

ANNEX

**RISK INDICATORS CONCERNING THE ABUSE OF NON-PROFIT ORGANISATIONS TO
TERRORIST FINANCING OR OTHER CRIMINAL PURPOSES**

The main aim of listing the following indicators of potential risks is to raise awareness of the non-profit sector, of public authorities and potential donors to vulnerabilities of the non-profit sector to terrorist financing. An indicator should not in any case be regarded in isolation, but should be evaluated in the context of other indicators and the organisational and legislative environment in which the NPO operates.

A, Organisational structure and administration

- The name of the NPO seems similar to the one of a widely known and reliable organisation;
- NPO chooses a form of activity that is not legally required to register or falls under minimal/ no supervision;
- The organisation is not registered or officially recognised as an NPO, but is operating like one;
- The NPO shares its registered office with other organisations;
- Managers/Directors/trustees hold positions in other NPOs and the organisations share the same accountant, financial advisor, lawyer or external auditor;
- The number of people employed by the NPO are inconsistent with the amplitude of activities/financial responsibilities of the NPO;
- The internet website of the NPO has not been updated in the last 12 months;
- The NPO has frequently changed its registered address;

B, Purpose and activities of the organisation

- There is little or no information available on the activities of the NPO;
- Organisation's objectives are tied to a particular political or religious affiliation;

C, Management

- There is discrepancy between the management and the stated objectives of the NPO;
- The NPO does not cooperate with public authorities in case of legitimate enquires;
- Trustees seem to exercise no influence over the management of the organisation;

This discussion paper is drafted on the basis of preliminary consultations and does not reflect any official position of the European Commission.

- Among trustees and/or managers of the NPO there are individuals designated on terrorist lists of the UN or the EU, or on commercially available money laundering watch-lists;

D, Financial management

- The NPO disposes of several different bank accounts, inconsistently with the size of its activities;
- No financial controls are applied, no annual financial statements, no external audits are prepared;
- No clear audit trail can be provided on any given transaction;
- There is a lack of clarity through which channels, payment methods funds are transferred for abroad;
- The general method of payment is cash transfers, or other methods outside the formal banking system;
- NPO achieves poorly performing investments that are linked to its trustees or managers;

E, Financial Status

- The number of projects/the total income of the NPO are not in line with the size of the organisation;
- There is a sudden change in the amount of funds distributed or funds collected;
- An inconsistency appears between income/expenditure of the NPO and its activities;
- The income structure of the NPO mainly relies on some main donors that are linked to managers or trustees of the organisation;

F, Beneficiaries, donors and partner NPOs

- There is a lack of clarity in which geographical area funds are collected;
- NPO transfers funds to high risk countries or jurisdictions³ and lacks transparency regarding how these funds were transferred and used;
- NPO receives funds from high risk countries or jurisdictions and lacks transparency regarding the sources from which these funds originate;
- There is lack of transparency on partner NPOs operating in high risk jurisdictions or there is no clear trace of the existence of these organisations.

³ Where “high risk” is taken to mean countries or jurisdictions prone to corruption, instability, or conflict, or that have weak financial controls such as FATF “Non Compliant Countries or Territories”.