



SECTORAL RISK ASSESSMENT OF THE ABUSE OF NON- GOVERNMENTAL NON-PROFIT ORGANISATIONS FOR TERRORIST FINANCING

Bratislava

April 2024

Abbreviations

AML Act	Act No. 297/2008 Coll. on protection against money laundering and terrorist financing and on the amendment to certain acts
EBA	European supervisory authority (European Banking Authority)
EC	European Commission
EU	European Union
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit of the Presidium of the Police Force
TF	terrorist financing
BO	beneficial owner
MoC SR	Ministry of Culture of the Slovak Republic
NGOs	non-governmental non-profit organisations
MoI SR	Ministry of Interior of the Slovak Republic
MoFEA SR	Ministry of Foreign and European Affairs of the Slovak Republic
NBS	National Bank of Slovakia
NES LP	National AML/CFT Expert Group of the Interministerial Coordination Body for Combating Crime
NRA	National Money Laundering and Terrorist Financing Risk Assessment
NPOs	NGOs falling under the FATF definition (non-profit organisation)
LEAs	law enforcement authorities
CTU	Counter-Terrorism Unit of the National Crime Agency of the Presidium of the Police Force
RNGO	Register of Non-Governmental Non-Profit Organisations
RFS	Register of Financial Statements
SRA	sectoral risk analysis
SR	Slovak Republic
SNRA	supranational risk assessment on money laundering and terrorist financing affecting the internal market and related to the European Commission's cross-border activities (Supranational Risk Assessment)
HTU	higher territorial unit

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EXECUTIVE SUMMARY

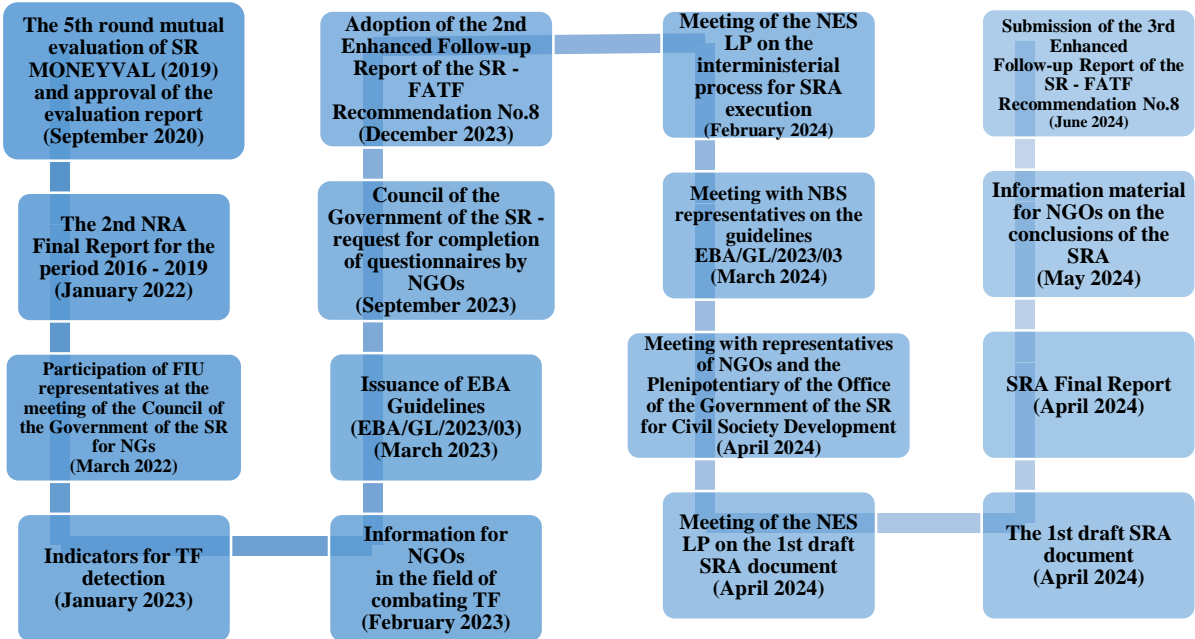
This document is the first stand-alone risk assessment focused exclusively on the area of NGOs registered in the territory of the SR. The focus of the assessment team was to identify the subgroup of NGOs that fall within the FATF definition, to determine their features and the types that could be at risk of being abused for TF.

The risk assessment process, under the auspices of the FIU, involved the relevant authorities of the SR, the Office of the Government Plenipotentiary for Civil Society Development, as well as representatives of NGOs.

The conclusions of the findings were drawn on the basis of the analysis of data and information gathered from the cooperating national authorities, from the conclusions of meetings and interviews with representatives of the selected NGOs, as well as from information obtained from open sources and assessed as credible.

This SRA is also based on the findings of the 1st NRA Report for the period 2011 - 2015, the 2nd NRA Report for the period 2016 - 2019, as well as the SNRA Report of 2022.

The SRA process was preceded by a number of steps that were a precursor to the decision to undertake the SRA process for NGOs and preparation for the successful conclusion of the examination.



KEY FINDINGS

- The group of NPOs falling under the FATF definition constitutes 12% of the total number of NGOs registered in the territory of the SR. Of this number, only a small group of identified NPOs operate near or directly in high-risk countries where terrorist organisations operate.
- All NGOs, including the subgroup of NPOs as defined by the FATF, are required to register.
- The identified NPOs have different legal forms and operate in different areas, often cumulatively. The NPOs operating in risk areas are mainly engaged in humanitarian and development activities.
- Most of the NPOs operating in high-risk countries are part of an international network of NPOs supported by large donors who require tighter controls.
- The use of cash in high-risk countries and regions is used only in exceptional cases, when no other payment channel can be used, in compliance with the relevant regulations. The conduct of public collections in cash is subject to strict legislative conditions.
- Control mechanisms for NPOs are set within the framework of the applicable national legislation as well as strict self-regulatory measures, especially in the case of larger NPOs that are part of international NPO networks.
- No case of abuse of NPOs for TF has been recorded in the territory of the SR.
- Based on the findings of the review, several risk areas have been identified, including: new technologies, unsystematic and insufficient data collection by state authorities, inconsistent conditions related to different legal forms of NPOs, e.g. not all types of NPOs are legally obliged to produce and submit annual reports.
- Despite the absence of a legal requirement to produce and submit an annual report, most types of NPOs produce and publish it on their websites in order to demonstrate their transparency in the management of their funds.
- The provision of aid in any form in high-risk countries where terrorist organisations are active poses a threat in this area.
- A vulnerability in the NPO sector is the absence of a legal requirement to produce annual reports *on the funding and activities of NPOs*, as well as the *performing supervision* during their operation.

- The level of self-regulatory measures set up by the majority of NPOs in the area of funding, vetting of directors, partners, staff, and the requirements of large donors for action by NPOs to ensure high transparency in the handling of NPO funds, represents *a low level of vulnerability*.
- NPOs *verify the credibility of their staff* before recruitment from a number of sources.
- The level of cooperation between relevant government authorities in monitoring risk and spreading awareness in the NGO sector has increased since 2022.

INTRODUCTION

NGOs are one of the fundamental pillars of society and are active to a greater or lesser extent in all areas of social life.

NGOs are one of the key actors in eliminating terrorism-related risks by contributing to peacebuilding, promoting good governance, respect for human rights and the rule of law, and providing vital assistance in conflict-affected areas where terrorist organisations may operate. In this context, NGOs, the financial sector and state authorities share a common goal of ensuring that aid (goods, services, funds) reaches its intended beneficiaries in a safe and timely manner and is not abused for TF.

NGOs play a critical role in the global and national economies and social systems and although protection of the non-profit sector is important, measures taken to protect this sector should not be aimed at undermining or discouraging legitimate charitable activities.

NGOs often operate internationally, either directly in the centre or in adjacent conflict-affected territories, carrying out humanitarian missions.

The FATF, as an intergovernmental body that aims to protect the integrity of the financial system globally and increase its transparency, is aware of the risks of potential misuse of NPOs for TF purposes. In response to the prevention of such risks, the FATF formulated within its standards Recommendation No. 8¹ for the introduction of measures preventing the abuse of NPOs for TF. In November 2023, the FATF updated the Best Practices on Combating the TF Abuse of Non-Profit Organisations².

The objective of conducting this SRA was to identify a subgroup of NPOs registered in the territory of the SR that meet the FATF definition³, to identify the risks of abuse of this subgroup of NPOs for TF, to assess the level of threat and vulnerability of this part of the NPO sector to TF abuse, and to assess the sufficiency of existing measures to mitigate this risk. A briefing paper will be developed from the findings of the SRA to help improve awareness in the NGO sector and provide valuable information on how to protect oneself from the risk of TF abuse.

The conclusions of the conducted SRA will be one of the bases for the planned 3rd round of the NRA SR for the years 2020 - 2023, the process of which was initiated in February 2024 pursuant to Article 26a(3) of the AML Act.

¹ <https://www.fatf-gafi.org/content/dam/fatf-gafi/recommendations/FATF%20Recommendations%202012.pdf.coredownload.inline.pdf>

² <https://www.fatf-gafi.org/en/publications/Financialinclusionandnpoissues/Bpp-combating-abuse-npo.html>

³FATF definition: “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”.

1 Methodology and terminology

For the purpose of this evaluation, the period 2020 - 2023 has been set. In conducting the assessment, a number of sources were used, in particular the *FATF Terrorist Financing Risk Assessment Guidance of July 2019*⁴, the *FATF Best Practices for Combating the Terrorist Financing Abuse of NPOs of November 2023*⁵, or the *World Bank's Methodology - Non-Profit Organisations TF Risk Assessment Tool of June 2022*⁶.

