

# RELIGIOUS NON-PROFIT ORGANISATIONS AND THE COUNTER-TERRORISM FINANCING / ANTI-MONEY LAUNDERING SYSTEM

**COMPARATIVE ANALYSIS AND RECOMMENDATIONS**

# Executive Summary

This report presents the findings of the comparative analysis on the place and role of religious organizations in the AML/CFT systems in the Republic of North Macedonia and several European countries. The report is produced as part of a comparative analysis realized in the frame of the project Support to national efforts for compliance with FATF Recommendation 8 to GIZ Global Program Combating Illicit Financial Flows, implemented by Association Konekt and financially supported by GIZ. The aim of the comparative analysis is to identify examples of good practice pertaining to the inclusion of religious organizations into the CTF/AML system to support policy and practice development in the Republic of North Macedonia.

The relation between religious organizations towards ML and TF is a field that has been little researched globally, and this research represents an exploratory endeavor in attaining knowledge on this very complex issue. The research process encountered several challenges – the first was related to the subject of the research. Namely, religious organizations are considered to be part of an extremely heterogeneous civil society, with different position and role in different countries, depending on the spiritual, political and social significance of religious organizations in a socio-historical context. The second challenge is related to the fact that cases of involvement of religious organizations and religious leaders are usually reported as incidental cases, not followed by systematic investigations into structural vulnerabilities of this segment of NPOs towards different forms of exposure towards ML/TF. Countries often do not share findings from national risks assessments related to the vulnerability of the NPO sector. Furthermore, the link between organized crime and religious organizations is often subject to subjectivity and ideological (and theological) prejudice. Despite not having a systematic assessment of the exposure to the sector to AML/TF, incidental cases have resulted in formal investigations in countries of South America.

The conclusions of the comparative review point towards a complexity of factors in the development of systems for regulating the work of religious organizations. Many countries do not even consider religious organizations as NPOs pertaining to the FATF regulation. Hence, the legal and policy framework on the legal position of religious organizations in different countries represented the core legislation we took into account in the realization of the comparative analysis.

While there are significant differences between the legal frameworks of the countries targeted by the research, two approaches are dominant with regards to the process of registration and control of the work of religious organizations: liberal vs restrictive approach in attaining a legal status and benefits of NPO; liberal vs restrictive approach in measures for monitoring and regulation of the work of religious organizations.

These approaches are not mutually exclusive, meaning that a country with a restrictive approach regarding the process of registration can also have robust mechanisms for monitoring and control of the work of the religious organizations. The status of NPO granted through formal registration and recognition (in most countries) grants exemptions and benefits which can be subject to misuse. To this end, some countries (Croatia, Greece, Romania, Germany) have introduced different categories in the legal status of religious organizations, with a complex set of criteria for attainment of the most favorable status (membership, time period of functioning, procedures for operation, etc.).

Furthermore, in several countries targeted by the research (Greece, Bulgaria), regardless of the legal status of the religious communities and the complexity of the procedures for attainment of specific privileges, specific government bodies are appointed to provide support, but also to oversee the operations of religious organizations. Despite the differing mandate of these organizations in different countries, in some countries these bodies are mandated with assisting religious organizations with aligning their operations with the legal and policy framework, as well as conducting monitoring of their work and informing relevant institutions in cases of possible illegal action.

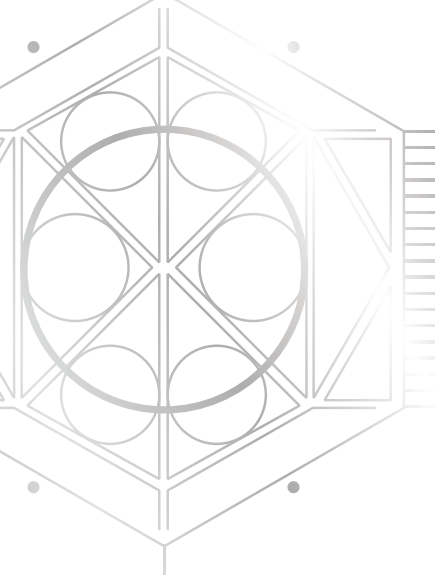
North Macedonia (together with Bulgaria) belongs to the group of countries with a liberal approach to the process of granting legal status of the religious organizations. Furthermore, while the system for financial monitoring and reporting (accounting principles same as all non-profit organizations), the lack of capacities for performing regular monitoring and oversight indicated in the NRA creates a gap open for misuse. This is exacerbated by the lack of standards and procedures for management, reporting and transparency noted in the survey of religious organizations in North Macedonia, and the general lack of awareness on the risks for misuse of religious organizations for ML/TF among an overwhelming majority of the respondents in the survey.

There are no explicit provisions for public disclosure of the most important acts, including financial statements in the Law on the Legal Status of a Church, Religious Community and Religious Group. The Law also does not contain provisions under which a religious organization may cease to exist. The Law on Accounting of Non-Profit Organizations does not provide for an obligation to conduct mandatory audit in specific cases, nor do religious organizations have this obligation. The Commission for Relations with Religious Communities and Religious Groups does not have the mandate for monitoring and oversight of the work of religious organizations. According to the latest SWOT analysis of the Commission (stated in their strategic plan) the Commission is underfunded and understaffed, which further exacerbates the problem of establishment and maintenance of a system for monitoring and control of the work of religious organizations in North Macedonia



Based on the following conclusions, several recommendations can be made:

1. Reform of the legal framework pertaining to the legal status of religious organizations in North Macedonia with regards to the criteria for attaining legal status of religious organizations,
2. Introduction of legal provisions for mandatory principles and procedures in operation,
3. Establishment of criteria and legal provisions for suspension of operation and abolition of a religious organization in case of identified involvement of the religious organization in illegal activities,
4. Expanding the mandate and resources of the Commission for Relations with Religious Communities and Religious Groups for maintaining effective support to religious organizations in aligning their management and reporting procedures with the legal obligations and international standards for NPOs, but also of monitoring of their work. Apart from amendments of the legal framework, this process will also have to involve strengthening the capacities of the Commission to effectively perform such tasks,
5. Strengthening the awareness and capacities of the religious communities in recognizing and preventing risk of abuse for ML/TF, as well as conducting risk assessments.



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# List of Abbreviations

|                 |  |
|-----------------|--|
| <b>AML</b>      | <b>(anti)money laundering</b>  |
| <b>CSO</b>      | <b>civil society organization</b>  |
| <b>CTF</b>      | <b>(countering) terrorism financing</b>  |
| <b>FATF</b>     | <b>Financial Action Task Force</b>   |
| <b>FIU</b>      | <b>Financial Intelligence Unit</b>   |
| <b>MER</b>      | <b>mutual evaluation round</b>   |
| <b>MONEYVAL</b> | <b>Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism</b> |
| <b>NPO</b>      | <b>non-profit organization</b>   |
| <b>NRA</b>      | <b>national risk analysis</b>  |

# 1. Introduction

Religious organizations represent a distinctive category of non-profit organizations (NPOs), with a distinctive historical and societal role. Usually, this distinctiveness is characterized by a special status and legal framework, as well as special regulation of their relation with the state. Religious organizations may be subject to benefits and exemptions and are usually, to a lesser extent (or at least differently), subject to monitoring and control. In this context, the relation of religious organizations towards the financing of terrorism (FT) and money laundering (ML), and their role in the AML/CFT system has been little researched.

This report contains the findings of the comparative research on the place and role of religious organizations in the AML/CFT systems. This report is produced in the frame of the project “Support to national efforts for compliance with FATF Recommendation 8 to GIZ Global Program Combating Illicit Financial Flows”, implemented by Association Konekt and financially supported by GIZ.

The aim of the research is to conduct a comparative analysis on policy framework, practices, approaches on mechanisms for transparency and supervision over the implementation of policies for inclusion of religious organizations into the CTF/AML system. Through analysis of the legal framework regulating the position of religious organizations, as well as specific features of the AML/CTF systems of the target countries, the research aims to identify examples of good practices transferable to countries with similar socio-cultural, religious, political and security context. The findings of the comparative analysis aim to support the process of policy development and inclusion of religious organizations in North Macedonia in the system of AML/CFT.

## 1.1. Methodology

The aim of the research was to identify the legal framework for operation of religious organizations and their position in the system of AML/CFT. Taking in regards the large number of terms referring to the different legal status of organizations with a religious mission, the term “religious organizations” will be used throughout the analysis, as a general term referring to both registered and non-registered groupings of religious individuals that have a variety of different goals and purposes. Outside of the official names of specific religious organizations, the term “church” will be used as a term with non-confessional meaning, indicating a registered religious organization.

The research process involved conducting a desk review of relevant data related to the legal framework and the context in which NPOs, and particularly the context in which religious organizations operate. The comparative nature of the research implied that the desk review aimed to identify differences in the legal position and framework for monitoring of the work of the religious organizations. The comparative analysis involved countries from the region, but also member states of the European Union. The selection process was based on several criteria: historical and cultural similarities with regards to church-state relations; countries which have a history of and current concerns with religious-motivated terrorism.

To support the findings of the desk research, semi-structured interviews were conducted with representatives of religious organizations in North Macedonia, regarding their perceptions on the risks for mistreatment of religious organizations to ML/TF, measures they undertake to prevent ML and TF and their cooperation with relevant institutions mandated to act against ML/TF. Due to the delicate topic of the research, the identity of the respondents will not be

disclosed. Of the 38 registered religious communities in North Macedonia which were contacted for an interview, three (3) representatives took part in the research.

The following documents were analyzed as part of the research process:

- Laws on the legal position of religious organizations, NPOs;
- By-laws on specific aspects of operation of religious organizations;
- General framework for AML/CTF;
- Reports on compliance with international standards for AML/CTF.

Taking in regard the limited information regarding targeting specifically religious organizations in the AML/CTF national systems, the legal framework regarding the legal position of religious organizations will represent key resource in the frame of the comparative analysis. Additionally, the research draws insights from secondary and tertiary data sources, such as reports, strategic documents, news reports and articles on the topic.

The findings are presented in the following chapters. Chapter 2 provides an overview of the specific position of religious organizations as NPOs, and factors that can increase the risk of TF/ML. Chapter 3 provides an overview of the legal framework regulating the operations of religious organizations in North Macedonia. Chapter 4 contains the findings of the comparative analysis conducted. Chapter 5 presents the conclusions and recommendations.

## **2. Risk and position of religious NPOs towards ML/TF**

The relation between religious organizations towards ML and TF is a field that has been little researched and so far, there is no comprehensive research effort that deals in detail with this issue. This research is only an initial attempt to gain knowledge about this very complex issue.

A review of available literature reveals little about the relationship between organized crime / terrorism and religious organizations. In general, religious organizations are considered to be part of an extremely heterogeneous civil society, and available research pays little to no attention on systematically researching the susceptibility of religious organizations to ML/TF in a variety of contexts.

There are several challenges to the research process. The first is related to the different positions and roles of religious organizations in different countries, depending on the spiritual, political and social significance of religious organizations in a socio-historical context. The second one is related to the fact that cases of involvement of religious organizations and religious leaders are usually reported on as incidental cases, not followed by systematic investigations into structural vulnerabilities of this segment of NPOs towards different forms of exposure towards ML/TF. Finally, the link between organized crime and religious organizations is often subject to subjectivity and ideological (and theological) prejudice.

However, religious organizations often avoid strict control over their work because of the reputation they have within the community, as well as the lack of regulation of their work. In many countries, religious organizations are tax-exempt and enjoy multiple benefits that set

them apart from other NPOs. Because of this, they can often be abused for activities such as money laundering.

A strategy that can be used by criminal organizations is infiltration into social and cultural institutions. Refusing to cooperate with these groups can also put religious organizations in danger. Avoiding such cooperation can be explicit or implicit.

The boundaries between the sacred and the criminal are often blurred - because criminal organizations often use the concepts of sacred, superstition and occult to normalize and rationalize their practices.

In some cases, religious organizations are victims of organized crime because they oppose it. This is because churches are treated as a threat to the power of terrorist and criminal organizations, which runs counter to the totalitarian worldview of these groups (Petri, 2012, p. 16).

The FATF sets the standards that states need to implement and assesses their competencies through regular evaluations. However, FATF notes that excessive regulation of NPOs through measures that cover the entire sector, not only does not contribute to meeting the standard, but also has a negative impact on the work of NPOs.

The first step is to identify which categories of NPOs (if any) are 'at risk' of terrorist financing. Then a country is required to undertake a review of mitigation measures which apply to NPOs that have been identified as 'being vulnerable to terrorist financing'. In other words, countries must demonstrate that there are effective measures targeted at those NPOs that have been identified as being 'at risk' of terrorist financing. The identification of high-risk NPOs is seen as a fundamental and necessary pre-condition of a good rating regarding Recommendation 8. It is no longer sufficient to apply blanket CFT measures to all NPOs, and those measures which are applied must not hamper legitimate NPO activity. Further, FATF is clear that implementation of Recommendation 8 must be 'consistent with countries' obligations to respect freedom of association, assembly, expression, religion or belief, and international humanitarian" (VENRO, 2020, p. 15). Therefore, an effective approach towards AML/CTF must take into account the specific risks related to each sub-sector of NPOs, including religious organizations.

## **2.1. Typology of financial crimes among the NPO sector**

There are different types of financial crimes in which NPOs, including religious organizations can be involved in. A typology proposed by Barker is presented below (Barker, 2013, pp. 33-34):

- Non-profit organizations can be used to collect, transfer, store and use cash. Without effective regulation, these funds can be stolen, can be subject to fraud, i.e., can be redirected to illegal purposes in various ways.
- Illegal collection of funds or using part of the funds collected legally for illegal purposes. In the second case, it is a matter of redirecting legally collected funds for unauthorized or potentially criminal purposes.
- Misuse of assets and facilities at the disposal of the organization - the resources available to the organization in the form of cash, real estate, other goods, equipment, or human resources may be used for purposes than the declared goals of the organization. This could also have criminal purposes, such as the organization's assets being used to store weapons or funding religious schools to serve as training centers to promote extremism

and train terrorists.

- International transfer of funds which is then used to make cash payments.
- Crime under the guise of humanitarian aid. In situations of crisis or natural disasters when there is a large transfer of cash and property, the usual level of regulation and supervision is reduced. This allows criminal elements to intervene and misuse funds intended for humanitarian purposes.
- Fake recipients or users. This happens when for criminal purposes fake recipients or users are invented who act as if they are completely in line with the declared goals of the organization.

## **2.2. Responses of religious organizations towards ML/TF**

According to the typology, there are seven different responses or attitudes of religious organizations to organized crime and / or terrorism (Petri, 2012, p. 26):

- Targeted denunciation
- General denunciation
- Fear
- Social apathy
- Denunciation is seen as useless
- Mutual indifference
- Collaboration

Depending on the context in which they operate, religious organizations can apply different strategies to ML / TF, or other types of organized crime; these can be divided in two main strategies - “voice” or “silence”. The “voice” strategy refers to practices of active response to organized crime by religious organizations, including activities such as prayer or advocacy for solutions or public denunciation. Examples of such practices include religious individuals who publicly speak out and point towards cases of organized crime and / or terrorism practices, organize campaigns to combat these phenomena, and so on (Petri, 2012).

With regards to renunciation, it is important to list two subtypes - “targeted denunciation” and “general denunciation”. This is an important distinction, given that “targeted denunciation” directly refers to specific cases of organized crime / terrorism. “General denunciation” is less risky because it represents a generalized stance, without directly implicating individuals, institutions and cases.

