



Summary for AML/CFT Risk Assessment for Non-Profit Organizations

2020-2024



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Introduction

Non-profit organizations (NPOs) play a central role in delivering charitable services worldwide and assisting those, particularly in remote areas. Through their sustained efforts across multiple sectors, NPOs drive innovation in social solutions, reinforce a sense of collective responsibility, inspire solidarity and civic participation, and contribute to the development of vibrant communities.

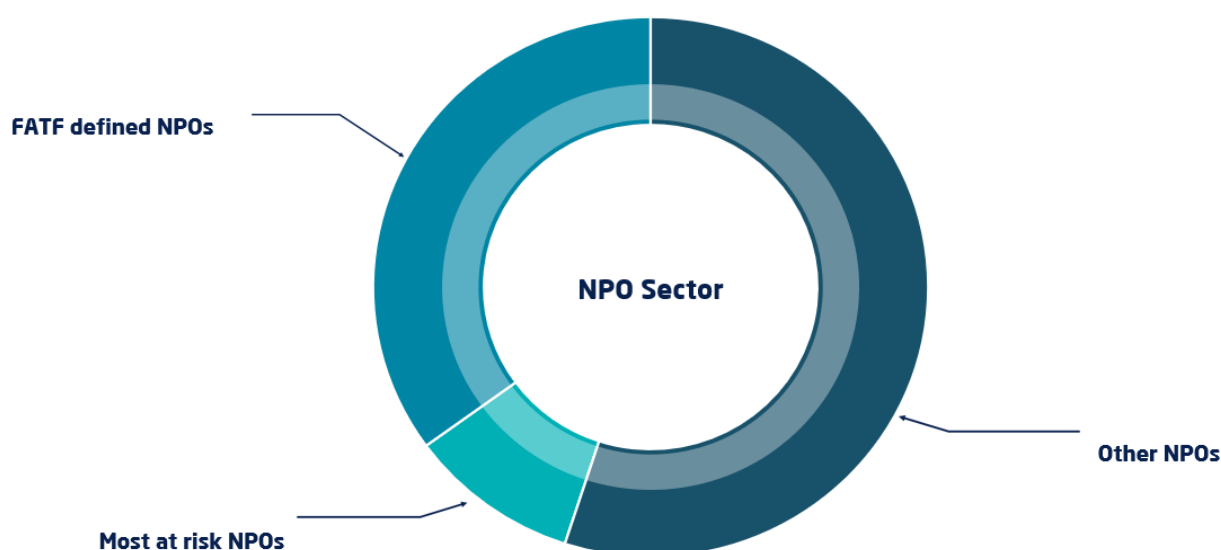
The Kingdom of Saudi Arabia has accorded high priority to the essential role of the non-profit sector in advancing social development. Its history is rich in philanthropy rooted in the Kingdom's culture and values. For many years, the Kingdom has supported the contributions of NPOs that complement government efforts by addressing a wide range of social challenges—ranging from supporting vulnerable groups and providing healthcare to advancing education and environmental sustainability.

In pursuit of its mandate to understand, identify, and assess money-laundering and terrorist-financing risks within the non-profit sector—and to ensure the effectiveness of existing strategies and policies, establish preventive measures commensurate with sector-level risks, set priorities, and make evidence-based decisions to mitigate these risks—the National Centre for Non-Profit Sector (NCNP), as part of its preparations for the upcoming FATF mutual evaluation of the Kingdom, has conducted a comprehensive risk assessment covering the period 2020-2024.



