SRI LANKA'S DRAFT NGO BILL:
Balancing Regulation, Freedom of Association, and FATF Standards

Law and Governance Division

October 2026

Research Brief

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Strategic Analysis for Asia

Research Brief

SRI LANKA'S DRAFT NGO BILL:
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ISSN 2806-5174

Recommended Citation: Handy, M. and Liyanage, C., (2026). Sri Lanka's Draft NGO Bill: Balancing Regulation, Freedom of Association, and FATF Standards. Colombo: Verité Research.

Keywords: Financial Action Task Force, Non-Governmental Organisation, Non-Profit Organisation, Freedom of Association, NGO Bill

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1. INTRODUCTION

In July 2026, civil society accessed a Draft Bill titled the "Non-Governmental Organisations (Registration and Supervision) Act" (the Bill) dated April 2, 2026. The Bill provides for the registration and supervision of Non-Governmental Organisations (NGOs), Voluntary Social Service Organisations and other entities engaged in non-profit activities, under a 'Competent Authority'. If enacted, it will repeal and replace the Voluntary Social Services Organisations (VSSO) Act, No. 31 of 1980.

The Bill is introduced against the backdrop of Sri Lanka undergoing its third Mutual Evaluation[1] by the Financial Action Task Force (FATF).[2] The Government has presented the Bill as introducing regulations for NGOs in a manner that is necessary to tackle money laundering, terrorist financing, and proliferation financing risks, and to comply with the FATF Recommendations on Anti-Money Laundering and Countering the Financing of Terrorism and Proliferation (AML/CFT).[3]

Against this backdrop, civil society has raised concerns that the Bill may unduly disrupt or discourage legitimate NGO activity and violate their right to freedom of association guaranteed under domestic and international law.[4] The United Nations High Commissioner for Human Rights and four United Nations Special Rapporteurs have also raised these concerns, highlighting potential inconsistencies between the Bill and the right to freedom of association under international human rights law (IHRL) and international standards on terrorist financing.[5]

In this context, this research brief, first briefly discusses freedom of association and its broader implications for democracy, permissible restrictions on freedom of association, and the FATF Recommendations. Second, it examines key issues in the Bill that unduly restrict freedom of association and maps these against FATF standards. Third, it evaluates how the Bill measures against these complementary standards. Fourth, this brief illustrates how other jurisdictions have addressed these issues.

This research brief finds four issues that unduly restrict freedom of association, which are also either inconsistent with or not required by FATF. They are:

- **Intrusive Monitoring of NGOs for Compliance:** The Bill allows the Competent Authority to enter NGO premises and access records at any time, without suspicion or complaint, regardless of the NGO's terrorist financing (TF) risk. This disproportionately restricts freedom of association and is inconsistent with the risk-based approach required by FATF Recommendation 8.

- **Prior Authorisation Procedure for Registering NGOs:** The Bill makes registration a precondition to operating and criminalises failure to register. This gives authorities discretion over which organisations are free to associate and operate. FATF does not require mandatory registration.

- **Excessive Penalties for Administrative Non-Compliance:** The Bill imposes criminal sanctions for administrative failures. These penalties disproportionately restrict freedom of association and are inconsistent with the risk-based approach required by FATF Recommendation 8.

- **Duty to Align with Government Policy:** The Bill requires NGOs to align their work with government policy. This may constrain their objectives and advocacy, beyond what is required to address unlawful conduct. This is a disproportionate and unnecessary restriction on freedom of association that is not required by FATF.

Therefore, although the Bill is presented as necessary for FATF compliance, several of its provisions are unnecessary for FATF compliance as they are either not required or inconsistent with FATF standards. They also unduly restrict the freedom of association.

For clarity, this document uses the term "Non-Profit Organisation" (NPO)[6] in discussing FATF standards, consistent with FATF terminology. The term "Non-Governmental Organisation" (NGO) refers to entities covered by the Bill or to NGOs in general.

2. FREEDOM OF ASSOCIATION AND FATF STANDARDS: AN OVERVIEW

Regulating NGOs requires a framework that respects freedom of association whilst complying with FATF standards. IHRL legally protects freedom of association and defines its scope, nature and extent. FATF provides a framework for identifying and mitigating terrorist financing (TF) risks. An effective NGO law, therefore, should treat freedom of association and FATF standards as complementary to mitigate TF risks without unduly restricting an NGO's freedom of association or unduly discouraging or disrupting legitimate NGO activity.