With regards to the “silence” towards different forms of organized crime, including ML and TF, there are several reasons why religious organizations apply this strategy. First, the fear of repression by criminal and / or terrorist groups plays a major role in refraining from reacting. This fear is increased (and justified) in cases where criminal organizations infiltrate political institutions because of the possibility of retaliation (Petri, 2012).

An additional factor that can exacerbate fear from reprisal is related to situations when there

is a lack of adequate reaction from state authorities, in areas and regions where state control is weakened.

Another relevant factor for the silence of religious institutions may be the prevalence of the view that public denunciation / criticism is futile, i.e., that public criticism of criminal behavior has no effect, and that it is not worth risking one's own safety because of the belief that public criticism cannot lead to a radical change in society (Petri, 2012).

Finally, a factor relevant to the strategy of silence is the indifference or social apathy. The dualism between the sacred and the secular of certain religious teachings can lead to a stance of resignation and indifference to secular issues, i.e., occurrences and developments pertaining to the secular world, outside of the world of the sacred. This results in an attitude that results in mutual indifference between religious organizations and criminal / terrorist groups.

The last type of response is collaboration. Much less common and documented are cases where religious organizations actively cooperate with criminal and / or terrorist groups, providing logistical and even financial support for their activities.

These types can coexist, with varying intensity and background. Fear of repression is almost always an important factor in determining whether a religious organization will adopt a strategy of "voice" or "silence." Fear also plays a role in whether denunciation will be targeted or general. "Silence" is often a function of the degree of fear of repression, and less of the degree of concern about organized crime / terrorism. Social apathy or mutual indifference is not necessarily a consequence of fear of repression, but it can be. It is often a combination of fear of repression and low levels of concern about the negative consequences of organized crime / terrorism (Petri, 2012).

## **3. Position of religious organizations as NPOs in the AML/CTF systems**

### **3.1. Religious organizations in North Macedonia**

#### **3.1.1. Legal framework**

The legal framework for regulating of the work of religious communities is determined by the Constitutions of the Republic of North Macedonia, the Law on the Legal Status of a Church, Religious Community and Religious Group („Сл. Весник на РМ“, број 113/2007), and several other laws and by-laws.

According to Article 2 of the Law on the Legal Status of a Church, Religious Community and Religious Group, the church, religious community and religious group is a voluntary community of individuals who with their religious beliefs and sources of their teaching achieve the freedom of religion united by faith and identity expressed by equal performance of worship, prayer, rites and other types of expression of faith. Hence, despite the fact that the law uses different terminology for different types of religious organizations no definitions are provided indicating any differences between the terms church, religious community and religious group; furthermore, all organizations enjoy equality before the law – there are no differences in their legal status.

According to Article 9, the church, the religious community and the religious group are registered in the Single Court Register of churches, religious communities and religious groups, thus acquiring the status of a legal entity. The data entered in the Register are public (Article 11, paragraph 2).

The registration process (Article 13) is initiated on the basis of a request, in supplemented by the following documents:

- Minutes of the founding assembly;
- Act of establishment;
- An act that regulates the status, the organization and activities;
- Description of the key religious teachings;
- Decision on the appointment of an authorized legal representative the church, religious community and religious group, and
- Proof of citizenship of the founders and the authorized person.

According to Article 14 of the Law, the Act of establishment should also contain information on the mechanisms for financing of the church, the religious community and the religious group, as well as the system for monitoring of the financial and material management of the funds.

Article 32 of the Law contains provisions for sources of income of religious organizations. Namely, sources of revenue for the church, religious community and religious group are from their own financing, private philanthropy, donations and other forms of financing. Article 33, paragraph 2 of the Law specifies that the financing and management of funds is in accordance with the regulations for non-profit organizations and public interest organizations.

The Law on the Legal Status of a Church, Religious Community and Religious Group regulates the financing of the church, the religious community and the religious group in a way that refers to the application of the legal framework for non-profit organizations and organizations of public interest. Explicit provisions for public disclosure of the most important acts, including financial statements are not prescribed. The Law also does not regulate which institutions monitor the implementation of legal obligations related to disclosure of financial information (for comparison, the Law on Associations and Foundations mandates the Ministry of Finance and the Public Revenue Office as competent institutions).

The Law also does not contain provisions on conditions for termination of a church, religious community or religious group and no provisions are prescribed for the manner of action and possible prohibition in cases when religious organizations are involved in activities related to terrorism.

The Law on Accounting of Non-Profit Organizations ("Official Gazette of the Republic of Macedonia" no. 24/2003, 17/2011 and 154/2015) prescribes the accounting principles and rules, as well as the content of the basic financial information disclosed by the NPOs to stakeholders.

The Law on Accounting of Non-Profit Organizations is part of a broader legal framework that includes laws that complement each other and regulate the operation of the non-profit sector, which includes religious communities.

All non-profit organizations are obliged to keep accounting according to the double-entry

bookkeeping system in a manner prescribed and are obliged to compile basic financial statements, balance sheet, income statement and notes to the financial statements for the reporting period, i.e., the calendar year (Смилевски et al., 2018).

According to the Law on Accounting of Non-Profit Organizations the financial statements and accounting documentation should contain information on donors and sources of funding of NPOs as well as information on how funds are spent. According to the legal framework, the Statute of the NPO also regulates the manner of acquiring and disposing of the funds of the NPO.

However, the Law on Accounting of Non-Profit Organizations does not provide for an obligation to conduct mandatory audit in certain cases, such as mandatory audit for large organizations that exceed a certain amount of revenue, organizations that have received assistance from state institutions and the like. For example, according to the Law on Associations and Foundations, an obligation is prescribed for auditing the financial statements of associations or foundations with public interest status whose annual budget is over 20,000 EUR. Associations and foundations with a budget over 100,000 EUR are obliged to conduct an audit in accordance with international accounting standards (Смилевски et al., 2018, p. 49). However, since this provision is not a part of the Law on Accounting of Non-Profit Organizations, audits are not mandatory for religious organizations.

Furthermore, there is a need to improve the accounting regulations of NPOs by breaking down the accounts related to the sources of income from membership fees, gifts, donations and income from other sources with additional classes that would provide more accurate insight into the various sources of income. This will provide more risk-based tracking (Управа за финансиско разузнавање, 2021, p. 54).

The Law on Prevention of Money Laundering and Terrorism Financing, imposes an obligation on entities, including banks, to have equal access to all NPOs regardless of their risk of money laundering and terrorist financing. However, in the frame of the survey conducted with associations and foundations by the FIU 18% of the surveyed associations and foundations faced the phenomenon of “de-risking” which indicates that the system and policies and practices of banks hinder the financial operations of associations and foundations. Given that international standards impose obligations for adaptation of measures towards identified risk to NPOs, legal changes are needed to harmonize AML/TF regulations with international standards.

The National Strategy for Combating Terrorism sets specific goals: prevention, protection, prosecution and response to terrorism developed with specific activities in the Action Plan. The Action Plan envisages a set of measures for prevention of the abuse of NPOs, as well as measures and activities for strengthening the capacities of the investigative bodies for criminal prosecution of possible abuses of NPOs for the purposes of terrorist financing. The National Committee for Prevention of Violent Extremism and Combating Terrorism leads the initiative for implementation of the Action Plan and is responsible for communication and coordination of the efforts of the relevant institutions (Управа за финансиско разузнавање, 2021, p. 59). Pertaining to religious organizations, the Strategy foresees enhanced cooperation between security services and religious leaders, trainings for religious organizations to resist online threats for radicalization, strengthening the capacities of religious leaders for identification of signs of radicalization in their communities. With regards to the objectives and measures in the National Strategy for Cooperation with and Development of the Civil Society (2018-2020) - the measures defined in the Action Plan of the strategy refer to associations and foundations, but not to churches, religious communities and religious groups.

### 3.1.2. Risk assessment of involvement of religious organizations in ML/TF

The risk assessment developed on behalf of a working group with the participation of representatives of institutions mandated with registration and monitoring of NPOs in North Macedonia, coordinated by the FIU of North Macedonia and representatives of NPOs, coordinated on behalf of association Konekt, was published in early 2021.

The report is based on analysis of the legal and institutional framework, as well as collection of data from NPOs (associations and foundations, and religious organizations separately). The report provides relevant conclusions with regards to the specific conditions for operation of religious organizations. The Report identifies three types of NPO threats with regards to the risk of terrorist financing (Управа за финансиско разузнавање, 2021, p. 12):

- Abuse of NPOs to promote religious radicalism
- Abuse of NPOs for recruiting persons
- Abuse of NPOs for logistical support

The report indicates that “by conducting the analysis of qualitative data, it has been determined that there is a possibility for NPOs whose activity is of social-humanitarian, cultural-educational and / or religious nature to be involved and abused for the purposes of FT in cases when one of the following risk factors is met:

- The leadership of NPOs are exponents of religious radical ideology, relating to the involvement of individuals with radical religious discourse who are part of the founding or governing structure of the NPO. A link has been noted between ethnic, religious, or socio-cultural groups known to be sensitive to extremist movements. This has been observed with international typologies, where it is noted that NPOs can be used to spread extremist ideologies, to recruit individuals for extremist purposes, and to support foreign terrorist fighters. According to the report, such abuse has not yet been reported in the Republic of North Macedonia.
- NPOs are registered or active in regions identified as at risk of terrorism.
- Donations / sponsorships transferred from high-risk countries or countries where there is conflict or war. This can be related to funding received on the basis of donations and projects from individuals and legal entities on territories where terrorist attacks were carried out, states with military conflicts, with extremist radical and terrorist organizations and groups.
- NPOs do not provide information on their activities and perform financial transactions in a way that cannot be verified by the institutions. NPOs do not have easily accessible information (e.g., websites) about their aims and activities, method of financing, ownership and management structure, annual reports, etc. In addition, they do not provide information for the institutions to be able to verify whether the realized transactions are in accordance with their purpose (Управа за финансиско разузнавање, 2021, p. 38).

As stated in the FATF Report on the Risk of Abuse for Terrorism in Nonprofit Organizations, which defines the typologies, the risk of FT is exclusively limited to service-providing NPOs as there are no cases or suspicions of FT among the expressive NPOs. With regards to religious organizations, in the survey realized for the purpose of the Report, 9 out of 19 respondents (47%) reported that they provide services.

The report concludes that no financing of terrorism through NPOs has been identified or proven in North Macedonia. The possibility of NPOs being involved and abused for terrorist financing purposes has been identified in the areas of social, humanitarian, cultural, educational and religious activities, with inherent risk assessed as low to moderate (Управа за финансиско разузнавање, 2021, p. 13).

With regards to mechanisms for ML and TF the report identifies the following strategies:

“It has been identified that most of the financing takes place in cash, from own sources or from members of the group to which like-minded people from abroad belong, while to a lesser extent the financing is done with funds obtained from crimes (theft, blackmail, extortion, threats, illicit trade and smuggling). The transfers were realized through the formal banking system and the system of fast money transfer (using the services of Western Union, MoneyGram and RIA), from persons who mostly come from Western European countries as well as Middle Eastern countries (Управа за финансиско разузнавање, 2021, p. 26).

The report also concludes that in the period 2017, 2018 and 2019, no terrorist acts were committed in North Macedonia. Furthermore, during this period there was a noted low number of reports on suspicious transactions (related to TF) that were submitted to the FIU<sup>1</sup>. Finally, no criminal investigations, indictments or verdicts for TF were initiated/finalized (Управа за финансиско разузнавање, 2021, p. 26).

In the period 2017, 2018 and 2019, a total of 4 reports on suspicious transactions for financing terrorism were submitted to the FIU, involving NPOs whose activities are of social-humanitarian, cultural-educational and religious nature. There is no information whether any of these reports involve a religious organization. Also, 816 requests for financial analysis were submitted to the FIU by the competent authorities in North Macedonia and 3 requests from the FIUs of other countries, where the subject of analysis were NPOs whose activity was of social-humanitarian, cultural-educational and religious character. During this period, the FIU, in accordance with its competencies, submitted to the competent authorities 1 report on FT and 8 notifications on suspicion of other criminal activities involving NPOs registered in North Macedonia (Управа за финансиско разузнавање, 2021, p. 27).

The competent intelligence institutions acted in 8 cases of monitoring of the work of NPOs. From the analysis of the provided data, according to the methodology, the following typologies of possible misuse of NPO have been determined (Управа за финансиско разузнавање, 2021, p. 32):

- recruitment support,
- diversion of funds and

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<sup>1</sup> During 2017, 3 reports were submitted to the FIU; 2 reports were submitted in 2018 and 2019 respectively.

- misuse of funds.

In the analysis of these cases, it was determined that these are small entities of NPO, whose main activity is from:

- Social-humanitarian,
- cultural-educational and
- religious character.

The majority of the NPOs are registered and active in regions with greater risk, according to the analysis. According to the NRA Report for 2020, regions with high risk of terrorism are Skopje (Skopje Region), Kumanovo (part of Northeast Region), Tetovo and Gostivar (part of Polog Region).

The assessment concludes that the level of effectiveness of the legislation (the Law on Associations and Foundations and the Law on the Legal Status of a Church, Religious Community and Religious Group) is at a medium-high level in terms of risk reduction and identified risk factors for TF.

However, the analysis indicates different levels of adherence to the obligations for transparency with regards to the annual reports on the work of the NPOs and their financial operations. In cases of identification of suspicions of NPO activities related to terrorist financing, the competent authorities have adequate opportunities and capacities to detect and initiate investigation and prosecution of those involved, as well as for timely exchange of information, coordination and further cooperation.

The analysis concludes that the established and implemented various types of activities and measures (laws, policies and involvement of NPOs and self-regulation of NPOs) have “medium to high” effectiveness and affect mitigation, i.e. maintaining the level of terrorism financing risk at a manageable level. This analysis determines that the inherent risk of terrorist financing for a given subgroup of NPOs is at a “low to medium” level. The measures in place are effective in maintaining the risk of TF for NPOs at “low to medium” level (Управа за финансиско разузнавање, 2021).

The analysis of the strategic documents pertaining to the NPO sector and/or measures for AML/CTF determined that the level of effectiveness of policies for inclusion of NPOs is at a high level in terms of risk reduction and identified risk factors from terrorist financing. The level of effectiveness of NPO policies has been found to be moderate in terms of risk reduction and identified risk factors for terrorist financing. However, the majority of the measures apply to associations and foundations, but not to churches, religious communities and religious groups.

The analysis showed that organizations funded by foreign donors (development agencies, EU, etc.) have a negligible risk of abuse due to stricter project reporting, auditing and monitoring requirements. However, despite being recipients of funding from foreign donors, there was no information on existence of good practices in churches, religious organizations and religious groups.