Categories of NPOs in Light of the FATF Functional Definition

FATF Recommendation 8 stipulates that countries should apply TF related risk mitigation measures to NPOs that meet the functional definition of the FATF. FATF defines an NPO as any legal person, arrangement, or organization that “primarily engages [...] in raising or disbursing of funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of “good works.” Only NPOs that meet this definition and not all NPOs in the Kingdom are thus subject to the FATF requirements. The graphic below, provided by the FATF handbook, visualizes the scope limitation described.



several categories of entities characterize the full spectrum of non-profit organizations that exist in the Kingdom. They are as



follows: Civil Associations, Civil Foundations, Family Funds, Foundations Established by Royal Order, Cooperative Associations, Sports Clubs, and Cultural and Archaeological Sites, non-profit companies, owners' associations of shared properties (Mullak), non-profit schools and universities, Amateur Clubs, Scientific Associations, Associations of Health Specialties, Professional Authorities, and Chambers of Commerce.

The various types of non-profit organizations in Saudi Arabia, all 4,688 Civil Associations, 445 Civil Foundations, and 618 Family Funds, meet the FATF's functional definition of the term "Non-Profit Organization." Thus, it is those 5,751 NPOs that need to be risk-examined from a TF perspective.

NPOs in the Kingdom

As of 2024, there were a total of 4,688 Civil Associations, in contrast to a more limited count of 445 Civil Organizations. Additionally, the family funds amounted to 618. This data highlights a substantial disparity in the prevalence of Civil Associations, primarily attributed to their ability to secure funds from sources beyond their initial founders.

The data displayed illustrates that approximately 35% of the NPOs provide services related to development and housing. Additionally, 23% of the NPOs offer social support (noting that all family funds provide such service). While 18% focus on providing religious guidance and education, 8% provide charitable support,

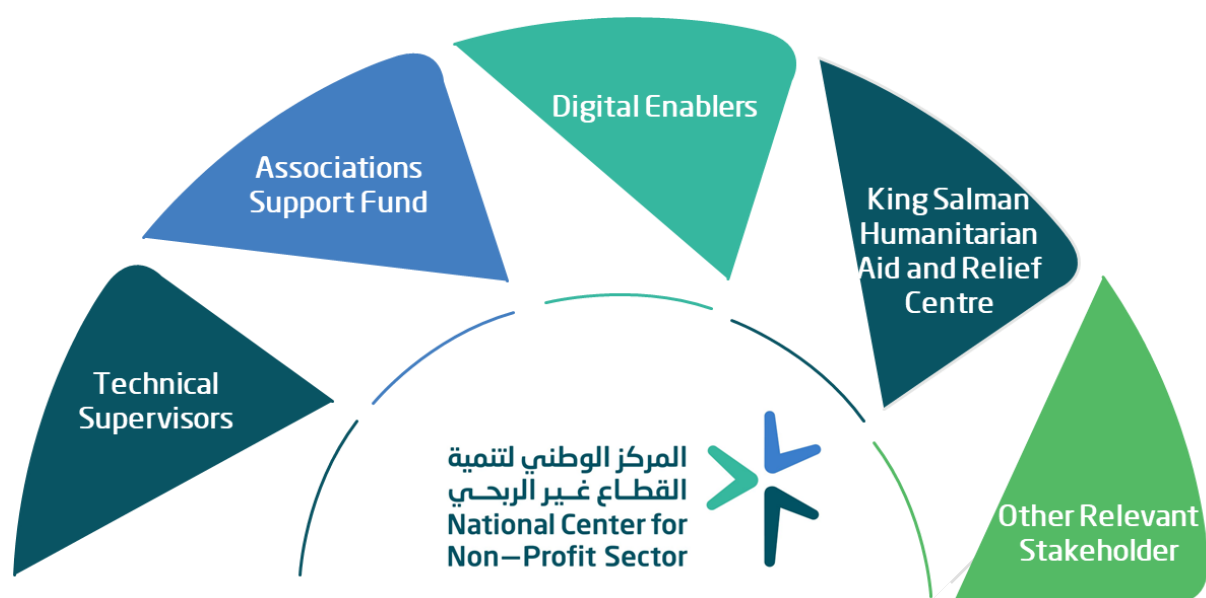


and the remaining 16% deliver a diverse range of services boosted by KSA Vision 2030.

