Risk of Abuse of Charitable Non-Profit Organizations in Switzerland for Terrorist Financing and Risk Mitigation Measures Implemented by the Sector

Executive Summary

The Swiss non-profit sector (NPO sector) is an important part of civil society and makes a significant contribution to the provision of charitable services in Switzerland and abroad. It comprises a large number of associations and foundations active in the fields of social services, health, education, culture, environmental protection, development cooperation, humanitarian assistance, and other charitable activities.

This paper examines the potential risks of the abuse of non-profit organizations (NPOs) for terrorist financing (TF) within the meaning of Recommendation 8 of the Financial Action Task Force (FATF). It reflects the perspective of the Swiss NPO sector and follows a risk-based and preventive approach. The analysis is based on the potential abuse scenarios described by the FATF, the actual characteristics of the Swiss NPO sector, and the existing safeguards and risk mitigation measures.

The analysis shows that the Swiss NPO sector is aware of the potential risks of terrorist financing and actively addresses them. At the same time, it demonstrates that only a very small proportion of organizations have risk profiles that could potentially result in increased exposure to TF risks. This applies in particular to organizations operating in high-risk regions in combination with weaknesses in governance.

The vast majority of Swiss NPOs operate at the local or national level and neither conduct international activities nor engage in international financial transactions. The structure of the sector therefore significantly limits its potential exposure to terrorist financing risks.

In addition, the Swiss NPO sector benefits from a comprehensive framework of legal requirements, supervision by public authorities, self-regulation, good governance standards, and awareness-raising measures. These mechanisms were primarily developed to promote responsible, transparent, and impact-oriented organizational governance. At the same time, they contribute significantly to identifying, assessing, and substantially reducing potential risks of abuse for terrorist financing purposes.

The available evidence provides no indication that the abuse of Swiss NPOs for terrorist financing is widespread or systemic. The analysis is therefore preventive in nature and is based on potential risks and vulnerabilities.

Overall, the risk of abuse of the Swiss NPO sector for terrorist financing is assessed as **low**. A **potentially elevated risk** exists only in **very specific, rare circumstances.**

1. Background

1.1 International Developments

Combating TF is a central concern of the international community. The FATF develops international standards in this area that are to be implemented by its member states.

FATF Recommendation 8 specifically addresses NPOs. It is based on the recognition that certain types of NPOs, under certain circumstances, may be vulnerable to abuse for terrorist financing. At the same time, the FATF expressly emphasizes that the vast majority of NPOs carry out legitimate and important charitable activities and should not be unnecessarily burdened or restricted in their activities. As explicitly noted in other FATF Evaluation Reports, it is also a key concern of the FATF that this important part of civil society should not be unduly restricted ("shrinking space").

The recommendation therefore follows a targeted risk-based approach. Rather than treating the entire NPO sector as being at risk, governments and the NPO sector should identify those organizations for which potentially elevated risks may exist due to the nature of their activities, their geographic scope, or their organizational structure.

This differentiated approach is also consistent with the interests of the Swiss NPO sector. Charitable organizations make an important contribution to society. At the same time – in addition to complying with legal and regulatory requirements – they are committed to ensuring that their structures, reputation, and the funds entrusted to them are not abused for illegal purposes.

1.2 Purpose of the Analysis

This analysis pursues three objectives:

- First, it identifies and assesses the potential risks of the abuse of Swiss NPOs for TF.
- Second, it describes the actual circumstances of the Swiss NPO sector to provide a realistic assessment of the sector's potential exposure.
- Third, it outlines the existing safeguards and preventive measures at the legal, supervisory, self-regulatory, and organizational levels that contribute to reducing potential risks.

