



Independent Risk Assessment of Non-Profit Organization Sector in Ukraine

**on Preventing and Combating Legalization (Laundering) of the Proceeds
of Crime, Terrorist Financing and Financing of Proliferation of Weapons
of Mass Destruction**

METHODOLOGY

Kyiv 2023



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INTRODUCTION

This methodology is developed by CEDEM team experts with participation of an expert Ben Evans, Co-Founder and Senior Partner, Greenacre Group, for the first independent risk assessment of non-profit sector in Ukraine, which is to be conducted in the sphere of preventing and combating legalization (laundering) of the proceeds of crime, terrorist financing and financing of proliferation of weapons of mass destruction.

After completion of such independent risk assessment the civil society of Ukraine will be able to elaborate proposition of amendments to Methodic of the National Risk Assessment and advocate for minimization of regulatory pressure on the civil society from the side of state financial monitoring entities.

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DETERMINATION OF CATEGORIES OF NPOs TO BE ASSESSED

FATF defines non-profit organization as a legal person or arrangement or organization that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of “good works”.

In Ukraine there is no legislative definition of non-profit organization, rather an organization with non-profit status which has fiscal nature. Therefore all organizations possessing that kind of status are listed by State Tax Service of Ukraine. Also only organizations registered as legal entities can open bank accounts and conduct economic activities. Therefore we should assess the organizations that are registered as legal entities and possess non-profit status at the same time answering the NPO definition by FATF.

NPO sector in Ukraine (according to FIU data)

| Forms of organization | Amount |
|--------------------------|----------------|
| Total | 241 739 |
| Charitable organizations | 20 498 |
| Building cooperatives | 1 799 |
| Public associations | 96 543 |

| | |
|--|--------|
| Political Parties | 14 630 |
| State-financed institutions | 9 924 |
| Religious organizations | 26 915 |
| Associations | 309 |
| Associations and other unions of legal entities | 7 |
| Co-owners' associations of multi-apartment buildings | 37 695 |
| Labour unions, their associations and organizations of labour unions | 29 291 |
| Garden associations | 4 128 |

Assessed categories of NPOs (registered as legal entities and possess non-profit status at the same time answering the NPO definition by FATF)

| Forms of organization | Amount |
|-----------------------|----------------|
| Total | 143 956 |

| | |
|---------------------------|--------|
| Charitable organizations* | 20 498 |
| Public Associations* | 96 543 |
| Religious organizations* | 26 915 |

**Organizations included into the State Tax Service register of non-profit organizations*

Aim of the assessment: This methodology is created to assess the level of risk of using NPOs for money laundering (hereafter - ML) and terrorism financing (hereafter – TF) in Ukraine.

Methods of the assessment: interviewing, written survey, open data analysis, analysis of gathered data.

STRUCTURE OF THE ASSESSMENT

- Part 1. Survey of NPOs (by interviewing the sample). Assess the vulnerability by category of NPOs
- Part 2. Analysis of open data and registers and information provided by state bodies.
- Part 3. Assessment of inherent risk
- Part 4. Survey of NPOs (by mailing)
- Part 5. Survey of key stakeholders and donors.
- Part 6. Effectiveness of mitigating measures

OUTCOMES OF NPO RISK ASSESSMENT

Implementing ML/TF risk assessment can be expected to produce the following assessment outcomes:

- Identification of FATF NPOs and collection of data on their characteristics
- Level of inherent risk by FATF NPO category
- Effectiveness of mitigating measures by FATF NPO category
- Evidence and level of ML/TF abuse of NPOs
- Visual summaries of all assessment results to support analysis

GLOSSARY ON KEY TERMS

Non-profit organization or NPO – in terms of this methodology used according to Recommendation 8 FATF - a legal person or arrangement or organisation that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of ‘good works’ (civil society organizations, charitable organizations, associations, religious organizations, labour unions, creative associations).

Politically Exposed Persons or PEP – natural persons who are domestic, foreign public figures and figures conducting public functions in international organizations.

Domestic public figures - natural persons who conduct or have conducted significant public functions in Ukraine, namely:

- The President of Ukraine, the Prime-Minister of Ukraine, Members of the Cabinet of Ministers of Ukraine and their deputies;
- The head of permanent subsidiary organ created by the President of Ukraine, his deputies;
- Heads and deputy heads of State Directorate for Affairs;
- Heads of apparatus (secretariats) of state bodies who are not public officers on the positions of category ["A"](#);
- The Secretary and deputies of the Secretary of the National Security and Defense Council of Ukraine;
- Members of the Parliament of Ukraine;
- The head and members of the Board of National Bank of Ukraine, members of the Council of National Bank of Ukraine;
- The head and judges of Constitutional Court of Ukraine, Supreme Court and high specialized courts.
- Members of High Council of Justice, members of High Qualification Commission of Judges of Ukraine, members of Qualification and Disciplinary Commission of Public Prosecutors;
- The Prosecutor General and his deputies;
- The Head of The Security Service of Ukraine and his deputies;
- Director of the National Anti-Corruption Bureau of Ukraine and his deputies;
- Director of the State Bureau of Investigation of Ukraine and his deputies;
- Director of the Economic Security Bureau of Ukraine and his deputies;
- The head and the members of The National Council of Television and Radio Broadcasting, the head and the members of the Antimonopoly Committee of Ukraine, the head of the National Agency on Corruption Prevention, the head and the members of the Accounting Chamber, the head and the members of the Central Election Commission of Ukraine, the head and the members of other state collegial bodies;

- Extraordinary and plenipotentiary ambassadors;
- The Chief of General Staff, Commander-in-Chief of the Armed Forces of Ukraine, chiefs of the Ukrainian Ground Forces, the Ukrainian Air Force, the Ukrainian Navy;
- Public officers on the positions of category "A";
- Heads of prosecutor offices, heads of regional territorial bodies of The Security Service of Ukraine, heads and judges of courts of appeal.
- Heads of administrative, management and supervisory bodies of state-owned enterprises, economic entities, state share in the capital stock of which is directly or indirectly more than 50%;
- Members of executive bodies of political parties.

Foreign public figures - persons who conduct or have conducted significant public functions in foreign countries, namely:

- Head of the state, government, ministers (deputies);
- Members of parliament or other bodies, which conduct functions of legislative body in the country;
- Heads and members of boards of central banks or accounting chambers;
- Members of the Supreme Court, Constitutional Court or other judicial organs, whose decisions cannot be appealed except appeal on exceptional circumstances;
- Extraordinary and plenipotentiary ambassadors, chargé d'affaires and heads of central bodies of military administration;
- Heads of administrative, management and supervisory bodies of state-owned enterprises;
- Members of executive bodies of political parties.
- figures conducting public functions in international organizations – officials of international organizations holding or have been holding an office of the head (director, head of the board, etc) or deputy head in such organizations or conduct or have conducted any other executive (significant public) functions at the highest level, including international interstate organizations, members of international parliamentary assemblies, judges and leading officials of international courts.

PART 1

SURVEY – NPO SELF-ASSESSMENT OF THE RISK OF FINANCING TERRORISM AND MONEY LAUNDERING

(interviewing of a sample)

Vulnerability Assessment by Non-Profit Organization Category

Sample strategy

Single or multiple digitised database: Sample survey

This will occur when there is/are accurate digitised database(s) on the full population, and we have access to their contact details. If the data is held on more than one database, then they should be consolidated into one database which is then randomized. Analysis will be of a representative sample of the whole (combined) population.

Data source: Accurate digitised database(s).

Sampling steps:

1. Consolidate all databases (if more than one)
2. Randomize entire population
3. Conduct interview from start of list until statistically valid number have been surveyed.

