International Civil Liberties Monitoring Group

The Damage of De-risking

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

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International Civil Liberties Monitoring Group

List of Acronyms

Acronym	***Definition***
ACMLTF	Advisory Committee on Money Laundering and Terrorist Financing
AML/ATF	Anti-money laundering and anti-terrorist financing
AMPS	Administrative Monetary Penalties
ATF	Anti-terrorist financing
CBSA	Canada Border Services Agency
CRA	Canada Revenue Agency
CSIS	Canadian Security Intelligence Service
FATF	Financial Action Task Force
FCAC	Financial Consumer Agency of Canada
FINTRAC	Financial Transactions and Reports Analysis Centre of Canada
GAC	Global Affairs Canada
ICLMG	International Civil Liberties Monitoring Group
NGO	Non-governmental organization
NIRA	National Inherent Risk Assessment
NPO	Non-profit organization
NPO DIALOGUE	Government of Canada-Non-Profit Sector Dialogues on Illicit Financing Risks and Related Issues
NRA	National Risk Assessment
NSIRA	National Security and Intelligence Review Agency
OBSI	Ombudsman for Banking Services and Investment
OSFI	Office of the Superintendent of Financial Institutions
OTO	Office of the Taxpayers' Ombudsperson
PCMLTFA	Proceeds of Crime (Money Laundering) and Terrorist Financing Act
RAD	Review and Analysis Division (of the Canada Revenue Agency)
RBA	Risk-based approach
RCMP	Royal Canadian Mounted Police
RRSP	Registered Retirement Savings Plan

Executive Summary

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)

Introduction

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. De-risking has increasingly affected non-profit organizations (NPOs), registered charities, humanitarian actors, and advocacy organizations internationally.[2] Research on the impact of de-risking on Canadian NPOs was, until recently, virtually non-existent. This recently changed with the recent publication of a report from Professor Anver M. Emon at the Institute of Islamic Studies at the University of Toronto, entitled "Humanitarianism & the Exclusion of Muslim Charities from the Financial Sector," which for the first time explores impacts of de-risking and financial exclusion in the humanitarian sector in Canada.[3] Our report adds to Dr. Emon's research by drawing on new cases studies and examining civil liberties impacts of de-risking activities. It remains clear, though, that there is ample space for more research on this topic.

> While de-risking is often characterized as a series of private commercial decisions, this report demonstrates that de-risking is a predictable structural outcome of Canada's anti-money laundering and anti-terrorist financing (AML/ATF) framework.

While de-risking is often characterized as a series of private commercial decisions, this report demonstrates that de-risking is a predictable structural outcome of Canada's anti-money laundering and anti-terrorist financing (AML/ATF) [4] framework.

This report argues that Canada's regulatory regime, designed to combat terrorist financing, has produced the unintended albeit foreseeable consequence of financial exclusion. Severe penalties for non-compliance, ambiguous risk standards, broad sector-level risk signaling, and opaque decision-making incentives have created an environment that drives financial institutions 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 and not individualized assessments, in turn raising questions of disproportionate impacts and the unintended consequences of AML/ATF measures.

Beyond financial exclusion, de-risking has serious implications for civil liberties and human rights. This includes infringements upon freedom of expression and freedom of association, freedom of religion, right

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[2] Global NPO Coalition on FATF, "Over-Regulation" online: Global NPO Coalition on FATF <https://fatfplatform.org/issues/over-regulation-2/>.

[3] Anver M. Emon, "Humanitarianism & the Exclusion of Muslim Charities from the Financial Sector" (30 April 2026), online (pdf): University of Toronto Institute of Islamic Studies <https://utoronto.scholaris.ca/server/api/core/bitstreams/3fafda18-c70c-4d76-92a3-dbb42d809f59/content> [Emon 2026].

[4] While Anti-Money Laundering/Countering the Financing of Terrorism, abbreviated AML/CFT, is used more widely internationally, Canada's regime is known domestically as Anti-Money Laundering and Anti-Terrorist Financing, or AML/ATF. For clarity, AML/ATF is used throughout this report.

to equality and non-discrimination and the right to life and security of the person. Privacy rights are also severely undermined, as explained further in Dr. Emon's above-cited research. The analysis in this report 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. The lack of data is the result of systemic opacity, commercial confidentiality, and the absence of regulatory requirements for transparency or reporting. However, this report demonstrates that the public record alone is sufficient to identify the policy design flaws that enable and sustain de-risking.

A central focus of this report is Canada's series of National Inherent Risk Assessments (NIRAs). Between 2015 and 2023, these assessments consistently framed charities and NPOs as structurally vulnerable to terrorist financing, embedding a high-risk narrative that shaped supervisory expectations and financial institution behaviour for nearly a decade. Although the 2025 risk assessment marks a shift in tone—explicitly warning against bias, mis- and disinformation, unintended consequences such as de-risking, and moving away from focusing solely on "inherent" risk—this change has not displaced the legacy impact of earlier assessments on institutional risk models and compliance culture, nor have we seen evidence that government action has changed to match this change in tone.

