

Outcome Report

Key Concepts and Good Practices: Implementation of the Revised Standards of FATF Recommendation 8

Background

In November 2023, the Financial Action Task Force (FATF) published amendments to Recommendation 8 (R8) and its Interpretive Note “to address the misapplication and misinterpretation of Recommendation 8.”¹ The revised R8 and its Interpretive Note place a particular focus on a risk-based approach, namely, focused, proportionate and risk-based measures in identifying, preventing and combatting the abuse of non-profit organizations (NPOs) for the purpose of terrorist financing (TF) .

From 28 to 30 April 2025 in Vienna, Austria, the Organization for Security and Co-operation in Europe (OSCE) Secretariat's Transnational Threats Department's Action against Terrorism Unit (TNTD/ATU) hosted a multi-stakeholder workshop for representatives of state bodies and NPOs from Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. The aim of the event was to provide a meaningful platform for exchanging experiences, strengthening co-operation and supporting the effective implementation of the revised R8, concerning the regulation of the NPO sector to protect against TF abuse. The event was co-organized with the EU Global Facility on Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) and organized in co-operation with the Global NPO Coalition on FATF, as well as the European Center for Not-for-Profit Law.

Participants were representatives of national financial intelligence units (FIUs), offices of prosecutors general, and ministries of finance, interior, justice and national security, as well as representatives of the NPO sector. A representative of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) — the FATF-style regional body for Central Asia — and representatives of OSCE field operations also attended. Sessions were led

¹ FATF, “Protecting non-profits from abuse for terrorist financing through the risk-based implementation of revised FATF Recommendation 8”, 16 Nov. 2023. Available: <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/protecting-non-profits-abuse-implementation-R8.html#:~:text=key%20updates%20include%3A-,R.,R.>

by a panel of EU Global Facility experts, followed by discussion among participants. The workshop addressed four main areas of relevance for the revised R8: 1. Participatory risk assessments, 2. “Focused, proportionate risk-based measures and ‘Not inhibiting legitimate NPO activity’”, 3. Self-regulation, outreach, monitoring and oversight, and 4. Financial access. Discussions were held under the Chatham House Rule, with the main points summarized as follows.

Participatory Risk Assessments

It was noted that, while national risk assessments address TF in a general way, **sectoral risk assessments** carried out under R8 are intended to achieve more specialized objectives: the FATF recognizes that the diversity of the NPO sector requires an assessment of the different types and levels of risks that different NPOs or NPO activities may be exposed to, underlining that most NPOs face little or no risk.

The revised R8 maintains the **FATF’s existing approach** to conducting and using sectoral risk assessments. Simplified, this is a three-stage process:

- 1) States must first identify the subset of organizations working in the not-for-profit realm that meet the FATF’s definition of an NPO;
- 2) From that subset, states must determine which NPOs are most at risk of being misused for TF purposes; and, finally,
- 3) States must use this risk assessment to devise focused, proportionate and risk-based measures to mitigate the identified risks, without unduly disrupting or discouraging legitimate NPO activity. States may also consider, where they exist, self-regulatory measures and related internal control measures in place within NPOs.

A key clarification under the revised recommendation is that certain entities, such as **trade unions and research or advocacy organizations**, do not fall within the FATF’s definition of NPOs and should consequently be excluded from the subset of organizations assessed for TF risks and subsequent measures. States should, therefore, ensure their assessments reflect this narrowed scope and avoid applying any AML/CFT measures to entities not covered by the standard.

The FATF’s definition of an NPO is grounded in **common law traditions**, with terms such as “good works” posing translation challenges in civil law contexts like in Central Asia. It was

suggested that states adopt practical equivalents that align with their own legal frameworks while preserving the intent of the standard.

When conducting risk assessments, participants were encouraged to apply informed judgement where **direct evidence is lacking**. Since TF incidents are typically low in frequency but high in impact, states should rely on plausible scenarios, regional intelligence and qualitative assessments to anticipate potential risks. The analogy of fire alarms — low-impact mitigating measures designed to address low-likelihood but high impact events — was invoked to justify the need for proactive, evidence-informed responses. To determine residual risks, risk assessments must also account for risk mitigation measures in place, including existing laws, rules and regulations, as well as self-regulation within the NPO sector.