1.1 Methodology and methods used

Quantitative and qualitative data collection methods were used in the risk assessment. Through the quantitative method, statistical data was collected on the size of the NGO sector, sanctions imposed by the supervisory authorities and the reasons for them, tax returns filed by NGOs, tax audits, sanctions imposed on NGOs by tax offices, and unusual transaction reports. The collection of data directly related to the areas of the NGO sector surveyed was affected by the lack of statistical data maintenance by government authorities. The availability and complexity of statistical data collection were factors that affected the quality of their examination.

Representatives of the NGO sector were also involved in the SRA through a questionnaire and a discussion meeting as part of activities of the NES LP. The participation of the representatives of NPOs in NES LP meetings was chosen according to the diversity of their activities and the type of legal form of the NPOs. The group consisted of a representative of an umbrella organisation of NGOs (bringing together more than 30 organisations) in the SR, representatives of NPOs with international scope, a representative of a special-purpose facility of a church and a religious society, representatives of a civic association and a foundation with international scope in the field of humanitarian and development aid. The qualitative method was used to obtain the opinions of experts from different areas of TF issues.

Various sources such as questionnaires, interviews, surveys, analyses of information gathered, focus group activities (ethnography, oral histories, case studies), other documents and records were used in processing the risk assessment of NPO abuse for TF. The working group decided to conduct the risk assessment in a descriptive manner and to express the levels of risk by a rating scale of “*high, medium, low*”.

The NGOs were approached by means of questionnaires with data-oriented questions to draw conclusions. The criteria of the selected entities were derived by taking into account the size of the entity, the geographical aspect in terms of the establishment of the NGO, as well as the place of operation, the legal form and the area of activity carried out. To the greatest extent, the survey involved NGOs with the legal form of civic associations (31), non-profit organisations providing services of general interest in number (17), foundations (10), non-investment funds (7) and organisations with an international dimension (1).

⁴ <https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/Terrorist-Financing-Risk-Assessment-Guidance.pdf.coredownload.pdf>

⁵ <https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/BPP-Combating-TF-Abuse-NPO-R8.pdf.coredownload.inline.pdf>

⁶ <https://www.worldbank.org/en/news/video/2023/02/06/non-profit-organizations-tf-risk-assessment-tool>

1.2 Risk terminology

TF RISK can be seen as the interaction of three factors: threat, vulnerability and consequence.

TF THREAT is a person or group of persons who may cause harm by acquiring, relocating, keeping or using funds and other assets (legal or illegal) for terrorist purposes.

TF VULNERABILITY includes those areas and characteristics of the sector that can be exploited by the threat, or that can support or facilitate its operation.

CONSEQUENCE refers to the impact or damage that the TF threat may cause.

Due to the fact that the identification of risk in this SRA is done in a descriptive manner, the following indicators have been taken into account in determining the level of risk:

High risk: Presence of terrorist groups or returnees from conflict risk areas in the country; high number of TF investigations and convictions; identified cases of TF with links to NPOs; reports of unusual TF-related transactions received; lack of cooperation between national authorities (FIU, intelligence services, LEAs) resulting in inadequate monitoring of the risk of TF in relation to the abuse of NPOs; major shortcomings or absence of legislative measures in the area of registration of NPOs; absence of publicly available registers and identification of donors/recipients by NPOs; absence of awareness-raising activities directed at the NPO sector, absence of NPO self-regulatory mechanisms; the use of cash to a large extent, even in cases where regulated payment channels are available.

Medium risk: Existing cases investigated in relation to TF but with no proven link to NPOs; sufficient expertise of the LEAs in relation to the investigation of terrorism and TF offences; minor deficiencies in established functioning national measures, not requiring major changes in legislation - registration, supervision, regular monitoring of TF risks in relation to NPOs, awareness-raising activities to raise awareness of NPOs by the state, existence of self-regulatory mechanisms on the part of the NPOs, and national cooperation.

Low risk: Absence of terrorist groups and returnees from conflict risk areas in the country; no cases of terrorism and TF investigations and convictions with links to NPOs; sufficient expertise of LEAs in investigating terrorism and TF offences; absence of unusual transaction reports with suspected TF in relation to NPOs; sufficient awareness and knowledge of the AML

Act on the part of obliged persons; mandatory registration of NPOs with publicly available data (relevant registers); NPO has effective self-regulatory mechanisms in place to vet the NPO's governing body, its employees and partners, as well as aid recipients; intensive cooperation of relevant state authorities in regular monitoring of terrorism and TF risks in relation to NPOs; active education by the state directed at the NPO sector, based on regular monitoring of national and international TF risks to raise awareness of NPOs; use of regulated payment channels.

1.3 Definition of NPO according to the FATF

The FATF definition of NPO is primarily a functional definition, i.e. it defines NPOs according to their activities.

It is important to go beyond the legal form of NPO and understand the activities or objectives that the NPOs are engaged in.

Identifying a subsector of NPOs that meets the FATF definition is challenging. Several factors need to be taken into account, the most important of which are the main activity (raising or disbursing funds) and the purpose of the disbursement of funds.

*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”.*⁷

⁷ <https://www.fatf-gafi.org/content/dam/fatf-gafi/recommendations/FATF%20Recommendations%202012.pdf.coredownload.inline.pdf>

2 Risk assessment in the national and international context

2.1 Conclusions from the 5th round mutual evaluation MONEYVAL

In 2019, the SR was evaluated in the 5th round mutual evaluation by the MONEYVAL Committee of Experts. A report on the conclusions of this evaluation was prepared⁸. FATF Recommendation No. 8 - NPOs was assessed as partially implemented. Deficiencies were identified by the MONEYVAL Committee of Experts, on the basis of which the SR has taken steps to address them. In December 2023, the second follow-up report on the SR was adopted⁹, in which the assessors encouraged the Slovak authorities in the process of setting up effective measures to prevent the misuse of NPOs for TF. The assessment of FATF Recommendation 8 in the second follow-up report of the SR remained as *partially compliant*.

2.2 National Risk Assessment

The NGO sector was assessed in both the 1st¹⁰ and the 2nd¹¹ NRAs, but the conclusions of the findings did not reflect the FATF requirements for identifying risks in the NPO sector and the risk analysis was not sufficiently comprehensive. The alleged shortcomings stemmed from the fact that, despite the identification of a subgroup of NPOs that fall under the FATF definition, the sub-category at risk of being abused for TF was not identified¹².

The conclusions of the 2nd NRA, within the assessment in the banking sector, show that banks generally consider NPOs as higher risk clients and closely monitor their financial transactions, especially cross-border transactions, paying particular attention to transactions to risky countries, examining both their donors and BOs. In the 2nd NRA, NGOs were assessed on the basis of various aspects (e.g. relatively strict regulation in their establishment, compliance with the obligation to produce an annual report, the powers of state authorities regarding the supervision of these legal entities, the assessment of these entities in terms of their tax obligations, the assessment of their riskiness).

In the 2nd NRA, it was further found that the ***TF threat in relation to the use of funds through the non-profit sector does not appear, from a global perspective, to be frequently used by terrorist groups***. In rare cases, the non-profit sector *can* be abused by terrorists, particularly in relation to the financing of foreign terrorist fighters, which can then pose a significant threat. ***A higher risk was identified in relation to the activities of civic associations, as they are not obliged to publish or produce annual reports and are not supervised by the registry office.***

⁸ [https://www.minv.sk/swift_data/source/policia/fsj/oms/MONEYVAL\(2020\)21_5th%20Round_MER%20Slovakia_SK.pdf](https://www.minv.sk/swift_data/source/policia/fsj/oms/MONEYVAL(2020)21_5th%20Round_MER%20Slovakia_SK.pdf)

⁹ <https://www.fatf-gafi.org/content/dam/fatf-gafi/fsrb-fur/Slovak%20Republic-MONEYVAL-FUR-2024.pdf.coredownload.pdf>

¹⁰ https://www.minv.sk/swift_data/source/policia/fsj/SNV.pdf

¹¹ https://www.minv.sk/swift_data/source/policia/fsj_biro/nhr/Zaverecna%20sprava%20z%20druheho%20NHR.pdf

¹² https://www.minv.sk/swift_data/source/policia/fsj/moneyval/2.%20FUR%2012_2023.pdf

2.3 Risk assessment in selected neighbouring countries

In order to obtain information on international typologies of NPO abuse for TF, the working group reviewed the NRA reports from selected neighbouring countries.

The *Czech Republic's* risk assessment of the risk of NPO abuse for TF¹³ identified as the most risky those ones which operate in conflict areas, are not transparent in their operations, management and staffing structure, nor in their funding, and also do not have functional control mechanisms in place, do not comply with legal obligations, do not inform the public or supervisory authorities about their activities, do not communicate with the general government, and use a high volume of funds, mostly in cash.

The screening found that the majority of NPOs operating in conflict areas have sufficient awareness of TF risks and sufficient risk management systems. Close scrutiny by institutional and state donors has had an impact on reducing risk. The actual vulnerability scale of this group of NPOs was identified as very low. **Each legal form of legal entity was assessed separately, predominantly with a medium risk score.**

Terrorist organisations in *Austria* raise funds mainly within their own communities. The NRA report concludes¹⁴ that legal sources of funding or disbursement of funds to terrorist organisations and individuals are used, e.g. through donations (collections), earnings, social security, but also loans. Funds for small groups or individuals who have participated or attempted to participate in the jihad in Syria/Iraq have usually been raised from their own sources, from family and friends.