The total population of associations that meet the FATF definition of NPO is 143 956, according to data obtained from Report on National Risk Assessment on 01.01.2022. From this, a random **sample of 384 organisations is to be surveyed**, giving a confidence level of 95% that the real value of any response is within $\pm 5\%$ of the measured/surveyed value.

Methodology: ZOOM interview + filling in the google-form

The survey consists of 20 questions estimated in points and 7 questions concerning general information about organization gathered for statistical reasons. Statistical questions (Unit 1) could be sent to NPOs beforehand as a register google-form for interviewing. It can save time up to 20 minutes during the interview.

The survey consists of 3 units which help to assess vulnerability to ML/TF among NPOs. The first unit is focused on general background of the organization. The second unit aims to assess financial background of NPOs. The third unit focuses on internal policies and management of NPOs.

Vulnerability assessment is based on the analysis of NPO's ability to prevent and counterpart ML/FT as well as the capacity to be used for ML/FT. We presume that vulnerability combats certain type of ability of organization to counterpart ML/TF threats or provides capacity for NPO resources to be used for ML/TF. Therefore each question should reveal the level of certain ability and estimate the level of appropriate vulnerability as low (L), middle-low (ML), middle (M), middle-high (MH) or high (H).

Unit 2 and 3 should be assessed separately. Separate assessment should be also done for each category of NPOs.

Recommendations for NPOs should be elaborated on the basis of overall analysis of gathered data and identification of the most frequent types of vulnerabilities.

For the purposes of this assessment we will also need the following information from the Tax Service and/or State Statistic Service:

- **the number of NPOs** registered as legal entities and possess non-profit status at the same time answering the NPO definition by FATF, separated into kinds of NPO.
- **the level of annual income of NPOs.**

Data collected from Part 1 are to be used in the analysis of mitigating factors for NPOs (Part 6)

QUESTIONNAIRE

I confirm that my organization has the status of non-profit organization and such a record is contained in the Register of Non-Profit Institutions and Organizations.

I consent to processing of my personal data.

Unit 1: General information about organization

- 1. What is the name of your organization?**
- 2. Your name and position in the organization.**
- 3. Number of members in your organization? 4 or less or more than 4?**
- 4. The legal form of your organization is**
 - A) Public Association
 - B) Charitable organization (foundation)
 - C) Religious organization
 - D) Labour union, their association and/or organization of labour unions
 - E) Creative union
 - F) Association (union)
- 5. Where is your organization registered? (please indicate name of the city and the region)**
- 6. Please indicate activities of your organization:**
 - A) The promotion of science and scientific research;
 - B) The promotion of religion;
 - C) The promotion of the public health system and public healthcare;
 - D) Support of vulnerable categories of people (children, youth, elderly, disabled etc);
 - E) The promotion of art and culture, including preservation of heritage;
 - F) The promotion of education;

- G) The promotion of protection of the environment and ecology, defense of wildlife;
- H) The promotion of the public welfare, particularly of the purposes of CSOs and the voluntary welfare associations
- I) The promotion of support for IDPs, refugees, war victims (not on the territory of warfare and/or military conflict)
- G) Providing humanitarian aid for civilians on the territory of warfare and/or military conflict, and/or occupied territories. Evacuation of civilians from the territory of warfare and/or military conflict, and/or occupied territories. The tracing service for missed people on the territory of warfare and/or military conflict, and/or occupied territories.
- K) The promotion of the protection of domestic animals (including shelters).
- L) The promotion of sport
- M) The promotion of equal rights, including gender expertise, defense of women's and girls' rights and human rights defense.
- N) Anticorruption
- O) The promotion of freedom of speech, journalist research
- P) The promotion of civil infrastructure development
- Q) Satisfaction of social needs of members of your organization, connected with common interests including their professional (labour) activities (education)
- R) Providing support for Armed Forces of Ukraine, including Territorial Defense and veterans
- S) Analytical research
- T) Legal aid or legal consulting for CSOs.
- U) Defense of the rights of combatants and their families and/or veteran organization
- V) Defense of children's rights
- W) Advocacy
- X) Your variant_____

7. What territory does your organization conduct its activities?

- A) On the territory of one city?
- B) On the territory of administrative region (according to Decree of Verkhovna Rada of Ukraine "[Про утворення та ліквідацію районів](#)")
- C) On the territory of an oblast
- D) On the territory of a few oblasts

- E) On the whole territory of Ukraine
- F) On the territory of Ukraine as well as abroad
- G) Only abroad

| Unit 2: Finances and operational activities of organization | | | |
|--|---|------------------------------------|--|
| 1 | <p>What is the approximate budget of your organization a year? (including not only finances, but also received assets). Please provide an average sum of the last three years.</p> | H or no indication | <p>In case the organization is generally vulnerable and has a big budget another this question will additionally say of high level of vulnerability of such an NPO. In other cases this question doesn't influence the total assessment.</p> <p><i>Level of capacity to finance terrorism</i></p> |
| 2 | <p>Who makes decision about cooperation with potential donor or partner?</p> <p>A) Only the head of NPO B) Board or other executive body of NPO C) NPO has definite policies for checking potential donors and partners. After such check up the decision about cooperation makes the board or other executive body of NPO. D) Donor or contributor on his own decides where NPO cooperates with a definite partner or not.</p> | A - MH B - ML C - L D - H | <p>Only one option is possible.</p> <p><i>Ability to filter threats of ML/TF abuse by donors and partners.</i></p> |
| 3 | <p>Who makes decision about cooperation with definite contractor (on procurements of products or services)?</p> | A - MH B - ML C - L D - H | <p>Only one option is possible.</p> <p><i>Ability to filter threats of ML/TF abuse by contractors.</i></p> |

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| | <p>A) Only the head of NPO B) Board or other executive body of NPO C) NPO has definite procurement policies including tender policy for procurements exceeding definite sum. After this procedure the decision on procurement makes special commission or board of NPO (other executive body) D) Donor or contributor decides where NPO procure services or products.</p> | | |
| <p>4</p> | <p>Who makes decision about providing help (support) to definite target audience according to direction of NPO's activities? <i>Under the help (support) we understand all kinds of support which can be provided by NPO according to its statute, e.g charity, consulting, training etc.</i> A) Only the head of NPO B) Board or other executive body of NPO C) NPO has definite policies for checking the recipients. After such check up the decision makes special commission or board of NPO (other executive body) D) NPO provides help (support) only in terms of projects with donor financing and the target audience is defined with the project agreement.</p> | <p>A - MH B - ML C - L D - L E - H</p> | <p>Only one option is possible. Ability to filter threats of ML/TF abuse by target audience.</p> |

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| | E) Donor or contributor decide exactly what recipients get help | | |
| 5 | <p>Where is your NPO financed from? <i>(Please indicate the option/options that refer to current and previous financial years)</i></p> <p>A) Member fees B) Charitable contributions C) Ukrainian donor organizations (please give the name) D) Foreign donor organizations (please give the name of organization and the country of its origin) E) Ukrainian state and/or local budget F) Foreign government (please indicate the country) G) Anonymous contributions</p> | <p>A - L B - L C - L or H D - L or H E - L F - L or H G - L or H</p> | <p>Several options are possible. If organization chooses C, D or F, we need to check the donors and countries if they are not under sanctions, black or grey lists of FATF, and not connected to PEPs, terrorist/criminal activities. If such connections are found at list in 1 answer, the indicator is assessed as high-risk Ability to stand threats of ML/TF abuse from finance sources.</p> |
| 6 | <p>Are there PEPs among donors or contributors of your organization? <i>(Please indicate the option/options that refer to current and previous financial years)</i> Yes/No If yes, what percent of annual budget amount financing did NPO get from such a person during the last 3 years? A) 25% or more B) 10%-25% B) less than 10%</p> | <p>No - L A - H B - M C - L</p> | <p>Only one option is possible. Ability to stand threats of ML/TF abuse by PEPs.</p> |

