector and the third sector. Action plans for the respective years are also part of the adopted concepts.

¹¹ https://www.minv.sk/?ros_rvmno

¹² https://www.minv.sk/?ros_kros

Conclusion

Terrorism violates human rights, undermines the rule of law and is a threat to the stability of the state economy. NGOs may be particularly vulnerable to sophisticated means used to conceal illicit funds, move them across borders or channel them into the legitimate economy, particularly given their organisational characteristics, status and cross-border linkages. It is in the interest of society as a whole to prevent terrorist organisations from impersonating as legitimate entities and using them as payment channels to finance terrorism. An important task for society as a whole is to set up a system of control and preventive measures that will prevent terrorist organisations from hiding or disguising the movement of funds intended to finance terrorism.

The purpose of this material is to provide NGOs with a guide to understanding the existence of terrorism financing risks related to the potential misuse of their legitimate and meritorious operations. The briefing material should assist NGOs to take steps to mitigate the existing risks.

List of abbreviations and symbols used

AML – anti money laundering

CFT – countering of Financing of Terrorism

AML Act – Act No. 297/2008 Coll. on the Protection against the Money Laundering and Terrorist Financing and on the Amendment and Supplement of Certain Acts, as amended

FATF - Financial Action Task Force

NGO – non-governmental organization

NPO – non-profit organization

MONEYVAL – Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism

NRA - National Risk Assessment of Legalization of Proceeds of Crime and Financing of Terrorism

TF – Terrorism Financing

EU – European Union

UN – United Nations

FIU – the Financial Intelligence Unit

NRA – National Risk Assessment

ML – Money Laundering

TF – Terrorism Financing