The international and domestic fight against TF in *Ukraine* has demonstrated that terrorists and terrorist organisations use the NPO sector to raise and transfer funds, provide logistical support, and incite terrorist recruitment. Conclusions from the 2019 NRA¹⁵ of Ukraine demonstrate that NPOs can be used as a direct source of income and as a cover for the flow of funds between countries in a complex scheme of ML and TF, for the purpose of establishing NPOs with declared charitable objectives, which in reality exist only for the purpose of transferring funds to terrorists or terrorist organisations. Another possibility is the infiltration of terrorists or their supporters into NPOs created for legitimate humanitarian or charitable purposes. When these individuals assume leadership roles in the NPO, some of them may transfer funds raised for charitable purposes, directly or indirectly, to support terrorists or terrorist organisations. Sometimes this is done without the direct knowledge of the founders, management and employees of the NPO itself. As for terrorist organisations operating in the Donetsk and Luhansk regions, not controlled by Ukraine, NPOs can be used to obtain financial support for the “DNR/LNR¹⁶”.

¹³ <https://fau.gov.cz/files/nra-priloha-c-4.pdf>

¹⁴ [file:///C:/Users/Marianna/Downloads/National%20Risk%20Assessment%202021%20\(3\).pdf](file:///C:/Users/Marianna/Downloads/National%20Risk%20Assessment%202021%20(3).pdf)

¹⁵ <https://fiu.gov.ua/assets/userfiles/200/NRA/2%20NRA%20report.pdf>

¹⁶ Abbreviation for the Donetsk and Luhansk regions

2.4 Conclusions from the SNRA (2022)

In October 2022, the EC issued its final report of the SNRA 2022¹⁷. As the conclusions of this document show, the size and legal forms of NPOs in the EU are very heterogeneous, and the rules for their registration as well as the obligations of supervisory authorities vary from one Member State to another. The analysis has shown that financial institutions may in some cases restrict the provision of products and services by NPOs, which may contribute to limiting their functioning and increasing risk. The report identified a number of risk scenarios, which include the establishment of an NPO under the pretext of collecting donations for charitable activities and the collection of funds by the NPO and the transfer of funds from it to project partners/recipients. The risk scenarios also include internal infiltration of NPOs. It also reflects the threat stemming from the flow of funds from third countries to the internal market (in particular unwanted foreign influence on national civic and religious organisations through non-transparent funding, as highlighted by the European Council conclusions of December 11, 2020¹⁸).

Based on the SNRA review, some of the **higher risk** activities of NPOs were identified related to the *sources of funding of NPOs, the methods of distribution of funds, the types of activities or recipients, and the types of channels used to transfer funds*.

Factors that may **increase the level of the above risks** include the use of *informal payment channels* for transferring funds, the *abuse of new technological tools* (crowdfunding, virtual assets), the operation of NPOs in *high-risk areas* or the *low level of professionalism of NPOs*.

From the conclusions of the examination of the risk of abuse of NPOs for TF purposes, the **threat** level for NPOs collecting or transferring funds was assessed as **SIGNIFICANT**, while the **level of vulnerability** was assessed as **MODERATELY SIGNIFICANT**.

The estimated **TF** and **ML risk** level for NPOs that collect or transfer funds was assessed as **MEDIUM** under the SNRA.

From the conclusions of the examination of the risk of abuse of NPOs for TF purposes, the **threat** level for NPOs receiving institutional funding, inter alia from the EU or Member States responsible for the management of EU funds, was assessed as **LOWLY SIGNIFICANT** and the **level of vulnerability** was assessed as **LOWLY SIGNIFICANT** as well.

The estimated level of **TF risk** for NPOs receiving institutional funding, inter alia from the EU or Member States responsible for the management of EU funds, was assessed as **LOW** under the SNRA.

¹⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022SC0344&from=EN>

¹⁸ <https://www.consilium.europa.eu/media/47296/1011-12-20-euco-conclusions-en.pdf>

3 Key actors in the SRA process

FIU	<ul style="list-style-type: none"> - it fulfils the tasks of a central national unit in the area of prevention and revealing of money laundering and TF - it carries out control of NGOs within the meaning of the AML Act for the purpose of identification of BOs and verification of the truthfulness and completeness of the data on BOs, identification of persons (the donor and the natural person or legal person to whom the pool of assets¹⁹ has provided funds, if the value of the donation or the amount of the funds provided reaches at least EUR 1.000) or for the purpose of verifying the handling of property
MoI SR, General Government Section	<ul style="list-style-type: none"> - it is responsible for the registration and supervision of NGOs - it is responsible for the registration and control of public collections - it verifies the integrity of the statutory body through the Oversi portal, by requesting an extract from the General Prosecutor's Office of the SR
SR Government Plenipotentiary for Civil Society Development	<ul style="list-style-type: none"> - in cooperation with NGOs, it monitors, analyses and evaluates problems related to the optimal setting of the environment and conditions for the development and sound functioning of civil society
MoC SR, Church Department	<ul style="list-style-type: none"> - it is responsible for the registration of churches and religious societies <p>The church is obliged to submit to the MoC SR a report on the management of the state contribution in paper form and in electronic form. The MoC SR publishes the report on the management of the state contribution on its website.</p>
MoF SR, Financial Directorate of the SR	<ul style="list-style-type: none"> - it checks the fulfilment of tax obligations by NGOs
MoFEA SR	<ul style="list-style-type: none"> - with the MoI SR, it participates in the registration of organisations with an international dimension - it gives consent for the registration of a public collection in the register of collections if at least part of the net proceeds will be used outside the territory of the SR
CTU	<ul style="list-style-type: none"> - they carry out investigations in criminal matters of terrorism and TF
intelligence services	<ul style="list-style-type: none"> - they obtain, collect and evaluate, inter alia, information on terrorism, participation in terrorism, its financing or support

¹⁹ In accordance with the AML Act, pool of assets shall mean a foundation, non-profit organisation providing services of general interest, non-investment fund or other special-purpose pool of assets whatever its legal personality, which manages and distributes funds

4 Characteristics of the NGO sector in the territory of the Slovak Republic

In order to execute the SRA, it was important to first understand the NGOs as a whole. NGOs are established for the purpose of fulfilling various purposes of general interest, i.e. unlike business entities, not for the purpose of making a profit.

The RNGO Act defines 10 areas of activity of general interest, which are to create, promote, protect or develop:

- cultural and spiritual values,
- the environment,
- human rights,
- health,
- social services and social assistance,
- education,
- science, research and development,
- physical education,
- volunteering,
- development cooperation and humanitarian aid.

NGOs in the SR can have various legal forms – a foundation; a non-profit organisation providing services of general interest; a non-investment fund; an organisation with an international dimension; a civic association and other legal entities regardless of the legal form. NGO registration in the SR is *compulsory*. The conditions for registration are not the same for all legal forms. Most NGOs are registered by the MoI SR, but churches and religious societies are registered by the MoC SR.

Data on NGOs are entered in the RNPO²⁰ (pursuant to Act No. 346/2018 Coll. on the Register of Non-Governmental Non-Profit Organisations and on the amendment to certain acts, as amended). Other registers (Register of Organisations²¹, Register of Legal Entities, Entrepreneurs and Public Authorities²², FinStat²³), are also publicly available, in which more detailed information on NGOs can be found. The publication of information on NGOs in publicly accessible registers ensures *greater transparency* and allows donors to verify whether a particular NGO has been registered. **The findings of the SRA show that there are no unregulated or unregistered NGOs operating in the territory of the SR.**

NGOs operate at local, national and international levels. They provide a variety of services and activities to fulfil their purposes on a non-commercial basis – e.g. in the fields of environmental protection, social assistance, cultural development, humanitarian and development aid.

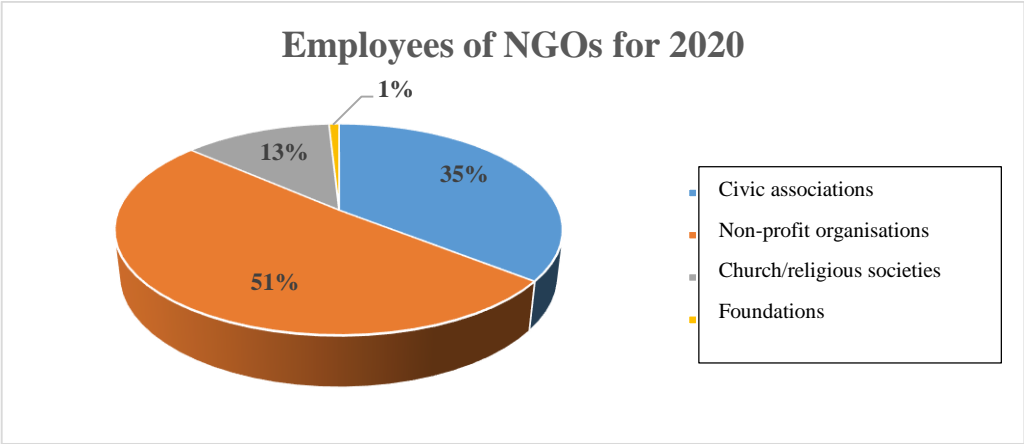
²⁰ <https://ives.minv.sk/rmno/>

²¹ https://zber.statistics.sk/sk/register-organizacii?_sk_susr_isis_pub_organisations_register_portlet_OrganisationsRegisterPortlet_INSTANCE_puzm_navigationType=SEARCH_VIEW

²² <https://rpo.statistics.sk/rpo/#search>

²³ <https://finstat.sk/databaza-nadacii-neziskovych-organizacii-zdruzeni>

Based on statistical data published on the website of the Statistical Office of the SR, in 2020 the largest number of employees in the NGO sector were employed in foundations.