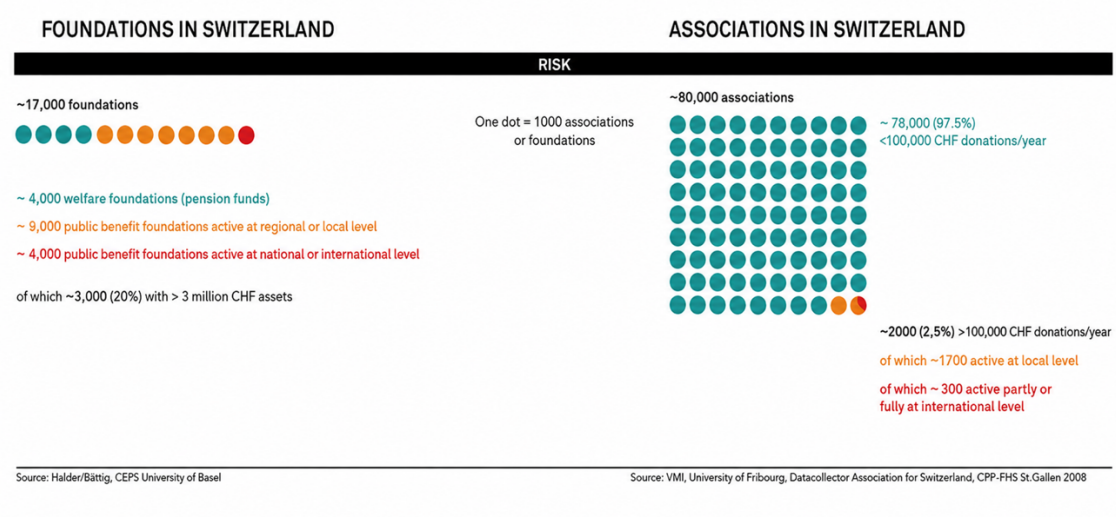
This analysis is intended as a contribution by the Swiss NPO sector to an appropriate, risk-based, and proportionate approach to the potential risks described by the FATF.

2. The Swiss NPO Sector

The Swiss NPO sector comprises organizations that raise and use funds for charitable, social, cultural, humanitarian, educational, environmental, or similar purposes. It is characterized by its diversity, strong roots in society, and broad-based voluntary engagement. Charitable organizations do not constitute a distinct legal form but are generally organized as associations or foundations.

According to the *Swiss Foundation Report 2026*, foundation assets in Switzerland amount to CHF 159.6 billion and are held by 13,071 charitable foundations. These foundations spend approximately CHF 6 billion each year on their charitable purposes. Of these foundations, 75.3% operate exclusively in Switzerland, while 24.7% — approximately 3,400 foundations — have an international purpose.

Of the estimated 80,000 associations in Switzerland, the vast majority are very small and have limited financial resources. Only around 2,000 associations are estimated to receive more than CHF 100,000 in donations per year, of which around 300 are also active abroad. All others neither conduct international activities nor have significant international financial flows.



The Swiss NPO sector has a high level of institutional organization. According to the Zewo/University of Fribourg Donation Statistics, the total volume of donations received by charitable organizations in Switzerland was extrapolated to CHF 2.23 billion in 2024. Of this amount, CHF 1.5 billion went to around 500 organizations that have been successfully assessed by Zewo for compliance with its Good Governance Standards and are subject to regular monitoring. The total annual income of Zewo-certified organizations exceeded CHF 5 billion in 2024. This includes donation income, government funding, and self-generated income. Around 100 Zewo-certified organizations operate internationally.

The approximately 250 members of SwissFoundations invest more than CHF 1 billion annually in charitable projects and thereby represent a significant share of the annual distributions made by charitable foundations in Switzerland. Together with the approximately 520 members of proFonds, the two associations cover a substantial part of Switzerland's organized charitable sector.

proFonds, SwissFoundations, Zewo, and other sector bodies promote knowledge sharing, professionalization, and the dissemination of Good Governance Standards within the sector. This supports the continuous development of transparency, accountability, and professional governance.

Furthermore, the Swiss NPO sector draws on more than 200 years of experience and includes organizations such as the Red Cross, Caritas, and the ICRC. This has contributed to a high level of professionalization.

As a result of its structure alone, the Swiss NPO sector has only **limited exposure** to terrorist financing risks.

3. FATF Risk Framework

3.1 FATF Recommendation 8

Through its 40 Recommendations, the FATF has established international standards for combating money laundering and terrorist financing. Recommendation 8 specifically addresses NPOs. It requires countries to identify those organizations that, by virtue of their activities, may be vulnerable to abuse for terrorist financing and to implement appropriate protective measures. At the same time, legitimate charitable activities should not be unduly restricted or disrupted. Recommendation 8 therefore explicitly follows a targeted and risk-based approach.