NPOs in the Kingdom are not considered highly exposed to international activities. To conduct activities outside the Kingdom, non-profit Organizations must go through the King Salman Humanitarian Aid and Relief Center and obtain a license. However, out of eleven eligible nonprofits, only two actively participated in such activities in 2022. These two Organizations collaborated with the King Salman Humanitarian Aid and Relief Centre on four projects, focusing primarily on medical assistance.

Key Participants in the NPO ecosystem

The non-profit sector is a dynamic ecosystem that thrives through the active participation of various stakeholders in different domains such as program implementation, fundraising, advocacy, and governance. These stakeholders play a crucial role in driving positive change and making a tangible impact in communities by promoting, encouraging, and uplifting the sector through extending support (e.g., administrative, financial) and overseeing its activities domestically and internationally.



Workstream Steps

According to FATF Recommendation 8 and its accompanying Interpretive Note, which stipulate that *"Countries should identify organizations that fall within that definition, assess their risks of abuse for terrorist financing and have in place focused, proportionate and risk-based measures to mitigate these risks."* The NCNP initiated its process by constituting a specialized technical team.

This team developed a detailed work plan outlining the phases, tasks, and timeline for the sectoral ML/TF risk assessment. Concurrently, it designed and deployed both quantitative and qualitative survey instruments to capture data from all internal and external stakeholders. Bilateral meetings were convened with subject-matter experts within the NCNP's internal directorates and relevant external entities, and open-source research was leveraged to ensure comprehensive coverage of risk factors.



External participants in the survey and meeting rounds included the Presidency of State Security (represented by the General Directorate of Investigation (Mabaheth) and the General Department of Financial Investigations (SAFIU), the Public Prosecution, the Saudi Central Bank (SAMA), the King Salman Humanitarian Aid and Relief Center, and the (Ihsan) platform. Upon collection, the team analyzed all responses and available information, drafted the preliminary report, and shared the assessment findings with the relevant authorities. Following this, the results will be published to the NPOs and other stakeholders.

Objective of the Sectoral ML/TF Risk Assessment

The primary objective of conducting a sectoral risk assessment for money-laundering and terrorist-financing is to gain a comprehensive understanding of the ML/TF threats facing the non-profit sector, to ensure that preventive measures are calibrated to the level of risk identified, to optimize the NCNP's resource allocation and deployment, and to establish the necessary controls to mitigate these risks effectively.

Specifically, the sectoral ML/TF risk assessment aims to:

- 1) Assess the ML/TF risks inherent in the non-profit sector.
- 2) Identify sector-specific threats.
- 3) Evaluate the effectiveness of existing preventive measures.
- 4) Prioritize interventions to reduce risk exposure.
- 5) Support evidence-based decision-making regarding low-risk NPOs.



Methodology

The methodology applied in this assessment is fully aligned with FATF standards. It comprises three principal components—threats, vulnerabilities, and mitigating factors—to determine the residual ML/TF risks confronting non-profit organizations in the Kingdom. The first step entails estimating the likelihood of ML/TF activities within the non-profit sector by assessing sector-specific threats and vulnerabilities and then calculating inherent risk as a function of that likelihood and its potential impact before any mitigating measures are applied, thereby yielding a clear picture of sector-wide inherent risks.

The second step involves identifying and evaluating mitigating factors. This requires mapping and assessing the controls and procedures the NCNP has implemented across all NPOs types to manage the identified risks and quantifying the extent to which these controls reduce the sector's inherent risk exposure.

Finally, by combining the inherent risk scores (likelihood and impact) with the effectiveness of the applied controls, the methodology produces a residual risk rating for each category of non-profit organization, thus enabling a calibrated, evidence-based approach to prioritizing supervisory and preventive actions.

Data Sources

To conduct the risk assessment, both quantitative and qualitative data were drawn from primary and secondary sources. These included statistics and information provided by internal NCNP stakeholders and relevant authorities, supplemented by open-source intelligence.