Source: Statistical Office of the SR

Chart No. 1 Employees of NGOs

4.1 Overview of NGOs according to individual legal forms, conditions of registration, supervision and conditions of registration of churches and religious societies

	Conditions of registration and obligations	Supervision
foundations	<p>Legal regulation: Act No. 34/2002 Coll. on foundations</p> <p>The registration is carried out by the MoI SR, Department of General Internal Administration, General Government Section.</p> <p>Foundations are established by a foundation deed signed by all founders. The authenticity of the signatures of all founders must be officially certified. The BO must be identified. The members of the foundation's bodies must possess integrity.</p> <p>It must keep accounts, draw up financial statements and an annual report (publicly available).</p> <p>Obligation to carry out an audit: (a) if receiving public funds and shares of tax paid exceed EUR 200.000; (b) if the total income of the foundation exceeds EUR 500.000</p>	<p>The MoI SR supervises whether the foundation fulfils the purpose of general interest for which it was established. For this purpose, the MoI SR evaluates the content of the annual report. If the Ministry finds deficiencies, it shall invite the foundation to remedy the deficiencies within a specified period of time and at the same time inform the MoI SR of the measures taken. If the foundation fails to deposit the annual report in the public part of the Register of Financial Statements by 15th July at the latest, the MoI SR may impose a fine of up to EUR 1.000 on the foundation. If the remedy is not implemented, the Ministry shall submit a petition to the competent court to dissolve the foundation and order its liquidation.</p>

<p>non-profit organisations providing services of general interest</p>	<p>Legal regulation: Act No. 213/1997 Coll. on non-profit organisations providing services of general interest</p> <p>The registration office is the District Office in the seat of the region competent according to the seat of the non-profit organisation.</p> <p>It is established by a founding charter signed by all founders. The authenticity of the signatures of all founders must be officially certified. The BO must be identified. The director, members of the Supervisory Board and Board of Directors must possess integrity.</p> <p>It must keep accounts, draw up financial statements and an annual report (publicly available).</p> <p>Obligation to carry out an audit: (a) if receiving public funds and shares of tax paid exceed EUR 200.000; (b) if the total income of the foundation exceeds EUR 500.000</p>	<p>The registration office supervises whether the non-profit organisation fulfils its purpose and provides services of general interest for which it was established. For this purpose, it evaluates the content of the annual reports and, in the event of any shortcomings, draws the attention of the non-profit organisation's bodies to them, requests that corrective action be taken and that the obligations imposed by law be fulfilled.</p> <p>If it fails to deposit the annual report in the public part of the Register of Financial Statements, the registration office shall impose a fine of up to EUR 1.000 for breach of this obligation.</p>
<p>non-investment fund</p>	<p>Legal regulation: Act No. 147/1997 Coll. on non-investment funds</p> <p>The registration office is the District Office in the seat of the region competent according to the seat of the fund.</p> <p>A fund may be established by a natural person or a legal person. If the settlor is a single entity, the fund shall be established by a deed of establishment in the form of a notarial record. If there are several settlors, the fund shall be established by a contract of establishment. The authenticity of the signatures of all settlors must be officially certified. The BO must be identified. The member of the Board of Directors and the Manager must possess integrity.</p> <p>Obligation to draw up financial statements and an annual report (publicly available).</p> <p>Obligation to comply with the Accounting Act No. 431/2002 Coll. and other tax laws, e.g. Act No. 595/2003 Coll. on income tax</p>	<p>The registration office supervises whether the fund fulfils the purpose for which it was established. For this purpose, it evaluates the content of the annual reports and, in the event of any shortcomings, draws the attention of the fund's bodies to them, requests that corrective action be taken and that the obligations imposed by law be fulfilled.</p> <p>If the corrective measures are not taken, the registration office may submit the petition for the dissolution of the fund.</p>

<p>organisations with an international element</p>	<p>Legal regulation: Act No. 116/1985 Coll. on the conditions of activity of organisations with an international dimension</p> <p>The application for authorisation is submitted to the MoI SR, General Government Section, Department of General Internal Administration. The MoI SR, in agreement with the MoFEA SR and after discussion with the relevant central government authorities, may authorise the establishment of an organisation with an international dimension, allow such an organisation to operate or have its seat in the SR. Obligation to submit the statutes regulating the rules of organisation and the content of the activities as well as the identification of the statutory body.</p> <p>Obligation to comply with the Accounting Act No. 431/2002 Coll. and other tax laws, e.g. Act No. 595/2003 Coll. on income tax.</p>	
<p>civic associations</p>	<p>Legal regulation: Act No. 83/1990 Coll. on the association of citizens.</p> <p>The act has a negative definition of its scope, stating that it does not apply to the association of citizens in political parties, political movements, churches and religious societies and to the exercise of the right to hunt, as these are covered by separate legislation.</p> <p>The registration authority is the MoI SR, General Government Section, Department of General Internal Administration.</p> <p>At least three citizens, at least one of whom must be over 18 years of age, may submit an application for registration - the preparatory committee.</p> <p>Obligation to submit the statutes with the objective of the activity and the principles of management.</p> <p>Obligation to comply with the Accounting Act No. 431/2002 Coll. and other tax laws, e.g. Act No. 595/2003 Coll. on income tax.</p>	

<p>church and religious societies</p>	<p>Legal regulation: Act No. 308/1991 Coll. on freedom of religious belief and the status of churches and religious societies</p> <p>Registration is carried out by the MoC SR (Church Department).</p> <p>The application for registration shall be submitted by a preparatory body of at least three members of a church or religious society, whose members must be persons of full age if they prove that the church or religious society has at least 50.000 members of full age who are permanently resident in the territory of the SR and are citizens of the SR.</p> <p>The registering authority shall examine whether the establishment and activities of the church or religious society are not contrary to this Act and other laws, the protection of public safety and public order, health and morals, the principles of humanity and tolerance, or whether the rights of other legal persons and citizens are threatened.</p> <p>Obligation to comply with the Accounting Act No. 431/2002 Coll. and other tax laws, e.g. Act No. 595/2003 Coll. on income tax.</p>	<p>The state is entitled to exercise control over the management of the state contribution.</p>
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4.2 Size of the sector in the territory of the Slovak Republic

The sector of NGOs, churches and their religious societies in the SR is large and diverse. The total number of registered entities in this sector is **69.921**. The largest number of NGOs – 63.916 - have the legal form *civic association*. The number of civic associations in the whole sector of NGOs registered in the territory of the SR represents 91 %. The conditions for their registration are simpler compared to the registration of other legal forms.

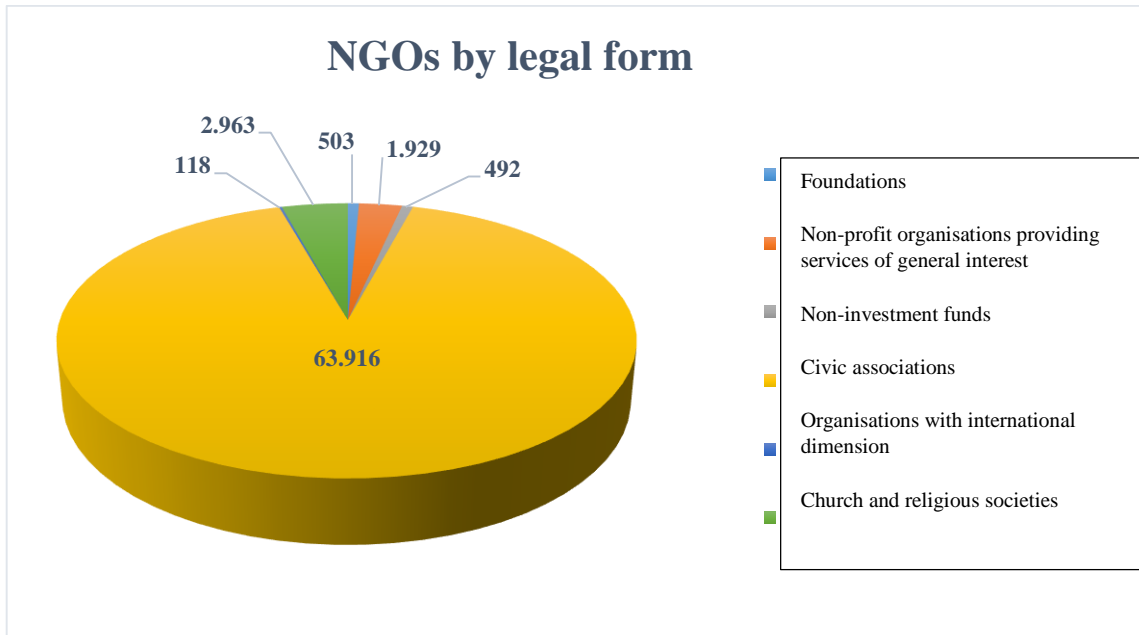


Chart No. 2 – Overview of registered NGOs by legal form

Of the total 69.921 registered NGOs, churches and their religious societies, 9.224 NPOs fall under the FATF definition, representing 12% of the total. The rate of representation of the different legal forms is in the following composition: organisations with an international dimension (52), churches and religious societies (150), foundations (271), non-investment funds (426), non-profit organisations providing services of general interest (1.825), and with the largest part being civic associations (6.500).

