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Financial Access and De-Risking: Moving Toward Solutions for Nonprofit Organizations

In recent years, access to financial services has become increasingly difficult for nonprofit organizations (NPOs) that must conduct international financial transactions in order to operate overseas, often in places where their work is needed most. Financial institutions may delay, or refuse to make, transfers between organizations. Sometimes, NPOs are turned away as customers or have their accounts closed. Remittance services that facilitate fund transfers between diaspora populations and their families are threatened by the international banking system's growing unwillingness to provide these services. A Charity & Security Network (C&SN) report, published in February 2017, established that these financial access problems are systemic, global and require urgent action by government, financial institutions and NPOs.

Why Is Financial Access So Difficult for NPOs?

Very large sums of money flow to and from illicit sources in the global financial system, and the connection between organized crime and terrorist financiers is growing. U.S. counterterrorism laws use U.S. financial institutions as the first line of defense against terrorist financing and money laundering (AML/CFT). Banks are expected to act as monitoring and enforcement arms of government to identify, track and stop illicit money flows. This has increased banks' compliance costs substantially.

In addition, aggressive enforcement of the Bank Secrecy Act and anti-terrorist and anti-money laundering laws compounds the "derisking" problem. Several major banks have received substantial fines for their role in terrorist financing and money laundering, which has had a chilling effect on other banks. In addition, federal bank regulators use an outdated manual that sets out the framework for intense review of bank practices, prodding bank examiners to push banks to conduct extensive due diligence on NPOs, which can cost substantial time and resources.

In addition, the past statements from regulatory authorities have classified NPOs as being "particularly vulnerable" to terrorist abuse, although such abuse is extremely rare. Although the Financial Action Task Force, a global standard setting body for AML/CFT laws, eliminated such language from its recommended anti-terrorist financing policy for NPOs in June 2016, this outdated view persists in the U.S. Bank Examination Manual. Add to this the fact that most NPOs requiring international banking services are small and do not represent a significant source of income for banks. Therefore, the risk-benefit calculation is heavily weighted in favor of dropping these clients.

Impacts on Nonprofits: Delays, Derisking and Lack of Remittance Options

Without financial access, NPOs cannot make the international transactions that are necessary for their organizations to function. C&SN's report, [*Financial Access for U.S. Nonprofits*](#), is based on the first-ever empirical study of this problem as it relates to U.S.-based NPOs. Among the report's major findings:

- 2/3 of all U.S. nonprofits that work abroad are having financial access difficulties
- 15% of nonprofits report having these problems constantly or regularly
- Delays in wire transfers, which can last up to several months, are the most common problem, affecting 37% of nonprofits
- One-third of NPOs have experienced fee increases, and 26% have faced additional, unusual documentation requests
- Transfers to all parts of the globe are impacted; the problem is not limited to conflict zones or fragile and failing states
- When money cannot be transmitted in a timely manner, 42% of nonprofits report that they carry cash

Are There Solutions?

C&SN's report made concrete recommendations to address these problems, including a multi-stakeholder dialogue to forge solutions. The World Bank and Association of Certified Anti-Money Laundering Specialists (ACAMS) launched such a dialogue, with banks, NPOs and government officials, in the spring of 2017. C&SN is coordinating nonprofit participation around specific solutions drawn from the report. To date these include:

- revising the Bank Examination Manual section on nonprofits (pending),
- standardizing information collection for banks' due diligence on NPO customers,
- using technology to streamline the process, and
- establishing alternative financial channels for humanitarian crises when the traditional banking system is unable to provide the needed services.

How can nonprofits get involved?

C&SN's Financial Access Working Group provides a forum for nonprofits to work together, share information, provide feedback to the World Bank/ACAMS dialogue and more. To join contact Andrea Hall at ahall@charityandsecurity.org.

For more information about financial access or the work of the Charity & Security Network, contact us:

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Studies

[*Unintended Consequences of Anti-Money Laundering Policies for Poor Countries*](#), Center for Global Development November 2015

[*Understanding Bank Derisking and its Effects on Financial Inclusion*](#), Global Center on Cooperative Security and Oxfam America November 2015

[*Stakeholder Dialogue on De-risking: Findings and Recommendations*](#), World Bank October 2016

[*Financial Access for U.S. NPOs*](#) February 2017, Charity & Security Network

[*Tightening the Purse Strings: What Countering Terrorist Financing Costs Gender Equality and Security*](#), Duke Law School International Human Rights Clinic and Women Peacemakers Program, March 2017