

Conference Paper

Comparison of Risk of Money Laundering and Terrorist Abuse in Non-profit Organizations in Some African and Asian Countries

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1. Introduction

Non-profit organizations are considered by the FATF as objects vulnerable to money laundering and terrorist financing.

FATF regional bodies consolidate activities to develop a system of state control over the activities of non-profit organizations in order to prevent using ones for money laundering and terrorist financing. Consider the status of such systems in African and Asian countries.

The Task Force on Money Laundering in Central Africa body's report presents data of the level of control over the activities of non-profit organizations in Nigeria. There are 46,000 non-profit organizations registered in the country; and 3,869 non-profit organizations are active and involved in the area of combating money laundering and terrorist financing.

Non-profit organizations have the following financial structure: 65% of such organizations are financed from foreign countries and 35% from internal resources. According to the survey conducted among the employees of non-profit organizations, it was found that 75% of respondents knew about the combating money laundering and the terrorist financing, however, they noted the low level of awareness within the non-profit organizations about how to combat money laundering.

There is a high level of cash use due to the lack of access to banking services. In December 2014, cash was transferred in the amount of 1 708 817,3 US dollars to 42 non-profit organizations. Twenty percent of respondents noted that they do not have documents on combating money laundering and terrorist financing in non-profit organizations. Seventy percent of respondents said that it is very difficult to track money transfers to non-profit organizations. According to the data provided, FATF-type

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experts of the Task Force on Money Laundering in Central Africa concluded that there was a high risk of using non-profit organizations for money laundering and terrorist financing in Nigeria [1].

The report of the FATF-type regional group Asia/Pacific Group on Money Laundering presented data on the level of control over the activities of non-profit organizations in China. More than 7,000 non-profit organizations in the field of policy and social services are registered in the country. Few non-profit organizations meet the FATF definition 8 [2].

TABLE 1: Number of registered non-profit organizations by type of activity for the period 2011–2016 [2].

Activities of Non-Profit organizations	2011	2012	2013	2014	2015	2016
Labor	958	1081	1178	1294	1424	1558
Charity	1067	1154	1224	1299	1364	1464
Culture	977	1071	1181	1293	1424	1596
Education	189	211	227	247	271	301
Sport	1106	1171	1243	1331	1407	1494
Other	870	951	1091	1264	1426	1448
Total	5167	5639	6144	6728	7316	7861

The activities of non-profit organizations are subject to strict control by the state authorities. Every three years, a non-profit organization must receive a certificate or license from the Bureau of identification services. When the license expires, the non-profit organization must change its name and justify the need to carry out its activities. Then non-profit organization get a license. A non-profit organization must report on its organization through the official media. Although there are few non-profit organizations involved in charity, they are constantly monitored. Quarterly they are subject to inspection by a specially assembled working group, which examines all financial transactions of charitable non-profit organizations. A serious argument for the effectiveness of measures taken by the Chinese authorities against non-profit organizations is the fact that only three reports of suspicious transactions involving transfers of funds of non-profit organizations have been registered in the country [2]. The experts of the regional group concluded that there is a low risk of using non-profit organizations for money laundering and terrorist financing in China.

The Task Force on Money Laundering in Central Africa body's report presents data on the level of development of the sphere of control over activities. non-profit organizations in Ghana; 6290 non-profit organizations are registered in the country. Due to the lack of proper control over this area, the risk of using non-profit organizations for money laundering and terrorist financing is assessed as average. Non-profit organizations are registered in Ghana in two stages. Firstly, they are registered with the main registration Department as a non-state institution. Secondly, they are registered with the Department of social security. Non-profit organizations can work in different fields, receiving funding from national partners and foreign ones.

The regulatory authorities note that Ghana's non-profit organizations form incomplete reports on their activities, they lack proper internal management of the activities, and the Council as a governing body often changes its composition. There are problems with the legislation in the field of regulation of non-profit organizations. Now, there is no separate law regulating this sphere of relations in the country. Only some local regulations have been issued.

Ghana plans to establish a regulatory body to monitor and supervise the activities of non-profit organizations in the country. In addition, this body will register non-profit organizations and keep their records. To implement this task, it is necessary to update the legislation in the field of regulation of non-profit organizations. There is a lack of understanding of the problem in the sphere of control over the activities of non-profit organizations in the country among representatives of authorities and employees of non-profit organizations. The risk of using non-profit organizations for money laundering and terrorist financing in Ghana is estimated to be between medium and high [3].

The report of the FATF-type regional group Asia/Pacific Group on Money Laundering presents data on the risk of using non-profit organizations for money laundering and terrorist financing in Thailand. There are foundations and associations engaged in charity, religious activities, education and science. Foreign non-profit organizations are allowed in the country and have three types:

1. operating only in the territory of the country;
2. headquartered in Thailand but operating in another country; and
3. mixed type.

In addition, there are 168,000 unregistered non-profit organizations. State bodies are actively working on ways to solve it [4]. The governmental body responsible for the

TABLE 2: Types of non-profit organizations in Thailand and their number [4].

Type of Non-profit Organizations	Number
Communities and associations	11,390
Funds	12,421
International private organizations	80
Total	23,891

development of the ways of countering of money laundering and terrorist financing annually conduct seminars on the risks of using non-profit organizations for money laundering and terrorist financing.

The registration of non-profit organizations in Thailand is as follows: a non-profit organization submits documents to the state body for registration. Before the official registration, the Supervisory authority checks the documentation of the non-profit organization, its goals and objectives, and the sources of funding. Foreign non-profit organizations should also attach a report on the work of the last six months. Foreign non-profit organizations are issued a license for two years, after passing a probation period of six months. During the probation period, the regulatory authorities accept the reporting documentation of a foreign non-profit organization and check it. However, the legislation provides for relatively small sanctions, which complicates the work of state bodies to force the provision of documents and reporting on established requirements. As part of the efforts to counter money laundering and terrorist financing, the regional group experts assessed the risk of using non-profit organizations in Thailand as high.

African and Asian countries are making efforts to meet international combating money laundering and terrorist financing standards. Some countries may need the assistance of more developed partners in this matter, which can be reported through the provision of reporting to FATF-type regional groups. It is important for partners to pay attention to weak regions to reduce the risks of using non-profit organizations in money laundering and terrorist financing. It is known that Ghana, Thailand and Nigeria have problems with the system of control over the activities of non-profit organizations. While in China, these problems are not observed. Cooperation between these countries may reduce the risks of non-profit organizations being used for money laundering and terrorist financing in the countries considered.

References

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