The Proposed Non-Governmental Organisations (NGO) (Registration and Supervision) Bill:

Impact on Sri Lanka's International Obligations Under the Financial Action Task Force (FATF) and the European Union's Generalised Scheme of Tariff Preferences (GSP+)

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1. INTRODUCTION

The proposed Non-Governmental Organisations (NGO) (Registration and Supervision) Act seeks to repeal and replace the Voluntary Social Services Organisations (VSSO) Act, No. 31 of 1980. It establishes a new framework for registering, supervising, and monitoring NGOs in Sri Lanka.[1]

Sri Lanka is currently undergoing its third Mutual Evaluation[2] by the Financial Action Task Force (FATF)[3] and is also facing reapplication for the European Union's Generalised Scheme of Tariff Preferences (GSP+). In this context, this document evaluates how the NGO Bill may affect Sri Lanka's FATF evaluation and GSP+ reapplication, and which aspects could create a risk of a less favourable assessment in both.

The proposed Bill creates several risks that harm Sri Lanka's international obligations:

1. First, the Bill may unduly disrupt or discourage legitimate Non-Profit Organisations (NPO) activity, contrary to FATF Recommendation 8 and may therefore impede Sri Lanka's performance in the ongoing Mutual Evaluation.
2. Second, the Bill is inconsistent with the International Covenant on Civil and Political Rights (ICCPR), which may harm Sri Lanka's upcoming reapplication process for the European Union General Scheme of Tariff Preferences (GSP+).

The following explainer sets out the foregoing points, offers a way forward, and maps key provisions of the Bill against FATF evaluation criteria.

2. INCONSISTENCY WITH FATF RECOMMENDATION 8, AND IMPLICATIONS FOR SRI LANKA'S MUTUAL EVALUATION

The government has presented the Bill as necessary to comply with the FATF Recommendations on Anti-Money Laundering and Countering the Financing of Terrorism and Proliferation (AML/CFT). However, FATF has recognised that 'unintended consequences' of implementing its recommendations may unduly disrupt or discourage legitimate NPO activity, and thereby fall short of FATF standards. This section first examines how the NGO Bill may unduly disrupt legitimate NPO activity and where it falls short of FATF standards on mitigating unintended consequences. Second, it evaluates how these inconsistencies may impact Sri Lanka's assessment at its third Mutual Evaluation.

2.1. Inconsistency With FATF Standards

The proposed Bill is inconsistent with FATF Recommendation 8 on NPOs because it is likely to unduly disrupt or discourage legitimate NPO activity. To avoid any unintended consequences of the implementation of the FATF standards, countries should have in place focused, proportionate and risk-based measures for NPOs.[4] The Bill will likely disrupt and discourage legitimate NPO activity as it fails to adopt focused, proportionate and risk-based measures for NPOs, required to prevent unintended consequences.

The Bill unduly disrupts and discourages legitimate NPO activity contrary to Recommendation 8. Recommendation 8 itself was specifically revised to ensure that its implementation did not unduly disrupt or discourage legitimate NPO activities.[5] Accordingly, Recommendation 8 now requires that *"focused, proportionate and risk-based measures adopted by countries to protect NPOs from terrorist financing abuse should not unduly disrupt or discourage legitimate NPO activities, in line with the risk-based approach."*[6] In this context, intrusive supervision of NPOs, restricting their access to funds, forced de-registration, etc., would amount to an undue disruption or discouragement of legitimate NPO activity.[7]

When evaluated for compliance with Recommendation 8, the Bill risks being assessed as unduly disrupting and discouraging legitimate NPO activity, because it offends specific criteria in Recommendation 8 by failing to adopt a risk-based approach. This is discussed below.

The undue disruption of legitimate NPO activity has also been recognised under international human rights law. The Report of the Special Rapporteur on the Rights to Freedom of Peaceful Assembly and of Association raised similar concerns about an earlier iteration of the Bill in Sri Lanka, which included provisions on mandatory registration, punitive dissolution of organisations, and enhanced powers for the NGO Secretariat to enter organisational offices, etc.[8] The same report found that the Voluntary Social Service Organisations (Registration and Supervision) (VSSO) Act, No. 31 of 1980 that is already in force, imposes overly burdensome reporting obligations on NGOs, results in arbitrary refusal of registration, and leads to unregistered NGOs being unable to open bank accounts and access funding.[9] These concerns raised in relation to the VSSO Act persist in the proposed NGO Bill. As such, the proposed Bill is also likely to be viewed as unduly disrupting and discouraging legitimate NPO activity in Sri Lanka, contrary to Recommendation 8, in much the same vein as the VSSO Act.

2.1.1. The Bill Fails to Take a Risk-Based Approach[10]

The Bill is likely to lead to what FATF recognises as 'unintended consequences' because it fails to take a risk-based approach, contrary to FATF Recommendation 8. A risk-based approach under FATF Recommendation 8 requires countries to:

a) Identify organisations that fall within the FATF definition of NPOs
b) Conduct a risk assessment of these NPOs to identify the nature of terrorist financing (TF) risks posed to them

c) Have in place focused, proportionate, and risk-based measures to address the TF risks identified, in line with the risk-based approach. Countries may also consider, where they exist, self-regulatory measures and related internal control measures in place within NPOs.
d) Exercises under letters (a) to (c): (i) should use all relevant and reliable sources of information, including through engagement with NPOs, (ii) could take a variety of forms and may or may not be a written product, (iii) should be reviewed periodically.[11]

Assessed against these criteria, the proposed Bill fails to identify organisations that fall within the FATF definition and to adopt focused, proportionate and risk-based measures to address the TF risks.

Failure to Identify Organisations That Fall Within the FATF Definition of NPOs

While the Bill is being brought purportedly to comply with FATF requirements, it fails to identify or mirror organisations that fall within the FATF definition of NPOs.