Importantly, the revised R8 requires states to **ensure meaningful engagement with NPOs during the risk assessment process**. This is now a binding expectation under the Interpretive Note to R8, and examples in the Best Practices Paper² include those where NPOs are partners in such risk assessment processes, clearly illustrating the FATF's expectations towards states regarding R8 implementation. One NPO representative shared concerns that the sector had not been meaningfully consulted during the last assessment and that a generic, sector-wide average risk rating had been applied, thereby encompassing all NPOs in the country. They called for a more nuanced and inclusive process in the way forward. In that regard, Kyrgyzstan serves as a good example in light of its participatory risk assessment process from 2019, which was included in the revised Best Practices Paper, internationally recognizing it as a good consultative practice from the region.

Participants discussed the challenges and opportunities involved in cleaning and harmonizing **databases** used for NPO oversight. In many jurisdictions, statistics are collected and stored across different government bodies in fragmented systems. Efforts to harmonize this data and maintain accurate records — for example, by removing inactive or dormant NPOs — are crucial for the integrity of the assessment process. There was a broad consensus that improving “database hygiene” is foundational to effective risk assessment.

² See FATF, “Best Practices: Combatting the Terrorist Financing Abuse of Non-Profit Organisations”, November 2023, p. 48. Available: <https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/BPP-Combating-TF-Abuse-NPO-R8.pdf.coredownload.inline.pdf>

The issue of **temporary or ad hoc NPOs**, often created in response to emergencies such as natural disasters, was also discussed. These entities, although not always formally registered, often operate similarly to charitable organizations. If they engage in raising and distributing funds for charitable purposes, they may fall under the FATF’s definition of NPOs and should thus be considered in risk assessments. However, these cases present unique challenges, e.g., due to the lack of formal data, assessments may rely more heavily on intelligence and law enforcement insights. Importantly, it was underscored that so-called “sham” NPOs, which are established exclusively for purposes of TF, should be investigated by law enforcement under criminal law and are not subject to FATF-based regulation.

States that have **previously conducted sectoral risk assessments** and are classified as low-risk jurisdictions, may not be expected under the revised recommendation to redo the entire process. Instead, an addendum may suffice, especially if there have been no significant changes in the threat environment or mitigating frameworks. However, such addendum must clearly reflect the exclusion of entities like advocacy organizations, demonstrate that low-risk or no-risk NPOs have been identified, and provide evidence that existing measures are proportionate, risk-based and do not inhibit legitimate NPO activities. Additionally, it should reflect all the changes in law, practice or threat levels that may affect the original assessment.

Focused, Proportionate, Risk-Based and “Not Inhibiting Legitimate NPO Activity”

The workshop focused on the evolution of the FATF’s revised R8, particularly the concepts of ensuring that national responses to TF risks in the NPO sector are “focused, proportionate, risk-based and do not inhibit legitimate NPO activity”. The introduction of these terms across multiple FATF instruments — including the R8 itself, its Interpretive Note, Immediate Outcome 10³, the FATF Methodology and the Best Practices Paper — signals their centrality to the standard. While these are not new ideas in the FATF framework, the revised R8 provides significantly greater clarity and emphasis on how they should be applied in practice.

³ For Immediate Outcome 10, see FATF, “Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT/CPF Systems”, p. 161. Available: <https://www.fatf-gafi.org/content/dam/fatf-gafi/methodology/FATF-Assessment-Methodology-2022.pdf.coredownload.inline.pdf>

“**Risk-based**” remains foundational: the application of R8 presupposes the existence of a plausible TF risk. Measures taken should, to the extent possible, be grounded in evidence.

The term “**focused**” has now replaced the earlier use of “targeted” and carries a more precise meaning: mitigation measures should only apply to the NPOs identified as higher-risk. Blanket approaches applied across the entire sector are not considered compliant under the revised standard.

“**Proportionate**” was highlighted as having two key dimensions. First, responses must be commensurate with the actual level of the identified TF risk. Lighter measures are appropriate and expected where TF risks are lower, and in the case of the lowest-risk NPOs, where simple outreach may be sufficient, as emphasized in the revised Interpretive Note. Second, proportionality also carries an expectation that requirements placed on NPOs are in line with their operational capacity. For instance, requirements that demand expensive compliance structures or complex reporting may not be appropriate for smaller organizations and could hinder their legitimate activities.