Data was collected and collated through stakeholder surveys, sector-specific workshops, and bilateral meetings, as well as expert consultations in the field of AML/CFT.

Results of the Sectoral ML/TF Risk Assessment

Civil associations were assessed as carrying a **low** level of ML/TF risk, while civil Organizations and family funds were assessed as carrying a **very low** level.

These sub-sectorial risk allocations can be further broken down into separate ML and TF components, and entity-level risks, as follows:

TF Rating		Inherent Risk	Mitigating Factors	Residual Risk	Residual Risk Rating
NPO Sector	Civil Associations	3.07	0.86	2.21	Low
	civil Organizations	1.23	0.86	0.37	Much Low
	Family Funds	1.17	0.86	0.31	Much Low

Table 1: TF Residual Risk Rating

ML Rating		Inherent Risk	Mitigating Factors	Residual Risk	Residual Risk Rating
NPO Sector	Civil Associations	2.91	0.86	2.05	Low
	Civil Organizations	1.17	0.86	0.31	Much Low
	Family Funds	1.10	0.86	0.24	Much Low

Table 2: ML Residual Risk Rating



Civil associations exhibit the highest level of residual risk, primarily due to a greater number of vulnerabilities compared to other types of nonprofit organizations. Key factors contributing to this include their wide presence across the Kingdom, and certain funding mechanisms—such as the acceptance of in-kind donations—which represent a point of vulnerability. Additional factors include the transfer of funds to beneficiaries, the delayed submission of financial statements to the Center by most associations, and the lack of timely updates to their organizational information.

In contrast, charitable foundations and funds demonstrate significantly fewer vulnerabilities. This is largely attributed to stricter requirements surrounding their funding mechanisms. By default, charitable foundations are not permitted to solicit donations unless under exceptional circumstances and with prior approval from the Center. As for funds, they are categorically prohibited from fundraising. These restrictions limit potential vulnerabilities and, as a result, reduce the residual risks associated with these two types of entities.

In general, these risk profiles reflect the absence of any recorded or reported ML/TF incidents within the non-profit sector during 2020-2024; the implementation of robust measures and controls—including the issuance of NPO-specific regulations—that have effectively safeguarded the sector from abuse; and the channeling of all overseas charitable activities through the King Salman Humanitarian Aid and Relief Center.



Key Factors Contributing to This Level of Risk

The assessment identified several risk drivers, with the most significant being:

1. A very high reliance on formal banking channels for all financial transactions, including the collection and disbursement of donations.
2. Limited engagement of non-profit organizations in international activities.
3. The presence of an effective supervisory and regulatory framework governing non-profit organizations.
4. The absence of any recorded terrorist-financing incidents within the non-profit sector.

Terrorism-financing threats

The inherent threat posed by *"NPO staff members, representatives, or partners engaging in radicalization ideologies, propaganda, supporting (financing) or associating with terrorism activities"* is rated as **Low**, owing to mandatory security screening of directors, licensed personnel, and senior staff by the competent authorities, which bolsters the integrity of sector participants and mitigates abuse risks.

The threat of *"Misusing NPOs and their financial structures to transfer funds to other countries financial structures to transfer funds to other countries and misuse of in-kind donations to finance terrorist Organizations or related activities"* is rated **Very**



Low, since all external donations and payments are channeled through the King Salman Humanitarian Aid and Relief Centre, significantly reducing the likelihood of diversion to terrorist groups. In those rare cases where an NPO is permitted to remit funds abroad for operational needs or charitable purposes, prior NCNP approval is required.

Moreover, in-kind donations are assessed by certified accounting experts and duly recorded in the NPO's audited financial statements, enhancing transparency and reducing misappropriation risk.

The threat of *"NPOs' premises are used as cover for criminal or other illegitimate activities"* is rated **Very Low**, as the NCNP conducts risk-based on-site inspections to verify compliance with governance and AML/CFT standards.