FATF defines an NPO functionally 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""*[12] Section 2 of the Bill, read with the definition of 'NGO' and 'non-profit oriented activity' in Section 23, expands the scope of the Bill to include microfinance organisations, organisations with more than five persons who have a common interest, and social service activities of for-profit organisations which fall outside their articles of association. The Bill also does not distinguish between organisations that raise and disburse funds, and organisations that do not, thereby going beyond the FATF definition of NPO. For example, under the Bill, an organisation with more than five people who have a common interest will be considered an NGO, regardless of whether they raise or disburse funds. Further, the definition of non-profit oriented activity also includes organisations engaged in advocacy and consensus building or strengthening of civil society, contrary to the FATF definition. The Bill therefore fails to identify organisations that fall within the definition of NPOs under Recommendation 8.

Failure to Apply Focused, Proportionate, And Risk-Based Measures to Address Terrorist Financing Risks

FATF Recommendation 8 requires countries to have in place focused, proportionate and risk-based mitigation measures to address TF risks. This requires categorising NPOs (within the subset that meet the FATF definition) by their level of exposure to TF risks. The applicable measures that relate to NPOs must be proportionate to the risks identified.[13] For NPOs identified as low risk, countries may focus only on undertaking outreach concerning terrorist financing issues, and may decide to refrain from taking additional mitigating measures. In other situations, countries should, without unduly disrupting legitimate NPO activity, have in place (a) sustained outreach concerning terrorist financing issues, (b) focused, proportionate and risk-based measures, including oversight or monitoring of NPOs, (c) effective information gathering and investigation, and (d) effective capacity to respond to international requests for information about an NPO of concern.[14] Additionally, compliance with FATF Recommendation 8 should not contravene a country's obligations under the Charter of the United Nations and international human rights law.[15]

The proposed Bill fails to follow a risk-based approach by imposing mandatory registration requirements on all NGOs (including those that fall outside the FATF definition), by imposing uniform mitigation measures on all NGOs, irrespective of whether they pose any TF risk, and by adopting uniform monitoring and oversight of NPOs.

- **Penalisation of Failure to Register:** Penalising NGOs for failing to register is inconsistent with Recommendation 8 and contrary to international human rights law. FATF recognises that registration of NPOs is a measure that countries could take; however, specific licensing or registration requirements for counter TF purposes might not be necessary.[16] FATF therefore does not expressly require NPOs to be registered with a specific single authority – a plurality of options may be available, depending on the nature of the entity. Moreover, the right to freedom of association applies equally to informal associations (groups not registered), and such groups should not be penalised for failing to register.[17] This is a standard which has also been

acknowledged by FATF.[18] Sections 2(2), 8, 9, and 10 of the Bill mandate all organisations to register with the Competent Authority, and Section 19(1)(a) makes it an offence for an NGO not to register under Section 9. This violates the freedom of association as it penalises NGOs, including informal groups, for failing to register. It also requires all NGOs to be registered under a single regulatory authority, which is not explicitly required by FATF. Therefore, the penalisation of the failure to register is inconsistent with FATF Recommendation 8 and violative of international human rights law.

- **Uniform Mitigation Measures:** The Bill establishes uniform mitigation measures for all NGOs, irrespective of their level of TF risk, contrary to Recommendation 8. Revisions to FATF Recommendation 8 clarified that a one-size-fits-all approach to mitigation measures is inconsistent with the risk-based approach.[19] Instead, Recommendation 8 requires countries to implement mitigation measures proportionate to NPOs' level of TF risks.[20] In this context, for NPOs with low TF risks, there may be no need to apply mitigation measures beyond outreach for general awareness.[21] Despite the existence of the National Risk Assessment (NRA),[22] which identifies different TF risks of different types of NPOs,[23] the Bill adopts uniform mitigation measures. Section 15 of the Bill imposes a wide range of mitigation measures on all NGOs regardless of their levels of TF risk. Some of these measures include limitations on how an NGO can use its funds, financial reporting requirements, and mandates that NGOs must act in conformity with all directions issued by the Central Bank of Sri Lanka.[24] In addition to imposing mandatory mitigation measures, the scope and extent of these measures remain uncertain as they are left to be prescribed by regulations under the hand of the Minister. Sections 15(2)(j) and (l) both impose mandatory obligations on NGOs, the scope of which is to be defined by regulation, creating a degree of uncertainty for NGOs. The Bill is therefore inconsistent with Recommendation 8 as it applies uniform mitigation measures to all NGOs, regardless of their level of TF risk exposure.

- **Uniform Oversight or Monitoring of NPOs:** The Bill fails to adopt a risk-based approach to monitoring and oversight of NPOs contrary to Recommendation 8. Recommendation 8 requires appropriate authorities to adopt a risk-based approach to monitoring[25] and oversight[26] of NPOs. Depending on TF risk, appropriate authorities may decide whether oversight or monitoring is more appropriate for specific NPOs.[27] Further, the appropriate authority's oversight powers should be clearly demarcated. Section 4(1)(j) stipulates that the Competent Authority shall conduct monitoring of NGOs on a risk-based approach. However, Sections 4 and 5 expose all NGOs to the same level of inspection and monitoring, regardless of their assessed risk. This includes granting the Competent Authority power to enter the premises of any NGO without a search warrant, and to access any information or records held by such NGO, etc.[28] The Bill even provides for the monitoring of social service projects of for-profit companies.[29] Such an approach to monitoring or oversight is contrary to a risk-based approach, and therefore inconsistent with Recommendation 8.

The FATF requires countries to have in place focused, proportionate and risk-based measures for NPOs in order to avoid 'unintended consequences' of the implementation of FATF standards.[30] By failing to adopt a risk-based approach, the NGO Bill runs a real risk of unintended consequences and unduly disrupting and discouraging legitimate NPO activity.