2.1. Freedom of Association

Diverse democratic institutions, including associations, NGOs, NPOs, and religious organisations, are integral to a vibrant democracy.[7] Freedom of Association recognises that citizens must be free to form relatively independent associations to pursue their interests and rights, including the effective operation of political institutions.[8] Associations facilitate political participation by giving groups a means of mobilising support, competing in elections, and promoting their interests. Political participation also extends beyond elections, as citizens and organisations can influence legislators, promote policies, support causes, and seek political appointments.[9] They also sustain democracy by teaching the public skills necessary for political action, checking official power, improving the quality of representation by allowing individuals to foster deliberation with one another to form public opinions, and creating avenues for direct participation in the regulation or production of public goods such as education, public safety, and the provision of social welfare.[10] Associations are also vital in addressing and resolving challenges and issues that are important to society, such as human rights, social justice, women's empowerment, sustainable development, etc.[11] Accordingly, freedom of association is fundamental to functional democracy and serves as an essential prerequisite for the effective exercise of other fundamental freedoms, such as freedom of expression and opinion, freedom of assembly, and freedom of thought, conscience and religion.[12]

The importance of freedom of association is reflected not only in democratic theory and practice but also in IHRL, which recognises it as a legally protected right. The right to freedom of association is guaranteed under the International Covenant on Civil and Political Rights (ICCPR), to which Sri Lanka is a party.[13] IHRL also acknowledges that freedom of association forms a cornerstone of a democratic society.[14] For instance, the Human Rights Committee in General Comment No. 25 recognises that citizens take part in public affairs through their capacity to organise themselves. This participation is supported by ensuring freedom of expression, assembly, and association.[15]

2.1.1. Restrictions on the Freedom of Association

IHRL allows restrictions on freedom of Association only in limited circumstances. Under Article 22 (2) of the ICCPR, any restriction on freedom of association must meet the following conditions: (a) it must be provided by law; (b) it may only be imposed in the interest of national security or public safety, public order (ordre public), the protection of public health or morals, or the protection of the rights and freedoms of others; and (c) it must be necessary in a democratic society to achieve one of the said purposes.[16] Furthermore, any restriction on the freedom of association must meet the "strict tests of necessity and proportionality" and "be guided by the objective to facilitate the right".[17]

Domestically, freedom of association is guaranteed in the Constitution under Article 14 (1)(c). This right is subject to restrictions laid down in Article 15. Under Article 15 (4), freedom of association may be restricted in the interests of racial and religious harmony. Under Article 15 (7), freedom of association may be restricted in the interests of the

national economy, national security, public order, the protection of public health or morality, rights and freedoms of others, or to meet the just requirements of the general welfare of a democratic society. The Supreme Court has held that a restriction to Article 14 is permissible if it is prescribed by law, has a legitimate aim, is necessary to meet the requirements of the general welfare of a democratic society, and is proportionate.[18] Although Article 15 of the Constitution does not expressly mention that the restriction must be reasonable, the Supreme Court in *Wickremabandu v Herath and Others held that 'if the Court is satisfied that the restrictions are clearly unreasonable, they cannot be regarded as being within the intended scope of the power under Article 15(7)'.*[19]

Thus, restrictions on freedom of association must be assessed against the applicable constitutional and international standards, including whether they are prescribed by law, pursue a legitimate aim, and are necessary and proportionate.

2.2. Financial Action Task Force (FATF) Recommendations

FATF Recommendation 8 recognises that NPOs may be exploited for TF in three ways (a) terrorist organisations posing as legitimate entities to raise or move funds; (b) legitimate entities being exploited as conduits for TF or to evade asset-freezing measures; and (c) the clandestine diversion of legitimately raised funds to terrorist causes.[20] Recommendation 8 requires countries to adopt measures to mitigate these risks.