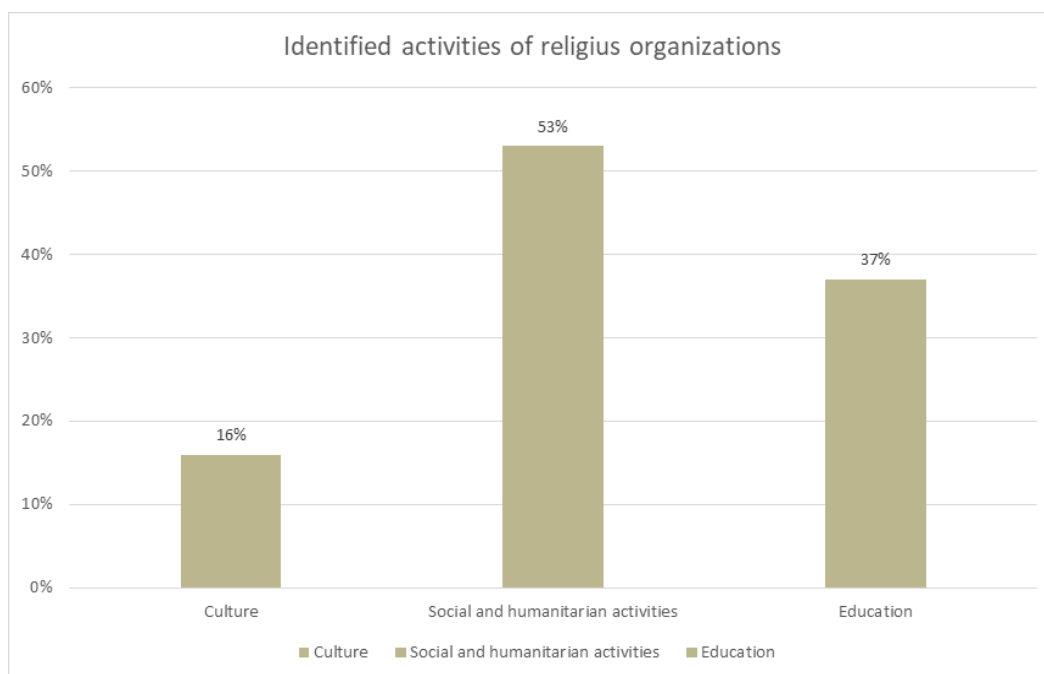
When analyzing the restrictions, it is considered that the regulations do not violate the international standards for freedoms in determining the way of financing or managing NPOs. Based on the rating system used by the FATF, the working group concluded that the financial

management regulations are adequate and largely ensure effective risk management. The working group asserted the need to improve the accounting regulations of NPOs by breaking down the accounts related to the sources of income from membership fees, gifts, donations and income from other sources with additional classes that would provide more accurate insight into the various sources of income, for a more risk-based targeted monitoring (Управа за финансиско разузнавање, 2021).

### 3.1.3. Survey of religious organizations

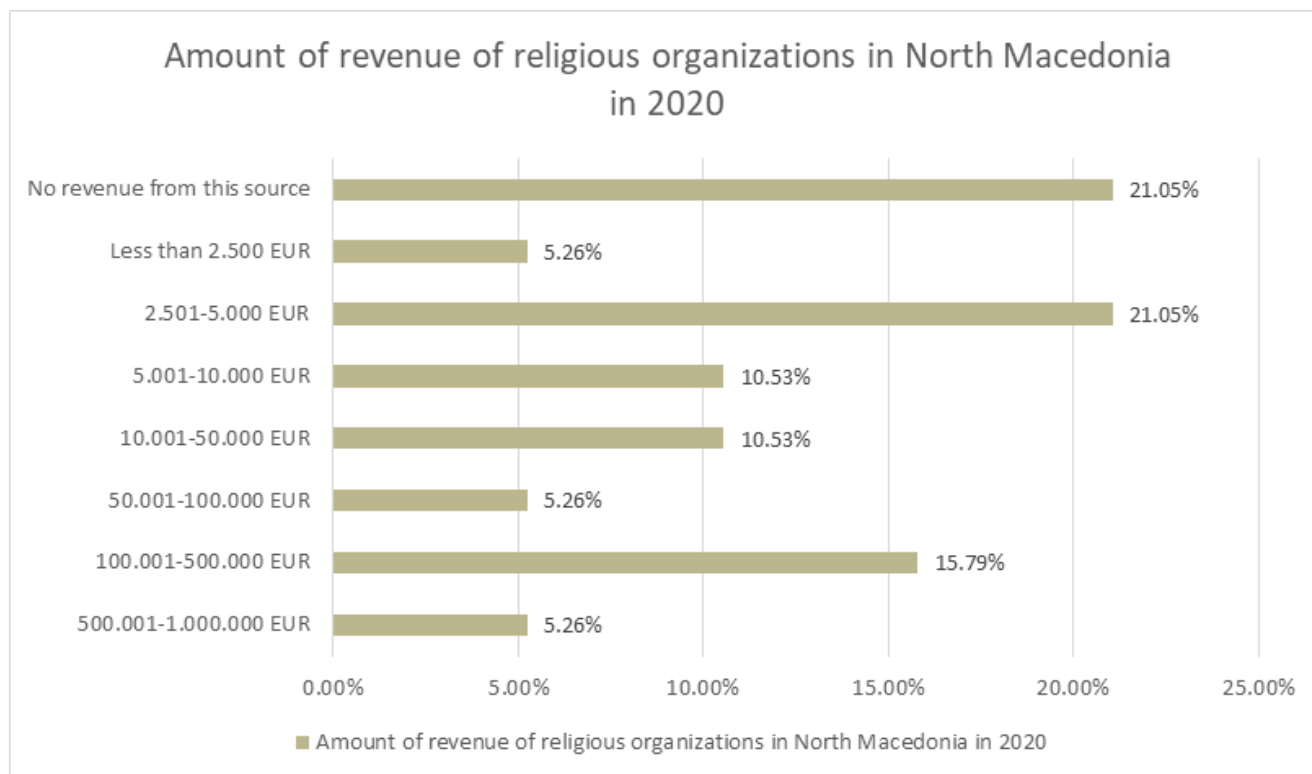
In the absence of formal data, a survey of churches, religious communities, and religious groups examined financial management, transparency, and accountability practices. In the frame of the survey conducted for the purposes of preparing the Report, religious organizations stated that they are engaged in social protection and humanitarian activities in 52.63% of the answers (10 out of 19 answers), as well as 36.84% in educational activities (7 of 19 answers).

Chart 1. Activities of religious organizations in North Macedonia (expressive/service oriented) (source: Управа за финансиско разузнавање, 2021).



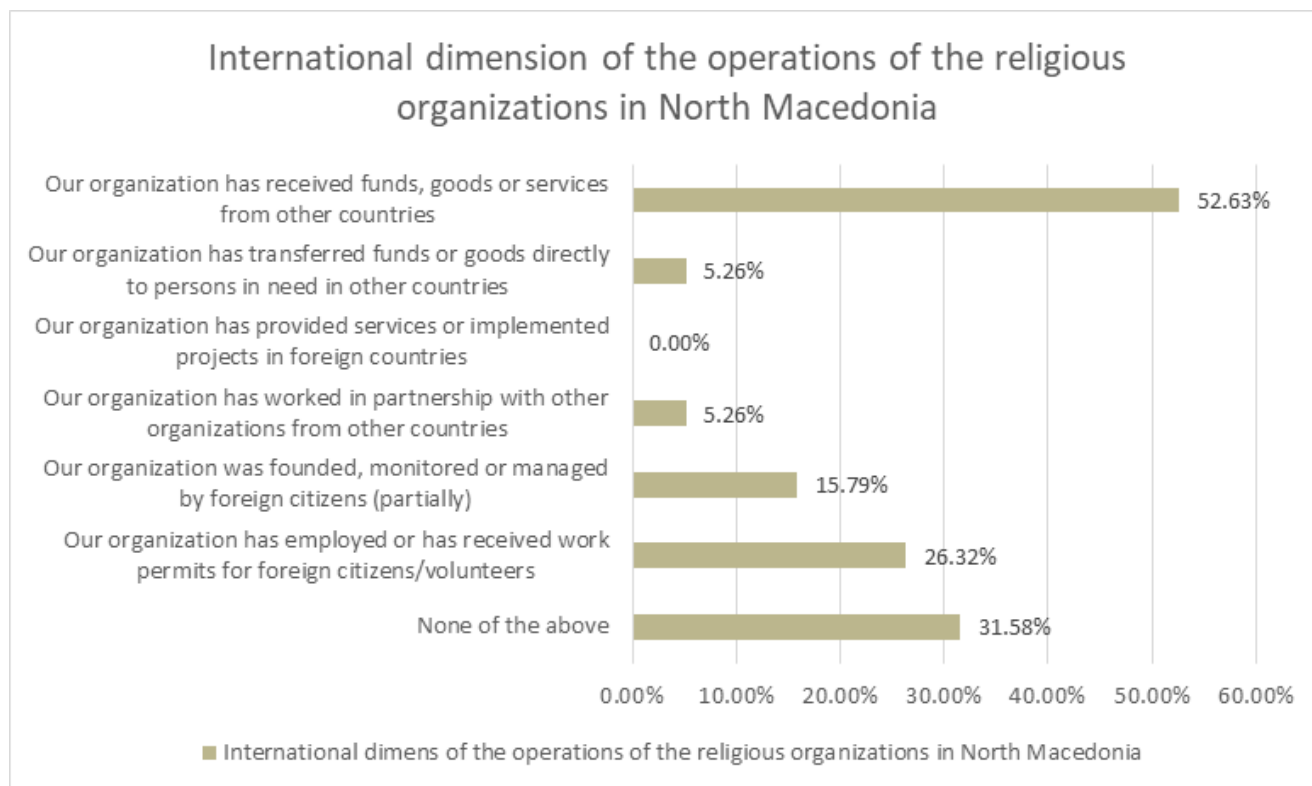
The data obtained from the Central Register indicate that 25 organizations out of a total of 38 submitted final accounts for 2019. Based on the submitted annual financial reports, the cumulative amount of total revenues from membership fees, donations and other sources of revenue was 115,757,556 MKD or 1,882,236 EUR; the revenues from provision of services amounted to 18,450 MKD or 300 EUR. It needs to be taken into account that the data presented in the Report are limited to the scope of organizations that have submitted annual financial reports, and it is not possible to have a detailed perspective of the financial size of the sector. From the data obtained from the survey in which 19 religious organizations participated, the income range is shown in the chart below.

Chart 2. Annual revenue of religious organizations in North Macedonia in 2019 (source: Управа за финансиско разузнавање, 2021).



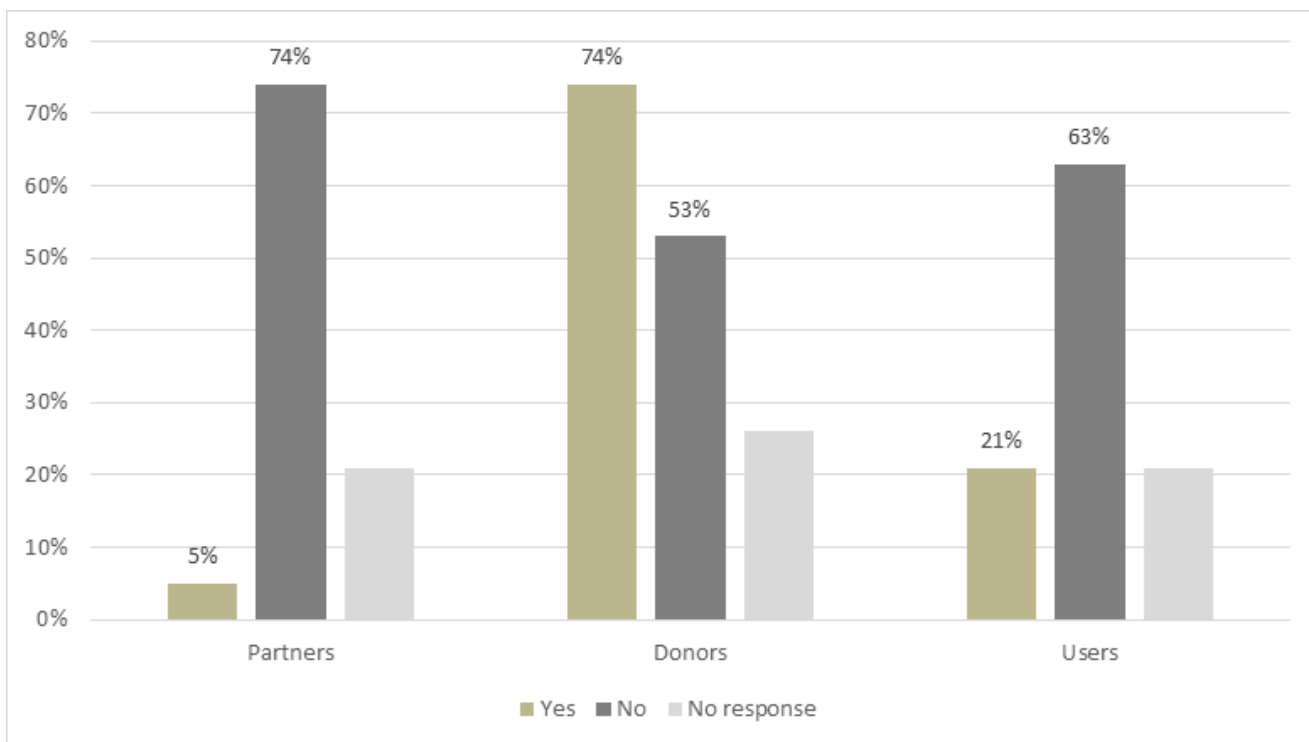
With regards to the issue of receiving funding from foreign sources, according to the data obtained from the survey of religious organizations, this is the case with 52.63% of the organizations, while 3 out of 19 organizations are managed by foreigners (15.79%); 5 out of 19 organizations (26.32%) that participated in the survey had foreign citizens as employees or volunteers (Управа за финансиско разузнавање, 2021). In addition, more than half of the religious organizations surveyed received foreign funds, goods or services (Chart 3).

Chart 3. International dimension of the operations of the religious organizations in North Macedonia (source: Управа за финансиско разубнавање, 2021).



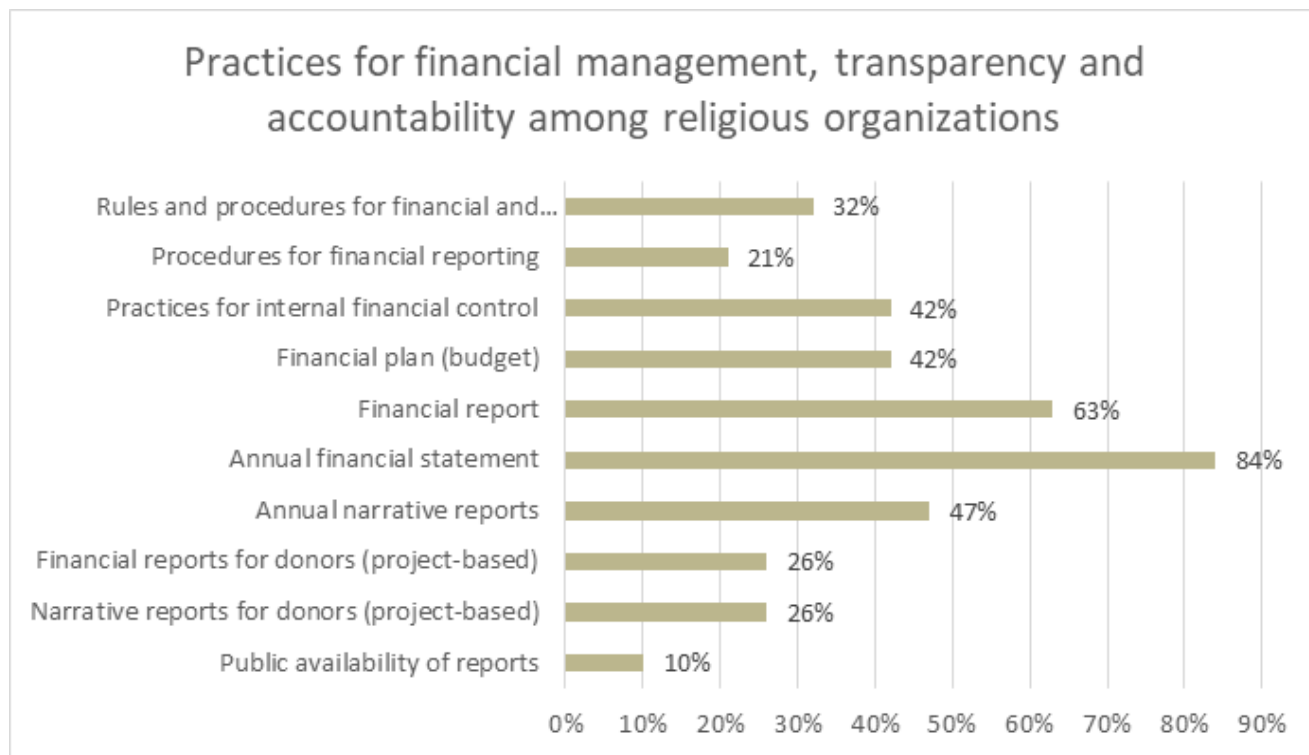
An additional question in the survey was dedicated to cash operations, i.e., whether religious organizations have received cash donations. The results indicated that 42% or 8 out of 19 organizations have received cash donations. According to the report, religious organizations claimed to maintain records and can identify donors from whom they have received a cash donation. Chart 4 presents the survey results on keeping records for various types of stakeholders by religious organizations. The results show that there is lack of good practice for keeping information about relevant stakeholders, particularly partners and end users.