2.2. Impact On Sri Lanka's Mutual Evaluation

Sri Lanka is currently undergoing its third FATF Mutual Evaluation. The Mutual Evaluation process evaluates a country's technical compliance[31] and effectiveness[32] against the FATF recommendations.[33] The technical compliance assessment evaluates the **specific requirements** of the FATF Recommendations,[34] whereas the effectiveness assessment evaluates the adequacy of the **implementation** of the FATF Recommendations.[35] If enacted, the proposed Bill will be directly relevant to the assessment of Sri Lanka's performance under Recommendation 8 and Immediate Outcome 10.[36]

Enacting the Bill in its current form is unlikely to improve Sri Lanka's scoring for Recommendation 8 and may even harm it, thereby defeating one of the core objectives of introducing the Bill. As set out above, the Bill is likely to unduly disrupt and discourage legitimate NPO activity contrary to Recommendation 8,

because it fails to adopt a risk-based approach. In conducting a technical compliance assessment, it is important to note that not all individual criteria used to assess each Recommendation have equal importance. Rather, assessors will consider the relative importance of the criteria in the context of the country, how significant any deficiencies are given the country's risk profile, and other structural and contextual information. Therefore, a single deficiency may be sufficiently important to warrant a "Non-Compliant" scoring, even if all other criteria are met.[37] The Bill's inconsistency with a risk-based approach permeates through all the evaluation criteria for Recommendation 8, which may affect the scoring for Recommendation 8. For example, in India, the failure to demonstrate that supervision and monitoring were risk-based, inadequate donor outreach, and a lack of collaboration on best practices contributed to the country being scored as only Partially Compliant in 2024.[38] In addition to its disproportionality, the proposed Bill also suffers from the same shortcomings identified in India. In 2025, Poland was assessed as Largely Compliant, improving from a Partially Compliant score in 2025. A contributory factor to this improvement was the identification of the characteristics of the subset of NPOs that fall within the FATF definition and the establishment of a framework within which they could identify the subset of higher-risk NPOs.[39] In such a context, at best Sri Lanka will remain only Partially Compliant with Recommendation 8, and at worst it may be scored lower.

The effectiveness outcome cannot be determined from the Bill alone, as this assessment evaluates the adequacy of implementation. However, shortcomings in the Bill will also impact the Bill's implementation and are likely to unduly disrupt or discourage legitimate NPO activity. Immediate Outcome 10 includes an assessment of "*To what extent, without unduly disrupting or discouraging legitimate NPO activities, has the country applied focused, proportionate and risk-based mitigation measures to only those organisations which fall within the FATF definition of NPOs, and in line with identified TF risk?*" The consequences that may flow from this Bill are directly contrary to this, as the Bill fails to adopt the mitigatory steps set out by FATF to protect the implementation of this recommendation from impinging on legitimate NPO activity.

Finally, Sri Lanka may be called on to demonstrate how its measures are proportionate and appropriate to the ML/TF risks. If the evaluation process identifies any consequences such as the undue disruption or discouragement of legitimate NPO activity, the country may be called on to demonstrate the proportionality and appropriateness of its measures.[40] In this context, Sri Lanka will have to demonstrate the proportionality of the Bill. This may be challenging to do, as the Bill adopts a uniform approach despite Sri Lanka's own National Risk Assessment (NRA), which categorises NPOs based on their TF risk exposure. The NRA has found national-level NPOs to have a medium level of risk of TF abuse, and district- and divisional-level NPOs to have low risk. Further, only Training and Education NPOs have been identified as medium risk, whilst Relief Work and Human Rights NPOs were identified as medium-low risk, and Entrepreneur Development and Poverty Alleviation, Health and Sanitisation, Environmental and Other NPOs were identified as low risk.[41] While the methodology adopted to carry out the NRA and the full NRA itself are unavailable, the proposed Bill is directly disproportionate even to the findings of the NRA.

For a detailed mapping of the Bill against the evaluation criteria for Recommendation 8 and Immediate Outcome 10, see Annexes 1 and 2, respectively.

3. IMPACT ON SRI LANKA'S GSP+ REAPPLICATION

Sri Lanka will soon have to reapply for the new GSP+ scheme. With the expiration of the current GSP+ scheme in 2027, Sri Lanka must reapply for the scheme, as its renewal is not automatic and therefore not guaranteed.[42] Reapplication eligibility criteria are twofold, based on (i) Sri Lanka's economic standing[43] and (ii) compliance with conventions on human, labour rights, environmental conventions, and good governance agreements.[44] Successful reapplication for the GSP+ will require Sri Lanka to meet both these criteria.

Serious failure to effectively implement the ICCPR may harm Sri Lanka's GSP+ reapplication. A qualifying criterion in the reapplication process requires that the European Commission should not be able to identify a serious failure to effectively implement any of the relevant conventions.[45] Article 9(1)(d) similarly requires Sri Lanka, upon reapplication, to make a binding undertaking to maintain ratification of conventions, and to pursue and ensure the effective implementation thereof, underpinned by a plan of action. The European Union's (EU) July 2026 assessment identified the protection of civic and democratic space as a main priority for future engagement, in particular in view of the revised GSP rules as of 2027.[46] Furthermore, the new Regulation states that the Commission should seek the views of civil society, in particular when examining a GSP+ request.[47] Given the importance placed on the protection of civic space and in light of the inconsistencies with the ICCPR wherein the Bill requires the mandatory registration of NGOs contrary to ICCPR Article 22, the proposed NGO Bill may harm Sri Lanka's GSP+ reapplication. Moreover, the EU's own assessment of Sri Lanka covering the period 2023 to 2025 recognises that the registration, operation and funding of civil society organisations remain impacted by burdensome administrative and legal requirements.[48] This risk is particularly relevant, in light of domestic critique that civil society organisations can now raise with the Commission when it is examining a GSP+ request.[49] This compounds the EU's existing concerns regarding civic space, which may in turn harm Sri Lanka's GSP+ reapplication process.

