International Civil Liberties Monitoring Group

The Damage of De-risking

How Canada's Policies to Counter Terrorism Financing Drive Financial Exclusion

Executive Summary

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Overview

De-risking refers to the practice whereby financial institutions terminate or restrict access to financial services for certain clients or sectors in order to avoid perceived regulatory, compliance, or reputational risk, rather than managing that risk through proportionate, individualized and evidence-based mitigation measures. This lack of individualized and evidence-based decision making has resulted in unjustified and discriminatory decisions that significantly impact both individual and organizational clients, including non-profits and charities. This report demonstrates that the de-risking of non-profit organizations (NPOs) in Canada, particularly those that are active in Muslim communities or carrying out humanitarian activities abroad, is not a series of isolated commercial decisions made by individual banks, but a predictable structural outcome of Canada's anti-money laundering and anti-terrorist financing (AML/ATF) framework.

Severe penalties for non-compliance, ambiguous risk standards, overbroad sector-level risk signaling, and opaque decision-making incentives have created an environment where financial institutions either prioritize or are pushed toward risk avoidance rather than risk management. As a result, charities and civil society organizations, particularly Muslim-led organizations and those engaged in humanitarian or international assistance, are reporting de-risking incidents that appear to be based on risk avoidance rather than individualized assessment, raising serious questions of discrimination, profiling, disproportionate impact and unintended consequences.

The analysis is grounded primarily in publicly available sources, including Canadian legislation, national risk assessments, parliamentary studies, oversight body findings, and government strategy documents, supplemented by anonymized case material shared by affected organizations and individuals. While comprehensive quantitative data on de-risking in Canada does not exist, this absence is itself a critical finding: it reflects systemic opacity, commercial confidentiality, and the absence of regulatory requirements for transparency or reporting. The public record alone is sufficient to identify the policy design flaws that enable and sustain de-risking.

This report builds directly on ICLMG's 2021 report, "The CRA's Prejudiced Audits," which documented the disproportionate national security scrutiny of Muslim charities and helped catalyze reviews by the Office of the Taxpayers' Ombudsperson (OTO), the Senate of Canada, and the National Security and Intelligence Review Agency (NSIRA). De-risking is presented here as the downstream, private-sector manifestation of the same structural problems identified in that earlier work.

The Policy Architecture Behind De-risking

De-risking is produced by an interlocking policy ecosystem, not by decisions made in isolation within bank compliance departments. At its centre is the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, which imposes severe financial and reputational penalties for compliance failures while offering no corresponding cost for wrongly de-risking a legitimate client. Combined with ambiguous "risk appetite" standards and a low regulatory tolerance for error, this creates a stark cost-benefit imbalance in which client exit becomes the rational business choice.

This architecture is reinforced across at least 13 federal departments and agencies, international standard-setters such as the Financial Action Task Force (FATF), and more than 38,000 private-sector reporting entities. A central driver has been Canada's series of National Inherent Risk Assessments (NIRAs). The 2015 and 2023 assessments consistently framed registered charities as "high risk" for terrorist financing, despite acknowledging that the actual scope of the problem was limited, and despite FATF's own guidance since 2016 warning against sector-wide de-risking. The 2025 report marks a meaningful shift in tone, renaming it the National Risk Assessment in recognition of mitigation measures NPOs and other sectors put in place, lowering the NPO sector's classification and explicitly cautioning against bias and unintended consequences. However, this shift does not undo a decade of entrenched institutional risk models and compliance culture built on the earlier framing.

These dynamics are compounded by findings from NSIRA's 2025 review of the Canada Revenue Agency's Review and Analysis Division, which found that charity audit decisions were often poorly documented, inconsistently applied, and based on outdated or weak intelligence, creating conditions in which bias could operate unchecked. If a government agency subject to statutory oversight can generate risk assessments of this quality, the report argues, the risks are magnified within banks, where internal decisions are shielded by commercial confidentiality and face no equivalent independent review.