The implementation of Recommendation 8 has led to 'unintended consequences', including undue disruption or discouragement of legitimate NPO activity.[21] In response, Recommendation 8 was revised to require a more targeted approach that avoids disrupting or discouraging legitimate NPO activities.[22] The concern that AML/CFT measures might disrupt legitimate NPO activity is also reflected in IHRL. The Special Rapporteur on the freedom of peaceful assembly and of association affirmed that *"States have a responsibility to address money-laundering and terrorism, but this should never be used as a justification to undermine the credibility of the concerned association, nor to unduly impede its legitimate work"*. Accordingly, the Special Rapporteur recommended that States use alternative mechanisms to mitigate the risk, such as through banking laws and criminal laws that prohibit acts of terrorism.[23]

FATF requires countries to implement measures to protect NPOs from TF abuse in a manner which respects countries' obligations under the United Nations Charter and international law, particularly IHRL, international refugee law, and international humanitarian law.[24] Accordingly, Recommendation 8 must be implemented in a manner that respects freedom of association. This mandates States to ensure that any CFT measures imposed on NPOs only restrict the freedom of association in accordance with Article 22 of the ICCPR.

In light of the above, FATF Recommendation 8 was revised to require *"focused, proportionate and risk-based measures adopted by countries to protect NPOs from terrorist financing abuse"* that *"should not unduly disrupt or discourage legitimate NPO activities, in line with the risk-based approach."*[25] Rather than adopting a one-size-fits-all approach to TF mitigation measures, the risk-based approach requires regulatory interventions to be focused and proportionate to the TF risk exposure of an NPO. Accordingly, Recommendation 8 was revised to adopt a functional definition of NPOs and limit the application of the FATF recommendations only to NPOs that fall within that definition.[26] Countries should therefore first identify organisations that fall within the FATF definition of NPOs. Next, countries must assess the exposure of these NPOs to TF abuse. Based on this assessment, NPOs should be categorised based on their level of TF risk exposure, and countries should apply measures to such NPOs that are proportionate to the risks identified.[27] The risk-based approach therefore ensures that CFT measures are proportionate and do not unduly disrupt or discourage legitimate NPO activity. In so doing, it provides a framework to ensure CFT measures are consistent with the permissible limitations on freedom of association.

3. KEY ISSUES IN THE BILL: FREEDOM OF ASSOCIATION, FATF STANDARDS AND COMPARATIVE PRACTICE

The table below addresses four key issues in the Bill, setting out corresponding freedom of association and FATF standards. It also evaluates how the relevant provisions of the Bill measure against these standards and finally draws reference to how other jurisdictions have navigated adherence to FATF Recommendations while respecting freedom of association in corresponding regulation.

It must be noted, however, that this analysis cannot be considered an exhaustive review of the Bill. It is limited to addressing selected concerns relating to the Bill's compliance with applicable legal standards and does not examine in full the potential for misuse and abuse that may arise when implementing the law.[28]

Table — Freedom of Association, FATF Standards and Comparative Practice

International Human Rights Law Standards on Freedom of Association	Financial Action Task Force (FATF) Standards	Evaluation of the NGO Bill Against IHRL and FATF Standards	Approaches Taken By Other Jurisdictions[29]
1. Intrusive Monitoring of NGOs for Compliance			
States have an obligation not to unduly obstruct the exercise of the right to freedom of association.[30] Therefore, supervision and oversight measures by regulatory authorities must not unduly obstruct an association's lawful activities or interfere with its decisions and internal affairs. Members should remain free to determine their statutes, structure, activities and make decisions without State interference.[31] Such supervision and oversight measures should also be based on the principle of minimum state interference in the operations of an association.[32] In line with this principle, legislation should set out a clearly defined list of grounds on which inspections may be conducted.[33] The legal framework governing inspections should also establish clear limits on the powers of regulatory authorities and ensure	Appropriate authorities[36] are required to adopt a focused, proportionate, and risk-based approach to monitoring[37] and oversight[38] of NPOs.[39] Accordingly, in deciding what oversight and monitoring systems are appropriate for a specific NPO, the appropriate authority should take into account the TF risk profile of the NPO. As such, intrusive supervision of NPOs without any consideration of risks amounts to an undue disruption of legitimate NPO activity contrary to FATF.[40] Importantly, FATF does not require countries to monitor NPOs as they would Financial Institutions (FIs)[41] and Designated Non-Financial Businesses and Professions (DNFBPs).[42] As such, appropriate authorities are not required to carry out on-site or off-site inspections of NPOs with the same AML/ CFT supervision requirements that apply to FIs or DNFBs.[43]	**Principle:** Restrictions on the freedom of association must be prescribed by law and proportionate. Monitoring that is intrusive, i.e., it unduly interferes with an association's legitimate activity, would be a disproportionate restriction of the right. In order to be proportionate, the law in prescribing such a restriction should list the grounds for inspection, set clear limits on the authority's powers, and not confer broad discretion. FATF Recommendation 8 (as revised) is aligned with the principle of proportionality as it only requires countries to adopt focused, proportionate, and risk-based monitoring of NPOs. A one-size-fits all approach is inconsistent with the risk-based approach, and may unduly disrupt or discourage legitimate NPO activity. The risk based approach therefore, gives effect to a proportionate restriction on freedom of association.	The United Kingdom Charities Act 2011 expressly requires the Charities Commission to consider the principles of best regulatory practice under which regulatory activities should be proportionate, accountable, consistent, transparent and targeted only at cases in which action is needed, in exercising its power.[47] The Australian Charities and Not-for-profits Commission Act 2012 similarly requires the Commission to consider the principle of regulatory necessity, the principle of reflecting risk, and proportionate regulation in exercising its power.[48] While both these laws include provisions on inspection and/or entry, the overarching obligation on the Commissions to act in a manner that is necessary, proportionate and reflective of risks, acts as a safeguard to intrusive monitoring of NGOs.