4. THE WAY FORWARD

In light of the above, the absence of a law regulating NGOs is not the solution. Rather, what is needed is a risk-based legal framework that regulates NGOs proportionately. Towards this, any legislative efforts to regulate NGOs should, at the very least, narrow the definition of NGOs to the FATF-defined subset and adopt a risk-based approach to mitigation measures. Based on this assessment, countries should have in place focused, proportionate and risk-based measures.

4.1. A Risk-Based Approach

In the context of Recommendation 8, a risk-based approach would require countries to (1) identify the NPO subset as defined by FATF, and (2) assess and understand the TF risks in this subset.[50]

The FATF does not mandate how a country should conduct a risk assessment. However, good practice requires the country to first understand the FATF definition of an NPO.[51] In 2017, Malaysia, for example, conducted a two-part NPO risk assessment, aside from its NRA. The first part included a comprehensive review of the NPO sector (overall NPO population, NPO activities, NPO asset value, and fund movements, etc.). Sri Lanka's NRA 2024/2025 does not indicate whether the assessment was limited to NPOs that fall within the FATF definition.[52] In light of the above, as a first step, Sri Lanka should undertake a risk assessment of the NPO sector to first identify NPOs that fall within the FATF definition.

As a second step, countries must identify, assess and understand ML and TF risks that NPOs face. This step is essential for countries to be able to implement a tailored and proportionate mitigating response.[53] In this regard, the second part of Malaysia's risk assessment consisted of an assessment aimed at identifying inherent TF risks facing NPOs and the control measures in place to mitigate identified risks.[54] Similarly, Mexico uses a weighted risk matrix to determine high-risk NPOs, resulting in less than 1% of NPOs being considered high risk.[55] Moreover, FATF recognises that in conducting risk assessments, countries should use all relevant and reliable sources of information. It is also important that efforts to identify NPOs and assess TF risk include engagement with NPOs.[56] In this context, Australia adopted a two-phased approach to data collection. The first included a review of open-source documents, as well as classified data, financial intelligence, etc. The second part involved stakeholder engagement with law enforcement bodies, NPO regulators, and NPO members. In contrast, the NRA 2024/25 does not set out how particular classes of NPOs were identified as facing medium to low risk of TF abuse. In this light, an NPO-specific risk assessment should be conducted using a methodology that is designed to identify, analyse and understand TF risks, which engages with NPOs and transparently draws on credible, relevant and reliable sources of information.

4.2. Focused, Proportionate and Risk-Based Measures

Once NPO TF risks are properly understood, countries should implement focused, proportionate and risk-based measures to mitigate these risks.[57] In this context, countries should adopt the following:

- **Sustained Outreach to the Sector Concerning TF Issues:** The scope, frequency, and intensity of outreach should be risk-based.[58]
- **Focused, Proportionate and Risk-Based Measures, Including Oversight or Monitoring of NPOs:** Monitoring and oversight should be applied in a risk-based manner. This means that countries cannot apply the same degree of oversight to both high and low-risk NPOs.[59] Countries must also apply effective, proportionate, and dissuasive sanctions for violations by NPOs.[60]
- **Effective Information Gathering and Investigation:** Countries should ensure effective cooperation, coordination and information-sharing between authorities and should also have investigative expertise to examine those NPOs which are suspected of TF abuse. [61]
- **Effective Capacity to Respond to International Requests for Information about an NPO of Concern:** Countries should identify appropriate points of contact and procedures to respond to international requests for information regarding particular NPOs.[62]

Any upcoming NGO law, in principle, should not apply the same nature, frequency and intensity of mitigating measures to the NPOs that the risk assessment has identified as facing low risk of TF abuse as is applied to NPOs identified as facing medium or high risk of TF abuse.[63]

ENDNOTES

[1] 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].

[2] 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.

[3] 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.

[4] FATF, *Best Practices Paper on Combating the Terrorist Financing Abuse of Non-Profit Organisations (Recommendation 8)* (FATF, November 2023), para. 48, at <https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/BPP-Combating-TF-Abuse-NPO-R8.pdf.coredownload.inline.pdf> [last accessed 15 September 2026].

[5] FATF (2023), *op. cit.*, p. 17.

[6] FATF, *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation: The FATF Recommendations* (FATF, February 2012 as updated), p. 61, at <https://www.fatf-gafi.org/content/dam/fatf-gafi/recommendations/fatf-recommendations-2012.pdf> [last accessed 15 September 2026].

[7] FATF (2023), *op. cit.*, para. 6; FATF, *High-Level Synopsis of the Stocktake of the Unintended Consequences of the FATF Standards* (27 October 2021), p. 4, at <https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/Unintended-Consequences.pdf.coredownload.inline.pdf> [last accessed 15 September 2026].

[8] United Nations Human Rights Council, *Visit to Sri Lanka Report of the Special Rapporteur on the Rights to Freedom of Peaceful Assembly and of Association*, A/HRC/44/50/Add.1, 5 May 2020, para. 64.

[9] *ibid.*

[10] A risk-based approach requires countries to identify, assess, and understand the money laundering and terrorist financing risks for the country, and take action that is proportionate to the risks identified to mitigate those risks.

[11] FATF (2012), *op. cit.*, pp. 62-63.

[12] FATF (2012), *op. cit.*, p. 60.

[13] FATF (2023), *op. cit.*, para. 41.

[14] FATF (2012), *op. cit.*, pp. 63-64.