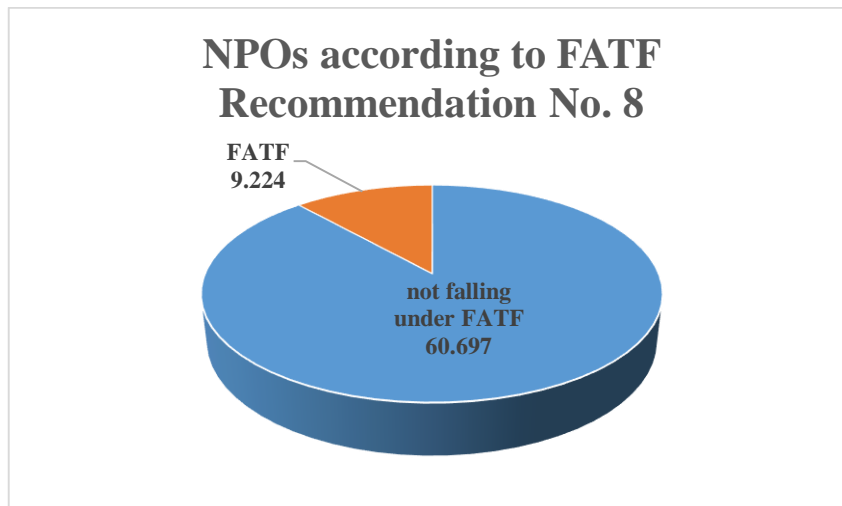
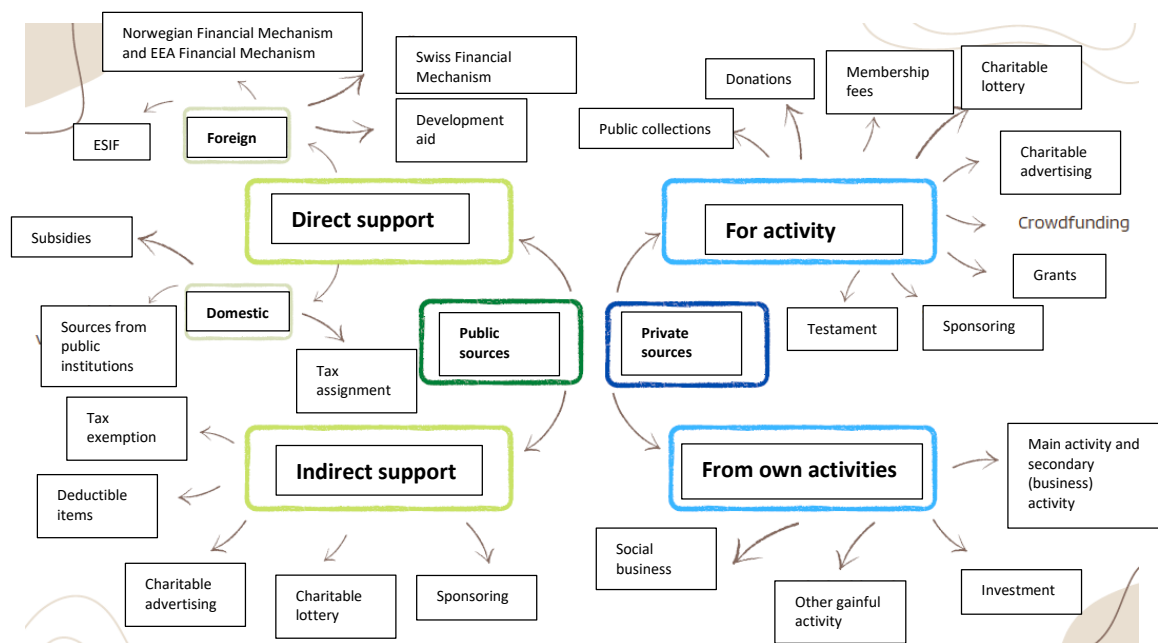


Chart No. 3 Number of NPOs falling under the FATF definition

4.3 Financing of NGOs, churches and religious societies

NGOs can obtain funding for their activities from public sources. These resources can be obtained *directly*, i.e. the state provides them with funding for their activities (so-called Norwegian or Swiss funds, Euro funds, subsidies provided by the state, higher territorial units or towns or municipalities) or *indirectly*, if they have income from their main activities of general interest, they do not pay income tax on that income. In the case where the NGOs receive funds for their activities from public sources, which are provided directly by the state, there is a subsequent control of the use of funds by the state.



Source: https://www.minv.sk/?ros_vsetky-spravy&sprava=predstavujeme-analyzu-zdrojov-financovania-mimovladnych-neziskovych-organizacii-v-slovenskej-republike

Fig. No. 1 - Pillars of funding for NGOs in the SR

NGOs can also obtain private sources (e.g. donations, public collections, grants, membership fees, assignment of 2% of tax) to finance their activities alongside public resources. They may also raise funds from their own activities (e.g. from the sale of their goods or services).

The Office of the SR Government Plenipotentiary for Civil Society Development has comprehensively analysed the financing of the entire NGO sector. In September 2022, an extensive material entitled “*Analysis of sources of financing of non-governmental non-profit organisations in the Slovak Republic*” was published on the website of the MoI SR²⁴. The document was prepared in mutual cooperation with the Matej Bel University in Banská Bystrica and the Office of the SR Government Plenipotentiary for Civil Society Development.

The analysis found that the largest source of income for activities for NGOs in 2019 - 2020 was private sources (EUR 339,98 million), followed by domestic public sources

²⁴https://www.minv.sk/swift_data/source/rozvoj_obcianskej_spolocnosti/ekonomika_mno/2022/Analiza%20zdrojov%20financovania%20MNO,%20verzia%2008.03.2023.pdf

(EUR 307,91 million). Foreign public sources (EUR 137,33 million) and sources from own activity (EUR 120,55 million) were less represented, although still significant (see Chart No. 4). On the basis of this composition of funding, it can be assumed that Slovak NGOs receive the most resources from private donors, but they are still relatively dependent on public funding.

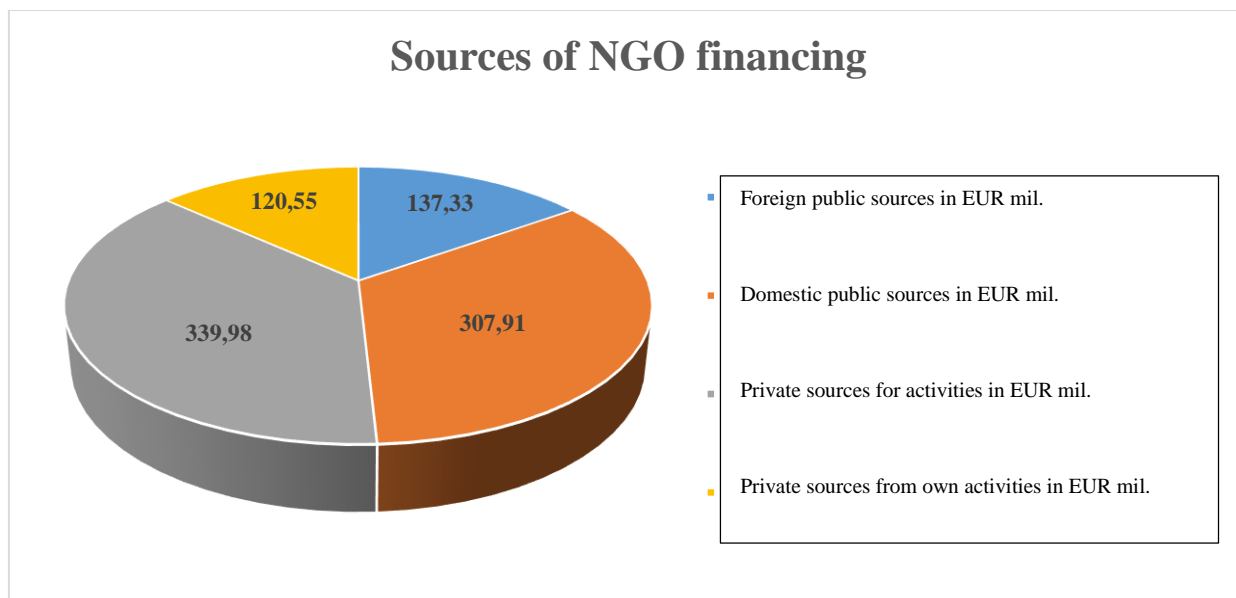


Chart No. 4 – Sources of NGO financing

Another important document published on the website of the MoI SR in December 2020 was a document entitled “*Analysis of the state of special-purpose facilities of churches and religious societies and other entities established by churches and religious societies that carry out activities similar to those of non-governmental non-profit organisations*”²⁵. The analysis has been worked out by the Office of the SR Government Plenipotentiary for Civil Society Development.

The analysis showed that churches and religious societies are active in all areas of general interest. Churches and religious societies are employers of workers both on a permanent and contractual basis, and employ a large number of volunteers.

They make use of diverse financial resources to varying degrees. In relation to the diversity of financial resources, 10 out of 18 churches/religious societies were found to use 5 or more financial resources. The largest number of churches/religious societies use tax assignment (15), ministerial subsidy schemes of the government, subsidy schemes of towns and municipalities and private domestic sources (11). Conversely, the least number of churches/religious societies use foreign government sources (3) and private foreign sources (4).