International Human Rights Law Standards on Freedom of Association	Financial Action Task Force (FATF) Standards	Evaluation of the NGO Bill Against IHRL and FATF Standards	Approaches Taken By Other Jurisdictions[29]
1. Intrusive Monitoring of NGOs for Compliance			
that inspections are necessary and proportionate to a legitimate regulatory objective.[34] Regulations should therefore not be excessive or based on vague and undefined grounds, nor should they confer broad or unfettered discretion on authorities, as this may create a risk of arbitrary or selective enforcement and unduly interfere with the autonomy of associations.[35]	During the course of an investigation, authorities should have access to relevant information on the administration and management of a particular NPO (including financial and programmatic information).[44] In implementing this standard, a country could, for example, require NPOs to maintain records of domestic and international transactions that are sufficiently detailed to verify that funds have been used in accordance with the objectives of the NPO. Countries may also require NPOs to make this information available to competent authorities in accordance with due process procedures.[45] These examples illustrate possible approaches to implementation and should not be interpreted as requiring or automatically justifying measures that go beyond the standard.	**The Bill:** Section 5 (e)(i-iv) of the Draft Bill vests the Competent Authority with the power to enter the premises of any NGO with a peace officer (with a search warrant, or without a search warrant upon prior notice) and access, where necessary, any information and/or records of NGOs "for the purpose of ascertaining whether a non-governmental organisation is compliant" with the provisions of the Bill. The Authority may also do such other things as may be reasonably required. The above powers are intrusive as they may unduly interfere with an association's legitimate activity. Under Section 5(e), the Competent Authority may exercise this power against any NGO at any time, without suspicion or complaint, merely for the purpose of ascertaining if the NGO is compliant with the Act. The Bill also does not say who issues a warrant or on what standard, sets no notice period, and vests the Competent Authority with undefined powers to do "such other things as may be reasonably required". The Bill, therefore, does not list grounds for inspection or set clear limits on the Authority's powers, as required under IHRL. Such a power may be exercised against any NGO regardless of its TF risk exposure. In Sri Lanka's context, this is particularly concerning, as powers of inspection and entry have historically been abused to unduly interfere with legitimate NGO activity.[46]	