Documented Patterns and Impacts

De-risking in Canada is shown to be a systemic, recurring practice rather than a marginal or theoretical concern. It affects humanitarian charities, faith-based organizations, advocacy groups, frontline aid workers, executives, board members, and their families. Recurring patterns include the treatment of unverified or debunked media allegations as credible risk indicators; the expansion of de-risking beyond banks into payment processors, donation platforms, and customer relationship manager (CRM) systems; and a persistent disconnect between evolving government sanctions or humanitarian exemptions and continued account freezes and other repercussions imposed by financial sector institutions.

The organizations most affected include Muslim-led charities, international humanitarian and development NGOs, and organizations connected to jurisdictions such as Syria, Palestine, or Pakistan. Documented impacts include abrupt account closures and service denials, exclusion from payment processors, operational disruption to humanitarian programs, individual de-risking of employees, board members and their families (including personal credit cards and RRSPs), and lasting reputational harm. These operational impacts translate into profound civil liberties concerns, impacting the right to equality and freedom from discrimination, freedom of association, freedom of expression, and the right to life and security of the person, particularly where de-risking impedes life-saving humanitarian assistance.

Recourse, Oversight and Accountability Gaps

The report identifies a near-total absence of effective recourse for organizations and individuals subject to de-risking. Financial institutions are not legally required to provide a specific reason for closing an account, and vague references to "risk appetite" are standard practice. The Ombudsman for Banking Services and Investment (OBSI) explicitly excludes complaints relating to a firm's risk-management practices from its mandate, and the Financial Consumer Agency of Canada (FCAC) cannot address de-risking absent stronger financial inclusion laws. No independent body in Canada has the mandate to review whether a de-risking decision was reasonable, non-discriminatory, or evidence-based, and no authority systematically collects data on the scale or nature of de-risking in Canada. The result is a system in which life-altering financial decisions are made behind closed doors, based on undisclosed criteria, without meaningful appeal.

The report concludes with 12 recommendations to the federal government, supervisory bodies and financial institutions and payment processors. Taken together, these recommendations offer a comprehensive reform agenda: one that recalibrates national ATF policies, strengthens oversight and documentation requirements, closes accountability gaps in the financial sector, and ensures that Canada's counter-terrorism financing measures do not come at the expense of the civil liberties and financial inclusion of communities they were never meant to exclude.

About the International Civil Liberties Monitoring Group

The International Civil Liberties Monitoring Group (ICLMG) is a national coalition of Canadian civil society organizations established after the rushed adoption of the Anti-Terrorism Act of 2001 in order to protect and promote human rights and civil liberties in the context of the so-called "war on terror." The coalition brings together 45 NGOs, unions, professional associations, faith groups, environmental organizations, human rights and civil liberties advocates, as well as groups representing immigrant and refugee communities in Canada. See more of our work at iclmg.ca.

Summary of Case Studies

The report includes six anonymized case studies, shared with permission, that illustrate how de-risking manifests in practice across the financial system.

Case 1: Impact on Funding

Unverified foreign misinformation leads to a donation processor abruptly de-platforming a charity, followed by a bank's decision to close its account.

A donation-processing platform notified a large, established humanitarian organization operating in Syria and other countries that it would be off-boarded within fifteen to thirty days, after the platform's new banking partner made a de-risking decision. No explanation of the underlying risk was given. Recurring donations, a significant funding source, were disrupted, and the charity was forced to diversify payment processors to continue operating, absorbing significant reputational and administrative costs in the process.

Case 2: The Role of Implicit Bias in De-banking Decisions

A Palestine solidarity organization, one of its directors and their[1] family are suddenly de-banked

An organization engaged in lawful advocacy for Palestinian human rights was suddenly de-banked in 2024. Shortly after, one of the organization's directors, who had an account at the same financial institution, was also de-banked, along with thirteen family members. Neither the organization nor the de-banked director were provided with explanations despite repeated requests. The organization was forced to suspend its activities for several months. The director faced missed payments which went to collections, causing significant hardship for elderly parents. Two years later, after the director's advocacy had ended, a second Canadian institution de-banked them, once again without a specific reason. The case illustrates restrictions on the right to free expression, the effects of guilt-by-association and the absence of any avenue to challenge a de-banking decision.

Case 3: Disconnect Between De-risking and Government Sanctions Lists

A payment processor freezes nearly $1 million after Canada amends its Syria sanctions to permit humanitarian aid.