²⁵https://www.minv.sk/swift_data/source/rozvoj_obcianskej_spolocnosti/aktuality/ros/2020/Analyza%20stavu%20u.%20z.%20cirkvi%20a%20nabozenskych%20spolocnosti%20a%20dalsich%20subjektov%20zriadenych%20cirkvami%20a%20nabozenskyymi%20spolocnostami,%20ktore%20vykonavaju%20obdobne%20cinnosti%20ako%20MNO.pdf

The findings of the questionnaire survey and the meeting with the NGOs show that most of them obtain their funding sources only from the SR and use multi-source funding. Only a minority of NGOs (8) use *crowdfunding*,²⁶ with the most used platforms being DARUJME.SK and DONIO.SK.

Representatives of NPOs belonging to an international network of organisations are already registering financial assistance from donors in the form of *virtual assets* within their group but in other countries and not in the SR. They stated that in the future it will be necessary to address this issue also in the conditions of the SR.

Representatives of the non-profit sector acknowledged the use of cash in high-risk countries and regions. However, they stated that this was not a common practice but rather isolated cases, where it was not possible to use another payment channel. They also confirmed that in the case of cash transfers all statutory obligations for cash transportation (e.g. customs declaration) were met and it was only carried out by a responsible, trustworthy agent.

The NGOs provide more detailed information on their management in their annual reports. Under the relevant legislation, NGOs have a legal obligation to issue annual reports. All NGOs are legally obliged to do so, *except for civic associations and organisations with an international dimension*, but in order to **demonstrate transparency** in the use of funds, this is also the practice of these entities. They also publish annual reports on their websites. Donors also require NGOs to disclose the use of funds.

As legal entities, NGOs are obliged to keep accounts. Only civic associations, non-investment funds and non-profit organisations providing services of general interest may use single-entry bookkeeping if they are not in business and if their income does not reach EUR 200.000. Churches and religious societies may also use single-entry bookkeeping if they are not in business.

²⁶ Crowdfunding is an alternative form of financing for business entities, especially startups and small and medium-sized enterprises. It is a relatively new way of matching the demand and supply of funds, whereby a crowdfunding service provider, without assuming risk, operates a digital platform open to the public in order to match potential investors or lenders with or facilitate the matching with businesses seeking to raise funds. (Source: <https://nbs.sk/dohlad-nad-financnym-trhom/dohlad/trh-cennych-papierov/crowdfunding/>)

5 Terrorism and TF threat in the Slovak Republic

In the territory of the SR, the 2nd (raised) level of terrorist threat is in force, which was announced by the MoI SR on August 23, 2017 as a reaction to the deterioration of the security situation in some European countries.

An increasing level of terrorist threat can be registered in neighbouring Austria, where a religiously motivated terrorist attack was committed in November 2020, while several plans for terrorist attacks by lone attackers and returnees from conflict zones were foiled in the period under review. In response to a possible terrorist risk, Austria raised the terrorist threat level (from level 4 to level 5) in October 2023.

Potential returnees from conflict regions where foreign fighters are also active (Syria, Iraq, Ukraine) may also pose an increased security threat to the SR. Acquired experience from fighting, experience with violent forms of achieving set goals, but also, for example, knowledge of handling explosives can become the basis for terrorist methods, anti-social assertion or building personal authority in the structures of extremist groups. In the case of identifying foreign fighters, the intelligence attention is primarily focused on detecting the mode of travel, the financing of travel, the stay in the destination country and the monitoring of movement within that country, taking into account possible return to the SR or the Schengen area.

The invasion of Ukraine by the Russian Federation in 2022 had a significant impact on security in the SR. The Russian aggression not only caused the beginning of an armed conflict in the neighbouring country of the SR, but also triggered the largest migration wave in Europe since the end of the Second World War.

In 2020 - 2023, no presence or activities of a domestic Islamist or non-Islamist terrorist organisation have been recorded in the territory of the SR.

The FIU did not record any unusual transaction reports related to suspected TF in connection with an NPO during the period under review.

LEAs investigated several cases, which mainly concerned the offences “*Some forms of participation in terrorism pursuant to Article 419b of Act No. 300/2005 Coll., the Criminal Code (hereinafter referred to as the “Criminal Code”); Terrorist attack pursuant to Article 419 of the Criminal Code; Establishing, plotting and supporting a terrorist group pursuant to Article 297 of the Criminal Code*”. In general, it can be stated that the investigated cases were, to a greater extent, related to the actions of individuals who addressed threats to commit a terrorist attack against school establishments, constitutional officials or unspecified groups of people. LEAs conducts financial investigations in all case related to terrorism.

LEAs investigated several cases involving terrorism and TF, but none of the cases investigated involved NGOs.

TF was investigated in three cases (in conjunction with terrorism offences), two of which were closed on the grounds that the act, for which the prosecution was conducted, had not happened, and one case was closed by rejecting because there was no reason to initiate a prosecution.

The radicalisation of young people, particularly in the online space - social networks - is also a threat.

Case No. 1

In the SR, a terrorist attack was committed in 2022 in front of the “Tepláreň” café on Zámocká Street in Bratislava. The crime was motivated by hatred against a group of people and an individual because of their sexual orientation. Prior to the shooting, the perpetrator had published a manifesto with racist, anti-Semitic and homophobic content, calling for violence against Jews and LGBTI persons.

5.1 Analysis of trends and sources which could be abused for TF purposes

In the environment of Islamist terrorism, it was possible to observe a continuing trend of reducing the costs of terrorist activities, as the *amount of money realistically available* to terrorist actors in Europe *decreased*. On the one hand, this was due to the more effective measures taken by the security forces in tracking suspicious financial flows; on the other hand, the reaction of Islamist radicals to the measures taken in the form of greater caution, as well as a change in the modus operandi of terrorist attacks to less costly means, in particular in the execution of individual terrorist acts by isolated individuals/ lone actors, without significant preparation and planning, recruitment, logistics and training.

Terrorist activities may also be financed by Muslim organisations. Some of these organisations are also active in the SR and regularly approach similar Muslim organisations abroad for financial assistance. The funding is mainly used to cover the costs associated with the practice of Islam in the Muslim community in the SR.

6 Risk assessment of NPO abuse for TF

As part of the assessment, the working group decided to examine vulnerabilities. The examination focused on evaluating the conclusions from the questionnaires received, the analysis of the legislative and regulatory framework, the self-regulatory and control mechanisms of NPOs, as well as the conclusions provided by LEAs and the intelligence services.

NPO according to the FATF definition

As mentioned above, only a minority of the NPOs falling under the FATF definition operate in proximity to high-risk countries or directly in countries where terrorist organisations are active and therefore the *threat of their abuse for TF may be higher*.

Most NPOs operating in high-risk countries are part of an international network of NPOs with large donors who require tighter controls. This has the effect of creating a more transparent environment during all phases of the NPO's operations. The stricter donor requirements on these NPOs have a demonstrable impact on the fact that funds have not been used for a purpose other than that declared by the NPO. Most of the NPOs contacted by questionnaire keep records of their donors as well as the recipients of the funds.

NPOs have set up their own *control mechanisms*, which include, inter alia, the *introduction of a code of ethics, various certification processes, training activities, as well as the implementation of various control directives, e.g. the anti-corruption directive*. Self-regulatory measures often also include a process for verifying NPO partners. An example of the extent of such verification is the questionnaire forming Annex No. 6 to this document.

There are best practices for NPO representatives in conducting control in varying scopes and areas of verification. They have defined *a number of areas to be verified, the time and frequency of the verification, the identification of the person responsible for the verification* (e.g. statutory, senior management, etc.), *the location and method of storing the results of the verification, etc.* The scope of the information to be reviewed often depends on the specific requirements of the larger donors of each NPO.

NPOs also make use of *technological tools for vetting sanctions lists*, which, however, are more costly, which is an unaffordable tool for smaller NPOs.

NPOs that are part of an international organisation/network can use this form of vetting through the parent organisation.

Identification of the management structure is already required at the time of registration of the NPO and at the time of registration in the RNGO, also under the AML Act. More detailed information on *the staffing structure of the NPO* is provided in the annual reports. Representatives of the NPOs stated that they *check the credibility of their staff* before hiring them from a number of sources, notably references, CVs, identity checks, and some NPOs also require extracts from criminal record.

From the statements of representatives of the NPO sector, it appears that the NPO community is a tight-knit one, given the limited number of donors within the SR. They have no knowledge of unregistered and unlicensed NPOs operating in the territory of the SR, which is also confirmed by the statements of the representatives of the relevant state authorities. The representatives of the NPOs showed *sufficient awareness of TF risks*.

However, due to the fact that NPOs have a relatively high public trust and the possibility to raise funds even in significant volumes, they *can potentially become attractive for terrorist organisations*.

As discussed above in Chapter 2, from the conclusions of the 2nd NRA within the assessment in the banking sector it results that banks generally regard NPOs as higher risk clients. Financial institutions are not denying the NPO sector the provision of products and services, but in the case of transactions to high-risk countries, they follow the EBA's guidance No. EBA/GL/2023/03 entitled "*Guidelines amending Guidelines EBA/2021/02 on customer due diligence and the factors credit and financial institutions should consider when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions ('The ML/TF Risk Factors Guidelines')*" under Articles 17 and 18(4) of Directive (EU) 2015/849", which was issued in March 2023. However, even prior to the issuance of these guidelines, there was no rejection of NPOs as their clients, but financial sector representatives were taking a risk-based approach in their approach to NPOs as clients. In November 2023, the NBS conducted a workshop for representatives of banks and branches of foreign banks to inform them of the regulatory expectations in assessing ML/TF risks associated with customers who are NPOs.