International Human Rights Law Standards on Freedom of Association	Financial Action Task Force (FATF) Standards	Evaluation of the NGO Bill Against IHRL and FATF Standards	Approaches Taken By Other Jurisdictions[29]
1. Intrusive Monitoring of NGOs for Compliance			
		Thus, the powers under Section 5(e) are intrusive, amounting to a disproportionate restriction on the freedom of association. It is also inconsistent with FATF Recommendation 8 as it fails to adopt a risk-based approach to monitoring and oversight.	
2. Prior Authorisation Procedure to Register NGOs			
Freedom of association applies to both formal and informal organisations, irrespective of their registration.[49] In this regard, IHRL recommends that States adopt a "notification procedure", rather than a "prior authorisation procedure" that requests the approval of the authorities to establish an association as a legal entity.[50] Under this notification procedure, associations are automatically granted legal personality as soon as the founders notify the authorities that an organisation has been created. This approach recognises that registration should facilitate the legal recognition of associations rather than operate as a prerequisite for their existence or ability to associate.[51]	FATF does not require mandatory registration of all NPOs. Rather, registration of NPOs is a measure that countries could take. FATF does not necessarily require specific licensing or registration requirements for CTF purposes.[52] In implementing this standard, the approach that some countries have taken is to stipulate that certain activities, such as the opening of a bank account or the employing of personnel, may require associations to obtain legal personality.[53]	**Principle:** Restriction of Freedom of Association must be proportionate and necessary. Prior authorisation functions as a prerequisite for an association's existence or ability to associate. This may be an unnecessary and disproportionate restriction of the freedom of association. Moreover, FATF neither requires mandatory registration of NGOs, nor does it set standards on how countries may register NGOs. **The Bill:** Section 8(1) of the Draft Bill requires that an NGO must be registered before commencing activities, and Section 10 mandates the Competent Authority to issue a certificate of registration valid for a period of three years. Section 19 makes failure to register an offence. This makes registration a prerequisite for an NGO's existence or ability to associate. This is both an unnecessary and disproportionate restriction on the freedom of association. Further, prior authorisation for the registration of NGOs is not required by FATF.	Switzerland goes further than the notification procedure recommended under IHRL. Under Article 60 of the Swiss Civil Code, associations pursuing a political, religious, scientific, cultural, charitable, social or other non-commercial purpose acquire legal personality as soon as their intention to exist as a corporate body is apparent from their articles of association, which must be in writing and set out the association's objects, resources and organisation.[54] Legal personality therefore arises without any registration or approval by a state authority. Associations that conduct commercial operations are required to register in the Commercial Register, which is a public register containing information about companies and other legal entities.[55] Even where registration is mandatory, it does not determine whether an association exists, since legal personality has already arisen under Article 60. This stands in contrast to the Bill, which makes registration a precondition for an NGO to commence activities and to exist.

International Human Rights Law Standards on Freedom of Association	Financial Action Task Force (FATF) Standards	Evaluation of the NGO Bill Against IHRL and FATF Standards	Approaches Taken By Other Jurisdictions[29]
2. Prior Authorisation Procedure to Register NGOs			
			Switzerland addresses the risk of money laundering and terrorist financing through targeted rather than blanket registration requirements. Mandatory registration in the Commercial Register applies only to associations most exposed to such risks. Even within this category, the Federal Council may grant exemptions, in particular for associations exposed to a low risk of abuse, based on the amount, origin, purpose or intended use of the assets.[56] This reflects the risk-based approach required under FATF Recommendation 8, which calls for focused and proportionate measures directed at NPOs at risk of terrorist financing abuse.
3. Excessive Penalties for Administrative Non-compliance			
States should not punish organisations for failing to comply with reporting obligations with measures such as closure or criminal prosecution of members. Organisations should be allowed to promptly rectify their errors.[57] Administrative or reporting errors should instead be addressed through less restrictive measures, and organisations should be given a reasonable opportunity to promptly rectify any errors or deficiencies before sanctions are imposed.[58] Sanctions should only apply in cases where associations have committed serious infractions.[59] In imposing sanctions, States should apply the measure that is the "least disruptive and destructive to the right to freedom of association".[60] This requires authorities to consider whether the legitimate regulatory	Appropriate authorities monitoring compliance with TF mitigation measures should have the legal power to apply effective, proportionate, and dissuasive sanctions for violations by NPOs.[62] Such sanctions may include freezing of accounts, removal of trustees, fines, de-certification, de-licensing, and de-registration.[63] Appropriate authorities should be able to apply sanctions proportionately to greater or lesser breaches of requirements.[64]	**Principle:** Restrictions on freedom of association must be proportionate. The imposition of criminal sanctions, in the first instance, for administrative non-compliance is a disproportionate restriction on the freedom of association. Recognising the principle of proportionality FATF Recommendation 8 requires that sanctions for non-compliance should be proportionate. **The Bill:** Section 19 of the Draft Bill penalises organisations that fail to furnish required information, audit their accounts, or fail to furnish material facts in the registration application. This makes NGOs liable, on conviction after a summary trial before a Magistrate, to a fine not exceeding One Million Rupees for administrative non-compliance. Imposing such heavy criminal penalties for	In Kenya if a failure to comply with Regulations issued under the Public Benefits Organizations Act, No. 18 of 2013, amounts to an offence, the NGO shall be given notice of the offence. As far as practicably possible the NGO shall also be given a reasonable opportunity to comply with the Regulations before criminal liability is imposed.[65] In the United Kingdom, the Charity Commission may issue a formal warning to a charity when it would not be proportionate in the circumstances to use other temporary or permanent protective powers (such as removing or disqualifying trustees) or require trustees to account for a loss or benefit, for example through restitution or recovery of funds.[66]