[15] FATF (2023), *op. cit.*, p. 18; FATF (2021), *op. cit.*, p. 4.

[16] FATF (2023), *op. cit.*, p. 18; Ben Evans and Vanja Skoric, *Positive Practices in Implementation of FATF Recommendation 8: A Guide for State Actors and Civil Society* (International Center for Not-for-Profit Law, June 2025), p. 21, at <https://www.icnl.org/wp-content/uploads/FATF-Positive-Practices-Rec-8-Guide-EN-1.pdf> [last accessed 15 September 2026].

[17] United Nations Human Rights Council, *Report of the Special Rapporteur on the Rights to Freedom of Peaceful Assembly and of Association, Maina Kiai*, A/HRC/29/25, 28 April 2015, para. 59, at <https://docs.un.org/en/A/HRC/29/25> [last accessed 15 September 2026]; Newly adopted laws should not request all previously registered associations to reregister so that existing associations are protected against arbitrary rejection or time gaps in the conduct of their activities. See United Nations Human Rights Council, *Report of the Special Rapporteur on the Rights to Freedom of Peaceful Assembly and of Association*, *Maina Kiai*, A/HRC/20/27, 21 May 2012, at <https://digitallibrary.un.org/record/730881>, para. 62.

[18] FATF (2023), *op. cit.*, p. 22.

[19] FATF (2023), *op. cit.*, p. 22; FATF (2012), *op. cit.*, p. 63.

[20] FATF (2012), *op. cit.*, p. 63.

[21] FATF (2023), *op. cit.*, p. 17.

[22] The full NRA report has not been independently reviewed, as a complete copy of the report was not made available on the Financial Intelligence Unit (FIU) website. The Executive Summary of the National Risk Assessment (NRA) available to us does not set out the methodology underpinning the assessment. The findings and conclusions in the NRA should therefore be treated with caution.

[23] Financial Intelligence Unit of Sri Lanka, *National Risk Assessment on Money Laundering, Terrorism Financing and Proliferation Financing 2024/25: Executive Summary* (2026), p. 19, at <https://fiusrilanka.gov.lk/wp-content/uploads/2026/04/Sri_Lanka_NRA_on_ML_2024_25_Executive_Summary_E.pdf> [last accessed 15 September 2026].

[24] Section 15(2).

[25] "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.

[26] "Oversight" measures are generally less intrusive and less resource-intensive than "monitoring" measures.

[27] FATF (2023), *op. cit.*, p. 23.

[28] Section 5(e).

[29] Section 4(1)(q).

[30] FATF (2023), *op. cit.*, para. 48.

[31] This assesses the extent to which a country has implemented the technical requirements of FATF Recommendations.

[32] This assesses the extent to which the defined outcomes are achieved.

[33] Countries with serious lapses in their AML/CFT frameworks may be subject to enhanced monitoring and placed on FATF's "Grey List". Sri Lanka was twice "grey-listed" in 2010 and 2017.

[34] FATF, *Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT/CPF Systems* (adopted February 2022, as updated), p. 6, at <https://www.fatf-gafi.org/en/publications/Mutualevaluations/Fatf-methodology.html> [last accessed 15 September 2026].

[35] *ibid.*

[36] Immediate Outcomes identify the extent to which a country achieves specific results central to a robust system.

[37] FATF (2022), *op. cit.*, p. 17.

[38] FATF/APG/EAG, *Anti-Money Laundering and Counter-Terrorist Financing Measures – India, Fourth Round Mutual Evaluation Report* (FATF, September 2024), p. 360, at <https://www.fatf-gafi.org/content/dam/fatf-gafi/mer/India-MER-2024.pdf.coredownload.inline.pdf> [last accessed 15 September 2026].

[39] Council of Europe MONEYVAL, *Poland's Progress in Strengthening Measures to Tackle Money Laundering and Terrorist Financing* (MONEYVAL, 2025), p. 6, at <https://www.fatf-gafi.org/content/dam/fatf-gafi/fsrb-fur/Poland-FUR-2025.pdf.coredownload.inline.pdf> [last accessed 15 September 2026].

[40] FATF (2022), *op. cit.*, p. 12.

[41] Financial Intelligence Unit of Sri Lanka (2026), *op. cit.*, p. 19.

[42] Regulation (EU) 2026/1395 of the European Parliament and of the Council of 17 June 2026 on applying a generalised scheme of tariff preferences and repealing Regulation (EU) No 978/2012, Article 10(1) and (2), at <https://eur-lex.europa.eu/eli/reg/2026/1395/oj#anx_I> [last accessed 15 September 2026]; The Export Development Board Chairman has confirmed that Sri Lanka intends to reapply for the next phase of the GSP+. See 'Sri Lanka to Reapply for GSP+ with Focus on Compliance and EU Market Expansion', *Sri Lanka Brief*, 1 June 2026, at <https://srilankabrief.org/sri-lanka-to-reapply-for-gsp-with-focus-on-compliance-and-eu-market-expansion/> [last accessed 15 September 2026].

[43] In June 2026, Sri Lanka was classified as an upper-middle-income country by the World Bank. This is not an automatic disqualification for reapplication for GSP+ as Article 4(1)(a) of the new regulation excludes a country from the standard GSP if it "has been classified by the World Bank as a high-income or an upper-middle-income country for the three consecutive years immediately preceding the update of the list of beneficiary countries." Even if Sri Lanka is classified as an upper-middle-income country for three consecutive years as per Article 5(2)(a), Sri Lanka will have a grace period of two years before being dropped from the GSP+ beneficiary list.

[44] Regulation (EU) 2026/1395, *op. cit.*, *para.* 6/12.

[45] Article 9(1)(b).