This report further examines findings by the National Security and Intelligence Review Agency (NSIRA), which identified serious deficiencies in the Canada Revenue Agency's (CRA) risk assessment and audit practices.[5] The NSIRA found that charity audits were often poorly documented, criteria for selection were inconsistently applied, and decisions to proceed with audits were based on outdated or weak intelligence, creating conditions in which bias and discrimination could operate unchecked. These findings are highly relevant to the financial sector. If a government agency subject to statutory oversight can generate risk assessments lacking transparency and analytical rigour, the risks are magnified in the banking sector, where internal risk decisions are shielded by commercial confidentiality and face no equivalent independent review.

Drawing on anonymized case material from the NPO sector, this report also documents how de-risking can manifest in practice: abrupt account closures, frozen funds, denial of payment processing, cascading impacts on staff and families, and barriers to humanitarian assistance even where government exemptions exist. These experiences illustrate that de-risking extends beyond banks to encompass credit card companies, payment processors, and donation platforms, producing system-wide exclusion without explanation or recourse.

This report concludes that de-risking in Canada is not the result of isolated compliance failures or individual institutional choices. It is the foreseeable outcome of an AML/ATF governance model that prioritizes risk avoidance, secrecy, and institutional protection over proportionality, transparency, and civil liberties. Addressing de-risking therefore requires structural reform. Recommendations focus on recalibrating national risk assessments, strengthening oversight and documentation requirements, closing accountability

[5] National Security and Intelligence Review Agency, "Review of the Canada Revenue Agency's Review and Analysis Division" Review 23-08 (Ottawa: NSIRA, 2025), online (pdf): <https://nsira-ossnr.gc.ca/wp-content/uploads/23-08_Rvw_CRA_RAD_-EN-46815.pdf> [NSIRA 2025].

gaps in the financial sector, and ensuring that counter-terrorism measures do not undermine the vitality of civil society or the fundamental rights they are meant to protect.

Purpose, Scope, and Methodological Limits

This report examines de-risking as a public policy issue with significant civil liberties implications. When government-designed regulatory frameworks incentivize the systemic denial of essential financial services, responsibility cannot be attributed solely to private actors.

The analysis is limited to the Canadian context and is based primarily on publicly available sources, including legislation, national risk assessments, parliamentary committee reports, government strategies, and oversight body findings, supplemented by anonymized case material shared by affected organizations and individuals. This methodological choice is deliberate. It demonstrates that the key drivers of de-risking are visible within official policy frameworks, with case studies serving to demonstrate the real-world impact.

While individual experiences are referenced in anonymized form to provide concrete examples of impacts, this report does not attempt to quantify the prevalence of de-risking. Instead, it analyzes why meaningful quantitative data does not exist and how that absence itself reflects systemic accountability failures. The case studies presented in this report are meant to exemplify the types of impacts reported, and are based on a number of sources, including case studies shared at workshops and conferences, such as the 2026 "Charity Resilience Conference: Solidarity in Action," organized by the Canadian Muslim Public Affairs Council. All case studies are shared with permission of the impacted individuals and organizations.

It is also important to note that the financial sector takes part in Canada's anti-terrorist financing activities beyond directly de-risking NPOs. For example, financial institutions play a role in government intelligence gathering via the submission of Suspicious Transaction Reports (STRs) to FINTRAC. As explained by Dr. Emon in "Humanitarianism & the Exclusion of Muslim Charities," STRs are based on a the very low threshold of "reasonable grounds to suspect" that a transaction is related to a terrorist financing threat, raising serious concerns of violation of privacy rights and of discrimination and bias against Muslim-led organizations and Muslim individuals.[6] This rights-violating STRs can then form the basis of FINTRAC action or for the production of further intelligence reports shared more broadly amongst government, law enforcement and international financial investigation units, who may themselves take action based on this faulty information. While clearly an important aspect of how Canada's ATF policies lead to unjust outcomes, it is not explored in-depth in this report.

ICLMG's Previous Work on National Security Regime Impacting Charities

This report builds directly on the International Civil Liberties Monitoring Group's (ICLMG) earlier work examining the national security regulation of charities in Canada. In June 2021, the ICLMG published "The

[6] Emon 2026, *supra* note 3.