Chart 4. Keeping information regarding different groups of stakeholders by religious organizations (source: Управа за финансиско разузнавање, 2021).



Lack of consistent practices in maintaining and publishing relevant information about their operations is evident from Chart 5, which presents the existence of policies and practices for financial management, transparency and accountability among religious organizations that participated in the survey:

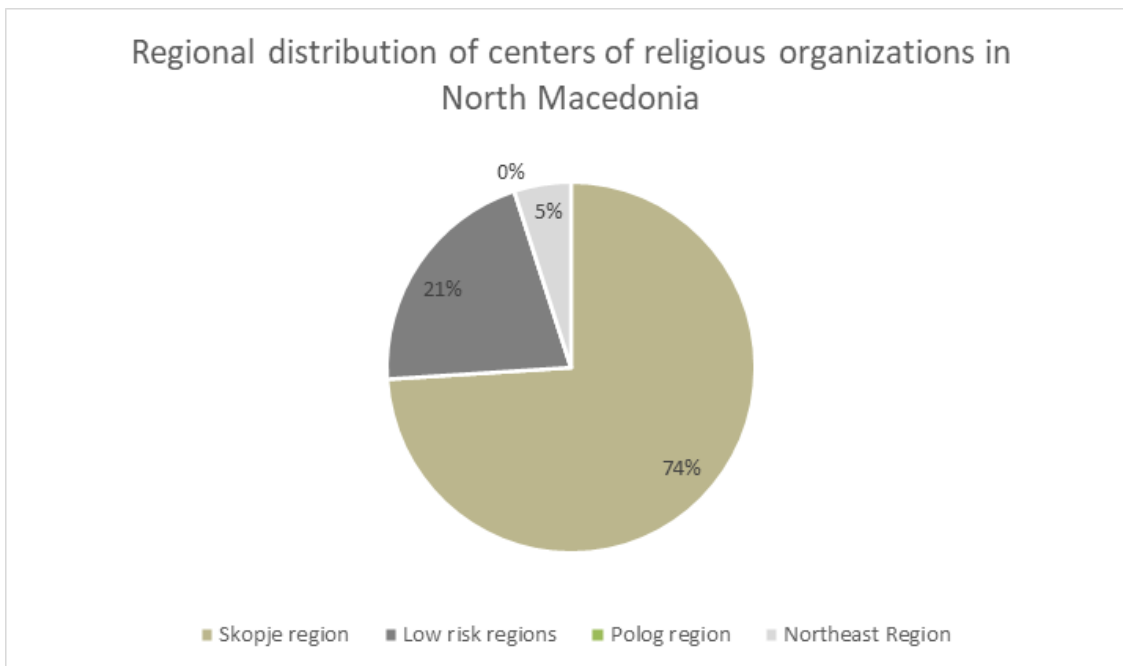
Chart 5. Practices for financial management, transparency and accountability among religious organizations (source: Управа за финансиско razuznavawe, 2021).



The results of the survey of churches, religious communities and religious groups indicate a lack of monitoring mechanisms and standards. Namely, only one religious organization confirmed to have adopted standards established by third parties in its operations (voluntary codes, ISO standards, etc.), while 16 (84%) responded negatively and 2 (10%) did not provide a response.

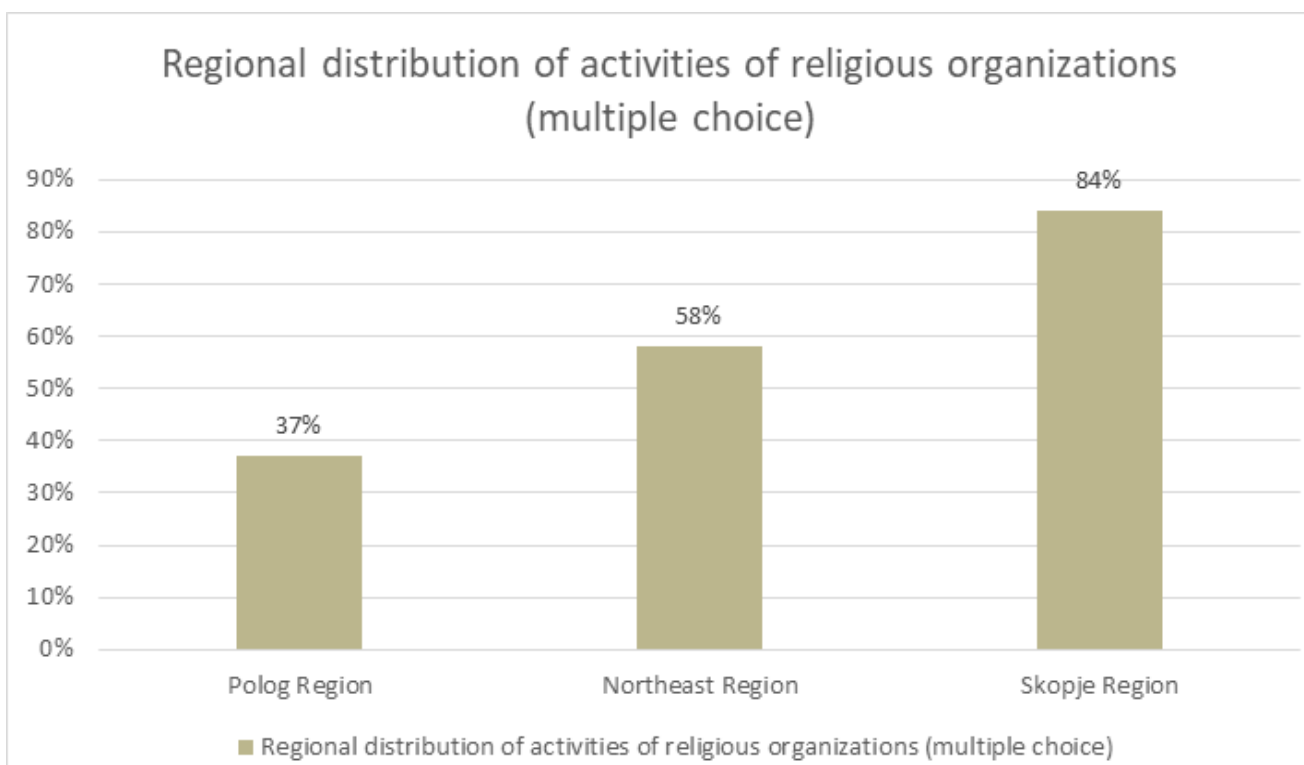
According to the NRA Report for 2020, regions with high risk of terrorism are Skopje (Skopje Region), Kumanovo (part of Northeast Region), Tetovo and Gostivar (part of Polog Region). Religious organizations in North Macedonia are largely based in the Skopje region and operate throughout the country.

Chart 6. Regional distribution of centers of religious organizations in North Macedonia (source: Управа за финансиско разузнавање, 2021).



Although access to individual questionnaires limits the analysis, it can be estimated that at least 84% of respondents are exposed to a certain level of risk according to the location of their activities (Управа за финансиско разузнавање, 2021, p. 41).

Chart 7. Regional distribution of activities of religious organizations (multiple choice) (source: Управа за финансиско разузнавање, 2021).



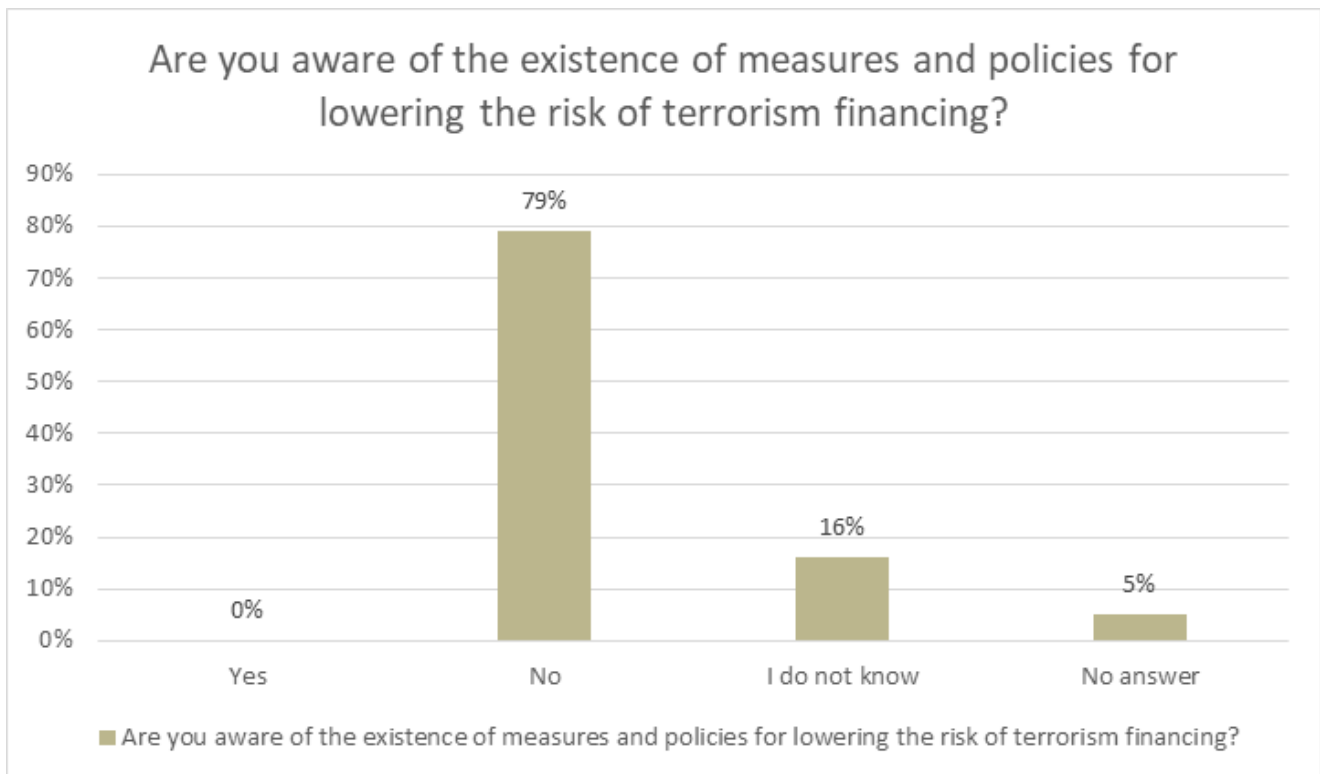
In the frame of survey religious organizations were asked to assess the risks for TF in the non-profit sector, and specifically among religious organizations. The results indicated that 36.84% of the participating religious organizations indicated that the risk of TF in the non-profit sector does not exist, 21.05% thought that this risk is “very low” and 21.05% that it is “low”. With regards to the risk of abuse of their organizations for TF 94.74% of religious organizations believe that such a risk does not exist (Управа за финансиско разузнавање, 2021, pp. 35–36). These findings are further supported by the interviews conducted with representatives of religious organizations in the country, which almost unanimously consider the risk for abuse of religious organizations for TF non-existent.

Chart 8. Assessment of potential exposure of religious organization to risk of TF (source: Управа за финансиско разузнавање, 2021).

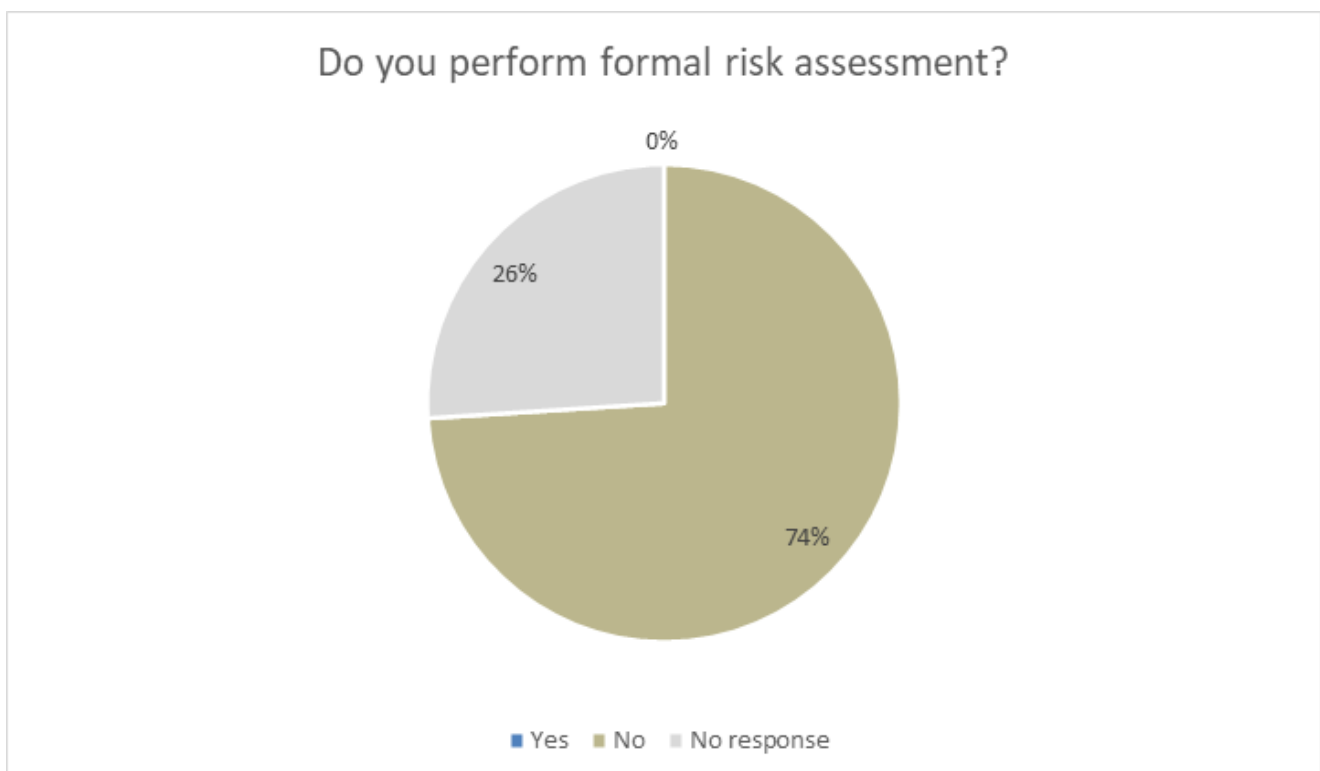


Additionally, none of the religious organizations participating in the survey indicated knowledge of any measures or policies for prevention of TF.