Legislative and regulatory framework

The working group conducted a review of all measures, including laws and regulations, that concern the NPO subgroup according to the FATF. Below are the most important findings.

A deficiency in ***Act No. 83/1990 Coll. on the association of citizens*** is the absence of a more precise requirement to regulate the management of a civic association. The Act does not define what can be the objective of the activity, it defines what cannot be the objective. *When registering in the RNGO, a purpose of general interest is stated at the request of the person being registered. As the Act does not provide for any supervision of civic associations, there is no control by the regulatory authorities of the fulfilment of the purpose of their activity, which they stated in their statutes when they were registered. There is also no requirement in the Act to submit annual reports. The Act allows for minors who are unable to assess the legal significance of the establishment and formation of a civic association to be members of the preparatory committee that submits a proposal for registration of a civic association.*

Act No. 116/1985 Coll. on the conditions of activity of organisations with an international dimension does not require the submission of annual reports. The Act also does not define what the purpose of the activity may be. However, as stated above, *when registering in the RNGO, a purpose of general interest is stated at the request of the person being registered. The registration authority does not control the performance of the activity.*

The NPOs have obligations under **tax and accounting laws** in the course of their activities, e.g. to register with the tax office, to keep accounts, to file tax returns, to have their financial statements audited, to prepare annual reports.

Pursuant to Act No. 431/2002 Coll. on accounting (Article 19(5)), legal entities defined in a special regulation (Article 50(4) of Act No. 595/2003 Coll. on income tax - foundation, civic association, non-investment fund, non-profit organisation providing services of general interest, organisation with an international dimension, special-purpose facilities of churches and religious societies) whose amount of the received share of the tax paid for the accounting period *is higher than EUR 35.000*, are also obliged to have their financial statements audited, for the accounting period in which these funds were used, these financial statements must be audited within one year of the end of the accounting period, unless a special regulation provides otherwise. Pursuant to Article 20(1) of Act No. 431/2002 Coll. on accounting, an accounting entity which is required to have its financial statements audited pursuant to Article 19 is obliged to draw up an *annual report*.

Pursuant to Article 35(3) of Act No. 431/2002 Coll. on accounting, ***accounting records shall be maintained*** as follows:

- (a) the financial statements, statements of selected data from the financial statements pursuant to Articles 17a and 22 and the annual report for ten years following the year to which they relate,
- (b) the income tax information report for five years following the year to which it relates,
- (c) accounting documents, books of account, lists of books of account, lists of numerals or other symbols and abbreviations used in accounting, the depreciation schedule, stock-taking lists, stock-taking reports, the chart of accounts for ten years following the year to which they relate,
- (d) accounting records which convey information relating to the manner in which the accounts are kept and accounting records which specify the system of keeping accounting documentation for ten years following the year in which they were last used,
- (e) other accounting records for the period specified in the registry plan of the accounting entity, in such a way that the other provisions of this Act and special regulations are not infringed.

Pursuant to Article 35(4) of Act No. 431/2002 Coll. on accounting, the accounting entity subject to the obligation to have its financial statements audited by an auditor pursuant to Article 19 or Article 22 *is required to keep the auditor's report for ten years following the year to which the audit relates*.

Pursuant to Article 38(8) of Act No. 431/2002 Coll. on accounting, *the tax office is entitled to control compliance with the provisions* of this Act. The Tax Procedure Code shall apply accordingly to the exercise of control, to the proceedings on the imposition of a fine, including its enforcement, and to the remedies against the decision to impose a fine. A fine for an administrative delinquency shall be imposed by the tax office which has carried out the control of compliance with the provisions of this Act.

Compliance with the obligations imposed on the NPO by tax and accounting laws *contributes to greater transparency of the NPO* and the period of retention of records is sufficient to allow verification by the competent authorities that funds have been received and used in accordance with the purpose and objectives of the NPO. An analysis of the laws in question, given its scope and detail, is attached as Annex No. 8 to this document.

On March 31, 2023, *an independent body of the EU, EBA*, issued for credit and financial institutions the already mentioned document under No. EBA/GL/2023/03 entitled “*Guidelines amending Guidelines EBA/2021/02 on customer due diligence and the factors credit and financial institutions should consider when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions (‘The ML/TF Risk Factors Guidelines’) under Articles 17 and 18(4) of Directive (EU) 2015/849*”. The Guidelines define the criteria that credit and financial institutions should apply to the NPO sector, with an emphasis on understanding the governance of the NPO, how it is financed, the activities of the NPO, the locations of its operations and who the recipients are that use the services of the NPO, as not all NPOs are at the same risk of money laundering and TF²⁷.

Pursuant to the AML Act, NPOs are not *obliged persons*. However, they are *obliged* under this Act to *identify the donor and the natural or legal person to whom the funds of at least EUR 1,000 have been provided, and also to identify the BO*. As a large number of individual donors contribute small amounts, identifying these donors would be burdensome for the compulsory registration of NPOs and could lead to undue disruption of NPOs’ activities. However, according to the representatives of NPOs, the identification and registration of donors is a common practice, based on the NPOs’ own initiative due to the creation of their own donor database.

The AML Act also imposes an obligation on the NPO to *retain records* for as long as the individual has BO status and for a further 5 years after the cessation of that status or the termination of the NPO. The definition of the above obligations for NPOs in the AML Act is sufficient as it does not unduly burden NPOs and contributes to increasing transparency in receiving and disbursing funds, i.e. they are one of the tools of the control mechanism. *Checks on the fulfilment of these obligations are carried out by the FIU on the basis of risk-based supervision*.

In order to raise awareness of the risks of abuse of NPOs for TF, on February 26, 2023, the FIU issued a document entitled “*Information for non-governmental organisations in the field of combating terrorist financing*” in cooperation with the Office of the SR Government Plenipotentiary for Civil Society Development. The document is publicly available on the website of the **MoI SR** and also on the website of the **Office of the SR Government Plenipotentiary for Civil Society Development**:

https://www.minv.sk/swift_data/source/policia/fsj_biro/informacie_pre_po/Informacia%20MNO.pdf

https://www.minv.sk/?ros_vsetky-spravy&sprava=boj-proti-financovaniu-terorizmu

²⁷ [https://www.eba.europa.eu/sites/default/files/document_library/Publications/Guidelines/2023/EBA-GL-2023-04/Translations/1061464/GLs%20on%20MLTF%20risk%20management%20\(EBA%20GL%202023%2004\)_SK_COR.pdf](https://www.eba.europa.eu/sites/default/files/document_library/Publications/Guidelines/2023/EBA-GL-2023-04/Translations/1061464/GLs%20on%20MLTF%20risk%20management%20(EBA%20GL%202023%2004)_SK_COR.pdf)

Registers

On January 1, 2021, a new *register of non-governmental non-profit organisations* was put into operation²⁸ (Act No. 346/2018 Coll. on the Register of Non-Governmental Non-Profit Organisations and on the amendment to certain acts, as amended) (hereinafter referred to as the “RNGO”). The RNGO consists of a public and a non-public part. The non-public part stores legally protected data, such as personal data. The public part of the register also contains the electronic form of by-laws, deeds of establishment, statutes, foundation deeds and their amendments or supplements. If an NGO does not have complete data in the register (i.e. data on the statutory body are missing), it will not be able to receive subsidies, Euro funds, share of the tax paid (the so-called 2% or 3%) and dispose of public property. It provides the possibility to obtain basic information about the NGO, its statutory bodies, the BO or its activities. The register *does not act as a database*, only the first 500 records are displayed.

The *Register of Public Collections* is an information system administered by the MoI SR. The Register contains a wide range of information, which is determined by law and which is entered into the register upon registration of a public collection as well as after its completion. The Register does not allow the generation of statistical data that could be used in further analyses. It allows donors to find out quickly and easily whether a public collection is authorised.

The *Register of Financial Statements* is a general government information system and is administered by the MoF SR. It is divided into a public and a non-public part. Records are stored in the Register in accordance with Act No. 431/2002 Coll. on accounting. The publication of financial statements and annual reports provides the public with information on the financial situation of the entity. ***The above registers are publicly available and contribute to increasing the transparency of NPOs.*** The supervisory authority, which is the General Government Section of the MoI SR and the District Offices in the seat of the region, carries out checks of the annual reports submitted by NGOs. On the basis of the inspections carried out, the supervisory authority found that the most frequent shortcomings are *non-compliance with the prescribed deadline for its deposit, failure to indicate changes in the composition of the bodies, failure to provide an overview and evaluation of the activities.*

Criminal environment

Most of the NPOs registered in the territory of the SR and falling under the FATF definition operate at local and national levels, where no terrorist organisation operates. *A minority of NPOs* operate in the vicinity of high-risk countries or directly in countries where terrorist organisations are active and therefore the threat of TF may be higher. The risk may also be higher if:

- NPOs do not have transparent funding,
- they make increased use of cash transactions,

²⁸ <https://www.minv.sk/?neziskove-organizacie-poskytujuce-vseobecne-prospesne-sluzby>
<https://ives.minv.sk/rmno/>

- their management and staffing structure is unclear,
- they do not carry out their activities in a transparent manner; and
- they do not have sufficient functional control mechanisms in place.