3.2 Terrorist Financing

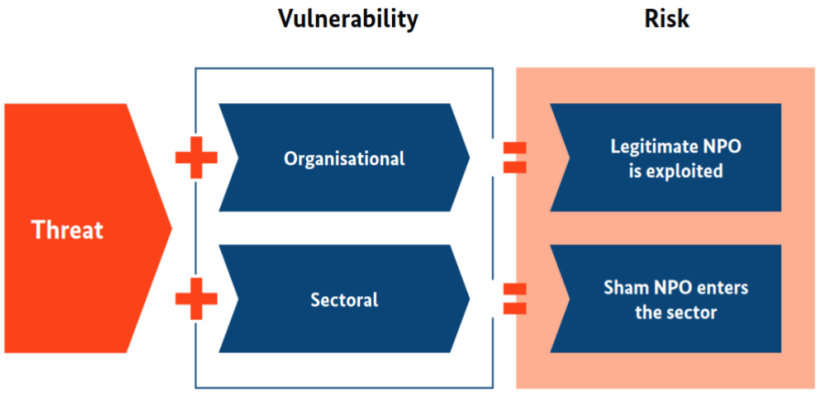
The FATF defines risk as the combination of threat and vulnerability. Threats describe the potential for abuse by actors pursuing terrorist purposes. Vulnerabilities describe weaknesses that could facilitate such abuse.

Regarding NPOs, the FATF distinguishes between organizational and sectoral vulnerability.

3.3 Threat and Vulnerability

The FATF defines risk as the combination of threat and vulnerability. **Threats** refer to the potential for abuse by actors pursuing terrorist purposes. **Vulnerabilities** refer to weaknesses that could facilitate such abuse.

Regarding NPOs, the FATF distinguishes between organizational vulnerability and sectoral vulnerability.



Organizational vulnerability exists where weaknesses in the governance, processes, or controls of legitimate NPOs may allow staff, partners, or third parties to misuse funds or services for unintended purposes**.**

Sectoral vulnerability exists where NPO structures are deliberately established to conceal terrorist financing activities or to provide a cover for such activities.

The following sections analyse these potential risks, assess their relevance to the Swiss NPO sector, and explain how the sector addresses them.

4. Risk Analysis of the Swiss NPO Sector

The FATF notes that certain types of NPOs may, under certain circumstances, be vulnerable to abuse for terrorist financing. These are not risks that exist per se or affect the entire sector equally. Rather, potentially elevated risks may arise in specific contexts and circumstances. However, their practical significance must be assessed in light of the actual structure of the Swiss NPO sector.

The following factors may contribute to a potentially elevated risk:

4.1 Geographic and Operational Risk Factors

- Activities in fragile states where state structures function only to a limited extent or where state authority has been weakened or has collapsed;
- Activities in areas where terrorist groups are active or exercise partial territorial control;
- Activities in areas where organizations with both political-social and paramilitary structures operate;
- Contexts in which the verification of partner organizations, beneficiaries, or the use of funds is significantly impeded.

4.2 Governance Weaknesses

- Insufficient risk awareness within the organization;
- Missing or inadequate requirements for risk prevention within the organization;

- Insufficient awareness-raising and training within the organization;
- Lack of checks and balances within the organization;
- Insufficient internal control mechanisms within the organization, in particular insufficient due diligence on partner organizations and beneficiaries;
- Insufficient monitoring of projects and programs by the organization;
- Missing or inadequate documentation of the flow of funds by the organization;
- Use of alternative money transfer systems outside the regular banking system without adequate safeguards.

4.3 De Facto Control and Lack of Transparency

- The organization is under the de facto control or direction of persons who are affiliated with, or associated with, terrorist groups.
- The organization has significant deficiencies in the transparency of its governing bodies and organizational structure, its activities, its funding, and its use of funds.

4.4 Assessment of the Risk Factors in Relation to Vulnerability

The presence of individual risk factors does not automatically imply increased vulnerability for an organization. Internationally active NPOs often operate in fragile and/or conflict-affected contexts because the need for humanitarian assistance, development cooperation, or other forms of support is particularly high in those contexts.

