



**OFFICE OF THE ATTORNEY-GENERAL
&
MINISTRY OF LEGAL AFFAIRS**

**3RD NON-PROFIT ORGANISATIONS ("NPO") ORIENTATION PROGRAM
RISK ASSESSMENT TRAINING & WORKSHOP**

**5th & 6th April, 2022
Baha Mar Resort
One Baha Mar Boulevard
Nassau, The Bahamas**

NPO RISK ASSESSMENT

WHAT IS A NPO RISK ASSESSMENT?

Identification of the categories of NPOs at risk of abuse for terrorist financing purposes

NPO RISK ASSESSMENT

Identifying the categories of NPOs at risk of abuse for terrorist financing purposes

Assessment steps:

STEP 1 - Understanding the composition of the NPO sector: analysis to understand country's NPO sector;

STEP 2 - Identifying & categorizing the subset of NPOs that meet the FATF definition; and

STEP 3 - Assessing the threat and vulnerability for the subset of NPOs that meet the FATF definition.

NPO RISK ASSESSMENT

STEP 1

PARTICIPANTS

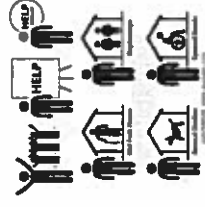
Ensure participation of the NPO sector in the risk assessment, and that engagement takes place with a representative sample (to increase reach, instruments such as online surveys and questionnaires (e.g. perception surveys) can be used), including:

- Liaising with umbrella organizations as means of enabling participation by NPOs that represent the sector;
- on-going NPO engagement (rather than a one-time consultation);

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PARTICIPANTS

- Provide opportunities for NPO participation in customizing methodology, such as gathering data; assessing findings and validating results; and
- Discourage engagement that is limited to only training or providing information to NPOs rather than exchanges of information.



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STEP 2

CATEGORIZATION OF THE NPOS THAT MEET THE FATF DEFINITION

- subset of FATF defined NPOs; and
- segmenting out the subset of NPOs that meet the FATF definition, so that the risk assessment can focus on these NPOs. FATF Recommendation 8 only applies to NPOs that meet the following definition: ‘organizations **primarily engaged in raising or disbursing funds** for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or other types of ‘good works.’

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Categorize the FATF defined NPOS based on activity type

After identifying the subset of NPOs that meet the FATF definition, the assessment working group will choose the most appropriate categorization of this subset of NPOs.

Results of **Step 2** = visual summaries of categorization.

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Results: Visual summaries of the subset of NPOs that meet the FATF definition, set against the entire NPO sector.

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STEP 3

Assessing the threat and vulnerability for the subset of NPOs that meet the FATF definition

- A. Inherent vulnerability: analysis of the different categories of FATF-defined NPOs;
- B. Threat and typologies: analysis of the different categories of FATF-defined NPOs;
and
- C. Mitigating measures: analysis of mitigating measures – both public and NPO – (*only for of the high or medium inherent risk categories of FATF-defined NPOs. If step A + B show that the category presents a low risk, there is no need to apply mitigating measures*)

DEFINITIONS

INHERENT RISK

Risk is based on the assessment of two factors: threat and vulnerability

DEFINITIONS cont'd.

THREAT

Threat is a person or group of people, object or activity with the potential and intention to cause harm.

Includes: Criminals, terrorist groups and their financiers, associates and facilitators, including methods for how they exploit funding sources and means of transferring and storing funds ('Typologies').

DEFINITIONS cont'd.

INHERENT VULNERABILITY

Inherent vulnerabilities are the characteristics of an organization or sector that can be exploited, or that may support, or enable a threat to materialize.

Includes: Characteristics of NPO operations, e.g. type of NPOs, operational design, level of Transparency and Oversight applied to use of (awarded) funds, methods to receive, move and use funds.

DEFINITIONS cont'd.

MITIGATING MEASURES

Mitigating measures are measures taken to prevent or lower the likelihood or consequences of the threat materializing, and to support the detection of the crime.

Includes: Financial controls, Governance requirements, Record keeping, Awareness raising.

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OUTCOMES OF NPO TERRORIST FINANCING RISK ASSESSMENT TOOL

- The final outcome of the analysis is reflected in visualized assessment results on which category of FATF defined NPOs are most at risk for TF abuse, and the underlying factors for this outcome.
- A visual summary will be generated to indicate the effectiveness of mitigating factors.
- A visual summary will be generated to show the incidence level of typologies and threat arising from operational activity.
- A visual summary will also be generated to reflect the size of the subset of FATF-defined NPOs in relation to the entire NPO sector, their activities, funds and location of operations.

NPO RISK ASSESSMENT

The criteria used for assessing NPO's risk profiles included:

1. SIZE

- whether the NPO's asset size or income level represent a significant proportion of the total for the charitable sector.

2. INTERNATIONAL ACTIVITIES

- Whether the NPO has foreign sources of funding;
- Whether the NPO has foreign beneficiaries;
- Whether the NPO has an overseas branch or is itself a branch of an overseas organization.

3. GEOGRAPHICAL AND OTHER EXPOSURE

- Whether the NPO operates in, or has links to, areas known to have terrorist activity; and
- Whether the NPO has potential exposure to abuse by extremist groups.

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HIGH RISK NPOS

- NPOs that are assessed as high risk are subject to onsite inspections by the Registrar General pursuant to section 16 of the NPO Act, 2019, which empowers the Registrar General to conduct onsite inspections of NPOs' facilities and operations to ensure that the NPO is in compliance with the provisions of the Act and any regulations made pursuant to the Act.
- The main purpose of the onsite inspections is to enable the Registrar General to give guidance and feedback to NPOs on how their AML/CTF systems and controls can be improved.
- This is in line with the Registrar's functions under section 4 of the NPO Act which requires the Registrar to ensure that all NPOs have appropriate internal controls in place, including an appropriate system to identify conduct which may involve identified risks.

NPO RISK ASSESSMENT

LOW RISK NPOs

Low Risk NPOs will not be subject to onsite-inspections compliance inspections. These are NPOs whose annual turnover does not exceed \$75,000

- **SIZE**—NPO’s asset size or income level does not represent a significant proportion of the total for the NPO sector;
- Does not engage in **INTERNATIONAL ACTIVITIES**; &
- **NO GEOGRAPHICAL AND OTHER EXPOSURE** (no links to high risk jurisdictions).

NPO RISK ASSESSMENT

THANK YOU

&

THE END