International Human Rights Law Standards on Freedom of Association	Financial Action Task Force (FATF) Standards	Evaluation of the NGO Bill Against IHRL and FATF Standards	Approaches Taken By Other Jurisdictions[29]
3. Excessive Penalties for Administrative Non-compliance			
objective can be achieved through less restrictive measures before resorting to criminal penalties or other sanctions that may significantly interfere with an organisation's ability to operate.[61]		administrative non-compliance without providing NGOs with a reasonable amount of time to rectify any oversight or error amounts to a disproportionate restriction on the freedom of association. It also falls short of FATF standards, as the sanctions for administrative non-compliance are not focused, proportionate, or risk-based.	
4. Duty to Align with Government Policies			
The freedom of association not only relates to the right to form an association but also guarantees the right of such an association to freely carry out its statutory activities.[67] This includes the ability of associations to determine their own objectives, priorities, and activities without undue interference from the State.[68] Accordingly, States "should not restrict or dictate the objectives and spheres of activities that associations must or cannot undertake, beyond those that are incompatible with international human rights standards".[69] Any restrictions on the activities of an association must therefore have a legitimate basis and should not be used to compel organisations to pursue particular objectives or limit their activities merely because they differ from governmental priorities.[70] In this context, the requirement by governments for organisations to align themselves with Governments' priorities	Countries must have in place focused, proportionate, and risk-based measures to address the TF risks identified, without unduly disrupting or discouraging legitimate NPO activities, in line with the risk-based approach.[72]	**Principle:** Restrictions on freedom of association must be clearly defined, necessary, and proportionate. Requirements that constrain the substantive activities of NGOs, by requiring them to align with government policy, are both unnecessary and disproportionate amounting to a violation of the freedom of association. In any case, the requirement for NGOs to align their work with government policy is not required under FATF. Moreover, complementary to freedom of association, FATF Recommendation 8 recognises that the implementation of TF measures should not unduly disrupt or discourage legitimate NPO activities. **The Bill:** Section 15(2)(b) of the Draft Bill requires NGOs to "align their work with the policies of the government".[73] This requirement extends beyond regulating unlawful conduct by NGOs and instead constrains the substantive objectives and activities that NGOs may pursue. This may	The Kenyan Public Benefits Organizations Act No. 18 of 2013, explicitly recognizes that an NGO may engage freely in research, education, publication and advocacy with respect to any issue affecting the public interest, including criticism of the policies or activities of the state or any officer or organ thereof.[75]

International Human Rights Law Standards on Freedom of Association	Financial Action Task Force (FATF) Standards	Evaluation of the NGO Bill Against IHRL and FATF Standards	Approaches Taken By Other Jurisdictions[29]
4. Duty to Align with Government Policies			
"contradicts one of the most important aspects of freedom of association, namely that individuals can freely associate for any legal purpose," and may undermine the pluralism of civil society by limiting the ability of organisations to pursue diverse interests, perspectives and causes. Such restrictions are also inconsistent with the democratic principles of "pluralism, tolerance and broadmindedness", which require space for associations to operate independently of the Government and to express and pursue views or objectives that may differ from those of the authorities.[71]		pose a *"direct and expansive restriction that poses a serious risk to organisations engaged in law reform, policy advocacy, human rights work, or activity that may be critical of, or inconsistent with, the policies of the government of the day"*.[74] Such vague and overly broad duties may confer excessive discretion on regulatory authorities and create uncertainty for NGOs as to which activities are permissible as being aligned with government policy. This may have a chilling effect on legitimate activities, particularly where organisations are engaged in advocacy or public debate on matters of government policy. As such, this amounts to a disproportionate and unnecessary restriction on the freedom of association. Such a level of regulation is also not required by the FATF Recommendations. What FATF requires is regulations to mitigate TF risks faced by NPOs, which should not unduly disrupt or discourage legitimate NPO activity. A requirement to align with government policy does not directly address the risk of TF abuse but instead, as a result, unduly disrupts legitimate NGO activity, contrary to FATF.	