Increased vulnerability arises only where several risk factors coincide. This may, for example, be the case where organizations operate in a fragile context while at the same time exhibiting weaknesses in governance, risk management, and internal control mechanisms. The more risk factors coincide and the weaker the existing safeguards, the more vulnerable an organization may become.

From the perspective of the Swiss NPO sector, potentially elevated risk situations are limited to a small number of organizations. The vast majority of Swiss NPOs do not exhibit risk profiles or combinations of risk factors associated with increased vulnerability.

5. Mitigating Factors

The potential risks of terrorist financing are mitigated in the Swiss NPO sector by a wide range of factors. They exist at the legal, institutional, and organizational levels and complement one another.

The Swiss NPO sector benefits from a dense framework of supervision by public authorities, oversight under tax and registration law, self-regulation, Good Governance, and awareness-

raising measures. These mechanisms were primarily developed to promote the responsible and transparent use of funds. At the same time, they make a significant contribution to reducing the potential risk of abuse for terrorist financing.

5.1 Legal and Supervisory Framework

Switzerland has a comprehensive legal framework that promotes transparency, accountability, and lawful conduct. Key elements include:

- the provisions governing associations and foundations under the Swiss Civil Code (CC) and the Swiss Code of Obligations (CO);
- tax law requirements, including review by the competent authorities of compliance with the conditions for tax exemption and the use of funds by tax-exempt organizations in accordance with their intended purpose and on an irrevocable basis.
- supervision of foundations by public authorities at the federal and cantonal levels;
- statutory oversight rights of the general assembly of associations under Swiss law;
- mandatory registration of all foundations in the Commercial Register;
- mandatory registration in the Commercial Register for associations primarily engaged in international activities, with foreign financial flows exceeding CHF 100,000 already triggering the registration requirement (introduced by legislative amendment following the 2016 Mutual Evaluation and the FATF recommendations);
- the obligation for associations to maintain a register of members and to ensure that the register is accessible in Switzerland (introduced by legislative amendment following the 2016 Mutual Evaluation and the FATF recommendations);
- the obligation to retain the register of members for five years;
- statutory accounting obligations for all foundations and associations;
- statutory financial reporting and audit requirements for all foundations and large associations;
- statutory criminal law provisions on terrorist financing;
- statutory provisions on the criminal liability of organizations where, due to organizational deficiencies, a criminal offence cannot be attributed to a governing body or any other natural person associated with the organization;
- implementation of international sanctions against terrorist organizations and individuals;
- enhanced due diligence for politically exposed persons (PEPs) based on sector-specific governance requirements;
- enhanced due diligence obligations for financial intermediaries.

These mechanisms create a framework that significantly impedes potential abuse and ensures and further promotes the transparency and traceability of organizational and financial structures.

5.2 Self-Regulation: Enhancing Transparency and Strengthening Good Governance

Over many years, the Swiss NPO sector has developed a range of mechanisms to promote transparency, integrity, and responsible governance. The most important of these include:

- The "Swiss Foundation Code", with its four guiding principles (effectiveness, checks and balances, transparency, and social responsibility), as well as recommendations on governance, risk management, and the verification of the origin of assets and donations;
- the 21 Zewo Standards, particularly those relating to integrity, governance, transparency, financial reporting, auditing, effectiveness, and international networks;
- Swiss GAAP FER 21, the accounting standard for charitable NPOs issued by the Foundation for Accounting and Reporting Recommendations (FER), together with Zewo's guidance on the accounting treatment of restricted and unrestricted donations;
- the auditing standards for ordinary and limited audits, as well as for reviews of financial statements, issued by EXPERTsuisse, together with selected questions and answers on the application of Swiss GAAP FER 21.

These mechanisms promote:

- clear roles and responsibilities;
- effective control and oversight mechanisms;
- transparency towards donors, beneficiaries, and the public;
- the transparent and traceable use of funds;
- risk-aware management.

Good governance primarily serves the effective fulfilment of charitable purposes. At the same time, it reduces the potential risk of abuse for terrorist financing by preventing individuals from acting without effective oversight and by supporting the early identification of risks.