After Canada's February 2025 sanctions amendment authorized humanitarian aid to Syria, a charity's payment processor froze close to $1 million in funds, citing risk concerns and eventually admitting it was unaware of the exemption. Despite being shown evidence of the change, the freeze persisted for nearly a year, and the charity was required to pause its Syria operations as a condition of continued service, only resuming after a Ministerial clarifying statement in April 2026.

[1] We are using "they/their" to help safeguard the individual's identity.

Case 4: Collateral Damage to Families and Financial Ecosystems

A domestically operating Muslim-led charity and its executives are de-banked following a since-retracted news article.

A Canadian charity with no international operations lost its banking relationships after a news article falsely linked it to terrorist entities. Despite the article's later retraction, multiple banks also closed the personal accounts, RRSPs, and credit cards of a charity executive and their spouse, with no explanation offered until an informal disclosure two years later. Recourse to bank ombudspeople and a third-party risk-screening company produced no answer or remedy, and residual impacts, including further card cancellations, continue today.

Case 5: Opaque Internal Practices of AML/ATF Compliance Units

A charity is de-banked by a credit card company a week after enthusiastic onboarding, and no executive can explain why.

A charity's application for credit card services was welcomed and expedited by account managers, only for the account, and associated donation processing, to be suspended without warning a week later. Even a senior C-level executive, sympathetic to the charity's situation, was not authorized to access or override the reasoning of the company's AML/ATF compliance unit, illustrating how such units function as a sealed "black box" beyond internal executive oversight.

Case 6: Impact on Donors

Intrusive scrutiny of a $400,000 donation leads a donor to withdraw funding entirely.

A Muslim-led humanitarian organization operating in Syria and Palestine had a $400,000 private donation flagged by its bank nearly six months after receipt, despite the charity's history of comparable donations. A roughly fifty-question inquiry into the donor's financial affairs, with no explanation of the underlying concern, led the donor to question the charity's legitimacy and withdraw the gift. The charity has since stopped accepting international donations to avoid a repeat occurrence.

Summary of Recommendations

The report sets out twelve recommendations directed at three groups of stakeholders: the Government of Canada, supervisory bodies, and financial institutions and payment processors.

Government of Canada

Recommendation 1	Integrate civil liberties and financial inclusion impact analyses into National Risk Assessments (NRA). *(Department of Finance)*
Recommendation 2	Issue policy guidance to relevant departments and bodies on de-risking and financial inclusion, including reporting requirements. *(Department of Finance, Public Safety Canada, Global Affairs Canada, Minister of National Revenue)*
Recommendation 3	Amend the PCMLTFA to require reporting entities to report annually on de-risking, including volumes and rationale. *(Department of Finance)*
Recommendation 4	Amend the PCMLTFA to clarify that failing to safeguard against disproportionate de-risking constitutes a compliance failure. *(Department of Finance)*
Recommendation 5	Integrate the non-profit sector into AML/ATF policy-making, particularly the NRA drafting process, through a clear, resourced consultation strategy. *(Department of Finance)*
Recommendation 6	Develop guidance to help the private sector correctly interpret and apply changes in sanctions and counter-terrorism financing policy. *(Department of Finance, Public Safety Canada, Global Affairs Canada)*
Recommendation 7	Strengthen government consultation with NPOs and cross-sector exchange between NPOs and the financial sector, including through the ACMLTF. *(Department of Finance)*

Supervisory Bodies

Recommendation 8	Issue coordinated guidance emphasizing risk mitigation over client exit, including practical examples and treatment of sector-wide de-risking as a compliance deficiency. *(FINTRAC, FCAC, OSFI)*
Recommendation 9	Require minimum documentation standards for risk-based decision-making. *(FINTRAC, OSFI)*
Recommendation 10	Develop training on risk-based decision-making regarding the NPO sector, including systemic bias and discrimination. *(FINTRAC, Department of Finance)*

Recommendation 11	Allow independent review of financial institutions' risk-based decision-making in complaint investigations. *(OBSI)*

Financial Institutions and Payment Processors

Recommendation 12	Adopt due process standards for account closures, including clear reasons, a formal opportunity to respond, and an independent internal review mechanism separate from the original decision-maker. (Private sector)