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| <p>7</p> | <p>Does NPO have a bank account abroad? If yes? Indicate please the country.</p> | <p>No – L Yes – L or H</p> | <p>Assessment of “yes” answer depends on the country. If the country where the bank account is opened included to black or grey lists of FATF, in so called off-shores zone, countries with high terrorist threat then the indicator is assessed as high-risk. In other cases – low-risk. Availability of reliable finance system and market of finance services for NPO.</p> |
| <p>8</p> | <p>Does the organization get cash from donors (contributors)? A) yes, such costs make 10% or less of total annual financing B) yes, such costs make 10-20% of total annual financing C) yes, such costs make 20-30% or less of total annual financing D) yes, such costs make 30-50% or less of total annual financing E) yes, such costs make more than 50% or less of total annual financing F) No</p> | <p>A - L B - ML C - M D- MH E - H F - L</p> | <p>Only one option is possible. Potential capacity for NPO to be involved into ML schemes with cash.</p> |
| <p>9</p> | <p>Does NPO provide non-repayable financial aid for natural persons or legal persons in big amount? A) yes, such help is provided for natural persons or legal persons in terms of humanitarian projects. Recipients are not connected to the</p> | <p>A - L C - H D - L</p> | <p>Only one option is possible. Ability of NPO-connected persons to move finance resources out of NPO.</p> |

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| | <p>donors of NPO, don't belong to its members or officials.</p> <p>B) yes, such help can be provided to the donors of NPO, its members or officials.</p> <p>C) No</p> | | |
| 10 | <p>Does NPO provide non-repayable financial aid in cash?</p> <p>A) yes, such costs make 10% or less of total annual expenditures</p> <p>B) yes, such costs make 10-20% of total annual expenditures</p> <p>C) yes, such costs make 20-30% or less of total annual expenditures</p> <p>D) yes, such costs make 30-50% or less of total annual expenditures</p> <p>E) yes, such costs make more than 50% or less of total annual expenditures</p> <p>F) No</p> | <p>A - L</p> <p>B - ML</p> <p>C - M</p> <p>D- MH</p> <p>E - H</p> <p>F - L</p> | <p>Only one option is possible.</p> <p>Potential capacity for NPO to be involved into ML schemes with cash.</p> |
| 11 | <p>How does NPO report its finances?</p> <p>A) According to national legislation as well as donors' demands.</p> <p>B) NPO reports according to national legislation as well as donors' demands. Such reporting could be provided upon the request of a subject of primary financial monitoring.</p> <p>C) The organization conducts extended financial reporting according to international</p> | <p>A - ML</p> <p>B - L</p> <p>C - L</p> <p>D - H</p> | <p>Several options are possible.</p> <p>Availability of transparent move of fund in NPO</p> |

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| | standards for CSOs and provides it to the relevant subject of primary financial monitoring. D) NPO doesn't report its finances | | |
| 12 | <p>Does NPO undergo a regular external audit?</p> <p>A) The organization undergoes regular external audit, provides access to its results, and during the last 3 years had unconditional positive or conditional positive conclusions thereof.</p> <p>B) The organization undergoes regular external audit and provides access to its results.</p> <p>C) The organization undergoes regular external audit, but doesn't provide access to its results.</p> <p>D) The organization doesn't undergo external audit</p> | <p>A - L B - ML C - M D - L or high</p> | <p>The assessment depends on the size of the budget of NPO. If it's significant and NPO chooses D, the indicator is assessed as high-risk. Only one option is possible. Availability of Independent Audit</p> |

| Unit 3: Statutory activities and internal policies | | | |
|---|---|---------------------------|--|
| 1 | <p>Is your organization registered on the territory of warfare and/or military conflict, and/or occupied territories (link to map and Decrees of Ministry of Regions)?</p> <p>Yes/No</p> | <p>Yes - H No - L</p> | <p>Only one option is possible. Threats measurement</p> |
| 2 | <p>Does your organization act on the territory</p> | <p>Yes - H</p> | <p>Only one option is possible.</p> |

| | | | |
|---|--|---|---|
| | <p>of warfare and/or military conflict, and/or occupied territories (link to map and Decrees of Ministry of Regions)?</p> <p>Yes/No</p> | No - L | Threat measurement |
| 3 | <p>The system of governing bodies of the organization as fixed in statutory documents, is accountable and provides the possibility to change the governing bodies transparently.</p> <p>Yes/No</p> | <p>Yes - L</p> <p>No - H</p> | <p>Only one option is possible.</p> <p>Availability of reliable identification data and Access to Beneficial Ownership Information</p> |
| 4 | <p>Does the NPO have a policy to select candidates on vacancies?</p> <p>A) NPO has a document with rules of competitive selection of staff, which include the check-up. Rules of conflict of interest regulation are used if a candidate is a close person to a member of HR commission or a person on an executive position in NPO.</p> <p>B) NPO has competitive selection of staff, which include the check-up, but the rules are not documented and rules of conflict of interest regulation are not used.</p> <p>C) NPO doesn't have a procedure for selection of staff.</p> <p>D) NPO doesn't hire staff. The work is done by</p> | <p>A - L</p> <p>B - M</p> <p>C - H</p> <p>D - L</p> | <p>Only one option is possible.</p> <p>Ability to filter threats of ML/TF abuse by personnel.</p> |

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| | its members or volunteers free of charge. | | |
| 5 | <p>Does NPO have documented rules of conflict of interest regulation?</p> <p>Yes/No</p> | <p>Yes – L</p> <p>No – H</p> | <p>Only one option is possible.</p> <p>Availability of tools to prevent the misuse of NPO resources by personnel in charge.</p> |
| 6 | <p>Does the organization report its activities in public?</p> <p>A) Yes, the report is regularly published on the site and/or profile pages of NPO. (Please give the links)</p> <p>B) NPO doesn't have its own site or profile page, but reports via pages of its members. (Please give the links)</p> <p>C) NPO reports only to its donors</p> <p>D) NPO doesn't report its activities.</p> | <p>A – L or H</p> <p>B- L or H</p> <p>C – MH or H</p> <p>D- H</p> | <p>Only one option is possible.</p> <p>The links should be checked. If they are active and the information about activities is updated regularly, then options A and B should be assessed as low-risk. If not – as high-risk</p> <p>Option C is assessed generally as medium-high risk, but if NPO has big amount of budget, then as high-risk.</p> <p>Ability of NPO to act transparently.</p> |
| 7 | <p>Are there PEPs on executive positions of your NPO?</p> <p>A) Yes, it's a head of NPO</p> <p>B) Yes, it's a CEO</p> <p>C) Yes, it's a deputy head of NPO</p> <p>D) Yes, it's a member of board or other executive body</p> <p>E) No</p> | <p>A - H</p> <p>B - H</p> <p>C - M</p> <p>D- ML</p> <p>E - L</p> | <p>Only one option is possible.</p> <p>Ability to stand threats of ML/TF abuse by PEPs.</p> |
| 8 | <p>How many members are there in the board or</p> | <p>A - H</p> <p>B - M</p> | <p>Only one option is possible.</p> <p>Availability of control for decision making in</p> |

| | | | |
|--|--|-------------------------|--|
| | other executive body of your NPO? A) 1 B) 2 C) 3 D) 4 E) more than 4-x | C - L D - L E - L | <i>NPO and Access to Beneficial Ownership Information</i> |
|--|--|-------------------------|--|

Part 2

ANALYSIS OF OPEN DATA AND REGISTERS AND INFORMATION PROVIDED BY STATE BODIES

Threat Assessment by Non-Profit Organization Category

This part is elaborated on the basis and with the use of The World Bank Guidance “Non-Profit Organizations TF Risk Assessment Tool” which is part of World Bank Group National Money Laundering and Terrorist Financing Risk Assessment Toolkit (2022)

This part is supposed to provide two outcomes:

- Evidence of NPO involvement in ML/TF
- Level of threat of ML/TF abuse for NPOs

For the purpose of this part of the Methodology a number of data is needed. The data will be gathered from open sources as well as by requests to relevant public authorities.