Likewise, the threat of *"NPO takeover / merger with another organization to support a terrorist entity or related activities or NPO affiliations to a terrorist entity"* is rated **Very Low**, because any proposed merger, acquisition, or asset transfer between NPOs requires NCNP authorization, ensuring sound oversight.

The threat of *"Engagement with terrorist Organizations in regions they control (e.g., by paying bribes or concluding contracts) to be permitted to provide humanitarian aid"* is rated **Very Low**, given that all overseas relief and charitable activities are managed through the King Salman Centre, which curtails any unauthorized collaboration with unvetted third parties.

The threat of *"Recruiting members of terrorist Organizations and distributing extremist propaganda"* is rated **Very Low**. Although there are no bespoke screening tests for all NPO employees,



security screening of board members, trustees, and senior management, combined with risk-based field reviews, ensures any suspicious activity is detected. The NCNP also monitors public communications under its media-coverage guidelines to prevent biased or misleading messaging that could serve extremist agendas.

The threat of *"Using an NPO as a cover for terrorist financing (e.g., cover for infrastructure, Organizations of events and fund-raising, abusing the positive advertising effect of government aid or government recognition of non-profit status to finance terrorism)"* is rated **Very Low**, as NPOs seeking government grants or subsidies must demonstrate high governance and compliance standards and submit pre-approved program plans that align with their core missions.

The threat of *"Founding of a fraudulent NPO or faking the representation of a legitimate NPO to collect donations to finance terrorism"* is rated **Very Low**, because the King Salman Centre centrally coordinates humanitarian aid to disaster-affected regions, reducing the opportunity for shadow entities to emerge. Additionally, the Global Center to Combat Extremism, "Etidal" monitors and tracks unauthorized fundraising campaigns online and refers suspicious cases to law enforcement authorities.

Finally, the threat of *"Using purchased or leased property by an NPO in a way that is contrary to its mission"* is rated **Very Low**, as NCNP supervisors conduct annual on-site asset verifications and require each NPO to submit audited property records. This enables the timely detection of any misuse.



Money laundering threats

The threat of *"Targeting by organized crime groups for ML purposes or as front to cover illegal activities (i.e., acceptance of donations from unknown sources)"* is rated **Very Low**, given that the Donations Law mandates all licensed entities to collect funds exclusively via approved bank accounts, electronic transfers, or checks; prohibits cash donations or contributions from abroad without the regulator's prior approval and following prescribed procedures.

The threat of *"Misuse of NPOs by domestic individuals/ groups to launder money generated from predicate offences"* is also rated **Very Low**.

This is reinforced by mandatory external audit of financial statements, ensuring accurate financial reporting, and the appointment of a senior-level Compliance Officer charged with submitting suspicious transaction reports to the General Directorate of Financial Investigations.

The threat of *"Misuse of NPOs by foreign individuals/ groups to launder money generated from predicate offences"* is likewise **Very Low**, since only Saudi nationals may establish NPOs, limiting the ability of non-citizens to create sham charities for illicit purposes.

Moreover, Saudization in the sector stands at 61 percent of total staff, further reducing external exposure.

Finally, the threat of *"Concealment of the real functioning of the NPO"* is assessed as **Very Low**, because registration requires an online application that specifies the organization's precise



mission; supervisory units are assigned by service line, conduct risk-based oversight, and regularly review audited financials to ensure consistency with the license and declared activities.