The principle of “**not inhibiting legitimate NPO activity**” is now clearly articulated in FATF documents. States are not in compliance if they impose overly burdensome requirements on the sector, especially where such measures apply to organizations outside the FATF-defined subset of NPOs. While the revised R8 does not define what constitutes “overly burdensome”, the updated Best Practices Paper offers guidance through “bad practice” examples.⁴ These examples help illustrate measures that, while perhaps well-intentioned, can unduly restrict or discourage charitable activity and are not compliant with the revised R8. Ultimately, it is the responsibility of states to demonstrate how they balance effective risk mitigation with the protection of civic space.

References are made in the Interpretive Note to UN Security Council resolutions 2462 (2019) and 2664 (2022), which contain provisions on humanitarian exemptions in UN sanctions regimes, including initially for a period of two years for the ISIL(Da’esh) and Al-Qaida sanctions regime. This exemption was then extended for an indefinite period through UN Security Council Resolution 2761 (2024), reflecting further developments in this area. Collectively, these resolutions underscore the growing international consensus on the need to

⁴ See FATF, “Best Practices”, p. 19. Available: <https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/BPP-Combating-TF-Abuse-NPO-R8.pdf.coredownload.inline.pdf>

protect life-saving humanitarian work from unintended restrictions and can support the decriminalization of humanitarian aid under national CFT frameworks.

Self-Regulation, Outreach, Monitoring and Oversight

One of the more technically nuanced sessions of the workshop focused on the interplay between self-regulation within the NPO sector and the government's role in oversight, outreach and monitoring, as outlined in the revised R8. The discussion also shed important light on translation challenges — particularly for jurisdictions where Russian language is used — which are likely to continue impacting interpretation and implementation of the recommendation.

The session explored the concept of **NPO self-regulation**, which now features more prominently in the FATF system. These are mechanisms developed within the sector itself, such as codes of conduct, membership schemes, seals of quality or certification programmes, as well as the internal accountability and good governance mechanisms of organizations. These tools help NPOs maintain and advertise their good governance and transparency practices, often providing reassurance to donors and regulators alike. For many participants, this was the first introduction to the concept of structured self-regulatory frameworks. Some NPOs shared examples of existing good practices, including internal policy of digital-only transactions and annual internal audits overseen by governing boards.

The FATF encourages **states to play a facilitative role** in supporting NPOs as they develop such self-regulatory approaches. Government-imposed self-regulatory measures may be inherently contradictory and incompatible with the FATF's guidance. This means governments can demonstrate compliance with R8 not only through legislation or enforcement but also by highlighting how NPOs themselves are actively engaged in preventing abuse. States' sectoral risk assessments could be used to showcase the impact of non-legislative NPO measures in mitigating TF risk.

“Outreach” under R8 remains largely unchanged, focusing on helping NPOs understand and address TF risks. Through outreach, authorities may facilitate and support the self-regulatory and internal accountability measures mentioned above. It plays a preventive and supportive role, encouraging higher standards in the NPO sector. Often cited in mutual evaluations as a major shortcoming, outreach is a critical pillar of compliance with R8 and can be cost-effective.

As an example of NPO outreach, one NPO representative noted that their FIU meets quarterly with the sector to discuss emerging TF-related challenges.

A central point of clarification under the revised R8 is that **low- or no-risk NPOs require only outreach**, rather than more intensive processes of oversight or monitoring. This change reflects the FATF's emphasis on proportionate and risk-based measures and aims to prevent unnecessary administrative or legal burdens on the vast majority of NPOs that bear low or no risk of TF exploitation.

The **language shift in the revised recommendation from “supervision” to “oversight” and “monitoring”** was identified as one of the most consequential changes. The FATF has now explicitly removed the term “supervision” from R8, recognizing that it applies to financial institutions and designated non-financial businesses and professions, and is inappropriate for the NPO sector. Under the revised guidance, NPOs should not be treated as reporting entities or be subject to other AML/CFT obligations such as requirements to undertake AML/CFT risk assessments or appoint AML/CFT compliance officers. Such categorizations imply obligations and expectations that are burdensome and misaligned with the nature of civil society.