Chart 9. Awareness on measures and policies for prevention of TF (source: Управа за финансиско разузнавање, 2021).



The survey of churches, religious communities, and religious groups show that there is no practice of formal risk assessment for churches, religious communities, and religious groups.



The analysis showed the need to formalize these processes in NPOs at a level that corresponds to their capabilities and resources. According to the survey of churches, religious communities and religious groups, the great majority of respondents do not apply formal screening and

analysis processes. This is largely due to their modest resources (financial and human), but also awareness on the need and knowledge to conduct such activities.

The interviews largely confirmed the findings of the survey. The majority of interview respondents did not perceive FT and ML as a significant risk in the operations of religious organizations in North Macedonia. Formal risk assessments are not performed and there is a low degree of awareness among the respondents on existing AML/CTF policies.

One exception is the Islamic Religious Community in North Macedonia which has established a system of referrals regarding perceived suspicious activities and/or threats from the lowest to the highest positions in the organization's hierarchy. This religious organization regularly maintains communication with the relevant authorities (predominantly the Ministry of Internal Affairs but also foreign embassies) communicating findings related to possible terrorist activity in the country. There is not formal training or risk assessments, but rather an informal process of communication, which is deemed more effective by the representatives of the organization. Such a system has been maintained for more than two decades, arising from the need for preserving doctrinal and organizational distance from radicalizing forces.

## 4. Findings from the comparative analysis

### 4.1. Religious organizations in Serbia

#### 4.1.1. Legal framework

The legal position of religious organizations in Serbia is determined by the Constitution of the Republic of Serbia, The Law on churches and religious communities, laws pertaining to the rights of religious officials and employees, property rights and tax exemptions, and other acts.

According to Law on Churches and Religious Communities adopted in 2006, there is a single procedure for registering religious communities in Serbia. As in the case of North Macedonia, all registered religious communities in Serbia have the same legal status. These include traditional churches and religious communities, confessional religious communities and other religious communities. Traditional churches and religious communities are those that have a centuries-old historical continuity in the country and whose legal subjectivity has been acquired on the basis of special laws; confessional religious communities are those communities whose status was regulated by an application in accordance with the Law on the Legal Status of Religious Communities of 1953 and 1977. Traditional churches and religious communities have preferential treatment with regards to the registration procedure (Министарство правде Републике Србије, 2016).

With regards to the conditions that need to be met for registration of a religious community, there are no temporal conditions, ie a period of existence of a community as a condition for its registration. There is a quantitative requirement, and according to the Law, when submitting the application for registration, a document signed by the founders must be submitted as a proof of membership of at least 0.001% of the adult citizens of the Republic of Serbia or

foreign citizens with permanent residence in Serbia, according to the data of the latest census. Additionally, the statute or other document containing information on the organizational structure, a presentation of the basic religious teachings, religious rites, religious goals and basic activities of the religious organization, data on the permanent sources of income of the religious organization, the procedures for management, the rights and obligations of the members, the manner of establishment and termination of the existence of the organizational units, list of organizational units should be submitted as part of the application for registration of a legal entity.

#### 4.1.2. Position of religious organizations in the frame of the national AML/CTF system

In Serbia religious communities are exempted by law from the obligation to register with the Agency for Commercial Registers and no other body or agency is responsible for their supervision (Barker, 2013), which is a special risk in relation to the possibility of money laundering and terrorist financing. The Agency for Commercial Registers does not perform any oversight function over non-profit organizations.

The Law on Churches and Religious Communities mandates the Ministry of Religion (does not exist today) for maintaining such a register. Currently, the Registry is under the jurisdiction of the Ministry of Justice, whereby the Office for Cooperation with Churches and Religious Communities within this Ministry is in charge of communication with religious communities. The Office is not responsible for maintaining the register of religious communities, nor does it have supervisory powers.

According to the Law on Accounting and Auditing of Serbia (Article 1), churches and religious communities are exempt from submitting an annual financial statement.

The assessment of ML/TF risks in the NPO sector Serbia, conducted in 2013, concluded the following:

“Since religious organizations are exempted from the obligation to register with the Agency for Commercial Registers and therefore appear to fall outside any central record of associations. Consequently, very little is known about the existence, objectives and activities of religious associations, which contributes to a heightened level of risk. As the result of a lack of information concerning the nature of the NPO sector as a whole, it is not possible to conduct an accurate or meaningful analysis of the scale and scope of the sector, and predictions of risk must therefore be qualified. That said, there is consensus within the literature that, because of the nature of their objectives and activities and the manner in which these are achieved, religious organizations tend to fall into the higher risk group in terms of potential for ML/TF. There are established links between the two activities. There is no reporting framework in Serbia within which NPOs operate. NPOs are not required to account for their activities according to financial spend (unless the donor is an international partner, in which case the likelihood of having to report back is greater) or submit audited accounts of their financial expenditure. There is no Suspicious Activity Reporting process, contrary to international standards, and no system for whistleblowing” (Barker, 2013, pp. 9–10).

The Administration for the Prevention of Money Laundering (the “Administration”) is the main AML/CTF supervisory authority. This body is part of the Ministry of Finance and has the authority to collect, store, investigate, analyze and disclose to the competent authorities documents and

data as well as to conduct other procedures aimed at counteracting money laundering and financing terrorism, in accordance with the AML Act. Other institutions authorized to monitor compliance with the key obligations under the AML Act in certain sectors include the National Bank of the Republic of Serbia, the Securities Commission, the National Customs Agency, and the Republic of Serbia Gambling Authority. The reporting entities' obligations under the AML and CTF Act follow the 4th and 5th AML Directives. These include customer due diligence (CDD), the collection and storage of information and documents; performing assessments regarding the risk of money laundering and terrorist financing, and the disclosure of information on suspicious operations, transactions and customers. There are no obligations that go beyond the scope of the AML Directives.

A National Risk Assessment for Money Laundering and Terrorist Financing was adopted on 31 May 2018 in Serbia. Based on this risk assessment, Serbia has adopted the Strategy and the Action plan for implementing the Strategy for Countering Money Laundering and Financing of Terrorism, 2020–2022. These documents provide a strategy and useful measures for monitoring and limiting the risks of money laundering and financing terrorism. The NRA provides a strategy and measures for monitoring and limiting the risks of money laundering and terrorist financing. The sectors that are most exposed to money laundering threats are the real estate sector, the organization of games and the banking sector, followed by the exchange office, casinos and accountants. No specific information pertaining to religious organizations were included in the report.

In 2016, MONEYVAL rated Serbia as partially compliant in its implementation of Recommendation 8, which concerns the protection of non-profit organizations (NPOs) from terrorist financing abuse. Specifically, evaluators stated that: 'Serbia has not conducted any review of the NPO sector with regard to its size, relevance, activities and its vulnerability to [financing terrorism] threats or that of the adequacy of the domestic legal framework in this field'.

Serbia adopted the Law on the Prevention of Money Laundering and Terrorism Financing in December 2017, was evaluated by MONEYVAL are largely compliant with the FATF recommendations.

In 2018 the inter-agency Permanent Joint Coordination Group on Terrorism adopted the document "Exposure of the non-profit sector in the Republic of Serbia to the risk of terrorist financing", containing a review of the NPO sector vulnerabilities to FT. The document is confidential and is not publicly available, therefore its findings could not be included in this research.

To support efforts for effective supervision and coordinate the work of the inspectional services, a Working Group for supervisory inspection of the NPO sector was established by the Coordination Commission for Supervisory Inspection. The Working Group for supervisory inspection of the NPO sector has established a coordination mechanism with the competent authorities involved in preventive or investigative activities, for both operational purposes and for the purposes of monitoring and responding to risks identified. The Coordination Commission for Supervisory Inspection is an inter-agency coordination body, tasked with aligning and coordinating the work of inspections and enhancing the effectiveness of supervisory inspections through aligning plans of supervisory inspections and training programmes, promoting the information exchange and professional and ethical standards of inspectors, monitoring and evaluation of inspections and supervision (Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism - MONEYVAL, 2019). The MONEYVAL report concludes that despite the commendable efforts on behalf of Serbian authorities in establishment of coordinating bodies, "it is unclear how these inter-agency

groups ensure effective co-operation, co-ordination and information-sharing at all levels of appropriate authorities and organisations” (Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism - MONEYVAL, 2019, p. 6).

NPOs in Serbia are required to maintain business records and prepare financial reports. They are also subject to financial report audits. The Serbian Business Registers Agency (SBRA) maintains the register of NPOs (which includes the name of the NPO; details concerning management, founders and areas of work; as well as financial reports). The Serbian legal framework foresees sanctions for NPO-related obligations. These include imprisonment, fines, cancellation of the Tax ID Number, striking off the NPO, as well as prohibition of activities of an endowment or a foundation.

However, in February 2021 a reaction by Serbian CSOs and media was published, demanding a response from the Directorate for the Prevention of Money Laundering and Terrorist Financing regarding the Financial Action Task Force (FATF) findings, that the Directorate investigated 57 organizations, media, and individuals without legal grounds, therefore acting contrary to this international body’s recommendations and standards. This was followed by a statement of the FATF, raising concerns of whether the Republic of Serbia breached Recommendation 29 that outlines the role and responsibilities of the financial intelligence units, such as the Administration for the Prevention of Money Laundering and the Financing of Terrorism.

In a previous statement, human rights experts noted that the unjustified use of the Serbian Law on the Prevention of Money Laundering and the Financing of Terrorism interferes with the citizens’ freedoms of expression and association and disrupt their right in the conduct of public affairs. The experts called on the Financial Action Task Force (FATF) and MONEYVAL to ensure that national regulations are adopted in accordance with FATF standards and in accordance with the human rights obligations. They also highlighted Serbian Government to guarantee that the use of anti-terrorism laws will not affect the civil society work and the citizens’ basic human rights (Balkan Civil Society Development Network, 2021).

In a published statement, MONEYVAL emphasized the importance of involving NPOs in risk assessment activities on a voluntary basis, rather than through the exercise of formal FIU powers. The statement also stated its recommendation to its members to ensure that public entities charged with the registration and/or the supervision of the NPO sector are involved in interactions related to national or sectoral risk assessments. In the statement, MONEYVAL pledges to pay particular attention to such situations arising among its membership (Committee of Experts on the Evaluation of Anti-money Laundering Measures and the Financing of Terrorism - MONEYVAL, 2021).

## **4.2. European Union**

Members states of the EU do not have a unified practice regarding the conditions and procedures that a religious organization must meet in order to acquire the status of a legal entity. There are significant differences in terms of the legal and factual position of these organizations, as well as the scope of rights and privileges they enjoy. This diversity shows that there are a number of historical, national, political, cultural and social factors that have been taken into account in the legal regulation of this matter (Министарство правде Републике Србије, 2016).

The EU respects the rights of member states in terms of public policies related to religious life. The EU recognizes that religious communities have their own identity and special contribution to European society, giving them a consultative role in the functioning of the Union and the

development of policies. Member States have exclusive competences within the domestic policies governing religious life. Consequently, there is no single legal model for church-state relations in the EU. However, several elements can be identified in the attempt to classify church-state relations in different Member States (State Secretariat for Religious Affairs, 2019, p. 41):

- Legal and constitutional definitions of church-state relations (secularism, cooperation, state or dominant church),
- Models for financing religious organizations (direct, indirect, mixed model, etc.),
- The place and role of religion in the public sphere (active secularism, indifferent neutrality, positive neutrality),
- Levels of permissiveness of the legal framework regarding the recognition of religious minorities and new religious movements (open concept systems versus selective or limited recognition; systems with one or more levels of recognition),
- The treatment of religious education (confessional versus non-confessional, compulsory versus non-compulsory, state supported or privatized and the like).

Despite the fact that there are large discrepancies in the church-state relations throughout the legal and policy framework related to the freedom and practices of religion and church-state relations, three main models can be identified (State Secretariat for Religious Affairs, 2019, pp. 41-42):

1. Systems where there is a clear demarcation between the state and the church - France, the Netherlands, Portugal and Ireland. States that adopt this model do not provide financial support to religious communities.
2. Dominant church systems - Denmark, Finland, Greece, Malta, Great Britain, where one or more religions have a special status and are partially integrated into the public administration.
3. Systems that recognize multiple religions (at one or more levels) are defined as systems of cooperation or partnership between church and state. Recognized religions enjoy a privileged status, receiving financial support from the state - such are the systems of Belgium, Germany, Italy, Luxembourg, Spain, Poland, the Czech Republic, Romania, Slovakia, etc.

The system of relations between the state and the church is the result of different historical developments, social and demographic transformations and changes in the public perception of issues related to religion and society. In this context, traditional or “historical” religions still enjoy a special status in many European countries - the state knows them well institutionally and doctrinally, relations with the state have developed over a long period of time, which has contributed to better understanding between legal formulations and institutional practices of cooperation between church and state to date.

However, the rise of religious diversity on European soil, and especially with the expansion of religious extremist movements, has introduced some changes in church-state relations.

With regards to the model of cooperation between church and state, it is not directly related to the degree of religiosity of the population - certain countries (Nordic countries) with a relatively

low level of population participation in active religion had or still have a state church while in others, with a high degree of religiosity among the population, they have a strictly separate church and state.

The separation of church and state does not mean that there is no state funding - in secular France priests who perform religious rites in hospitals are paid for by the state; in Belgium, which has religious communities with special status, this is not the case.

The following subchapters present the findings of the comparative analysis for several members states of the European Union: Slovenia, Croatia, Romania, Bulgaria, Greece, and Germany.

## **4.3. Religious organizations in Slovenia**

### **4.3.1. Legal framework**

In Slovenia, the legal status of churches and religious communities is regulated by the Law on Religious Freedom, which entered into force on 3 March 2007. This Law repealed the 1976 Law on the Legal Status of Religious Communities. In addition to the Constitution and the Law on Religious Freedoms, specific rights of religious communities are additionally regulated by agreements between a particular church / religious community and the Government of the Republic of Slovenia. Consequently, the legal status of churches and religious communities in Slovenia is based on the Constitution, the Law on Religious Freedom and special agreements which further specify the freedoms and rights of individual churches and religious communities. According to the Law on Religious Freedom, religious communities act independently in the management of their funds, and with regards to funds for a specific purpose, the competent body has the right to request a report on their management.

The Office for Religious Communities, established in 1993, is a body functioning in the frame of the Ministry of Culture of the Republic of Slovenia, whose competencies include keeping records of active religious communities and issuing certificates for reporting their establishment and ceasing of their formal existence. The Ministry establishes and manages the procedures for registration, issues documents related to the legal status of registered communities, distributes funds allocated in the government's budget for religious activities, organizes discussions and gatherings of religious communities to address religious freedom concerns, and provides information to religious groups on the legal provisions and regulations related to their activities. The Council for Dialogue on Religious Freedom is another body participating in the processes of decision making and implementation of policies and measures related to religious freedom. The Office of Religious Communities implements the Law on Religious Freedom, while the Council is an advisory body through which a wider circle of registered churches and religious communities can influence the process of development of government policies in the field of religious freedom.

According to Article 13 of the Law on Religious Freedom, a church or religious community can register upon acquiring a membership of 10 adults – citizens of the Republic of Slovenia or foreigners with a residence permit (previously, the conditions involved membership of at least 100 adults and existence and activities on the territory of the Republic of Slovenia for at least ten years).

