Countries should be aware of degrees of terrorist financing: FATF plenary

FATF has agreed on changes to its assessment process for the next round of mutual evaluations

February 24, 2024 08:42 pm | Updated February 25, 2024 01:55 am IST - NEW DELHI

DEVESH K. PANDEY

FATF president Raja Rao (right) during the concluding session of the organisation's plenary on February 23, 2024. Photo: X/@FATFNews

The Financial Action Task Force (FATF) plenary has finalised the modifications to its assessment methodology to reflect the recent revisions to its standards for the protection of non-profit organisations (NPOs) from potential abuse for terrorist financing.

At the plenary that concluded on February 23 under the presidency of T. Raja Kumar from Singapore, the delegates from the FATF's Global Network of over 200 jurisdictions and observers from international organisations participated in the discussions on key money laundering, terrorism financing and proliferation financing issues at the FATF headquarters in Paris.

One of the outcomes of the plenary was that in preparation for the next round of mutual evaluations, it finalised modifications to its assessment methodology with respect to the FPOs.

"The FATF has now agreed on changes to its assessment methodology for the next round of mutual evaluations, which clarify the existing obligations to apply risk-based measures to protect NPOs that are most vulnerable to potential terrorist financing abuse and prevent the unintended consequences of the incorrect application of the FATF's requirements," it said.

Recommendation 8

At its October 2023 plenary, the FATF had agreed on the changes to Recommendation 8, which is meant to protect NPOs from potential terrorist financing abuse through effective implementation of risk-based measures. It also updated the related best practices to help countries, the non-profit sector and financial institutions in taking the relevant steps, without unduly disrupting or discouraging legitimate NPO activities.

In June 2022, the FATF plenary had agreed to deliberate on the suggestions to amend Recommendation 8 and its best practices manual in order to address the issue of excessive preventive measures being applied to the sector in some countries, which could have a negative impact on legitimate NPO activities. Subsequently, a project team prepared a draft.

Suggestions collated

The draft suggested that countries should develop an understanding of the various degrees of terrorist-financing risk posed to NPOs and of the corresponding different levels of mitigating measures required. “Many NPOs may face low TF [Terrorist Financing] risk exposure, may have adequate self-regulatory measures to mitigate such risks, and/or may already be subject to adequate level of legal and regulatory requirements, such that there may be no need for additional measures,” it said.

The draft added that countries should be mindful of the potential impact of measures on legitimate NPO activities and apply them wherever necessary to mitigate the assessed TF risks, without unduly disrupting or discouraging legitimate NPO activities. It said that countries should have in place focused, proportionate, and risk-based measures to address the terrorist financing risks, in line with the risk-based approach.

While the amendments were being considered in November 2023, days before the start of FATF’s periodic review of India’s performance, Amnesty International (United Kingdom), Charity & Security Network (United States), and Human Rights Watch (United States) had alleged that the Indian government was prosecuting, intimidating, and harassing human rights defenders, activists, and NPOs, on the pretext of countering terrorist financing.

They had flagged the laws such as Foreign Contribution (Regulation) Act, the Unlawful Activities (Prevention) Act, and the Prevention of Money Laundering Act (PMLA).

The other outcomes of the latest FATF plenary include a new risk-based guidance for the implementation of Recommendation 25 on the beneficial ownership and transparency of legal arrangements; and identification of jurisdictions with materially important virtual asset activity, to support them in implementing the FATF’s requirements.