Zewo further promotes transparency and accountability through its **information services** as well as the publication of public warnings. Organizations that do not meet key transparency requirements or whose circumstances give rise to concerns may be included on Zewo's **list of non-transparent organizations** (currently 3 entries) or be the subject of a **public warning** published on the Zewo website (currently 4 entries). Experience shows that organizations included on these lists or subject to such warnings have often ceased their activities and have subsequently been liquidated or dissolved (currently 6 organizations). These mechanisms help identify potential risks at an early stage and strengthen transparency within the sector.

The public visibility of the certification, together with the ongoing **monitoring** of compliance with the standards, provides additional incentives for transparent and compliant governance and thereby contributes indirectly to reducing the potential risk of abuse for terrorist financing.

The high level of public awareness and acceptance of the **Zewo Seal** further reinforces this effect. Among people in Switzerland who donate more than CHF 200 annually, 62% are familiar with the Zewo Seal. Of those who are familiar with the Seal, 65% report that they always, almost always, or often take it into account when deciding whether to donate.

5.3 Awareness-Raising and Capacity Building

For many years, associations, certification bodies, and specialized institutions in the Swiss NPO sector — particularly Zewo, SwissFoundations, and proFonds — have promoted awareness of governance, integrity, and compliance, as well as of the risks of money laundering and terrorist financing.

This is achieved, among other things, through conferences, training and advisory services, publications, guidelines and guidance notes on governance, integrity, and compliance, including the risks of money laundering and terrorist financing, as well as through regular dialogue with public authorities and other stakeholders.

Examples of such activities include:

- the 2018 Zewo Conference, including a presentation by Patricia Matthews-Steck (**Federal Department of Finance, FDF**) on the international standards applicable to non-profit organizations, their implementation in Switzerland, and Switzerland's follow-up measures in response to the FATF Recommendations;
- the 2018 Zewo Conference, including a presentation by Yvan Maillard Ardenti (**Advisory Board, Transparency International Switzerland**) on preventive measures against abuse, corruption, and conflicts of interest in non-profit organizations;
- the 2021 Zewo Conference, including a presentation by Emmanuel Sangra (**Competence Centre for Evaluation**, **Swiss Federal Audit Office (SFAO)**) on impact measurement, accountability, and the requirements of public funders for non-profit organizations;
- the 2024 Zewo Conference, including a presentation by Fabien Leimgruber **(CyberPeace Institute)** on the impact of emerging technologies on the security of vulnerable communities and the management of cyber risks by NPOs;
- the 24th Swiss Foundation Symposium (2025), organized by SwissFoundations, including a session on recent legal developments, particularly in the areas of anti-money laundering and terrorist financing, featuring Lukas Regli (**State Secretariat for International Finance, SIF**) and Nils Güggi (**Federal Supervisory Authority for Foundations**).
- the 2026 event series ***Rencontres Zewo – NPO en Suisse romande***, including presentations by Nicolas Germiquet (Head of Cyber Security Advisory & Digital Forensic,

BDO SA) on cyber risks, digital security, and risks associated with IT, cloud, and other third-party service providers;

- the annual *Beste Stiftungsratspraxis* conference organized by the Europa Institute at the University of Zurich in cooperation with SwissFoundations and the Center for Philanthropy Studies (CEPS), with the 2026 edition focusing on "Foundation Compliance";
- the SwissFoundations ***International Cooperation*** **Working Group**, which facilitates the exchange of experience and the sharing of best practices in international cooperation and regularly collaborates with **the Swiss Agency for Development and Cooperation (SDC**);
- a planned presentation by the **State Secretariat for International Finance (SIF)** at the **2026 Zewo Conference** on money laundering and terrorist financing risks in the NPO sector
- proFonds and SwissFoundations also maintain a regular dialogue with foundation **supervisory authorities**, **tax authorities,** and representatives of the **financial sector**. This dialogue fosters a shared understanding of risks and supports the continuous development of appropriate preventive measures.