Data collection period: 5 years (from 2018)

Predicate offences of ML to be taken under consideration: legalization (laundering) of property proceeding from crime (art. 209 CCU), willful violation of the law on prevention and counteraction to legalisation (laundering) of proceeds from crime, terrorist financing, and financing of weapons of mass destruction (art.209-1 CCU) fraud (art.190 CCU), misappropriation, embezzlement, conversion, or property by malversation (art. 191 CCU), financial fraud (art. 222 CCU), abuse of power by an official of a legal entity of private law, regardless of the organisational and legal form (art. 364-1 CCU), Use of money obtained from illicit trafficking in narcotic drugs, psychotropic substances, their analogues, precursors, toxic or potent substances or toxic or potent medicines (art. 306 CCU)

Predicate offences of TF to be taken under consideration: act of terrorism (art. 258 CCU), Involvement in an act of terrorism (art. 258-1 CCU), Public incitement to commit an act of terrorism (art. 258-2 CCU), Creation of a terrorist group or terrorist

organisation (art. 258-3 CCU), Facilitation to committing an act of terrorism (art. 258-4 CCU), Financing of terrorism (art. 258-5 CCU), transpassing of state border with the aim of terrorism (art. 258-6 CCU).

Predicate offences of financing of proliferation of weapons of mass destruction to be taken under consideration: Use of weapons of mass destruction (art. 439 CCU), Development, production, purchasing, storage, distribution or transportation of weapons of mass destruction (art. 440 CCU).

Assess and document evidence and level of ML/TF abuse of NPOs

If there is evidence of ML/TF abuse of NPOs available, it is advised that descriptive information on the case(s) be included in the records and report.

These should include:

- (a) the characteristics of the NPO, such as legal type, purpose, size, value of assets, ownership and control structure, fundraising methods, disbursement methods and services/goods provided, types of transactions common to the NPO;
- (b) characteristics of the case, such as NPO representative involved, value of the assets abused for TF purposes, and the method of abuse (typology description—that is, how the NPO was abused and the geographical locations involved).

For each of the assessed NPO categories, a separate analysis should be made. This category-by-category analysis is intended to support the understanding of risk at a granular level.

Number of ML/TF Convictions (verdicts)

Have there been any ML/TF convictions of NPOs or their representatives (including employees, volunteers, or other individuals acting in an official capacity representing an NPO)?

If so, at what level should the number of those convictions be rated?

Consider how this number of ML/TF convictions relates to each of the following:

- The total number of TF convictions in the assessment period (and annual breakdown to identify trends)
- The number of NPOs
- The total number of criminal convictions in the assessment period (and annual breakdown to identify trends) of NPOs, their representatives, or both
- The total number of terrorism convictions in the assessment period

The threat can be assessed to be from “low” to “high”

Number of ML/TF Prosecutions

Have there been any ML/TF prosecutions of NPOs or their representatives (including employees, volunteers, or other individuals acting in an official capacity representing an NPO)?

If so, at what level should the number of these prosecutions be rated?

Consider how this number of ML/TF prosecutions relates to each of the following:

- The total number of ML/TF prosecutions in the assessment period (and annual breakdown to identify trends)
- The number of NPOs
- The total number of criminal prosecutions (and annual breakdown to identify trends) of NPOs, their representatives, or both
- The total number of ML/TF prosecutions in the assessment period

The threat can be assessed to be from “low” to “high”

Number of ML/TF Investigations

Have there been any criminal investigations related to ML/TF of NPOs or their representatives (including employees, volunteers, or other individuals acting in an official capacity representing an NPO)?

If so, at what level should the number of criminal investigations related to ML/TF be rated?

Consider how this number of investigations relates to each of the following:

- The total number of criminal investigations related to ML/TF in the assessment period (and annual breakdown to identify trends)
- The total number of criminal investigations related to ML/TF charges made
- The total number of criminal investigations related to ML/TF charges opened
- The number of NPOs
- The total number of criminal investigations of NPOs, their representatives, or both
- The total number of criminal investigations related to ML/TF in the assessment period

The threat can be assessed to be from “low” to “high”

Number of ML/TF Suspicious Transaction Reports (STRs):

Have there been any STRs related to ML/TF on NPOs or their representatives (including employees, volunteers, or other individuals acting in an official capacity representing an NPO)?

These STRs can be submitted by any reporting entity, including banks or money transfer service providers.

If so, at what level should the number of STRs related to ML/TF be rated?

Consider how this number relates to each of the following:

- The total number of STRs related to ML/TF on NPOs and their representatives that have been referred to other agencies
- The total number STRs related to ML/TF in the assessment period (and annual breakdown to identify trends)
- The total number of STRs related to ML/TF (historically)
- The number of NPOs
- The total number of STRs related to NPOs, their representatives, or both
- The total number of STRs and SARs related to ML/TF in the assessment period

The threat can be assessed to be from “low” to “high”

Number of ML/TF allegations in open sources (mass media sources)

Have there been any allegations in credible open sources about terrorist financing or terrorism abuse of NPOs or their representatives (including employees, volunteers, or other individuals acting in an official capacity representing an NPO)?

If so, how should the level of these allegations be rated?

Consider each of the following:

- The credibility of the open sources such as academic reports, NPO reports, and known news sources (as opposed to online anonymous blogs)
- The number of allegations made
- The nature of the allegations
- The substantiation provided

Disinformation about NPOs may sometimes be presented as credible. When assessing the credibility of allegations about terrorist financing abuse of NPOs or their representatives, a careful review of the source of information is warranted. It is recommended to consult neutral third parties (can be included into NPO or donors questioning blocks) to obtain the most objective views on the credibility of the open-source allegations.

These data are not assessed and are analyzed for general understanding of the current situation.

Assessment of the threat by category of abuse (to be assessed by NPO category)

This assessment should be conducted on the basis of the results of the survey of a sample of 384 organisations (see Part 1) and research of information about surveyed NPOs in open sources.

Separate assessment should be also done for each category of NPOs.

Diversion of funds

There is evidence—or reasonable grounds for believing or suspecting—that NPOs (including employees, volunteers, or other individuals acting in an official capacity representing an NPO) in this category have diverted or are diverting funds for ML/TF purposes, a known or suspected terrorist entity, terrorist individual, or supporter of terrorism.

The threat can be assessed to be from “low” to “high”

Affiliation with a terrorist entity

There is evidence—or reasonable grounds for believing or suspecting—that NPOs (including employees, volunteers, or other individuals acting in an official capacity representing an NPO) in this category maintain an operational affiliation with a known or suspected terrorist entity, terrorist individual, or supporter of terrorism.

The threat can be assessed to be from “low” to “high”

Abuse of programming

There is evidence—or reasonable grounds for believing or suspecting—that NPO-funded programs meant to support legitimate purposes are manipulated at the point of delivery for ML/TF purposes, support of terrorism, a known or suspected terrorist entity, terrorist individual, or supporter of terrorism.