[46] European Commission, Joint Staff Working Document, *The EU Special Incentive Arrangement for Sustainable Development and Good Governance (GSP+) Assessment of the Democratic Socialist Republic of Sri Lanka Covering the Period 2023-2025*, SWD(2026) 192 final, 16 July 2026, transmitted to the Council of the European Union as document 12037/26 ADD 9, p. 6, at <https://data.consilium.europa.eu/doc/document/ST-12037-2026-ADD-9/en/pdf> [last accessed 15 September 2026].

[47] Regulation (EU) 2026/1395, *op. cit.*, para. 22.

[48] European Commission (2026), *op. cit.*, p. 4.

[49] 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].

[50] FATF (2023), *op. cit.*, para. 13.

[51] FATF (2023), *op. cit.*, paras. 15-16.

[52] Financial Intelligence Unit of Sri Lanka (2026), *op. cit.*, p. 19.

[53] FATF (2023), *op. cit.*, para. 21.

[54] FATF (2023), *op. cit.*, p. 44.

[55] FATF (2023), *op. cit.*, p. 47.

[56] FATF (2023), *op. cit.*, para. 32.

[57] Focused (limited in scope to the issue of mitigating TF risk within the NPO sector), Proportionate (corresponding in magnitude to the degree of risk), and Risk-based (corresponding to only relevant risks).

[58] FATF (2023), *op. cit.*, para. 50.

[59] FATF (2023), *op. cit.*, p. 23.

[60] FATF (2023), *op. cit.*, para. 64.

[61] FATF (2023), *op. cit.*, pp. 25-26.

[62] FATF (2023), *op. cit.*, pp. 26-27.

[63] FATF (2023), *op. cit.*, p. 20.

ANNEX 01: TECHNICAL COMPLIANCE - RECOMMENDATION 08[1]

FATF Evaluation Criteria	Corresponding Section in the NGO Bill	Alignment with Evaluation Criteria
Taking a Risk-Based Approach		
8.1 Since not all organisations working in the not-for-profit realm in a country are inherently high risk, without prejudice to the requirements of Recommendation 1, countries should: (a) identify which subset of organisations fall within the FATF definition of NPO;	Section 2 read with the Section 23 definition of NGO and non-profit oriented activity.	Evaluation Criteria 8.1(a) FATF defines an NPO functionally 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""*[2] Section 2, read with the definition of NGO[3] and non-profit oriented activity[4] in Section 23 extends the scope of the Bill to organisations that fall outside the FATF definition of NPO, such as microfinance organisations, informal groups of five or more persons engaged in voluntary social service or non-profit-oriented activity, or sharing a common interest, and for-profit companies that engage in social service activities outside their articles of association, etc.
8.1 Since not all organisations working in the not-for-profit realm in a country are inherently high risk, without prejudice to the requirements of Recommendation 1, countries should: (b) conduct a risk assessment of these NPOs to identify the nature of TF risks posed to them; and	Section 4(1)(j) - Competent Authority to conduct a risk assessment of NGOs.	Evaluation Criteria 8.1(b) The National Risk Assessment of AML/CFT/and Non-Proliferation 2024/25 assessed national-level NPOs to have a medium level of risk of TF abuse, and district- and divisional-level NPOs to have low risk. Training and Education NPOs were assessed as medium risk, whilst Relief Work and Human Rights

[1] The evaluation criteria for technical compliance is as follows: Compliant - No shortcomings; Largely Compliant - Minor shortcomings; Partially Compliant - Moderate shortcomings; Not Compliant - Major shortcomings.
[2] FATF (2012), *op. cit.*, p. 60.
[3] "Non-governmental organization" means, any non-profit oriented organization or a group or an institution, established by the initiative of a number of natural or legal persons with a common interest or humanitarian or development objectives, that operates independently from a Government.
[4] "Non-profit oriented activity" means, any activity other than a voluntary social service activity, carried out for charitable or socially beneficial purposes, not intending profit generation and includes advocacy, consensus building or strengthening of civil society.

		NPOs were assessed as medium-low risk, and Entrepreneur Development and Poverty Alleviation, Health and Sanitisation, Environmental and Other NPOs were assessed as low risk.[5] .
8.1 Since not all organisations working in the not-for-profit realm in a country are inherently high risk, without prejudice to the requirements of Recommendation 1, countries should: (c) have in place focused, proportionate and risk-based measures to address the TF risks identified, in line with the risk-based approach.	Sections 2(2), 2(3), 8, 9, 10, and 14 - mandatory registration and mandatory renewal of registration every three years. Section 19(1)(a) - failure to register is an offence. Section 15 - mandatory mitigation measures that **all** NGOs must implement.	**Evaluation Criteria 8.1(c)** FATF holds that *"A "one-size-fits-all" approach would be inconsistent with the proper implementation of a risk-based approach as stipulated under Recommendation 1 of the FATF Standards."*[6] Section 15 stipulates mitigating measures that apply to all NGOs that fall under the purview of the Bill uniformly.
Sustained Outreach Concerning Terrorist Financing Issues		
8.2 Countries should: (a) have clear policies to promote accountability, integrity and public confidence in the administration and management of NPOs;	N/A	**Evaluation Criteria 8.2(a)** This criterion cannot be assessed against this Bill; therefore, it is scored as N/A
8.2 Countries should: (b) undertake outreach and educational programmes as appropriate to raise and deepen awareness among NPOs **as well as the donor community** about the potential vulnerabilities of NPOs to terrorist financing abuse and terrorist financing risks and the measures that NPOs can take to protect themselves against such abuse;	Section 4(1)(m) - Competent Authority to organise educational programmes for NGOs to improve their capacity and awareness on AML/CFT related matters.	**Evaluation Criteria 8.2(b)** As per FATF, *"In practice, outreach should be adapted to focus on various categories and risk profiles of NPOs. Engaging with NPO associations, coalitions, umbrella organisations, self-regulatory organisations and donor organisations can also be a useful way of effectively reaching out to a large number of NPOs."*[7] The Bill is silent on outreach to donor communities, as required by FATF Recommendation 8. In the case of India, inadequate outreach to donors contributed to its overall Partially Compliant score for Recommendation 8.[8] As with Criteria 8.2(a), the Bill fails to adopt a risk-based approach.
8.2 Countries should:	Section 4(1)(f),(g), and (h) - Competent Authority to set up a coordination and liaison mechanism with NGOs.	**Evaluation Criteria 8.2(c)** FATF acknowledges that working with NPOs to develop best practice *"could take the form of*