LEAs investigated a number of cases related to the commission of criminal activities by NGOs. The most frequent were tax crimes - non-payment of taxes and insurance premiums under Article 277 of the Criminal Code, or non-payment of taxes and insurance premiums under Article 278 of the Criminal Code. In the SR, no case of abuse of an NPO for TF has been detected so far in the period under review.

One case with a link to a “fake NPO” has been reported in the SR in connection with the activities of NPOs, which has been reported in the media and also investigated by LEAs.

Case No. 2

The international organisation Comité International pour la Protection des Droits de L’Homme (“CIPDH”), based in France, was registered in Paris in 2009 and its logo resembles that of the United Nations (“UN”) - a blue and white globe surrounded by an olive wreath. Investigative journalists have uncovered more serious misconduct and links to the criminal activities of dubious individuals in relation to this organisation. Although the CIPDH claims on its websites and social networks to be working closely with the UN and is a partner of the UN, the UN denies this. The CIPDH has several branches around the world including one in the SR. The branch of the international organisation was registered in the SR under the name “La Représentation de l’Association “COMITE INTERNATIONAL POUR LA PROTECTION DES DROITS DE L’HOMME 1” en Republique slovaque” on 27 July 2020. Its director allegedly disavowed the CIPDH’s dubious activities.

Source: open sources

Potential risk scenarios

As there had not been a case of abuse of the NPO for TF in the SR, the SRA working group created **potential risk scenarios** that could occur at different stages of the NPO’s functional scope. The aim was to identify potential risks in different areas of activity and operation of NPOs. The scenarios in question were formulated based on existing typologies recorded in the FATF guidelines and reports and publicly available reports from conducted risk assessments in the area of money laundering and TF of selected countries.

NPOs established solely for the purpose of financing illicit activity, whereby the NPO will raise funds from individuals who are *aware* that these funds will be used to support a terrorist organisation abroad.

The NPO will solicit donations under the *false pretence* of conducting charitable activities, but these will be used to fund a terrorist organisation abroad.

The NPO will unknowingly employ an *employee who sympathises with* the terrorist organisation and the employee will divert some of the funds raised to support the terrorist organisation.

The NPO has built a *school* in a high-risk country, and its premises are being used by a terrorist organisation to train and recruit its members *without its knowledge*.

RISK ASSESSMENT CONCLUSIONS

By executing this SRA, the working group identified the size of the sector of NGOs registered in the territory of the SR. Based on a review of the features and types of this sector, NGOs falling under the FATF definition (NPO) were also identified. It was found that the majority of the NPOs carry out their activities in the territory of the SR. They carry out these activities cumulatively in different areas, aimed at fulfilling a purpose of general interest. The group of NPOs operating near or directly in high-risk countries was subjected to a more detailed examination aimed at identifying vulnerabilities allowing their abuse for TF.

Different forms of fundraising by NPOs on the basis of multi-source funding were analysed. Attention was paid to examining the type of payment channels used and the extent to which cash is used to carry out their activities. The above potential scenarios were also taken into account in the light of the legislation currently in force and the regulatory mechanisms adopted.

THREAT - low

The *presence of a terrorist organisation has not been recorded* in the territory of the SR. LEAs *did not investigate any case of TF involving NPOs* in the period 2020 - 2023.

Potential returnees from conflict regions where *foreign fighters* are also active, as well as the increasing *radicalisation* of young people in particular, may pose an *increased threat*. Operating in *high-risk countries* where *terrorist organisations are active* may pose a greater threat to NPOs.

VULNERABILITY – low

Registration

In the territory of the SR registration is compulsory for all NPOs - **low**.

Geographic operation of NPOs

Only a small part of the group of NPOs falling under the FATF definition operate in high-risk areas with the presence of terrorist organisations. This group has high-level controls in place that include screening of donors and aid recipients, use of secure payment channels, rigorous selection and vetting of partners in the area of aid provision, and implementation of sanctions list checks - **low**.

Financing

In the case of NPO funding in the form of state and EU subsidies, very effective control mechanisms are set up - **low**.

In the case of NPO funding in the form of public collections, these activities are regulated in national legislation. Each collection must be registered and subsequently entered in the Register of Public Collections, which is publicly available - **low**.

Identification of donors and recipients above EUR 1.000 is mandatory under the AML Act. The findings of the research in the NPO community show that most of the NPOs register their

donors even for lower amounts, as their activities depend on donations and therefore they are interested in building their donor base - **low**.

NO staffing

Identification and registration of BOs is legally obligatory already when registering an NPO. The BO is registered in the publicly accessible RNGO - **low**.

NPOs verify the credibility of their staff prior to employment from a number of sources, mainly through references, CVs, identity checks and some NPOs also request extracts from criminal records - **low**.

Supervision

There are differences in the legal obligations to submit and publish annual reports. Civic associations and organisations with an international dimension are legal forms of NPOs which are not subject to this obligation and the registration authority does not control the type of activity carried out or the management of these types of NPOs. However, these entities are also obliged to keep accounts, to draw up financial statements, which can be checked by the tax office during the tax audit - **medium**.

A specific form of NPOs are churches and religious societies, which are financially supported by the state to the greatest extent. They are obliged to submit a report on the management of the state contribution to the MoC SR for the control of their financing. They are obliged to keep accounts and prepare financial statements - **low**.

NPO risk awareness and education

Since 2022, the FIU has been carrying out activities aimed at raising awareness and intensifying cooperation with the NPO sector, including through the Office of the SR Government Plenipotentiary for Civil Society Development. The FIU also published awareness raising material for the NPO sector on the fight against TF in February 2023. In January 2023, the FIU also issued a material for obliged persons with identified indicators for TF detection. Discussions with representatives from the NPO sector concluded that they are conducting various education and training activities for their staff and partners to prevent various risks, including the risk of abuse for TF which could jeopardise their functioning - **low**.

National cooperation

The FIU intensified cooperation with the Office of the SR Government Plenipotentiary for Civil Society Development from 2022 onwards in order to strengthen mutual communication and cooperation with the NPO sector, as well as in the process of spreading awareness of the risks of NPO abuse for TF - **low**.

Cooperation at the level of the state authorities of the SR through the NES LP, responsible for the fight against TF, was ongoing at the time of the review of the risks of abuse of NPOs for TF, mainly in the SRA process, not at regular intervals in order to monitor the evolution of this risk - **medium**.

CONSEQUENCES - medium

In the case of abuse of an NPO registered in the territory of the SR, the *most serious* consequence could be a deterioration of the local, national and international security situation and a threat to the international status of the SR.

The reduction of the NPO's income due to the diversion of funds could be reflected in the scope of the services and activities provided by the NPO. Financial institutions could limit the provision of their products and services to the NPO. If diverted, the NPO's funds could be used by a terrorist organisation to carry out a terrorist attack or to finance its other activities. In this case, the NPO would lose public confidence and its reputation. As a consequence of the loss of reputation, the NPO could lose donor contributions or other sources, e.g. from the state, the EU.

Based on the defined threat, vulnerability and consequence, the **RISK** of TF for NPOs was assessed as **low**.

RECOMMENDATIONS FOR THE INTRODUCTION OF MITIGATION MEASURES

- For NPOs with the legal form of civic associations:
 - consider introducing a legal obligation to produce annual reports,
 - consider introducing the possibility of storing annual reports in the public part of the RFS,
 - consider penalising failure to deposit the annual report,
 - make it compulsory that only natural persons over the age of 15 can be members of the preparatory committee, while maintaining the requirement that at least one member must be over the age of 18.
- For NPOs with a legal form of organisation with an international dimension:
 - introduce a legal obligation to produce annual reports,
 - consider introducing the possibility of storing annual reports in the public part of the RFS,
 - consider penalising failure to deposit the annual report.
- For foundations, non-profit organisations providing services of general interest and non-investment funds:
 - introduce a sanction for failure to report data on BOs, for NGOs established by October 31, 2018 (either a fine or an ex officio cancellation or, alternatively, a measure that such entity cannot submit any change in data unless it reports data on the beneficial owners).
- Ensuring personnel, technical and material equipment of the General Government Section of the MoI SR in the field of registration of NGOs with regard to the implementation of the above recommendations.
- Intensify cooperation and exchange of information between the competent authorities of the SR in the fight against the abuse of NPOs for TF in the light of the updated risks, continuous monitoring of the risk of abuse of NPOs for TF in the national and international context and improvement of transparency of the non-profit sector within the NES LP.
- Increase collaboration between authorities and stakeholders to highlight current patterns and trends, taking findings and observations into account in the context of further development of relevant legal frameworks.
- Strengthen international cooperation with foreign partners to share information on the evolution of the risks of abuse of NPOs for TF.
- Improve the maintenance of statistical data in relation to NPOs by the relevant state authorities.
- Continue outreach activities to raise awareness and update the risks monitored, towards the NPO sector.

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LIST OF ANNEXES

1. Minutes of NES LP meeting of 6 February 2024
2. Minutes of NES LP meeting of 4 April 2024
3. Presentation for NES LP meeting on 4 April 2024
4. Minutes of NES LP meeting of 11 April 2024
5. Questionnaire sent to NGOs for the needs of SRA
6. Sample questionnaire for screening NPO partners
7. Statistical overview of the Financial Directorate of the SR for the years 2020 - 2023
8. Analysis of tax and accounting laws
9. Statistics of the General Government Section of the MoI SR