The threat can be assessed to be from “low” to “high”

Support for recruitment efforts

There is evidence—or reasonable grounds for believing or suspecting—that NPO-funded programs or facilities are used to create an environment that supports or promotes terrorism recruitment-related activities.

The threat can be assessed to be from “low” to “high”

False representation/sham NPO

There is evidence—or reasonable grounds for believing or suspecting—that under the guise of charitable activity, organizations or individuals raise funds or carry out other activities in support of terrorism, a known or suspected terrorist entity, terrorist individual, or supporter of terrorism

The threat can be assessed to be from “low” to “high”

Collection of funds

There is evidence—or reasonable grounds for believing or suspecting—that NPOs in this category are located in or collecting funds in areas with

- a. an established presence of terrorism
- b. conflict in which there is an active terrorist threat.

Or from collecting funds or operating with

- c. a known or suspected terrorist entity or terrorist individual,
- d. a population that is actively targeted by a terrorist movement for support and cover, or e. entities (including financial institutions) and individuals known to be supportive of or sympathetic toward terrorist entities, terrorist individuals, terrorist ideology, or radical beliefs.

The threat can be assessed to be from “low” to “high”

Transfer of funds

There is evidence—or reasonable grounds for believing or suspecting—that NPOs in this category are located in or facilitate transfer of funds through or to areas with

- a. an established presence of terrorism or
- b. conflict in which there is an active terrorist threat, or are transferring funds to or from, or operating with
- c. a known or suspected terrorist entity or terrorist individual,
- d. a population that is actively targeted by a terrorist movement for support and cover, or
- e. entities (including financial institutions) and individuals known to be supportive of or sympathetic toward terrorist entities, terrorist individuals, terrorist ideology, or radical beliefs.
- f. related to NPO persons

The threat can be assessed to be from “low” to “high”

Expenditure of funds

There is evidence—or reasonable grounds for believing or suspecting—that NPOs in this category are located in, or disbursing funds or delivery of programs through which they are operating in areas with

- a. an established presence of terrorism,
- b. conflict in which there is an active terrorist threat, or from expending funds, or operating with
- c. a known or suspected terrorist entity or terrorist individual,
- d. a population that is actively targeted by a terrorist movement for support and cover, or e. entities (including financial institutions) and individuals known to be supportive of or sympathetic toward terrorist entities, terrorist individuals, terrorist ideology, or radical beliefs.
- e. to related to NPO persons.



Disbursing funds to or operating in humanitarian emergencies may also increase exposure. The urgency of needs can diminish adherence to oversight and controls, which may raise exposure to abuse. A lesser exposure could also arise from an NPO's provision of services to entities, populations, or persons known to be targeted, supportive of, or sympathetic toward terrorist groups, terrorist ideology, or radical beliefs. This includes those who are vulnerable to being exploited for TF purposes, such as refugees, victims of humanitarian emergencies, and children in high-risk areas and diaspora groups.

The threat can be assessed to be from "low" to "high"

Part 3

RISK ASSESSMENT BY NON-PROFIT ORGANIZATION CATEGORY

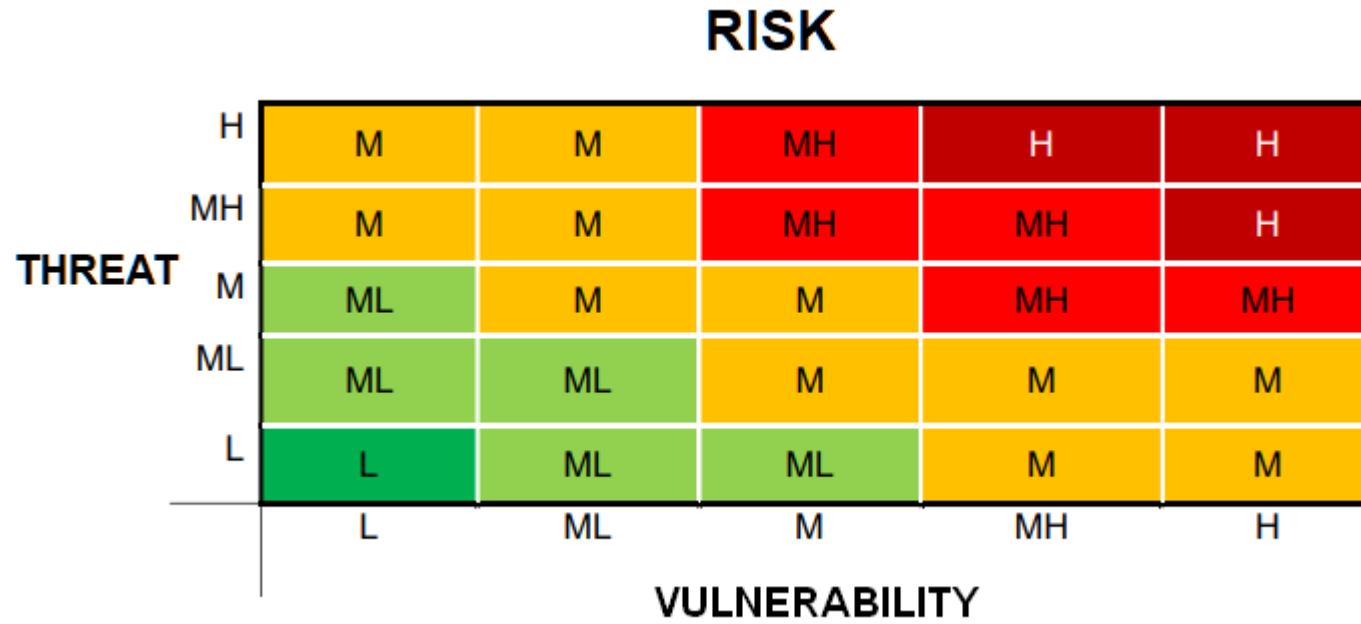
The level of the risk (by category of FATF NPOs) is assessed on the basis of the following:

- Assessed vulnerability by category of FATF NPOs (Part 1)
- ML/TF threat by category of NPOs (Part 2)

The general level of risk of ML/TF is defined at the level where the results of threat and vulnerability assessments cross. For instance, if the threat was assessed as “medium” and vulnerability as “medium-high” the risk of ML/TF will be “medium-high”. This means that however the level of threat in the environment of assessed NPO is at the middle level, the general risk of ML/TF is higher than middle, considering higher level of vulnerability (weak spots in defense mechanism).

Assumed that the level of vulnerability can increase the attractiveness, hence the tendency of criminals/terrorists to use this method of action and therefore influencing the level of threat.

On the picture below the general levels are expressed in colours, low are green, medium are yellow, high are red.



PART 4

SURVEY – NPO SELF-ASSESSMENT OF THE RISK OF FINANCING TERRORISM AND MONEY LAUNDERING

(interviewing by mailing)

Method: Computer Assisted Web Interviewing

Sample strategy

The questionnaire will be sent via e-mail to wide range of respondents including data-bases of CEDEM and its partners and also the data-base of NPO that was consolidated from other researches conducted by CEDEM and Consortium.

Number of respondents: over 16000 of NPOs.

The survey consists of 4 units (17 questions).

Unit 1 is concerning general information about organization gathered for statistical reasons.

Unit 2 estimates the level of awareness of NPOs about ML/TF risks and their own assessment of these risks in the sector.

Unit 3 reveals how NPOs assess government measures to reduce risks of ML/TF

Unit 4 deals with de-risking and de-banking. It is not a strict requirement of a FATF risk assessment, but considering the current situation in Ukraine is favourable.