Potential Vulnerabilities Identified by the Sectoral ML/TF Risk Assessment:

- 1. Fundraising Mechanisms:** Although specific licensing and fundraising promotion requirements exist, many Civil Associations lack adequate awareness of the procedures necessary to obtain a fundraising license, and they face shortcomings in contracting with third parties. These gaps collectively represent a significant vulnerability across all Organizations.
- 2. In-Kind Donation Oversight:** The difficulty of supervising in-kind contributions creates a risk that goods may be converted into cash, particularly if dual-use items are involved. Money launderers could purchase assets with illicit proceeds, donate them in-kind, and subsequently liquidate them to legitimize the funds.
- 3. Delayed Financial Reporting:** Late submission of audited financial statements impedes timely review and verification of Civil Associations' and Organizations' accounts, raising the prospect of unreported or concealed ML/TF risks due to non-disclosure or prolonged delays.
- 4. Legal Person Board Members:** Current legislation permits legal persons to serve on boards of directors or trustees, which can obscure accountability and increase risk,



especially since stakeholder feedback indicates there are no effective requirements for associations to update their governance information promptly.

5. **Beneficial Ownership Transparency:** No mandatory requirements exist to verify or maintain records of ultimate beneficial owners of NPOs. This gap necessitates a regulatory obligation for organizations to systematically collect, verify, and retain accurate information on beneficial ownership.

Mitigating Factors

1. Effective Controls Framework

A. Regulatory Requirements

- **Licensing & Registration (including Renewal):** A valid license constitutes the formal instrument conferring legal personality upon newly established NPOs and specifies essential details—name, address, and objectives. NPOs may not commence operations until all requisite approvals are obtained. Those intending to operate abroad must secure prior authorization from the King Salman Humanitarian Aid and Relief Centre. However, no clear procedures exist to verify compliance with license-renewal requirements for established associations or Organizations.
- **Fundraising License:** According to applicable regulations, NCNP exclusively issues fundraising licenses to entities seeking to solicit donations, based on defined criteria—target beneficiaries, fundraising target, disbursement plan—



and technical approval by the supervisory authority. NPOs must obtain NCNP pre-approval for any cash or in-kind fundraising campaign. To enhance governance across the fundraising value chain, the “Donate with Confidence” initiative provides donors with real-time access—via QR code—to entity credentials, license status, and program details, thereby reinforcing donor trust, ensuring fund traceability, and validating license validity.

- **Integrity & Fitness Requirements:** NCNP mandates security screenings by competent authorities for board members and trustees. NCNP employs a Fit & Proper assessment model to evaluate the integrity and suitability of senior NPO personnel.
- **Self-Regulation Frameworks:** Boards of Associations or Organizations may develop and implement sector-level self-regulatory mechanisms to standardize practices, strengthen cooperation with supervisory bodies, and submit recommendations to regulators, thereby reinforcing NPO autonomy, responsiveness to sector needs, and sector protection.

B. Governance & Compliance Requirements

- **Internal Controls & Due Diligence:** Regulations require NPOs to adopt AML/CFT policies and procedures—including risk-based customer due diligence, transparency, record-keeping, and volunteer management protocols. NCNP conducts both off-site and on-site reviews to verify policy adherence.
- **Compliance Officer Requirement:** Legal frameworks explicitly oblige NPOs to appoint a senior-level Compliance



Officer, establishing a dedicated line of defense against abuse or misuse.

- **Training Requirements:** NPOs must deliver regular AML/CFT training programs to board members, trustees, and staff to enhance awareness and compliance. NCNP validates training implementation through its inspection activities.
- **Independent Audit Requirements:** By regulation, boards of directors/trustees oversee bank accounts, assets, and funds; submit periodic financial reports to NCNP; and engage an independent, licensed auditor to certify financial statements. These measures strengthen financial integrity, transparency, and stakeholder confidence.

2. Supervisory Capabilities

A. Supervisory Authority Capacities

- **Dedicated Enforcement & Oversight Office:** The AML/CFT Directorate within NCNP comprises two divisions—Policy & Standards and AML/CFT Supervision—entrusted with all sectoral supervision and enforcement mandates, including the design and execution of both sector-wide and individual NPO risk assessments. Operating under a risk-based framework, the Directorate develops policies, tools, and controls to address identified ML/TF threats and coordinates information sharing with other competent authorities across the Kingdom.
- **Adequate Resource Allocation:** The AML/CFT Directorate is currently scaling its team to enable comprehensive oversight of all NPOs, including inspections, investigations, and enforcement actions. However, the absence of an NPO-



specific AML/CFT monitoring system limits the timely identification and mitigation of emerging sector risks.

