



Seven Phases of a Risk Assessment

Three Steps of the Risk-Based Approach

Risk Assessment

Review adequacy of laws and measures to address risks identified in the assessment

Align laws and measures with risk

The Financial Action Task Force requires countries to reach out to civil society when assessing terrorist financing risks. This is the first of a three-step process need to meet the international standard that measures to counter the financing of terrorism be based on risk, proportionate, and not unduly disrupt or discourage the activities of legitimate organisations.

Based on the Financial Action Task Force's [Terrorist Financing Risk Assessment Guidance](#) (2019) the seven phases of a risk assessment for CSOs to participate in are:

1. Scoping/Preliminary Phase

The first step in planning a risk assessment is to bring together “all competent authorities” to identify a lead government agency to coordinate the process, review potential methodologies, and determine the availability data and any gaps to be filled. Non-governmental stakeholders, including CSOs, are included as “competent authorities” and should be engaged in this process.

FATF's guidance notes that, “Engagement may be facilitated through open or closed online surveys, direct consultation, and the use of existing umbrella organisations, facilitators and interlocutors to encourage dialogue. Countries may also need to carry out multi-stakeholder consultations...” (p. 16) The result should be a plan with clear expectations and timelines that guides the process going forward.



2. Collect information - there may be challenges in getting cooperation from agencies

All government stakeholders with relevant information, including nonprofit regulators, should provide information for the RA. In addition to general information about terrorist financing, (such as the number and type of criminal cases and investigations, sanctions enforcement, banking data, etc.) it is essential that CSOs provide information on transparency and reporting compliance obligations of self-regulatory programs.

During this phase it is essential that the size and characteristics of the subset of organisations that fit within the FATF definition of NPO be identified. This is done by reviewing data on the sector, types of activities, location of operations, donor base and other relevant information. The rest of the process should focus on this category and not the entire sector. Countries often get confused on this point, as the FATF definition of an NPO is based on function, not structure. It focuses on service CSOs, not expressive ones.

3. Identify threats

Using information gathered, the process of identifying TF threats can begin, both for the general RA and assessment of the NPOs that meet the FATF definition. FATF's guidance notes that countries "typically consider the general TF and terrorism threat assessment, prevalence of domestic intelligence on the TF threat posed to NPOs, existing regional and international typologies (and their applicability in the domestic context) and *credible* open source information on links between domestic NPOs and terrorist individuals or organizations." (p.46.)

Civil society engagement can help ensure this process is based on reliable evidence and not vague allegations of "terror ties." Open-source data and allegations should be carefully screened to ensure that the process does [not rely on disinformation](#) and politically-motivated attacks, which have become all too frequent in recent [years](#).

This process includes an examination of methods of abuse. This is an opportunity for CSOs to point out how bank "derisking" creates risk by forcing organisations to use cash and to advocate for CFT measures that do not drive derisking.

4. Identify vulnerabilities

Vulnerabilities should be drawn from the country's context. FATF's guidance suggests the types of vulnerabilities to consider:

- global and regional
- close proximity to a terrorist threat
- large informal or cash-based economy
- strong communal links to a zone with active terrorist activity. (p.29.)

It also notes that non-governmental stakeholders are important participants in this stage.

5. How threats and vulnerabilities interact to form TF risk – See Annex C for examples

A side-by-side examination of threats and vulnerabilities helps determine how terrorist financiers have taken advantage of them, thus identifying the risk.

6. Likelihood and Consequences

This is a crucial phase of the analysis, as not all risks are created equal. For the process to produce effective and proportionate CFT measures, it is necessary to consider how likely it is that risk leads to TF, despite mitigation measures in place. The impact of potential TF must also be considered. Based on this analysis, the RA should prioritise between identified risks. This process should consider each type of TF (raise, move, store, spend) to enable prioritising.

7. Evaluate Before Finalising

Before the RA is adopted, FATF's guidance encourages governments to conduct a stakeholder review, saying, "Experience also highlights the benefits of validating findings with different government and non-governmental stakeholders to avoid confirmation bias and group think, and acknowledging uncertainties or gaps in available information". (p.31.)