In addition, sector-specific guidance has been developed. This includes:

- **SwissFoundations Legal Letter No. 3:** Risk Management in the Area of Anti-Money Laundering and Terrorist Financing for Charitable Foundations in Switzerland. Published in 2025, these practical recommendations illustrate how charitable foundations can address potential risks through due diligence, project monitoring, internal control systems, phased disbursements, traceable financial flows, and clear escalation procedures for suspected cases.
- **training courses** delivered by proFonds for various sector organizations and institutions on compliance issues related to the acceptance of donations and the use of organizational funds, with a particular focus on anti-money laundering and terrorist financing risks.
- participation in the development of a **guidance note** issued by the **Federal Supervisory Authority for Foundations (FSAF)** on terrorist financing risks for foundations (2026).
- participation in the development of a **guidance note by the State Secretariat for International Finance (SIF)** on money laundering and terrorist financing risks in the NPO sector (2026).

These initiatives address current risks and developments. They promote awareness among governing bodies, staff, and volunteers, strengthen dialogue between the NPO sector, supervisory authorities, the federal administration, and external experts, and contribute to the early identification and appropriate management of risks.

5.4 Risk-Based Requirements for Risk Management and Internal Controls

Zewo applies a risk-based approach when assessing certified organizations. Organizations with a higher risk profile are subject to more stringent requirements and correspondingly more intensive assessments. Zewo examines the following aspects:

- risk assessments, considering, for example, the Corruption Perceptions Index (CPI), the Global Terrorism Index (GTI), the Fragile States Index, and the CIVICUS Monitor;
- risk-based internal control systems and documented control procedures, including for medium-sized and smaller organizations, as well as appropriate training and their effective implementation throughout the organization;
- clearly defined responsibilities, segregation of duties, the four-eyes principle, and joint signature requirements;
- traceable and documented financial flows, as well as transparent management of conflicts of interest, related parties, and related-party transactions;
- thorough due diligence of partner organizations and beneficiaries, including, for example, online research and other publicly available sources, information from public authorities, screening against relevant sanctions lists (UN, EU, OFAC, SECO), the collection of relevant documentation (e.g. annual reports and audited financial statements), and direct enquiries;
- documented project monitoring;
- appropriate measures to monitor the use of funds.

The requirements are based on the principle of proportionality. The scope and intensity of the assessment are commensurate with the organization's individual risk profile.

5.5 Processing of International Financial Flows through Regulated Financial Intermediaries

International financial flows of Swiss NPOs are generally processed through banks or other regulated financial intermediaries. These institutions are subject to statutory anti-money laundering and counter-terrorist financing requirements and must comply with comprehensive customer due diligence, monitoring, and reporting obligations. As a result, international financial transactions are subject not only to the organization's internal controls but also to an additional layer of external oversight by the regulated financial system. This constitutes a further risk-mitigating factor regarding the potential abuse of NPOs for terrorist financing.

Based on the available evidence, alternative payment methods play only a marginal role in the Swiss NPO sector. Of the 352 Zewo-certified organizations that participated in the 2025 Donation Statistics, only three reported receiving donations in cryptocurrencies. None reported using cryptocurrencies to transfer funds to partner organizations or beneficiaries or holding financial assets in the form of cryptocurrencies.

6. Overall Assessment and Conclusions

The analysis shows that the potential terrorist financing risks described by the FATF are, in principle, also relevant to the Swiss NPO sector. Potentially elevated risks may arise where organizations operate in high-risk areas while at the same time exhibiting governance weaknesses.

At the same time, the analysis shows that such risk situations are concentrated in a small part of the Swiss NPO sector. Most organizations operate locally or nationally and do not have activity profiles associated with a potentially elevated risk of terrorist financing.

The sector has a strong framework of legal, supervisory, and self-regulatory safeguards, long-standing experience, and a high level of organization and professionalization. The promotion of transparency, the strengthening of NPO governance, awareness-raising measures and capacity building, as well as regular dialogue with supervisory authorities and other stakeholders, help identify potential risks at an early stage and address them appropriately.

Against this background, the vulnerability of the Swiss NPO sector is assessed as **low.** **Potentially elevated vulnerabilities** are limited to a small number of organizations and are mitigated by existing legal, self-regulatory, and organizational safeguards. Overall, we conclude that the risk of abuse of the Swiss NPO sector for terrorist financing is low.



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