

Two-Thirds of U.S. Nonprofits Have Financial Access Difficulties

Washington, February 7, 2017 –Two-thirds of U.S.-based nonprofit organizations (NPOs) working abroad are facing problems accessing financial services, according to a comprehensive report released today by the Charity & Security Network.

The report, [***Financial Access for U.S. Nonprofits***](#), is based on the first-ever empirical study of the global phenomenon known as “derisking,” as it relates to U.S.-based NPOs. Derisking refers to financial institutions terminating or restricting business relationships to avoid rather than manage risk. The report also reflects information from numerous focus group sessions and interviews with stakeholders over the last year. It outlines and analyzes the scope, frequency, and prevalence of various financial access problems, including delayed wire transfers, account refusals and closures, and unusual additional documentation requests. The report also provides recommendations to address these challenges. Author Sue E. Eckert of the Center for New American Security noted, “At a time of unprecedented need in regions of conflict, humanitarian crises, and natural disaster, American charities’ efforts to save lives and prevent the further erosion of democracy and human rights are being stymied unnecessarily. The data are clear: there is a serious and systemic problem that must be addressed.”

Among the major findings:

- 2/3 of all U.S. nonprofits that work abroad are having financial access difficulties
- Delays in wire transfers, which can last up to several months, are the most common problem, affecting 37% of nonprofits
- Problems opening and maintaining accounts affect 9.5% and 6.3% of NPOs, respectively
- 15% of nonprofits report having these problems constantly or regularly
- Transfers to all parts of the globe are impacted; the problem is not limited to conflict zones or fragile and failing states
- NPOs, categorically treated as high-risk, are sometimes forced to move money through opaque channels as a result of delays in wire transfers and requests for additional documentation. When money cannot be transmitted in a timely manner, 42% of nonprofits report that they sometimes carry cash.

“The details here are frankly disturbing. We are undermining the networks that support development and that hold the world together. Most policymakers in Washington have no idea how bad this is,” said Brian Atwood, Senior Fellow, Watson Institute for International and Public Affairs, Brown University, and former Director of the U.S. Agency for International Development.

These challenges have made it difficult for nonprofits to access the financial services necessary to provide life-saving aid to people in global hot spots where the need is greatest. For example:

- One NPO was prevented from sending immediate relief to the persecuted Rohingya minority in Myanmar, in the midst of a dire humanitarian crisis. Timely transmittal of those funds might have saved lives, the charity's director explained.
- Two clinics for Syrian refugees, one in Saida and another Akkar, were forced to close because NPOs could not get funds to the clinics.
- Working in dangerous and uniquely challenging environments, NPO staff and contractors can face physical jeopardy when funds are not available. One recounted a situation in the field where people expecting to be paid showed up with guns.
- A children's charity was informed by their financial institution that operating in Afghanistan raised their risk profile, and would lead to difficulties with their other accounts globally. So the charity reluctantly closed down the Afghan literacy program for nomadic children and returned funds to the donor. *"If we're not in there, the Taliban will be,"* a representative from the charity said.

These examples are representative of the consequences of NPOs' financial access difficulties, which stem from excessive regulatory expectations and lack of clarity. Without greater certainty, enabling banks to offer services to NPOs, financial institutions' risk-reward calculation will continue to be weighted towards derisking. "Financial access is essential to the global economy and the banking industry needs regulatory clarity in their risk management process for it to occur," according to John Byrne EVP of the Association of Certified Anti-Money Laundering Specialists, "and that certainty does not exist today."

Because nonprofits contribute to peace and security around the world, "finding a solution to the problem should be a priority for the U.S. government," said Kay Guinane, director of the Charity & Security Network.

Regulators are tasked with ensuring the safety and security of the banking system," explained Scott Paul, senior humanitarian policy advisor at Oxfam America. "In doing so, they impose steep penalties for undercompliance but none for overcompliance."

To read the report, go to charityandsecurity.org/FinAccessReport

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