Article 18 of the Law stipulates that a community for which the competent authority has determined that its goals, realization of religious teaching, religious missions, religious

services, or other activities are based on violence shall not be registered. It also prohibits the registration of religious organizations whose activities endanger the life, health, rights and freedoms of its members and other persons or if it promotes national, racial, religious or any other discrimination, causes national, racial, and religious hatred and intolerance and encourages violence and war. The registration process is not merely formal and involves examination of the content of the submitted documents by the competent authority and/or experts from different disciplines at the request of the competent authority. There are currently 49 registered churches and religious communities in the Republic of Slovenia; in the previous years, two religious organizations have been removed from the Register.

With regards to financing, the Law on Religious Freedom provides religious organizations the right to financial assistance from the state for the payment of social security contributions to their employees, as well as the possibility for the state to financially assist the work of registered churches and religious communities (Article 29, paragraph 3).

#### 4.3.2. Position of religious organizations in the frame of the national AML/CTF system

In 2016, Slovenia adopted the Prevention of Money Laundering and Terrorist Financing Act. The Office for Money Laundering Prevention as the body within the Ministry of Finance is the main AML/CTF supervisory authority. The Office has the authority to collect, store, investigate, analyze and disclose relevant information under the AML Act. Other authorities authorized to monitor compliance with key obligations under the AML Act in certain sectors include the Bank of Slovenia, the Securities Market Agency, the Insurance Supervision Agency, the Financial Administration, the Market Inspectorate, the Agency for Public Oversight of Auditing, the Slovenian Institute of Auditors, the Slovenian Bar Association, and the Chamber of Notaries of Slovenia.

MONEYVAL's report on the 5th round MER, rated Slovenia as LC regarding FATF's Recommendation 8, noting the following deficiencies:

- Lack of identification of the types of NPOs which are likely to be at risk of FT abuse and related threats and lack of specific outreach to the NPO sector on FT issues.
- Lack of developed best practice models in cooperation with NPOs to protect them from FT abuse.
- Lack of effective supervision over NPOs, with the exception of associations.
- Lack of obligations for foundations are not required to keep up-to-date registered information on members of the Board of Trustees.
- Lack of access to founding acts of associations and foundations, as well as annual reports, as they are not published online (Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism - MONEYVAL, 2021, p. 5).

In October 2020, Slovenia completed a risk assessment of the NPO sector based on the FATF recommendations on the risk-based approach to NPOs. The report, titled "Strategic analysis of risks associated with the abuse of NPOs for ML and FT" addresses the issues of legal framework and existing regulation, gives examples of measures to promote cooperation and good-quality volunteering, describes the supervisory framework and provides examples of NPOs abuse for terrorist financing purposes.

Starting October 2018, trainings for NPOs and public servants have been conducted. The report identifies the categories of NPOs which are potentially more vulnerable to TF risk. This constitutes the first step in the application of risk-based supervision.

NPOs are checked every two years when they submit activity report, and foundations have an obligation to keep or register updated information on members of the Board of Trustees, as well as the technical obligation to confirm identity, credentials and good standing of the beneficiaries.

With regards to the system of conducting inspections on NPOs, the report provides information about a decentralized system of supervision over the work and financial operations of NPOs which is entrusted to various ministries in accordance with their respective competences. Centralized supervision is conducted on NPOs financial operations by the Financial Administration.

## **4.4. Religious organizations in Croatia**

### **4.4.1. Legal framework**

The legal framework for the operation of churches and religious communities in the Republic of Croatia is regulated by the Constitution, the Law on the Legal Status of Religious Communities and individual agreements between the Government of the Republic of Croatia and a number of churches and religious communities.

The Law on the Legal Status of Religious Communities of 2002 defines religious communities (Article 1) as “a community of natural persons exercising freedom of religion through public performing of religious rites and other manifestations of religious faith registered in the Register of Religious Communities in the Republic of Croatia”.

With regards to the procedure for registration of religious communities in the Republic of Croatia, the Law distinguishes between existing and newly established religious communities. Religious communities that existed at the time of the enactment of the Law (2002) file an application that should contain the following documents:

- Name of the religious community,
- Headquarters of the religious community,
- Information on the legal representative of the religious community, and
- Seal and stamp used by the religious community in its work.

However, newly established religious communities within the application for registration should submit:

- A document confirming that the religious community has at least 500 members,
- A document that provides insight into the content and manner of fulfilling the faith, performing religious rites, the sphere of action of the religious community, and
- A document showing that the newly established religious community as a community of believers was registered in the register of associations for at least five years before submitting the application.

Registered religious communities are exempt from taxes on the purchase of real estate, the profit/capital gains tax, and taxes on donations. Nonregistered religious groups may operate freely but do not receive tax benefits. They may conduct financial transactions as legal entities. A contractual agreement with the state, which grants a registered religious community eligibility for further funding and benefits, defines the community's role and activities and provides opportunity for collaboration with the government in areas of joint interest, such as education, health, and culture.

The Ministry may reject the application for registration if it considers that the content and manner of performing religious rites or other religious practices that are contrary to the legal order, public morality or are to the detriment of life and health or other rights and freedoms of believers and other citizens (Article 22 of the Law).

The Ministry may also decide to delete the religious community from the Records, if the competent body of the religious community decides to terminate it, if a judicial body determines that the religious community by its actions has incited or incites religious, national or racial hatred, or other forms of intolerance among citizens, and if the competent Ministry determines that the content and practice the religion are contrary to the legal order, public morality or to the detriment of life and health or other rights and freedoms of believers and other citizens (Article 22, paragraph 3).

The register of religious communities in the Republic of Croatia is maintained by the Ministry of Administration, by the Office for Political Parties, Foundations, Associations and Religious Communities, which means that there is no body in Croatia with the mandate to act exclusively on the. In 2013, the Commission for Relations between Religious Communities was established.

As was mentioned, the Law foresees the possibility for further regulation of the relations between the state and registered religious organizations through agreements. Such an agreement has been signed between the Government of Croatia and the Roman Catholic Church. It is interesting that the agreements between the government and the Roman Catholic Church, provide for the notification of the competent authority of the church or religious community when initiating criminal proceedings against religious officials. In addition, these agreements include provisions for model calculations on the amount of financial support to religious communities by the state, with state grants calculated on the basis of the gross salary base of public servants.

#### 4.4.2. Position of religious organizations in the frame of the national AML/CTF system

In 2017, Croatia adopted the Law on the Prevention of Money Laundering and Financing of Terrorism (Official Gazette No. 108/2017, 39/2019).

The Anti-Money Laundering Office is responsible for collecting, analyzing and disseminating AML/CTF data and coordinates and cooperates with the supervisory and other competent authorities in the AML/CTF matters, such as the State Attorney's Office, the Ministry of the Interior—the General Police Directorate, the Security-Intelligence Agency, the Ministry of Foreign Affairs and European Integration, the Ministry of Justice and other state bodies.

The Croatian National Strategy for the Prevention and Suppression of Terrorism foresees development of public-private and social partnerships with the civil society, non-governmental organizations, religious communities and the media. This is the only provision in the Strategy specifically addressing religious communities.

There is no available research on ML/TF risks towards NPOs and religious organizations specifically.

A controversy concerning special agreements between the government and the Roman Catholic Church arose in previous years. Namely, a draft Law on Financial Transactions and Accountancy of Non-profit Organizations introduced stricter regulations and monitoring for the financial transactions of Croatia's NPOs. However, religious communities, including the Catholic Church – originally included in the law – had later been left out of the provisions. Namely, the Catholic Church has an obligation to report on the money that it receives from the state budget but is relieved of the need to register or report on donations, alms, assets or rents. The status of the Church is guaranteed through international treaties with the Holy See. The exclusion of the Church from the draft law had caused some criticism in the NPO sector (Milekic, 2014).

## **4.5. Religious organizations in Romania**

### **4.5.1. Legal framework**

The legal framework for the operation of religious communities in Romania is defined by relevant provisions of the Constitution, the Law on Religious Freedom and the General Status of Religions of 2006, as well as other laws and regulations governing the financing of churches and religious organizations from the state budget, financing the construction and renovation of religious buildings.

The Law on Religious Freedom and the General Position of Religions defines the relations between the state and religious communities, regulates the classification of religious organizations, the procedure for their registration and their rights and obligations. A special law regulates the incomes earned by religious officials. The state financial support to churches and religious communities is regulated by other laws. In addition to direct financing of the work of churches and religious communities, the law provides for tax incentives, as well as partial financing of the salaries of those who are not religious officials but are employed in churches and religious communities.

The Secretariat for Religions functions as a separate institution managed by the Prime Minister, with the following mandate:

1. Regulates the relations between the state and the recognized religious groups and associations in Romania
2. Supports the participation of all religious groups and associations in the social and spiritual life of the country
3. Contributes to the peaceful settlement of disputes between religious organizations
4. Monitors the application of domestic and international norms in the field of respect for religious freedoms
5. Links religious organizations with ministries and other central and local government bodies
6. Receives and processes the requests for registration of the new religious communities, compiles documentation in accordance with the Law and submits proposals to the

Government for their registration

7. Provides advisory opinions in the process of granting a legal status of a religious association
8. Performs activities related to the residence permits and activities of religious officials from abroad
9. Keeps records and makes payments for health and social insurance contributions to the monks who have no income
10. Cooperates with the educational system and collects curricula and programs for conducting religious instruction
11. Provides support to recognized religions in organizing and performing of their religious activities within various institutions
12. Provides support to recognized religions for the preservation, restoration, and proper management of cultural property and property in their possession
13. Keeps records of the election and appointment of religious leaders and religious officials
14. Keeps records of the administrative units of the recognized religious communities that receive salary subsidies for their employees
15. Cooperates with similar institutions from other countries and with international non-governmental organizations that promote and guarantee respect for religious freedoms
16. Prepares reports on religious life in Romania, as well as on the activities of Romanian religious organizations in other countries
17. Manages the public financial resources that are allocated for subsidizing the salaries of religious officials in accordance with the Law
18. Provides assistance to religious organizations for the realization of their activities
19. Controls the use of state budget funds by religious organizations
20. At the request of the religious organizations, assists in the organization of their accounting and harmonization with the legal framework, providing support in establishing cooperation with the competent institutions.

Romanian law distinguishes between religious organizations with different legal status - religious denominations, religious associations that have the status of legal entities, and religious groups that do not have the status of a legal entity.

Religious groups are forms of association that freely accept, share, and practice a particular religion. They do not have the status of a legal entity, they cannot exercise their rights to tax relief and other benefits, they operate freely and are not subject to any restrictions.

A religious association is a legal entity formed by at least 300 individuals who accept, share and practice a particular religious belief. To attain legal status, a religious association must be registered in the Register of Religious Associations. The register is maintained by the first instance courts. In the registration process, in addition to the founding documents, religious associations must submit an advisory opinion from the competent authority (State Secretariat

for Religions).

The competent court can make a decision to abolish a religious association if its activities endanger public order and safety, health, morals and basic human rights and freedoms or when a certain religious organization works for other purposes other than for which it was established.

The status of a recognized religion is granted by the Government of the Republic of Romania, at the proposal of the State Secretariat for Religions. One of the criteria for obtaining such status is to submit a list of members containing data on membership of at least 0.1% of Romanian citizens residing in Romania (approximately 19000 signatures).

In fact, for a newly established religious organization in Romania to gain the status of a recognized religion, it must go through a three-step process of recognition - it can first act as a religious group, after gaining 300 members and fulfilling other legal requirements can register in a competent court as religious association, which acquires the status of a legal entity, receives tax relief and limited assistance from the state. Acquiring the most favorable status of a recognized religion, which requires a decision of the Government, the religious association should have approximately 19000 members and operate for at least 12 consecutive years on the territory of the Republic of Romania.

At the time of the enactment of the Law, there were 18 recognized religions. Recognized religious organizations can receive financial assistance from the state. The distribution of financial aid is made on the basis of data from the last census and the assessment of needs of a particular religious organization. Financial assistance may include subsidizing the salaries of religious officials and financing the construction, renovation, and maintenance of religious facilities. In addition to financial assistance, recognized denominations may be exempt from certain tax liabilities. Religious services within state bodies are funded by these institutions.

Civil associations engaged in religious activities function like secular associations and foundations; however, they do not receive the same benefits as religious denominations or religious associations. These associations do not require approval from the National Secretariat for Religious Denominations to operate. Their registration falls under the provisions of law governing the establishment of foundations, associations, and nongovernmental organizations (NGOs), which require a minimum membership of three individuals. Such civil associations are not required to submit their members' personal data.

#### 4.5.2. Position of religious organizations in the frame of the national AML/CTF system

The legal framework for AML/CTF of Romania is based on several laws:

- Law No. 129/2019 on the prevention and sanctioning of money laundering and terrorism financing,
- Law No. 535/2004 on the prevention and sanctioning of terrorism financing,
- National Bank of Romania Regulation No. 2/2019 on the prevention and sanctioning of money laundering and terrorism financing,
- Financial Supervisory Authority Regulation No. 13/2019 on the implementation of measures to prevent and sanction money laundering and terrorism financing through

financial sectors supervised by the Financial Supervisory Authority,

- Norms for applying Law No. 129/2019 on the prevention and sanctioning of money laundering and terrorism financing, as well as for modifying and amending certain normative acts, for the reporting entities supervised and controlled by the National Office for Prevention and Control of Money Laundering.

The National Office for Prevention and Control of Money Laundering is the designated Financial Information Unit of Romania, which has authority to collect, store, investigate, analyze and disclose the conducted financial intelligence under the terms and procedures of the AML Law.

Other authorities authorized to monitor for compliance with the key obligations under the AML Law in certain sectors include the Romanian National Bank, the Financial Supervisory Authority, the National Office for Gambling.

The MONEYVAL report from 2014 indicates that:

“Progress in respect of the implementation of Special Recommendation 8 has been fairly limited. Romania has not yet reviewed the adequacy of its legal framework covering associations and foundations. A formal review on the vulnerabilities of the sector for TF purposes has been conducted in 2011 and has not been updated since, though the Ministry of Justice, the Romanian Intelligence Service and the Office have held meetings on this issue. The authorities consider that the risk of abuse of non-profit organizations (NPOs) for terrorist financing in Romania is minimal. Some improvements were noted particularly regarding the availability of data in the consolidated national register of all NPOs, as well as regarding supervisory action (offsite and onsite) by the Office. A few outreach activities involved certain associations and foundations, and a few STRs have been filed, as the NPO sector is subject to reporting requirements under the AML/CFT Law. There remain concerns regarding the up to datedness of the registry in the absence of clear time limits for the registration of changes to constitutive and statutory documents, and of the limited measures in place to adequately supervise the NPOs sector and apply sanctions for violations of oversight rules. There is no regular outreach to the NPO sector and further measures are required to address potential vulnerabilities and protect the NPO sector from terrorist financing through increase of transparency, outreach and effective oversight (Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism - MONEYVAL, 2014, p. 12) .

There were no available documents addressing ML/TF risks for religious organizations in Romania.

## **4.6. Religious organizations in Bulgaria**

### **4.6.1. Legal framework**

The legal framework for the functioning of churches and religious communities in Bulgaria is defined by relevant provisions of the Constitution, the Law on Religions of 2002, the Law on State Budget, the Law on Civil Procedure and other general legal acts that regulate certain aspects of the activities of churches, and religious communities.

The Law on Religion of 2002 regulates the protection of the freedom of religion, the legal status

of religious communities and their relationship with the state. The Law regulates the procedure for registration of churches and religious communities, legal provisions for managing their property, modes of financing, their health, social and educational activities, as well as the competencies of the Directorate for Religions.

The registration procedure is performed in accordance with the Code of Civil Procedure of 2008. The financing of religious communities is regulated by laws regulating the state budget, whereby funds are allocated annually to finance the work of churches and religious communities.