[5] Financial Intelligence Unit of Sri Lanka (2026), *op. cit.*, p. 19.
[6] FATF (2012), *op. cit.*, p. 63.
[7] FATF (2023), *op. cit.*, para. 53.
[8] This was a contributory consideration in India's MER which gave it a PC scoring for Recommendation 8.

(c) work with NPOs to develop and refine best practices to address terrorist financing risk and thus protect them from terrorist financing abuse; and	Section 4(1)(k) - encourages NGOs to adopt self-regulatory measures including Codes of Ethics.	*standing consultation forums, conferences or committees between a range of government agencies (oversight bodies, law enforcement agencies and the FIU, for example) and a range of participants from NPO sectors"*[9] Section 4(1)(f),(g), and (h) set up a coordination and liaison mechanism with NGOs. As with Criteria 8.2(a), the Bill fails to adopt a risk-based approach.
8.2 Countries should: (d) encourage NPOs to conduct transactions via regulated financial and payment channels, wherever feasible, keeping in mind the varying capacities of financial sectors in different countries and areas and the risks of using cash.	N/A	Evaluation Criteria 8.2(d) The Bill does not include any provisions to encourage NGOs to conduct transactions via regulated financial and payment channels.
Focused, Proportionate and Risk-Based Oversight or Monitoring of NPOs		
8.3 Countries should (a) take steps to promote focused, proportionate and risk-based oversight or monitoring of NPOs; and	Sections 4(1)(a), (b), (c), (i), (j), (n), and (q) empowers the Competent Authority to take measures to supervise NGOs, develop mechanisms to review NGOs, and conduct monitoring of NGOs on a risk-based approach, and refer complaints to law enforcement authorities if wrongdoing is detected, including money laundering and terrorist financing. Section 5(e), (f), and (g) - Competent Authority to enter any premises of an NGO and search their documents, bring to the notice of the Minister any financial irregularity, and attend any meeting of the executive committee of an NGO.	Evaluation Criteria 8.3(a) FATF requires that *"oversight" and "monitoring" involve a spectrum of activities and tools available to supervisors that* ***should be applied in a risk-based manner****...Countries should not apply the same oversight to NPOs that were identified by the national/sectoral risk assessment as having a high risk of engaging in TF abuse as they do to those that were considered as having a medium risk. It is inconsistent with R.8 for countries to conduct monitoring of NPOs across the board, without any consideration of their exposure to TF risks. This oversight should vary in terms of modalities, frequency and intensity depending on the level of risk faced by at-risk NPOs. "*[10] The powers vested in the Competent Authority under Sections 4 and 5 apply to all NGOs regardless of their TF risk. This is inconsistent with the risk-based

[9] FATF (2023), *op. cit.*, para. 54.
[10] FATF (2023), *op. cit.*, p. 24.

		approach to monitoring and oversight required by Recommendation 8.
8.3 Countries should (b) demonstrate that they have in place focused, proportionate and risk-based measures applying to NPOs.	See Evaluation Criteria 8.1(c).	**Evaluation Criteria 8.3(b)** See Evaluation Criteria 8.1(c).
8.4 Appropriate authorities should: (a) monitor the compliance of NPOs with the focused, proportionate and risk-based measures being applied to them where needed; and	See Evaluation Criteria 8.3(a).	**Evaluation Criteria 8.4(a)** See Evaluation Criteria 8.3(a).
8.4 Appropriate authorities should: (b) be able to apply effective, proportionate and dissuasive sanctions for violations by NPOs or persons acting on behalf of these NPOs.	Section 15(3), 16, 19, and 20 - sanctions include financial fines, suspension of registration, de-registration, and corporate liability and personal liability of directors and office bearers.	**Evaluation Criteria 8.4(b)** Under Recommendation 8 "*Oversight bodies should have a sufficient range of sanctions available that can be applied proportionately to greater or lesser breaches of requirements. The range of such sanctions might include freezing of accounts, removal of trustees, fines, de-certification, de-licensing and deregistration. In assessing the appropriate remedial actions or sanctions they should be able to apply in a* ***risk-based monitoring approach****, oversight bodies should consider the nature and the potential impact that the violation/non-compliance of the NPO might have. They should make sure to have at their disposal sanctions allowing them to respond in a proportionate manner to violations.* "[11] Sections 15(3), 16, 19, and 20 provide for a similar range of sanctions in accordance with Recommendation 8. As with Criteria 8.2(a), the Bill fails to adopt a risk-based approach.
Effective Information Gathering and Investigation		
8.5 Countries should: (a) ensure effective co-operation, co-ordination and information-sharing to the extent possible among all	Section 5(j) - the Competent Authority shall make information on NGOs available to any government authority responsible for prosecuting money	**Evaluation Criteria 8.5(a)** Section 5(j) provides for effective information sharing amongst appropriate authorities.