All units should be analyzed separately. Separate analysis should be also done for each type of NPOs.

Gathered information will not influence the final level of NPO sector risk assessment, but will provide additional information which is very important for understanding the current situation in the sector in terms of AML/CTF.

Recommendations for NPOs should be elaborated on the basis of overall analysis of gathered data.

Data collected from Part 4 are to be used in the analysis of mitigating factors for NPOs (Part 6)

QUESTIONNAIRE

I confirm that my organization has the status of non-profit organization and such a record is contained in the Register of Non-Profit Institutions and Organizations.

I consent to processing of my personal data.

Unit 1: General information about organization

- 1. What is the name of your organization?**
- 2. Your name and position in the organization.**
- 3. Number of members in your organization? 4 or less or more than 4?**
- 4. The legal form of your organization is**
 - A) Public Association
 - B) Charitable organization (foundation)
 - C) Religious organization
 - D) Labour union, their association and/or organization of labour unions
 - E) Creative union
 - F) Association (union)
- 5. Where is your organization registered? (please indicate name of the city and the region)**
- 6. Please indicate activities of your organization:**
 - A) The promotion of science and scientific research;
 - B) The promotion of religion;
 - C) The promotion of the public health system and public healthcare;
 - D) Support of vulnerable categories of people (children, youth, elderly, disabled etc);
 - E) The promotion of art and culture, including preservation of heritage;
 - F) The promotion of education;

- G) The promotion of protection of the environment and ecology, defense of wildlife;
- H) The promotion of the public welfare, particularly of the purposes of CSOs and the voluntary welfare associations
- I) The promotion of support for IDPs, refugees, war victims (not on the territory of warfare and/or military conflict)
- G) Providing humanitarian aid for civilians on the territory of warfare and/or military conflict, and/or occupied territories. Evacuation of civilians from the territory of warfare and/or military conflict, and/or occupied territories. The tracing service for missed people on the territory of warfare and/or military conflict, and/or occupied territories.
- K) The promotion of the protection of domestic animals (including shelters).
- L) The promotion of sport
- M) The promotion of equal rights, including gender expertise, defense of women's and girls' rights and human rights defense.
- N) Anticorruption
- O) The promotion of freedom of speech, journalist research
- P) The promotion of civil infrastructure development
- Q) Satisfaction of social needs of members of your organization, connected with common interests including their professional (labour) activities (education)
- R) Providing support for Armed Forces of Ukraine, including Territorial Defense and veterans
- S) Analytical research
- T) Legal aid or legal consulting for CSOs.
- U) Defense of the rights of combatants and their families and/or veteran organization
- V) Defense of children's rights
- W) Advocacy
- X) Your variant_____

7. What territory does your organization conduct its activities?

- A) On the territory of one city?
- B) On the territory of administrative region (according to Decree of Verkhovna Rada of Ukraine "[Про утворення та ліквідацію районів](#)")
- C) On the territory of an oblast
- D) On the territory of a few oblasts

- E) On the whole territory of Ukraine
- F) On the territory of Ukraine as well as abroad
- G) Only abroad

Unit 2. Awareness and assessment of risk ML/TF

1. How well is your NPO informed about regulations, laws and policies on counteracting ML/FT in Ukraine?

- A) Very well informed: NPO has a specialist professionally focused on this issue. We obtain specialist information and attend events on it.
- B) Well informed: we take a personal interest and actively seek information on this issue through the media.
- C) Somewhat informed: we have an interest in the issue and read articles on the topic when they come to our attention.
- D) Poorly informed: we do not have the time to follow and/or take no particular interest in this issue.

2. Is your NPO aware of terrorist financing?

- A) NPO and its key personnel are informed about threats of terrorist financing (participated in trainings or read relevant materials)
- B) Poorly informed: we do not have the time to follow and/or take no particular interest in this issue.

3. Are you aware of cases of suspected terrorist financing and/or investigations into terrorist financing by Ukrainian NGOs in the last five years?

No/ Yes

(If yes, please provide details in the box below, e.g. name(s) of the organisation(s) involved)

4. What is your assessment of the risk that NPOs in Ukraine may be misused for terrorist financing?

- A) A very big risk
- B) A big risk
- C) A medium risk
- D) A small risk
- E) A very small risk
- F) No risk at all

Why do you assess the risk like this? _____

5. What is your assessment of the risk that funds from your NPO may be misappropriated for terrorist financing?

- A) A very big risk
- B) A big risk
- C) A medium risk
- D) A small risk
- E) A very small risk

6. Please assess the following risks to your NPO in order, with 1 being the lowest risk and 4 the highest risk.

- A) Money laundering
- B) Terrorist financing
- C) Bribery
- D) Fraud

**Unit 3. Assessment of government measures to reduce risks of
ML/TF**

1. Are you aware of any specific or general governmental measures for NGO which are designed to reduce the risk of terrorist financing and/or money laundering (e.g. laws, special checking by banks etc.)?

Yes/No

2. Which of the following governmental measures intended to minimize the risk of ML/TF are you aware of?

- A) Specific regulations, policies or laws on the prevention of ML/TF
- B) General regulations, policies or laws regulating NPOs activities, but seeking to reduce the risk of ML/TF
- C) Laws or regulations on funding or fundraising of NPO which address the risk of ML/TF
- D) Rules on the prevention of terrorist financing for banks or financial institutions which affect my NPO
- E) Restrictions on money transfers, cash or other asset transfers to destinations abroad
- F) Investigations of NPOs or NPO officials on suspicion of ML/TF offenses
- G) Fines, loss of tax privileges or other sanctions against NPOs in the wake of investigation on suspicion of ML/TF
- H) Penalties or bans imposed on NGOs for ML/TF offenses

- I) Government bodies, or organisations commissioned by them, arrange trainings or in other way make NPOs aware of the potential risk of ML/FT
- J) Government bodies, or organisations commissioned by them, provide NPOs with advice or guidance on how best to reduce the potential risk of ML/FT
- K) I'm not aware of any such measures

3. Which of the existing governmental measures are effective in reducing the potential risk of ML/FT for NPO?

- A) Specific regulations, policies or laws on the prevention of ML/FT
- B) General regulations, policies or laws regulating NPOs activities, but seeking to reduce the risk of ML/FT
- C) Laws or regulations on funding or fundraising of NPO which address the risk of ML/FT
- D) Rules on the prevention of terrorist financing for banks or financial institutions which affect my NPO
- E) Restrictions on money transfers, cash or other asset transfers to destinations abroad
- F) Investigations of NPOs or NPO officials on suspicion of ML/FT offences
- G) Fines, loss of tax privileges or other sanctions against NPOs in the wake of investigation on suspicion of ML/FT
- H) Penalties or bans imposed on NGOs for ML/FT offenses
- I) Government bodies, or organisations commissioned by them, arrange trainings or in other way make NPOs aware of the potential risk of ML/FT
- J) Government bodies, or organisations commissioned by them, provide NPOs with advice or guidance on how best to reduce the potential risk of ML/FT
- K) I'm not aware of any such measures

4. Which of these governmental measures limit your ability to do your work effectively?

- A) Specific regulations, policies or laws on the prevention of ML/FT
- B) General regulations, policies or laws regulating NPOs activities, but seeking to reduce the risk of ML/FT
- C) Laws or regulations on funding or fundraising of NPO which address the risk of ML/FT
- D) Rules on the prevention of terrorist financing for banks or financial institutions which affect my NPO
- E) Restrictions on money transfers, cash or other asset transfers to destinations abroad
- F) Investigations of NPOs or NPO officials on suspicion of ML/FT offenses
- G) Fines, loss of tax privileges or other sanctions against NPOs in the wake of investigation on suspicion of ML/FT

- H) Penalties or bans imposed on NGOs for ML/FT offenses
- I) Government bodies, or organisations commissioned by them, arrange trainings or in other way make NPOs aware of the potential risk of ML/FT
- J) Government bodies, or organisations commissioned by them, provide NPOs with advice or guidance on how best to reduce the potential risk of ML/FT
- K) Nothing of mentioned above

Unit 4. Problems with banking services

1: Has your NGO experienced any of the following problems in the last five years? Please select all that apply.