The Law on Religion envisages the Council of Ministers of the Republic of Bulgaria to implement the state policy in the field of freedom of religion. Within the Council of Ministers, the Directorate for Religion was established, which is a professional administrative body that has the following competencies:

- Coordinates relations between the executive and churches and religious communities,
- Assists the Council of Ministers in implementing state policy in order to promote tolerance and respect between different religions,
- Organizes and manages the Expert Advisory Committee on the Problems of Religion,
- Gives expert opinions and conclusions in accordance with the Law,
- Gives opinions on the residence permit applications of foreign religious officials called by the central authorities of the registered denominations,
- Examines citizens' findings and complaints about violations of their rights and freedoms and the rights and freedoms of their families through the abuse of religion by third parties,
- Monitors the observance of religious rights and freedoms by officials,
- Checks allegations and complaints regarding the performance of illegal religious activities and, if necessary, informs the competent authorities,
- Provides proposals to the Council of Ministers regarding the draft budget for distribution of state subsidies intended for registered religions.

The registration procedure is initiated by the legal representative who submits a written request to the competent court. Following the evidence gathered, the court makes a decision on the request for registration. In Bulgaria there are no temporal and quantitative conditions for the registration of churches and religious communities, having the most liberal legal framework for registration of religious organizations compared to other countries included in this research, similar to the legal provisions in North Macedonia.

However, categorization of religious communities still exists within the Law on Religions. Article 10 of the Law establishes Orthodox Christianity as a traditional religion in Bulgaria. The Law also states that only the Bulgarian Orthodox Church is the bearer of this religion. The Bulgarian Orthodox Church is not part of the Register of Religious Communities due to its special status as a traditional religion.

The Law specifically guarantees the right of religious communities to own and dispose of property, which is regulated by the statute of the religious organization. The Law also stipulates that the state and the municipalities can cede state and municipal property to the registered

religious organizations free of charge, as well as provide them with subsidies from the state or municipal budget. Religious organizations can establish business entities and non-profit organizations. Registered religious communities are also entitled to privileges with regards to taxes, customs duties, lending, and other financial and economic benefits. In this case, they may be subject to an independent financial audit in accordance with the provisions governing the work of non-profit legal entities.

The absence of a quantitative requirement for religious community registration and the liberal approach to the registration of religious communities (which may be considered a legacy of socialism) could open the door to abuse, according to some experts (Министарство правде Републике Србије, 2016). Within the more than 100 registered religious communities in Bulgaria, it is noted that some are founded by only two members, members of the same family.

#### 4.6.2. Position of religious organizations in the frame of the national AML/CTF system

The key legal framework for AML/CTF in Bulgaria consists of:

- The Law on Anti-Money Laundering Measures, adopted in 2018, and the Rules for the application of the AML Act.
- The Law on Combating Terrorism Financing Measures, adopted in 2003.

The State Agency “National Security” (SANS) is the main AML/CTF supervisory authority. The Financial Intelligence Directorate of the SANS has the authority to collect, store, investigate, analyze and disclose the conducted financial intelligence under the terms and procedures of the AML Act and the CTF Act.

Other authorities authorized to monitor compliance with the key obligations under the AML Act in certain sectors include the Bulgarian National Bank, the Financial Supervision Commission, the National Customs Agency, and the State Commission on Gambling.

The latest GREASE report indicates that “while Bulgaria scores well on the comprehensiveness of relevant legislation and strategic approach, development and actual implementation of evidence-based radicalization prevention measures and programs is limited. The legislative and policy approach is focused mainly on preventing and countering terrorist threats and preparedness for responding to terrorist attacks, while addressing root causes and risks of radicalization that may lead to violence through holistic, whole-of-government prevention and resilience measures remains underdeveloped” (GREASE, 2020, p. 10).

The report also indicates that the coordination of the strategy and action plan implementation monitoring is designated within the Ministry of Interior, but it has not received dedicated additional resources. Furthermore, there are no multi-agency cooperation platforms or referral mechanisms at local level to monitor and prevent radicalization, support at-risk persons. Trainings of practitioners (social workers, police officers, and educational staff) are taking place, but are mainly focused on general radicalization awareness raising or CT response preparedness (GREASE, 2020).

## 4.7. Religious organizations in Greece

### 4.7.1. Legal framework

The legal status of religious communities in Greece had not been regulated until recently, with the exception of the Greek Orthodox Church. The relationship between the state and the Greek Orthodox Church is regulated by Article 3 of the Constitution, on the basis of which the Greek Orthodox Church has acquired the status of a dominant religion. The Constitution also introduces the category of known religion. The status of a known religion is not affected by the number of believers that a particular religion has, whether it has a priesthood, whether it is an old or new religious group, whether it is in schism with another known religion, but whether it is a religious organization whose teaching is known and publicly, and which does endanger public order and peace, i.e., morality and not to engage in proselytism. The Law 4301 adopted in 2014 provides the first legal definition of the category “known religion”.

The legal status of churches and religious communities in Greece is regulated by special laws, which regulate their internal organization, as well as the rights and obligations of the state towards them. However, outside the three major religions (Orthodoxy, Islam and Judaism) all other churches and religious communities have until recently had an undefined legal status. The status of the Roman Catholic Church, whose legal subjectivity was also debated by the European Court of Human Rights in Strasbourg, was particularly unclear.

In 2014, the first Law was passed which enabled all religious organizations, if they meet certain conditions, to gain legal status. The Law on Organization of Legal Forms of Religious Communities and Their Association in Greece and other competencies of the General Secretariat of Religion prescribe the procedures for registration of churches and religious communities, the conditions for registration in the register, the competent authorities, the religious organizations whose status is recognized ex officio, the provisions for maintenance of the register of religious organizations and of religious legal entities is regulated and the competencies of the General Secretariat for Religion at the Ministry of Education, Science and Religion are defined.

In Greece, due to the complex system of regulations that regulate the relationship between the state and religious communities, there are a number of bodies and bodies responsible for carrying out various tasks related to religious organizations. These bodies function as part of two ministries: the Ministry of Education, Science and Religion and the Ministry of Foreign Affairs.

The General Secretariat for Religion is the most important body in charge of religious affairs in Greece. Within the General Secretariat, two departments have been established: Sector for Religious Administration and Sector for Religious Education. The Sector for Religious Administration consists of two departments: the Department for Church Administration and the Department for other religions.

The Department of Church Administration is responsible for the following:

- Establishment and abolition of metropolises of the Greek Orthodox Church,
- Control and supervision over the work of other ecclesiastical legal entities of the Greek Orthodox Church, the Orthodox Church of Crete, and the Diocese of the Dodecanese,
- Implementation of all legal regulations related to the status and rights of bishops and other officials of church legal entities,

- Establishment, merger and abolition of parishes, temples, monasteries, and supervision over their functioning.

The Department for other religions is responsible for:

- All questions relating to all religions and teachings except the predominant religion,
- Functioning and organization of muftis,
- Appointment of muftis and teachers of the Qur'an,
- Issues related to the organization and functioning of the mosque in Athens,
- Supervising the work of the central bodies of the Jewish community in Greece,
- Overseeing all other religious communities,
- Giving permits for construction, establishment and operation of religious buildings to all religions,
- Giving consent for the relocation of religious buildings and for changing their name,
- Maintaining the Register of religious communities, religious buildings and religious officials who have the necessary permits.

The Department of Religious Education consists of two departments: the Department of Church Education and the Department of Religious Freedom and Interreligious Cooperation. The Department of Church Education has the following competencies:

- All issues regarding the religious education provided by all churches and religious communities
- The establishment, abolition and merger of church schools of the dominant religion, as well as their curricula, examinations and enrollment of students
- The rights of employees in religious schools
- Supervision over the functioning of the secondary church education
- Supervision of the work of the secondary church schools in Athens and on Mount Athos
- Issues related to religious education
- Establishment, functioning and supervision of the work of Islamic religious schools.

Historically, the Orthodox Church, the Islamic and Jewish communities have been recognized as legal entities in various ways. Until the adoption of the Law in 2014, all other religious organizations could act freely if they represented public religions, but without special legal subjectivity. Therefore, they had to organize in different ways, mainly as citizens' associations, because that was the only mode to receive a tax number needed to open a bank account and participate in legal transactions. Following several rulings before the European Court of Human Rights in Strasbourg, where Greece was convicted of violating the right to freedom of religion in accordance with the 1953 Convention for the Protection of Human Rights and Fundamental Freedoms, a special legal solution was adopted, related to the legal status of

religious organizations. The Law provides for the existence of types of legal entities: religious legal entities and church legal entities.

A religious legal entity is an association of persons belonging to the same religious community and acquires legal status by registering in the public Register of religious legal entities maintained by the local competent first instance court on the territory of which the seat of the religious community is located. In order to establish a religious legal entity, it is necessary for the religious community to have at least 300 members, of which at least one is a religious official, who must be a citizen of Greece or another EU member state or a foreign citizen legally residing in the country. The request is supplemented by other documents, founding acts, statute, biography of the religious official. In the frame of the documentation submitted by the religious community, documentation should be submitted regarding the funds of the organization, as well as their origin.

The religious legal entity may cease to exist under conditions determined by its statute or if the number of its members is falls below 100. The religious legal entity may cease to exist by a decision of the first instance court under the following conditions:

- At the request of its management, public prosecutor or supervisory body,
- If the religious legal entity does not have a religious officer for a period longer than six months,
- If its operation is “illegal, immoral or contrary to public order”.

The supervisory body may perform regular or extraordinary inspections to determine the legal functioning of a religious legal entity, but which are limited only to checking the existence of reasons for its termination. The religious legal entity may have temporarily suspended operations for a maximum period of six months, at the request of the supervisory body or the public prosecutor.

A church legal entity is an association of at least three religious legal entities of the same religion, which has an episcopal, synodal or other central structure, operates in accordance with the statute and is governed by elected or appointed non-partisan or collective bodies. Acquisition of legal status requires entry in a special register, which is performed on the basis of a joint request of religious legal entities in the local competent first instance court on whose territory the seat of the religious community is located.

The Law also foresees the existence of an electronic register of religious and church legal entities maintained by the Ministry of Education, Science and Religion. Also, the Ministry is obliged to maintain a register of religious officials belonging to registered and unregistered religious organizations.

In accordance with Article 7 of the Law, the property of religious and church legal entities is considered regular and voluntary contributions from their members, gifts, inheritance, financial support from foreign legal entities of the same church or religion and income from their property. They have the right to raise loans from foreign banks, as well as to organize fundraising for voluntary purposes. The property of a religious legal entity may not be divided or transferred in any way to its members. In case of termination of the existence of a religious legal entity, its property is transferred to another religious or ecclesiastical legal entity of the same religion, only if such a possibility is provided by its statute. Otherwise, the property is transferred to the state and used for charitable purposes in the region where the religious legal entity was based.

Religious legal entities have the right to establish and organize places of worship, camps, private schools, humanitarian and non-governmental organizations, radio stations and other non-profit legal entities in order to promote their activities.

The Greek state provides direct support to the Greek Orthodox Church, including funding for religious leaders' salaries, religious and vocational training of clergy, and religious instruction in schools. Similarly, the government-appointed muftis and imams in Thrace are paid directly from the state budget as are those of all civil servants. In November 2018 under a deal reached between the then Greek Prime Minister Alexis Tsipras and Archbishop Ieronymos of the Orthodox Church of Greece, the state will in the future transfer an annual state subsidy to a special church fund for the payment of priests' salaries. The initiative was part of a broader review of the Greek Constitution (Gemi, 2019).

#### 4.7.2. Position of religious organizations in the frame of the national AML/CTF system

The Law 4557 adopted in 2018 is the key legislation for AML. The Hellenic Financial Intelligence Unit, the Financial Economic Crime Unit, the Capital market Commission have the mandate to collect information, report their findings and proceed with investigative act. All findings and gathered information are forwarded to the Prosecutor's Office. The new Law 4734/2020 (Government Gazette A' 196/08.10.2020) titled "Amendment of Law 4557/2018 (A' 139) for the prevention of the use of the financial system for the purposes of money laundering or terrorism financing – Transposition of Directive (EU) 2018/843 (L 156) and art. 3 of Directive (EU) 2019/2177 (L 334) and further provisions" enhances the legal framework for the prevention and combating against the phenomenon of the use of the financial system for the purposes of money laundering or terrorist financing, by expanding the cooperation and exchange of information ability between the competent authorities, as well as the access to registries and other available information.

Greece has not yet conducted any sort of comprehensive TF risk assessment to determine the vulnerability of NPO sectors. This results in a lack of focused supervision over NPOs in line with the TF risks.

## 4.8. Religious organizations in Germany

### 4.8.1. Legal framework

In Germany, religious and ideological communities are placed under the special fundamental rights protection of Article 4 of the German Constitution. In Germany, laws applying to religions and/or churches are not compiled in one code. There are numerous special provisions in many individual laws as well as case law.

The possibility of obtaining charity/non-profit status is open to any religious organization regardless of whether it is incorporated as a registered association, foundation, or a German charitable limited liability company (gGmbH). In addition, any religious or ideological community has the option to obtain the status of a corporation under public law.

Article 140 of the German Basic Law incorporates articles 136-139 and article 141 of the former Weimar Constitution on religion and religious societies into the Basic Law. These provisions form an integral part of the Basic Law and have equal status with the other provisions. Another provision concerning the church-state relationship is article 7 on religious classes in public

schools. The German states are generally competent to legislate in the area of church-state relationship. Article 137 of the former Weimar Constitution provides that there is no state church and that religious societies regulate and administer their affairs independently, thereby generally establishing a separation between church and state.

According to Law, the German state has to maintain the principle of state neutrality, meaning the state is not allowed to have a special relation to specific confessions and does not have the authority to define what constitutes a religion or religious behavior. This means that associations whose purpose is to foster a philosophical view of the universe have the same status as religious societies (ideological associations) (Gesley, 2017).

According to Article 137 of the Public Law Corporations religious societies remain corporations under public law insofar as they have enjoyed that status in the past. Other religious societies can be granted these rights upon application, if their constitution and the number of their members give assurance of their permanency. A religious society does not need to apply for public law corporation status in order for it and its members to be entitled to freedom of religion, but the status provides it with certain privileges. The most important privilege is that a religious society with public law corporation status is allowed to levy taxes on its members. The public law corporation status is granted by the German states. Only the members residing in that particular state can apply (Gesley, 2017).

There is no state supervision of the religious societies that are granted that public law status, unlike with other public law corporations. Religious societies that enjoyed public law corporation status before the Weimar Constitution was adopted and kept that status under the Basic Law are the Protestant churches, the Roman Catholic church, individual Jewish congregations, Old Catholics and Old Lutherans, the Baptists, and the Mennonites. All other religious societies have to apply to be granted the status of public law corporations. This is problematic because the principle of state neutrality prohibits the state from determining what can be classified as a religion or a religious practice. The German Federal Constitutional Court therefore defers to the self-assessment by the religious societies or ideological associations. With regard to the Christian churches, the question never arose whether they were a religion or not. Cases instead centered around the question of whether or not a certain practice was part of the exercise of religion. With the emergence of new religious and ideological societies in Germany, the German states and the courts were for the first time confronted with the question whether a certain religious society or ideological association could be classified as such. In order to prevent abuse of the concept of self-assessment, the state may perform a plausibility check, for example it can examine whether religion and religious teachings are only used as a pretext for economic gain (Gesley, 2017).