[11] FATF (2023), *op. cit.*, para. 65.

levels of appropriate authorities or organisations that hold relevant information on NPOs;	laundering, procurement authorities, or any regulatory authority on finance-related matters.	
8.5 Countries should: (b) have investigative expertise and capability to examine those NPOs suspected of either being exploited by, or actively supporting, terrorist activity or terrorist organisations;	N/A	N/A The Bill does not designate the Competent Authority as an investigative body.
8.5 Countries should: (c) ensure that access to relevant information on the administration and management of particular NPOs (including financial and programmatic information) may be obtained during the course of an investigation; and	Section 5(e)(ii)–(iii), and (i) - Competent Authority has the power to access records, examine books, request action plans, progress reports, staff details, fund flow, account details, etc.	Evaluation Criteria 8.5(c) The Bill provides the Competent Authority with access to records, examine books, request action plans, progress reports, staff details, fund flow, account details, etc.
8.5 Countries should: (d) establish appropriate mechanisms to ensure that, when there is suspicion or reasonable grounds to suspect that a particular NPO: (i) is involved in terrorist financing abuse and/or is a front for fundraising by a terrorist organisation; (ii) is being exploited as a conduit for terrorist financing, including for the purpose of escaping asset freezing measures, or other forms of terrorist support; or (iii) is concealing or obscuring the clandestine diversion of funds intended for legitimate purposes but redirected for the benefit of terrorists or terrorist organisations, that this information is promptly shared with competent authorities, in order to take preventive or investigative action.	Section 4(1)(n) - Competent Authority to report to law enforcement authorities any incidents of financial irregularity, fraud, misappropriation, and criminal activity including ML/TF.	Evaluation Criteria 8.5(d) Section 4(1)(n) establishes a mechanism to report incidents where there is suspicion or reasonable grounds to suspect that an NPO may be engaged in TF.
Effective Capacity to Respond to International Requests for Information About an NPO of Concern		
8.6 Countries should identify appropriate points of contact and procedures to respond to international requests for information regarding particular NPOs suspected of terrorist financing or involvement in other forms of terrorist support.	N/A	N/A The Bill does not provide for a procedure for responding to a foreign counterpart's request about a specific NPO suspected of TF.

ANNEX 02: EFFECTIVENESS ASSESSMENT - IMMEDIATE OUTCOME 10[12]

FATF Evaluation Criteria	Corresponding Section in the NGO Bill	Alignment with Evaluation Criteria
Core Issues to Be Considered in Determining if the Outcome is Being Achieved		
10.3 To what extent, without unduly disrupting or discouraging legitimate NPO activities, has the country applied focused, proportionate and risk-based mitigation measures to only those organisations which fall within the FATF definition of NPOs, and in line with identified TF risk?	See 8.1(a)/(c), 8.2, 8.3, 8.4, 8.5, 8.6 findings above, and Factors 10–14, 17 below	Core Issue 10.3 Given the 8.1(a) and (c) and 8.3 (a) and (b) findings above, the Bill creates a risk that the Mutual Evaluation will score this core issue poorly. The Bill introduces measures that are uniform across risk tiers, and the scope is beyond the FATF definition of NPO. Failure to adopt a risk-based approach may lead to unintended consequences, i.e., disruption and discouragement of legitimate NPO activity.
Examples Of Specific Factors That Could Support the Conclusions on Core Issues		
10. To what extent does the country understand the level of risk of organisations that fall within the FATF definition of NPO, and the nature of TF threats posed to them?	N/A	Specific Factor 10 See evaluation criterion 8.1(b) in Annex 1. Sri Lanka has undertaken a National Risk Assessment. This is not reflected in the Bill.
11. For NPOs identified as low risk of TF abuse, to what extent is the country's level of outreach consistent with the level of identified risk?	Section 4(1)(m) - Competent Authority to organise educational programmes for NGOs to improve their capacity and awareness on AML/CFT related matters.	Specific Factor 11 Section 4(1)(m) includes provisions for sustained outreach to NGOs concerning TF issues. As with Criteria 8.2(a), the Bill fails to adopt a risk-based approach.
12. For NPOs other than those identified to be at low risk, to what extent are all four of the following elements being used to identify, prevent and combat terrorist financing abuse of NPOs without unduly disrupting or discouraging legitimate NPO activities: (a) sustained outreach; (b) targeted risk-based oversight or monitoring; (c) effective investigation and information gathering; and (d) effective mechanisms for international co-	(a) Outreach: Section 4(1)(m) (b) Oversight: Sections 4 and 5 (c) Investigation and Information-gathering: Sections 4(1)(n), (q), and 5(e), (i) (d) International cooperation: N/A	Specific Factor 12 (a) As with Criteria 8.2(a), the Bill fails to adopt a risk-based approach. (b) As with Criteria 8.2(a), the Bill fails to adopt a risk-based approach. (c) See criteria 8.5 (c) and (d). (d) The Bill is silent on international cooperation.

[12] Evaluation criteria include HE - Achieved to a very large extent; SE - Achieved to a large extent; ME - Achieved to some extent; LE - Not achieved / negligible extent.

operation? To what extent are the measures being applied focused, proportionate and risk-based?		
13. To what extent are appropriate investigative, criminal, civil or administrative actions, cooperation and co-ordination mechanisms applied to NPOs suspected of being exploited by, or actively supporting terrorist activity or terrorist organisations? Do the appropriate authorities have adequate resources to outreach/ oversight/ monitoring/ investigation duties effectively?	N/A	The Bill does not specifically cover the extent to which criminal, civil, and administrative actions are applied, nor does it deal with resource allocation.
14. How well do NPOs understand the nature of TF threats posed to them and apply measures to protect themselves from the threat of terrorist abuse	N/A	This cannot be assessed through the lens of the Bill
17. Do the relevant competent authorities, including those responsible for oversight, monitoring and investigation of NPOs, have adequate resources to manage their work or address the terrorist financing risks adequately	N/A	The Bill does not deal with resource allocation.

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