4. CONCLUSION

The foregoing analysis assesses the NGO Bill against the FATF standards and standards on the freedom of association. On FATF, even though the Cabinet decisions pertaining to the Bill assert that the Bill is required for Sri Lanka's compliance with the FATF, this analysis shows that certain provisions of the Bill are inconsistent with or not required by FATF standards. Tested against FATF Recommendation 8, certain provisions of the Bill are inconsistent with Recommendation 8 on two fronts - the failure to adopt a risk-based approach to monitoring and oversight of NPOs and disproportionate sanctions for administrative non-compliance. The Bill also introduces two notable regulatory requirements that are not required by FATF: it introduces a prior authorisation mechanism for the registration of NGOs and mandates that NGOs must align with government policy. FATF compliance therefore cannot justify these provisions. The analysis also shows that the Bill violates the right to freedom of association guaranteed under IHRL in all four issues identified in the table, as the restrictions on freedom of association are neither necessary nor proportionate. Therefore, the provisions analysed above in the proposed NGO bill, if enacted, could unnecessarily restrict freedom of association in the name of FATF compliance, despite being inconsistent and not required by the FATF standards themselves.

5. ENDNOTES

1 A mutual evaluation is an assessment of a country's actions to tackle money laundering, the financing of terrorism, and the proliferation of weapons of mass destruction. Evaluations are a peer review exercise, meaning they are conducted by a team of qualified experts from other member countries.

2 As a member of the Asia Pacific Group on Money Laundering (APG), which is an associate member of the FATF, Sri Lanka is subject to the FATF standards on Anti-Money Laundering and Countering the Financing of Terrorism and Proliferation (AML/CFT). FATF has issued 40 recommendations which form the international standard on AML/CFT.

3 *Sri Lanka Brief*, 'Sri Lanka: An Act to monitor NGO sector is on the final stage', 10 February 2024, at <https://srilankabrief.org/sri-lanka-an-act-to-monitor-ngo-funding-is-on-the-final-stage/> [last accessed 11 October 2026]; Ambika Satkunanathan, 'Sri Lanka: Central Bank, NGO Secretariat and weaponisation of Financial Action Task Force', *Daily FT*, 23 December 2024, at <https://www.ft.lk/columns/CentralBank-NGO-Secretariat-and-weaponisation-of-Financial-Action-Task-Force/4-770882> [last accessed 11 October 2026]; Dr. Jehan Perera, 'Wide scope of proposed NGO Law', *The Morning*, 27 July 2026, at <https://www.themorning.lk/articles/R5GwIljHecfkw3D7LBmP> [last accessed 15 September 2026].

4 Prof. Rohan Samarajiva, 'NGO Bill: Slouching toward totalitarianism?', *Daily FT*, 16 July 2026, at <https://www.ft.lk/columns/NGO-Bill-Slouching-toward-totalitarianism/4-794690> [last accessed 15 September 2026]; Ambika Satkunanathan, 'The draft NGO law casts a wide net to build an architecture of oppression', *Daily FT*, 28 July 2026, at <https://www.ft.lk/columns/The-draft-NGO-law-casts-a-wide-net-to-build-an-architecture-of-oppression/4-795241> [last accessed 15 September 2026]; 'NGO Bill: Ineffective and unjustified', *Daily FT*, 7 August 2026, at <https://www.ft.lk/columns/NGO-Bill-Ineffective-and-unjustified/4-795711> [last accessed 15 September 2026]; Nimalka Fernando, 'The new NGO Bill: Regulating civil society or restricting democratic space?', *Daily FT*, 8 August 2026, at <https://www.ft.lk/columns/The-new-NGO-Bill-Regulating-civil-society-or-restricting-democratic-space/4-795735> [last accessed 15 September 2026].

