NRC NORWEGIAN REFUGEE COUNCIL

Overcoming derisking of humanitarian payment channels to regions impacted by sanctions and counterterrorism measures
Executive Summary

Dr. Mark Daniel Jaeger[i]

This executive summary is based on the insights of a high-level advisory group that included experts from 15 globally operating financial institutions based in the EU, Switzerland, the UK, the US, and from the Wolfsberg Group.[ii] The initiative produced three policy briefs addressed to (1) national/supranational regulators, (2) the Financial Action Task Force (FATF), and (3) national tri-sector groups. It also produced a research paper on the merits of leveraging Environment, Social and Governance (ESG) frameworks. The advisory group was commissioned and convened by the Norwegian Refugee Council and chaired by the author. The project was supported by the European Commission (DG ECHO) and the Swiss Government (Federal Department of Foreign Affairs).

Humanitarian organisations often operate in regions impacted by both sanctions and counterterrorism measures. Humanitarian crises have multiplied over the past ten years. Assistance from donor states of the Organisation for Economic Co-operation and Development (OECD) has nearly doubled, to more than USD 25bn,[iii] while needs have increased to more than USD 55bn.[iv] Syria remains a major concern with 16.7m people in need of humanitarian assistance in 2024.[v] To respond to emergency needs, humanitarian organisations must be able to transfer funds to affected regions.

It is well recognized, however, that humanitarian transfers to settings affected by sanctions and counterterrorism measures often encounter obstacles and significant delays or even fail entirely.[vi] This jeopardises humanitarian responses. The phenomenon behind the difficulties is known as 'de-risking': Faced with regulatory complexity and ambiguity, financial institutions take a cautious approach to facilitating humanitarian transfers or refrain from engaging in them at all.

More proactive engagement by regulators and FATF is needed to address the issue, as well as more systematic stakeholder collaboration across sectors. This executive summary synthesises insights from four policy briefs that dissect major challenges related to derisking and put forward recommendations from a financial sector perspective. The recommendations are geared towards fostering a common approach to protecting humanitarian payment channels and successfully managing the risks associated with regions that are sanctioned and affected by terrorism.

Challenges

1. **Regulatory complexity and ambiguity**: The limited alignment of humanitarian exemptions across jurisdictions, and complex and sometimes confusing, legal language create significant obstacles. Humanitarian exemptions in UN sanctions are not consistently replicated across bilateral sanctions regimes. Additionally, counterterrorism provisions may also diverge from sanctions exemptions, further complicating the landscape.
2. **Impact of FATF standards**: The FATF standards associate non-profit organisations (NPOs) with a heightened risk of financing terrorism and do not systematically consider the risk mitigating measures implemented by professional humanitarian organisations. FATF recommendations do not reflect or consider humanitarian exemptions, which further aggravates this issue.
3. **Implementation and oversight**: Bank supervisors show limited knowledge about humanitarian exemptions and international humanitarian law (IHL) and adopt a zero-tolerance attitude instead of promoting the FATF-prescribed risk-based approach. Reputational risks associated with transactions to sanctioned regions contribute substantially to derisking pressures.

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4. **Cross-sector collaboration**: The effective facilitation of humanitarian transfers requires collaboration across sectors. Lack of awareness and the absence of clear procedures for executing humanitarian transfers are a major challenge. Lack of coordination between humanitarian organisations, financial institutions, and regulators impedes timely execution.
5. **ESG frameworks**: Relevant ESG frameworks could incentivise financial institutions to facilitate humanitarian transfers, but they do not currently address financial sector de-risking explicitly.

Recommendations from representatives of the financial sector

1. **Harmonise humanitarian exemptions**: Establish broad and harmonised humanitarian exemptions across sanctions regimes, aligned with IHL and using UN Security Council Resolution 2664 as best practice. Use simple and concise language in exemptions and guidance to reduce ambiguity and facilitate compliance. Include exemptions for humanitarian transfers in counterterrorism provisions aligned with sanctions exemptions.
2. **Enhance FATF standards**: Include reference to humanitarian safeguards in FATF recommendations 5 and 6, ensuring that implementation measures are reconcilable with IHL. Reconsider the generic notion in recommendation 8 of NPOs being “particularly vulnerable” to financing terrorism. Distinguish impartial humanitarian organisations from the wider NPO sector and ensure a risk-based approach towards humanitarian transfers.
3. **Promote risk-based approach**: Update instructions to bank supervisors so they reinforce humanitarian exemptions, promote a risk-based approach and push back against zero-risk tolerance. Supervisors should understand and consider IHL, and their statements should include requests to not impede the delivery of humanitarian assistance.
4. **Foster tri-sector collaboration**: Strengthen national tri-sector groups made up of relevant government departments, humanitarian organisations, and financial institutions to develop common standards and procedures. Facilitate dialogue and training on risk management and due diligence practices to improve understanding and trust across sectors.
5. **Leverage Financial Institutions’ ESG Frameworks**: Develop methodologies to track de-risking and include them in ESG reporting. Encourage closer cooperation between ESG and compliance units to promote a risk-based approach.

Conclusion

Addressing the challenges of facilitating humanitarian transfers to regions targeted by sanctions and counterterrorism measures requires a multi-faceted approach. Harmonising exemptions, ensuring a risk-based approach, enhancing FATF standards, supporting tri-sector groups, and making use of ESG frameworks are essential steps for facilitating the delivery of timely and effective humanitarian assistance.

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[i] Mark Daniel Jaeger is a consultant at Polisync. He is a member of financial sector working groups on sanctions of the European Banking Federation and the Swiss Bankers Association and is responsible for sanctions at an internationally operating financial institution. He previously worked as an advisor on sanctions at the German Federal Foreign Office. Mark Daniel Jaeger holds a PhD from ETH Zurich and has published on sanctions in international academic journals.
[ii] Disclaimer: The statements in this paper reflect the aggregate views of the high-level advisory group. They do not necessarily represent the positions of the individuals or institutions involved.
[iii] OECD, ODA trends and statistics. Available here: https://www.oecd.org/en/topics/oda-trends-and-statistics.html
[iv]OCHA, Annual Report 2023. Available here: https://www.unocha.org/publications/report/world/ocha-annual-report-2023
[v] OCHA, Humanitarian Needs Overview Syria, 2024: https://humanitarianaction.info/plan/1175/article/syria-hno-2024#page-title.
[vi] NRC (2018) Principles under Pressure: the impact of counterterrorism measures and preventing/countering violent extremism on principled humanitarian action.