- A) Problems in opening bank accounts
- B) Account closed by the bank or services withdrawn
- C) Delays in bank transfers
- D) Refusal to transfer funds
- E) Significant increases in fees
- F) Burdensome requests for additional documentation
- G) None of the above (if they select this answer, go to Q7)
- H) Other (please specify)

2: For any of the previously mentioned problems, did the financial institution mention any particular reason?

Yes/No

(please

specify)

3: How frequently have you experienced problems of the type or types you mentioned? Would you describe it (them) as:

- A) Rare
- B) Occasional – maybe once a year
- C) Regular – every few months
- D) Constant – ongoing, few breaks between incidents

4. Generally speaking, have your organization’s banking problems become better, worse, or stayed about the same over the last few years?

- A) Better

- B) Worse
- C) Stayed the same

5: Given the difficulty your organization has experienced with financial access, which of the following remedies to these problems have you sought? Please select all that apply:

- A) Find another financial institution
- B) Hire additional people/allocate more time to meet greater compliance demands from your bank
- C) Use money remitter, such as Western Union or something similar
- D) Operate using cash
- E) Operate using personal bank account
- F) Cancel the programme
- G) Change or restrict funding to certain geographic areas, beneficiaries or partners
- F) Tried transaction successfully again later
- I) _____ other _____ (please _____ specify)

6. Is the problem more with receiving foreign funds or disbursement/transferring of funds within the country or both?

- A) Receiving foreign funds
- B) Disbursement of funds
- C) Both

7. Has a donor asked you to do any of the following as a condition of your grant (select all the apply) (If no, go to Q8)

- A) Undertake additional vetting of partners
- B) Undertake additional vetting of beneficiaries
- C) Sign a contract with a specific clause on terrorist financing

8. What has been the impact of this? (please select all that apply)

- A) Preventing us accessing funds
- B) Discouraged us from applying for funds
- C) Forced us to refuse a grant
- D) Significant increase in administrative burden

9: Are you personally aware of any other NGO in Ukraine which has had any of the following problems in the last five years? Please select all that apply.

- A) Problems in opening bank accounts
- B) Delays in bank transfers
- C) Account closed by the bank or services withdrawn
- D) Significant increases in fees
- E) Burdensome requests for additional documentation
- F) No (skip the next question)

10: What was the impact upon the organisation of these problems?

- A) The NGO was not able to set up
- B) The NGO was forced to close
- C) The NGO had to change the way it worked
- D) No impact
- E) Don't know.

Part 5

SURVEY OF KEY STAKEHOLDERS AND DONORS

This section is aiming to research the perspective of NPO ML/FT abuse by interviewing the biggest NPOs in Ukraine that are aware of the situation (NGOs, think-tanks and analytical centers professional in ML/FT and anticorruption spheres).

Data collected in this section will be used to assess the preventive measures of the government to protect NPOs from ML/FT abuse and to create recommendations for the government on how to improve those measures.

The second part of this section includes questions to big international and Ukrainian donors about their risk-evaluation criteria of grantees.

Data collected in this section will be used to create recommendations for NPOs (especially SCOs and charitable organizations) about internal best practices to prevent ML/FT abuse.

Data collected from Part 5 are to be used in the analysis of mitigating factors for NPOs (Part 6)

QUESTIONNAIRE FOR STAKEHOLDERS

Unit 1. Assessment of ML/FT/WMDF Sphere

1. Did you have cases when restrictions on the transfer of funds or assets abroad or from abroad to Ukraine influenced your activities or activities of your grantees? If yes, how do you estimate this influence on you and the NPO sector in general?
2. Are you aware of any investigations of NPOs or NPO officials for AML/TF/WMDF offenses in Ukraine?
3. Are you aware of any prosecutions of NPOs or NPO officials for AML/TF/WMDF offenses in Ukraine?
4. Are you aware of any convictions (verdicts) of NPOs or NPO officials for AML/TF/WMDF offenses in Ukraine?

5. Does the government make the NPO sector aware of the potential risk of AML/TF/WMDF in Ukraine?
6. Has the government provided the sector with advice or guidance on how best to reduce the potential AML/TF/WMDF risk in Ukraine?
7. Does your organization apply any policies/practices on preventing ML/TF/WMDF? For example, policies for checking candidates when hiring staff or conducting procurements for the purposes of the project? Maybe your donors any AML/TF/WMDF standards from you?
If yes, could you please provide more details?
8. Could you foresee any issues or problems in the AML/TF/WMDF sphere for the NPO sector in Ukraine in the upcoming 5 years? If yes, please specify and give relevant recommendations.

Unit 2. Problems with banking services

1: Has your NGO experienced any of the following problems in the last five years? Please select all that apply.

- A) Problems in opening bank accounts
- B) Account closed by the bank or services withdrawn
- C) Delays in bank transfers
- D) Refusal to transfer funds
- E) Significant increases in fees
- F) Burdensome requests for additional documentation
- G) None of the above (if they select this answer, go to Q7)
- H) Other (please specify)

2: For any of the previously mentioned problems, did the financial institution mention any particular reason?

Yes/No
(please

specify)

3: How frequently have you experienced problems of the type or types you mentioned? Would you describe it (them) as:

- A) Rare
- B) Occasional – maybe once a year

- C) Regular – every few months
- D) Constant – ongoing, few breaks between incidents

4. Generally speaking, have your organization’s banking problems become better, worse, or stayed about the same over the last few years?

- A) Better
- B) Worse
- C) Stayed the same

5: Given the difficulty your organization has experienced with financial access, which of the following remedies to these problems have you sought? Please select all that apply:

- A) Find another financial institution
- B) Hire additional people/allocate more time to meet greater compliance demands from your bank
- C) Use money remitter, such as Western Union or something similar
- D) Operate using cash
- E) Operate using personal bank account
- F) Cancel the programme
- G) Change or restrict funding to certain geographic areas, beneficiaries or partners
- F) Tried transaction successfully again later
- I) other (please specify)

6. Is the problem more with receiving foreign funds or disbursal/transferring of funds within the country or both?

- A) Receiving foreign funds
- B) Disbursal of funds
- C) Both

7. Has a donor asked you to do any of the following as a condition of your grant (select all the apply) (If no, go to Q8)

- A) Undertake additional vetting of partners
- B) Undertake additional vetting of beneficiaries
- C) Sign a contract with a specific clause on terrorist financing

8. What has been the impact of this? (please select all that apply)

- A) Preventing us accessing funds

- B) Discouraged us from applying for funds
- C) Forced us to refuse a grant
- D) Significant increase in administrative burden

9: Are you personally aware of any other NGO in Ukraine which has had any of the following problems in the last five years? Please select all that apply.

- A) Problems in opening bank accounts
- B) Delays in bank transfers
- C) Account closed by the bank or services withdrawn
- D) Significant increases in fees
- E) Burdensome requests for additional documentation
- F) No (skip the next question)

10: What was the impact upon the organisation of these problems?

- A) The NGO was not able to set up
- B) The NGO was forced to close
- C) The NGO had to change the way it worked
- D) No impact
- E) Don't know.