B. Monitoring & Inspection

- **Periodic Risk Assessments:** The Directorate conducts regular ML/TF risk assessments at both the sector and individual-entity level. It establishes primary and sub-risk indicators for Civil Associations, Organizations, and Funds (inherent risk), defines appropriate internal controls and procedures to reduce these risks (residual risk), and quantifies potential impact and likelihood by assigning weighted values to each indicator and control based on severity and effectiveness.
- **Continuous Sector Monitoring:** NCNP employs both off-site (desk-based) and on-site reviews under a risk-based approach to verify NPOs' compliance with governance requirements via self-assessments. These assessments cover three core criteria—Compliance (regulatory adherence), Transparency & Disclosure (willingness to publish information), and Financial Soundness (efficiency, sustainability, and financial management effectiveness)—in addition to AML/CFT obligations. The Donations Oversight Unit reviews fundraising advertisements and liaises with relevant authorities upon detecting irregularities, while technical supervisory units promptly report instances of non-compliance.
- **Risk-Based Inspections:** NPO inspections fall into three categories: Governance Visits (conducted by delegated external teams), Joint Inspection Visits, and Targeted Visits in response to notifications or directives. Risk factors



guiding entity selection include revenue sources and prior suspicious reports. Common findings have included non-adherence to AGM procedures, outdated bylaws, and late financial filings. However, no standardized protocol currently exists for comprehensive operational audits, risking unreliable self-assessment responses and inaccurate compliance evaluations. Concurrently, the AML/CFT Directorate performs regular on-site inspections to assess adherence to AML/CFT laws and issues consolidated inspection reports.

C. Training & Awareness Programs

- **Guidance & Standards Issuance:** NCNP published the *"Guidance to Mitigate Unsafe Financial Transactions in NPOs"* to raise sector awareness of ML/TF risks. In 2023, the AML/CFT Directorate issued an updated sectoral manual covering key AML/CFT topics.
- **Training & Outreach:** In partnership with an accredited academy, NCNP delivers training courses—including dedicated AML/CFT modules—and conducts in-person and virtual workshops for NPO personnel. The King Salman Humanitarian Aid and Relief Centre also organizes specialized AML/CFT workshops for organizations authorized to operate abroad.

3 Proportionate, Deterrent, and Effective Sanctions

- **Warnings & Administrative Penalties:** NCNP has demonstrated its commitment to transparency and accountability within the sector by deploying a range of deterrent measures. NCNP issues formal warnings and



administrative notices, and may impose sanctions such as leadership removal, organizational merger, or board reconstitution to address serious compliance breaches.

- **Remedial Actions:** In accordance with the assessment findings, NCNP systematically monitors non-compliant NPOs and follows up to ensure that identified deficiencies are effectively and promptly rectified under its corrective-action framework.

Risk Rating of Non-Profit Entities:

Civil Associations recorded the highest level of residual risk, principally due to their extensive presence across Saudi Arabia and the involvement of multiple stakeholders, which amplifies the vulnerabilities previously identified. In contrast, Civil Organizations and Family Funds exhibited substantially fewer vulnerabilities than Civil Associations, largely due to their funding restrictions, which limit them to soliciting donations only from their members. Strengthening controls in these funding channels has effectively mitigated such vulnerabilities, thereby reducing the residual risk associated with these entities.

General Conclusion

The above findings provide a risk rating for non-profit organizations. The potential misuse of NPOs for illicit purposes presents risks that must be addressed. In order to safeguard the NPOs against such misuse and to overcome existing challenges and close regulatory gaps, appropriate measures must be implemented by the risk assessment framework.