A court ruling on the status of Jehovah's Witnesses stated that a religious group that wants to become a religious body under public law should attain conditions related to the current number of members of the religious community, sufficient funding, a minimum period of existence (a group make up at least 0.1% of the Land population and to have been in existence for at least 30 years), and the intensity of religious life. Furthermore, the religious organization must provide the guarantee that its future behavior will not endanger: the fundamental constitutional principles set forth in Article 79.3 of the Basic Law; the fundamental rights of third parties, which are entrusted to the protection of the state; and the fundamental principles of the liberal law of religious organizations and of the state's law on churches that are enshrined in the Basic Law (Gesley, 2017).

Religious associations who do not have public corporation status are registered under private rather than public law. It is under this status that many Muslim organizations have separate

agreements and contracts with the regional governments as well as granting them some tax relief. Despite absence of formal recognition, they have found other ways of working within the existing structure through ad hoc agreements with regional governments.

#### 4.8.2. Position of religious organizations in the frame of the national AML/CTF system

Germany has a long history of domestic terrorism dating back to the 1960s and 1970s in relation to left-wing groups (such as Baader-Meinhof) and right-wing Neo-Nazi groups. The attitude towards its Muslim population, until marked with indifference, after the 9/11 attacks in 2001 was marked with change in attitudes. Germany has, consequently, has an established counter-terrorism infrastructure for decades. However, Germany does not have a formal national strategy, but a framework which is observed by the Lands which make their own strategies. In terms of institutional infrastructure Germany has a range of agencies and organizations that are involved as part of its counter-terrorism measures. In 2004 a Joint Counter-Terrorism Centre was established to improve the communication and cooperation between 40 different agencies involved in German national security with regards to Islamist terrorism, including police and intelligence services, the Central Office of the German Customs Investigation Service, and others. No specific measures were identified of relevance specifically for religious organizations.

The latest VENRO report found that most NPOs do not consider terrorist financing to be a major issue for their organizations or for the sector as whole. Survey results pointed to a strong perception that the risk of terrorist financing is lower than the risk of fraud, corruption or money laundering. Most NPOs were not aware of any specific government regulations designed to mitigate potential risks of terrorist financing, nor were they aware of any government outreach on the topic. There was greater awareness of measures by financial institutions, particularly amongst NPOs with foreign links, and concerns that these measures may be causing problems for certain types of NPOs. Nevertheless, the basic legal and regulatory regime for NPOs is sufficient to meet the requirements of FATF in almost all respects. Furthermore, many examples of best practice measures were identified in terms of self-regulatory regimes, which can significantly reduce the risk of terrorist financing for NPOs which operate in high-risk environments. Many of these measures have been supported by government” (VENRO, 2020, p. 5). The report does not state any measures pertaining particularly to religious organizations of either status.

## 5. Conclusions and recommendations

The comparative review of policies shows the complexity of the factors in development of the systems for regulating the work of religious organizations<sup>2</sup>. While there are significant differences between the legal frameworks of the countries targeted by the research, two approaches are dominant with regards to the process of registration and control of the work of religious organizations:

- Liberal vs restrictive approach in attaining a legal status and benefits of NPO,
- Liberal vs restrictive approach in measures for monitoring and regulation of the work of religious organizations.

It has to be noted that these approaches are not mutually exclusive, meaning that a country with

<sup>2</sup> Due to the complexity of the topic, the number of countries included in the comparative review and the

a restrictive approach regarding the process of registration can also have robust mechanisms for monitoring and control of the work of the religious organizations. Countries with liberal approach towards the process of registration of religious communities (such as Bulgaria, North Macedonia) aim to ensure support for religious freedoms and non-discriminative status of all religious organizations. However, the status of NPO granted through formal registration and recognition (in most countries) grants exemptions and benefits which can be subject to misuse. To this end, some countries (Croatia, Greece, Romania, Germany) have introduced different categories in the legal status of religious organizations, with a complex set of criteria for attainment of the most favorable status (membership, time period of functioning, procedures for operation, etc.). This can also be motivated by the fact that many of the countries provide state financial support to religious organizations. This is not always the case, as the example of Croatia confirms (exemption of religious communities from financial reporting on their revenues from other sources aside from the state).

Furthermore, in several countries targeted by the research (Greece, Bulgaria), regardless of the legal status of the religious communities and the complexity of the procedures for attainment of specific privileges, specific government bodies are appointed to provide support, but also to oversee the operations of religious organizations. For example, in Bulgaria (liberal approach to registration of religious organizations) the relevant institution has a mandate to check allegations and complaints regarding the performance of illegal religious activities and, if necessary, informs the competent authorities. Furthermore, in Bulgaria, religious organizations may be subject to an independent financial audit in accordance with the provisions governing the work of non-profit legal entities.

In Greece (with a complex, multi-stage process of registration and different legal status of religious communities) the supervisory body may perform regular or extraordinary inspections to determine the legal functioning of a religious legal entity, but which are limited only to checking the existence of reasons for its termination. The religious legal entity may have temporarily suspended operations for a maximum period of six months, at the request of the supervisory body or the public prosecutor. A registered religious entity may cease its formal existence if the number of members falls under a certain number, at the request of the management, the supervisory body or a public prosecutor, or if the entity does not have a religious officer for a certain period of time.

Institutions with such mandate can have a wider scope of stakeholders. As in the example from the United Kingdom (UK), where almost all religious organizations are granted the status of a charity, the Charity Commission is the institution with a key role as the independent regulator of the charitable sector. It is uniquely placed to protect charities and deal with instances of terrorism or extremism related abuse. It is not a prosecuting authority and does not conduct criminal investigations. The work of this institution is divided into four strands:

1. Awareness - raising awareness in the sector to build on charities' existing safeguards.
2. Oversight and supervision - proactive monitoring of the sector, analyzing trends and profiling risks and vulnerabilities.
3. Co-operation - strengthening partnerships with government regulators and law enforcement agencies both nationally and internationally.
4. Intervention - dealing effectively and robustly when abuse, or the risk of abuse, is apparent.

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amount of data and information presented, the key conclusions and features of the country regulation frameworks are summarized in a table presented in a separate Annex to this document.

North Macedonia (together with Bulgaria) belongs to the group of countries with the most liberal approach to the process of granting legal status of the religious organizations. Furthermore, while the system for financial monitoring and reporting (accounting principles same as all non-profit organizations), the lack of capacities for performing regular monitoring and control indicated in the NRA creates a gap open for misuse. This is exacerbated by the lack of standards and procedures for management, reporting and transparency noted in the survey of religious organizations in North Macedonia, and the general lack of awareness on the risks for misuse of religious organizations for ML/TF among an overwhelming majority of the respondents in the survey.

The Law on the Legal Status of a Church, Religious Community and Religious Group regulates the financing of the church, the religious community and the religious group in a way that refers to the application of the regulation for non-profit organizations and organizations of public interest. Explicit provisions for public disclosure of the most important acts, including financial statements are not prescribed. The Law also does not contain provisions under which a religious organization may cease to exist. The Law on Accounting of Non-Profit Organizations does not provide for an obligation to conduct mandatory audit in specific cases, nor do religious organizations have this obligation. The Commission for Relations with Religious Communities and Religious Groups does not have the mandate for monitoring and control of the work of religious organizations. According to the latest SWOT analysis of the Commission (stated in their strategic plan) the Commission is underfunded and understaffed, which further exacerbates the problem of establishment and maintenance of a system for monitoring and control of the work of religious organizations in North Macedonia

Based on the following conclusions, several recommendations can be made:

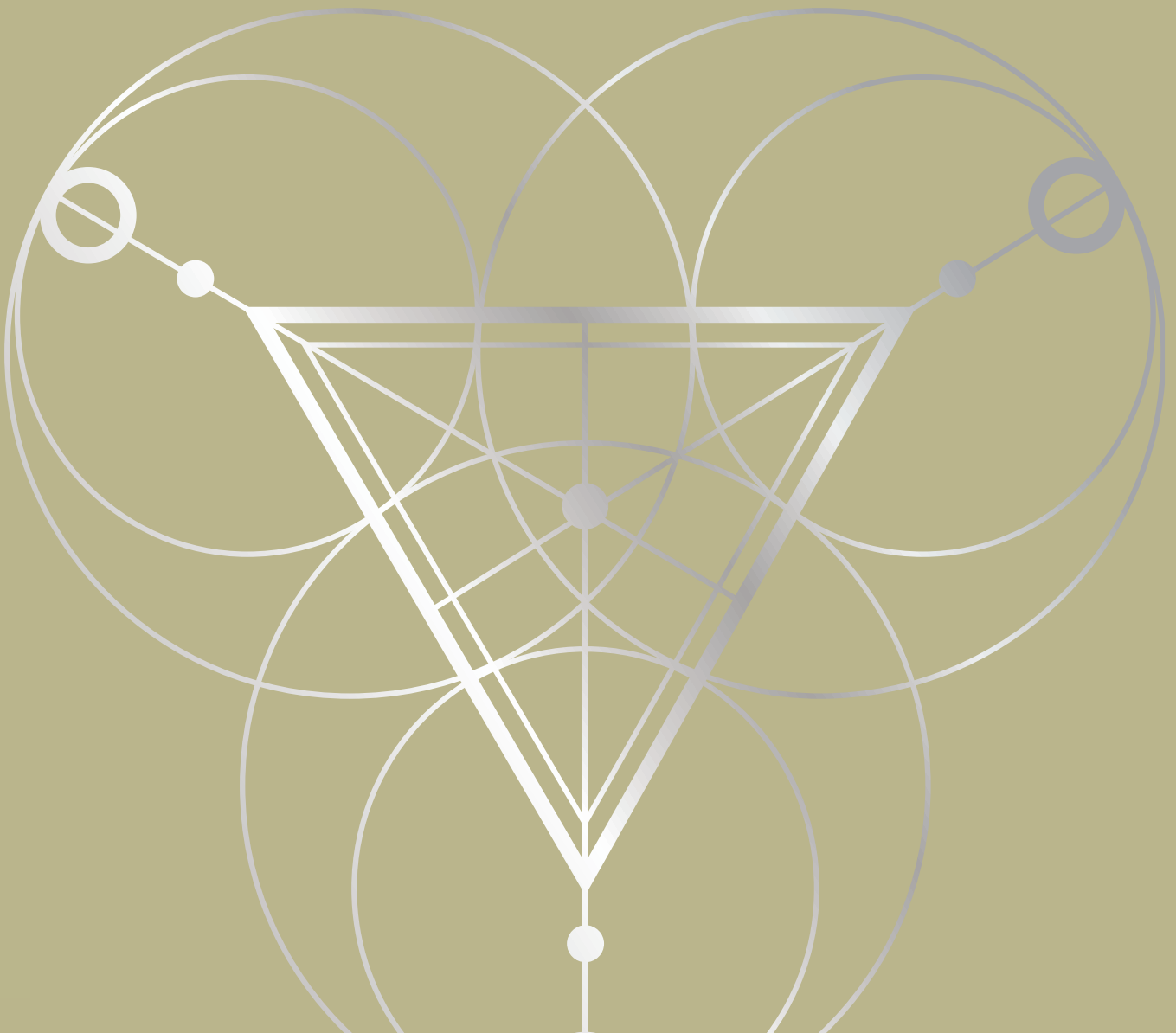
1. Reform of the legal framework pertaining to the legal status of religious organizations in North Macedonia with regards to the criteria for attaining legal status of religious organizations (by including criteria for size of membership, such as in Serbia, Romania, Greece; or by including expert opinions on the contents of the documents submitted in the registrations process, such as in Slovenia),
2. Introduction of legal provisions for mandatory principles and procedures in operation (audits (Bulgaria), regular submission of activity reports, an obligation to keep or register updated information on members of the management bodies, as well as the technical obligation to confirm identity, credentials and good standing of the donors, partners and beneficiaries),
3. Establishment of criteria and legal provisions for suspension of operation and abolition of a religious organization (at the request of public prosecutor, the Commission for Relations with Religious Communities and Religious Groups, or by the statute of the organizations) in case of identified involvement of the religious organization in illegal activities,
4. Expanding the mandate and resources of the Commission for Relations with Religious Communities and Religious Groups for maintaining effective support to religious organizations in aligning their management and reporting procedures with the legal obligations and international standards for NPOs, but also of monitoring of their work. Apart from amendments of the legal framework, this process will also have to involve strengthening the capacities of the Commission to effectively perform such tasks,
5. Strengthening the awareness and capacities of the religious communities in recognizing and preventing risk of abuse for ML/TF, as well as conducting risk assessments.

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# Annex 1.

## Summary of Key Findings of the Comparative Review



|                        | RESTRICTIVE PROVISIONS FOR REGISTRATION   | LEGAL PROVISIONS FOR CESSATION OF EXISTENCE OF RELIGIOUS ORGANIZATIONS UNDER SPECIFIC CONDITIONS | LEGAL STATUS   | RESTRICTIVE PROVISIONS FOR NPO STATUS   | MONITORING MECHANISMS SPECIFIC FOR THIS GROUP OF NPOS   |
|------------------------|---|--|--|---|---|
| <b>North Macedonia</b> | No  | No   | Same legal status for all types of religious organizations   | No  | No  |
| <b>Serbia</b>          | Proof of membership of at least 0.001% of the adult citizens, according to the data of the latest census.   | Yes  | Same legal status for all types of religious organizations   | No  | No  |
| <b>Slovenia</b>        | Proof of membership of 10 adults – citizens of the Republic of Slovenia or foreigners with a residence permit; examination of the content of the submitted documents by the competent authority and/or experts from different disciplines at the request of the competent authority | Yes  | Same legal status for all types of religious organizations   | No  | Obligation to submit activity reports, no additional available information  |
| <b>Croatia</b>         | Proof of membership of 500 believers for newly registered organizations.  | Yes  | Different legal status based on special contracts between the Government and some religious organizations  | Yes, nonregistered religious organizations are free to operate without the benefits of the NPO status.                    | No available information.   |
| <b>Romania</b>         | Three-step process of registration, with different provisions pertaining to a specific legal status of a religious organization.  | Yes  | Different legal status - religious denominations, religious associations that have the status of legal entities, and religious groups that do not have the status of a | Only religious associations and religious denominations have a specific NPO status pertaining to religious organizations. | Secretariat for Religions, a separate institution managed by the Prime Minister, which controls the use of state budget funds |

|                 | RESTRICTIVE PROVISIONS FOR REGISTRATION  | LEGAL PROVISIONS FOR CESSATION OF EXISTENCE OF RELIGIOUS ORGANIZATIONS UNDER SPECIFIC CONDITIONS | LEGAL STATUS   | RESTRICTIVE PROVISIONS FOR NPO STATUS   | MONITORING MECHANISMS SPECIFIC FOR THIS GROUP OF NPOS   |
|-----------------|--|--|--|---|---|
| <b>Bulgaria</b> | No   | Yes  | Same legal status formally (although the Bulgarian Orthodox Church has a special status) | No  | The Directorate for Religion checks allegations and complaints regarding the performance of illegal religious activities and, if necessary, informs the competent authorities. Religious organizations enjoying benefits and exemptions may be subject to an independent financial audit in accordance with the provisions governing the work of non-profit legal entities. |
| <b>Greece</b>   | Three-step process of registration, with different provisions pertaining to a specific legal status of a religious organization.           | Yes  | Different legal status - religious legal entities and church legal entities              | Different benefits and obligations for religious organizations with different legal status                            | The General Secretariat for Religion has a number of competences: supervision of the work of religious organizations  |
| <b>Germany</b>  | Liberal approach in registration of religious communities (but separation of the legal status of religious NPO and religious organization) | Yes  | Same legal status formally   | Yes, religious organizations do not necessarily have the benefits of NPO status pertaining to religious organizations | A comprehensive CTF system in place – no specific information pertaining to religious organizations of either status.   |