QUESTIONNAIRE FOR DONORS

1. What AML/TF/WMDF standards do you require from your grantees in their activities?
2. Do you require ML/TF/WMDF risk-assessment from your grantees at their activities? For example, checking candidates when hiring staff or conducting procurements for the purposes of the project?
If yes, please provide more details?
3. Are there any measures for failing to comply with your requirements? Please specify.
4. Did you have cases when restrictions on the transfer of funds or assets abroad or from abroad to Ukraine influenced your activities or activities of your grantees? If yes, how do you estimate this influence on you and the NPO sector in general?
5. Are you aware of any investigations of NPOs or NPO officials for AML/TF/WMDF offenses in Ukraine?
6. Are you aware of any prosecutions of NPOs or NPO officials for AML/TF/WMDF offenses in Ukraine?
7. Are you aware of any convictions of NPOs or NPO officials for AML/TF/WMDF offenses in Ukraine?
8. Does the government make the NPO sector aware of the potential risk of AML/TF/WMDF in Ukraine? (Question for Ukrainian donors)
9. Has the government provided the sector with advice or guidance on how best to reduce the potential AML/TF/WMDF risk in Ukraine?(Question for Ukrainian donors)
10. Could you foresee any issues or problems in the AML/TF/WMDF sphere for the NPO sector in Ukraine in the upcoming 5 years? If yes, please specify and give relevant recommendations.

Part 6

ANALYSIS OF MITIGATING FACTORS BY CATEGORY OF NPOs

This part is elaborated on the basis and with the use of The World Bank Guidance “Non-Profit Organizations TF Risk Assessment Tool” which is part of World Bank Group National Money Laundering and Terrorist Financing Risk Assessment Toolkit (2022)

Objective: Establish the quality of mitigating measures by category of FATF NPOs by assessing the following:

- Quality of government measures applicable to this category of NPOs
- Quality of NPO measures taken at an institutional level by this category of NPOs.

Important: The treatment of the NPO sector is, and should be, different from that of reporting entities such as financial institutions and Designated Non-Financial Businesses and Professions (DNFBPs).

NPOs are not obligated to take preventive measures such as customer due diligence, record keeping, and monitoring and reporting of suspicious activity. FATF has not set out obligations for NPOs.

This Part aims to assess the adequacy and proportionality of mitigating measures applicable to at-risk NPOs, including laws and regulations, policies, and programs that promote accountability, integrity, and public confidence in the administration and management of NPOs.

It also aims to raise awareness about the potential vulnerabilities of NPOs to ML/TF abuse and ML/TF risks while concurrently preventing disruption of legitimate charitable activities.

These measures include self-regulatory measures within the NPO sector or subsector.

Government measures

Quality of outreach and education

What is the quality of outreach and education to NPOs by the government?

Are at-risk NPOs aware of the risks of ML/TF abuse, and is their knowledge deepened through guidance and preventive education?

What measures have government entities taken to improve NPOs' understanding of their ML/TF risk and possible methods for mitigating it?

Do they collaborate with NPOs and others to establish and disseminate best practices?

Examples include awareness raising, targeted risk assessments, monitoring, outreach, support, guidance, and training. Should be also considered whether the outreach is sufficiently risk based—that is, providing a higher level of support to higher-risk NPOs.

Quality of NPO policies

Does the government have clear policies to promote accountability, integrity, and public confidence in the administration and management of NPOs?

Avoiding disruption of NPO activities

AML/CTF measures must explicitly not disrupt legitimate NPO activities; they especially should minimize the negative impact they might have on beneficiaries of the good works of NPOs.

They may not be used to justify abuse of civil society for political purposes.

Jurisdictions have an obligation to respect freedom of association, assembly, expression, religion or belief, and international humanitarian law.

Indicators of disruption of legitimate NPO activities include

- De-risking: Have there been signals that NPOs have faced challenges in gaining access to financial services?

Examples include disruptive delays in transfers, closure of money or value transfer services (MVTs) or bank accounts, or failure to open bank or MVTs accounts.

- Are there signals that there have been limitations to freedom of association, assembly, expression, religion, or belief, or violations of international humanitarian law as identified by the UN Special Rapporteur on Freedom of Association?

Where such indicators have arisen, what measures have jurisdictions taken to minimize their negative impact on NPOs?

NPO measures

Quality of governance

Have NPOs in this category implemented effective governance measures to ensure integrity and transparency?

Two important elements of governance are

- (a) authority and stewardship (active oversight of organizational governance and policy making by the board of directors, which oversees conduct of the NPO's affairs, ensures that a qualified team carries out day-to-day activities, manages and accounts for financial and other resources, and oversees fulfillment of the mission); and
- (b) accountability (ability to explain, accept responsibility, and take public trust into consideration when carrying out responsibilities, to provide details on operations, and to accept responsibility for outcomes).

Have NPOs in this category:

- Established effective organizational governance (versus opaque leadership or decision-making structures);
- Shown evidence of sound expenditures and management of funds received from donors and governments;
- Shown effective organizational governance (including human resources); and
- Shown accountability for the outcomes, quality, and ranges of their programs and services?

Quality of financial management

How sound are the financial management practices of NPOs in this category?

Internal transparency and accountability practices should ensure effective control over how funds are collected, retained, transferred, and spent and over how programs are delivered.

NPOs should keep records and employ practices consistent with the following:

- Comprehensive financial planning and budget systems—including all sources and uses of funds for all aspects of operations
- Clear procedures for execution of financial matters and separation of duties (such as ensuring that authorization functions for purchasing, cash handling, and depositing of funds are separate from review and verification functions)
- Clearly documented accounting policies and procedures
- Sound reporting practices for all revenue and expenditures for the organization as a whole as well as for programs and funding sources
- Diligent monitoring procedures for review of revenue and expenditure, including independent audit

Negative indicators may include the following:

- Inability to account for the origin of income or final use of resources
- Use of third parties to open NPO bank accounts or carry out some transactions
- Inconsistency of expenditures with programs and activities
- Structural inconsistencies in accounting and mandatory reporting

Quality of project management

How sound are the project management practices of NPOs in this category?

Consider whether the practices allow for planning, tracking, and review of the use of resources in light of project requirements/

Does the NPO have milestones, targets, and indicators, and mechanisms for monitoring these to ensure project delivery and to identify possible problems?

Do NPOs perform appropriate checks on donors, partners, and beneficiaries, considering the circumstances and context of the organization and the environment in which it operates?

Note that there is no expectation that NPOs apply antimoney laundering (AML) or combating the financing of terrorism (CFT) customer due diligence procedures, as need to be applied by financial institutions.

Quality of staff vetting and oversight

What is the quality of the processes and procedures that NPOs in this category apply for vetting (or screening) of any person acting in an official capacity representing an NPO?

These may be paid or unpaid volunteers or staff members, particularly trustees, board members, senior officers, and persons in sensitive positions. Such procedures would ensure recruitment of persons with the necessary skills, experience, and expertise, and would also protect against hiring or assigning roles to those with criminal records, such as for terrorist activity, money laundering, fraud, or bribery.

Consider the effectiveness of organizational governance and oversight (including structures and processes for managing human resources).

Level of commitment to transparency

Do NPOs provide open-source information about

- The identity of those who control or direct the NPOs' activities,
- The purpose and objectives of their activities,
- Their activities,
- Their sources, use, and expenditure of funds?



Level of selfregulation (incl. implementation)

To what extent have NPOs in this category set up selfregulation measures for good governance, accountability, and transparency?

This includes internal standards for programs, organizational integrity, governance, management practices, human resources policies, finances, communication, disclosure, and fundraising.