5 UN High Commissioner for Human Rights, *Situation of human rights in Sri Lanka*, A/HRC/63/18 (03 September 2026), at <https://www.ohchr.org/sites/default/files/documents/hrbodies/hrcouncil/sessions-regular/session63/advance-versions/a-hrc-63-18-auv.pdf> [last accessed 13 October 2026], para. 37; Special Rapporteur on the promotion and protection of human rights and fundamental freedoms while countering terrorism, the Special Rapporteur on the promotion and protection of the right to freedom of opinion and expression, the Special Rapporteur on the rights to freedom of peaceful assembly and of association and the Special Rapporteur on the situation of human rights defenders, Communication to the Government of Sri Lanka, Ref.: OL LKA 5/2026 (28 September 2026), at <https://spcommreports.ohchr.org/TMResultsBase/DownLoadPublicCommunicationFile?gId=31407> [last accessed 02 October 2026].

6 FATF defines an NPO as "a legal person or arrangement or organisation that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of "good works"

7 OSCE's Office for Democratic Institutions and Human Rights (ODIHR), *Joint Guidelines of the Venice Commission and OSCE Office for Democratic Institutions and Human Rights (OSCE/ODIHR) on Freedom of Association* (12-13 December 2014), at <https://www.coe.int/en/web/venice-commission/-/CDL-AD(2014)046-e> [last accessed 09 October 2026], p. 14.

8 Robert A. Dahl, 'What Political Institutions Does Large-Scale Democracy Require?', *Political Science Quarterly*, Vol. 120, No. 2 (2005), at <https://doi.org/10.1002/j.1538-165X.2005.tb00543.x> [last accessed 13 October 2026], p. 196,197.

9 *ibid*

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25 FATF (2012), *op. cit.*, p. 61; FATF (2023), op. cit., para. 48.

26 FATF (2012), *op. cit.*, p. 60. FATF defines an NPO as "a legal person or arrangement or organisation that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of "good works"

27 FATF (2023), *op. cit.*, para. 41.

28 Provisions that may be broadly interpreted and provisions without explicit procedural safeguards, for example, heighten the risk of regulatory powers being applied in ways that unduly restrict freedom of association.

29 The comparative examples are illustrative and are not intended as a complete survey of practice in other jurisdictions.

30 UN Human Rights Council (2012), *op. cit.*, para. 64.

31 *ibid.*, para. 64.

32 OSCE's Office for Democratic Institutions and Human Rights (ODIHR) (2014), *op. cit.*, para. 228.

33 *ibid.*, para. 231.

34 *ibid.*, paras. 230 and 231.

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36 Appropriate authorities refer to competent authorities, including regulators, tax authorities, FIUs, law enforcement, intelligence authorities, accrediting institutions, and potentially self-regulatory organisations in some jurisdictions.

37 "Monitoring" is used broadly by competent authorities to cover a range of mechanisms through which authorities can be assured that NPOs are complying with the legal and regulatory framework.

38 "Oversight" measures are generally less intrusive and less resource-intensive than "monitoring" measures.

39 FATF (2012), *op. cit.*, p. 64.

40 FATF (2023), *op. cit.*, para. 6.

41 Financial institutions mean any natural or legal person who conducts as a business one or more of the following activities or operations for or on behalf of a customer: 1. Acceptance of deposits and other repayable funds from the public. 2. Lending. 3. Financial leasing. 4. Money or value transfer services. 5. Issuing and managing means of payment. 6. Financial guarantees and commitments. 7. Trading in: (a) money market instruments; (b) foreign exchange; (c) exchange, interest rate and index instruments; (d) transferable securities; (e) commodity futures trading. 8. Participation in securities issues and the provision of financial services related to such issues. 9. Individual and collective portfolio management. 10. Safekeeping and administration of cash or liquid securities on behalf of other persons. 11. Otherwise investing, administering or managing funds or money on behalf of other persons. 12. Underwriting and placement of life insurance and other investment related insurance. 13. Money and currency changing.

42 Designated non-financial businesses and professions means: a) Casinos b) Real estate agents. c) Dealers in precious metals. d) Dealers in precious stones. e) Lawyers, notaries, other independent legal professionals and accountants. f) Trust and Company Service Providers.

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ISSN 2806-5174

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