In this regard, **“oversight”** is now understood as a macro-level, less-intrusive exercise, aimed at understanding sectoral trends and risk profiles using aggregated or metadata. In contrast, **“monitoring”** refers to scrutiny of higher-risk NPO types to ensure they are taking appropriate measures against TF abuse. Importantly, it was noted that monitoring is not the same as investigation, which is strictly a law enforcement or intelligence matter. However, sound monitoring should allow for relevant information to be quickly shared with authorities should the need arise.

A particularly pressing issue raised during the session related to the **challenges posed by Russian-language translations of key FATF terminology**. Within EAG and among its members, translation inconsistencies — particularly around the terms “supervision”, “oversight” and “monitoring” — have led to confusion in both interpretation and implementation. As noted by the EAG representative, the terms “supervision” and “oversight” are often conflated in Russian as “надзор” (*nadzor*) and occasionally rendered as “контроль” (*kontrol*), which further blurs the distinctions the FATF is working to clarify. This lack of linguistic precision has significant practical implications, especially in regulatory environments

where semantic interpretation informs legal and policy design. The EAG and OSCE participating State representatives acknowledged that ongoing efforts will be required to resolve this translation issue, which will likely remain a persistent challenge across the region. In the meantime, drawing insights from case studies included in the Best Practices Paper might be a useful tool for states to understand the nature of oversight and monitoring practices the FATF encourages.

OSCE Secretariat representatives also highlighted TNTD/ATU's translation of R8, its Interpretive Note and the Best Practice Paper into Russian.⁵

The session also included reflections from NPO representatives on their **experiences under earlier supervisory regimes**. Many reported that oversight mechanisms — when referred to as “supervision” — were overly burdensome, with examples including complex registration processes and prescriptive operational controls without clear delineation of risk. Additionally, participants called for more consultative engagement between authorities and the NPO sector, since, as noted by one participant, the current model of periodic FIU briefings often felt one-sided, with limited room for collaborative discussion or shared learning.

Financial Access

The final session of the workshop addressed the persistent challenge of financial access for NPOs, particularly due to bank de-risking. While this issue is well documented,⁶ recent revisions of the FATF R8 help formalize progress made in mitigating its impact.

Participants described banks as oftentimes being overly risk-averse, driven by supervisory **pressure to overcomply** with the FATF standards. This has led to defensive practices, such as excessive information requests from NPO clients to permit transactions and overzealous filing of suspicious activity reports, even when the risk is low. NPOs shared experiences of burdensome documentation demands, including donor contracts and detailed explanations for the source and intended use of donor funds, which can obstruct legitimate activity.

Here, the importance of **effective sectoral risk assessments** was highlighted. A clear, evidence-based assessment can signal to financial institutions and supervisors where actual

⁵ The translation into Russian of R8, its Interpretative Note and the updated Best Practices Paper is annexed to the Russian version of this report.

⁶ See, for example, NYU Paris EU Public Interest Clinic, “Bank De-Risking of Non-Profit Clients: A Business and Human Rights Perspective”, 1 June 2021.

risks lie. This enables banks to apply enhanced due diligence only to higher-risk NPOs and to adopt simplified due diligence measures for low-risk entities. Importantly, revisions to the FATF's Recommendation 1, adopted in February 2025, reinforced this approach by encouraging simplified due diligence for low-risk NPO clients and recognizing that widespread de-risking creates new vulnerabilities by forcing NPOs into informal financial channels.

While co-operation between governments, NPOs and financial institutions has always been encouraged, the revised guidance makes this **tri-sectoral collaboration** more explicit. In many countries, such co-operation has proven effective in tackling financial access challenges and de-risking, and is now recognized as a best practice to emulate.

One central bank representative shared a compelling example: during a refugee crisis, their institution temporarily relaxed compliance expectations in border areas to enable swift banking access for humanitarian actors. This demonstrated how crisis-responsive, risk-based flexibility can maintain financial integrity while enabling essential NPO work.

Conclusion and Future Outlook

The workshop concluded with a call for ongoing meaningful dialogue and engagement between governments and NPOs to ensure efforts to comply with the revised R8 are effective and fair. Kyrgyzstan will be the first to be assessed in the forthcoming round of evaluations by the EAG, and participants committed themselves to further intra-regional experience sharing to exchange knowledge of how to most effectively meet the FATF's clarified expectations in this area. By the end of the workshop, it was clear to all participants that, while preventing TF remains a priority, so too is safeguarding the operational integrity and financial access of legitimate NPO sector actors.