CRA's Prejudiced Audits: Counter-Terrorism and the Targeting of Muslim Charities in Canada,"[7] which documented how a secretive unit within the Canada Revenue Agency, the Review and Analysis Division (RAD), was disproportionately auditing Muslim charities. The report also demonstrated how repeated versions of Canada's National Inherent Risk Assessment (NIRA), which has focused almost exclusively on Muslim and other racialized community-based charities, serves as a cornerstone for RAD's work – and for Canada's anti-terrorism financing measures more generally. The basis for this focus lacked clear public evidence of the supposed risk, and yet was used to justify the surveillance, monitoring, and auditing of prominent Muslim charities. These findings were in line with another significant report, "Under Layered Suspicion," published in the Spring of 2021 by the Institute of Islamic Studies at the University of Toronto, which identified whole-of-government policies and patterns in the government's approach to anti-terrorism financing and anti-radicalization that demonstrated potential biases in Canada Revenue Agency (CRA) audits of Muslim-led charities.[8]

> In June 2021, the ICLMG published "The CRA's Prejudiced Audits: Counter-Terrorism and the Targeting of Muslim Charities in Canada," which documented how a secretive unit within the Canada Revenue Agency, the Review and Analysis Division (RAD), was disproportionately auditing Muslim charities.

The ICLMG report's careful synthesis of the public record, along with "Under Layered Suspicion"'s meticulous research, had significant downstream impact. It helped catalyze a series of formal oversight and accountability processes:

- Concerns with the CRA's treatment of Muslim charities became a key discussion point at the federal National Summit on Islamophobia in July 2021, leading to the government pledging further action.[9]
- This resulted in the Office of the Taxpayers' Ombudsperson (OTO) launching a review into CRA's treatment of charities, raising concerns about fairness, transparency, and procedural safeguards.[10]
- The Senate of Canada undertook a dedicated study into Islamophobia including the regulation of charities under national security frameworks, hearing testimony from affected organizations, experts, and civil liberties advocates, including the ICLMG.[11]

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[7] Tim McSorley, "The CRA's Prejudiced Audits: Counter-Terrorism and the Targeting of Muslim Charities in Canada" (Ottawa: International Civil Liberties Monitoring Group, May 2021), online (pdf): ICLMG <https://iclmg.ca/wp-content/uploads/2021/06/Prejudiced-Audits-ICLMG-2021.pdf> [Prejudiced Audits].

[8] Anver M. Emon & Nadia Z. Hasan, "Under Layered Suspicion: A Review of CRA Audits of Muslim-Led Charities" (Toronto: University of Toronto Institute of Islamic Studies, 2021), online: <https://www.layeredsuspicion.ca/>.

[9] Canadian Heritage, "The Government of Canada Concludes National Summit on Islamophobia" (22 July 2021), online: Government of Canada <https://www.canada.ca/en/canadian-heritage/news/2021/07/the-government-of-canada-concludes-national-summit-on-islamophobia.html>.

[10] Office of the Taxpayers' Ombudsperson, *Charity Begins with Fairness: More to Explore* (Ottawa: OTO, 27 March 2023), online: Government of Canada <https://www.canada.ca/en/taxpayers-ombudsperson/programs/reports-publications/special-reports/charity-begins-with-fairness.html>.

[11] Standing Senate Committee on Human Rights, *Combatting Hate: Islamophobia and Its Impact on Muslims in Canada* (Ottawa: Senate of Canada, 2023), online (pdf): <https://sencanada.ca/content/sen/committee/441/RIDR/reports/Islamophobia_FINAL_e.pdf>.

Most significantly, the National Security and Intelligence Review Agency (NSIRA) initiated a comprehensive review of the CRA's Review and Analysis Division.[12] The NSIRA's findings closely mirrored ICLMG's earlier conclusions, determining that RAD's audit selection processes were often poorly documented, lacked analytical rigour, relied on outdated or unverified intelligence, and created conditions in which bias and discrimination could operate unchecked.[13]

These findings were further reinforced by subsequent academic research,[14] civil society reporting,[15] and investigative media coverage,[16] which collectively confirmed that the harms identified by ICLMG were not isolated incidents but symptoms of a deeper structural problem within Canada's counter-terrorism financing architecture.

This Report as a Direct Continuation of ICLMG's CRA Research

This report on de-risking is a necessary follow-up to our earlier work on the CRA. While the CRA report focused on how charities are targeted through tax and regulatory enforcement, this analysis examines how the same underlying policy architecture produces financial exclusion through the banking system. De-risking is not an isolated banking phenomenon.

The ICLMG's engagement on this issue has also extended to participation in federal policy processes led by the Department of Finance, including consultations on both the 2023 and 2025 NIRAs, and formal submissions during reviews and consultations on Canada's anti-money laundering and anti-terrorist financing framework.

Within that ecosystem, the Department of Finance also convenes the Advisory Committee on Money Laundering and Terrorist Financing (ACMLTF)[17], a forum that brings together government and non-government stakeholders to advise on Canada's AML/ATF regime. ICLMG presented to the ACMLTF on de-risking as part of a joint NPO presentation.

National risk assessments, CRA audit practices, financial supervision, and bank compliance decisions do not operate independently. They form an interlocking system in which risk signals generated by the state are amplified and acted upon by private financial institutions. In this sense, de-risking represents a

[12] A review by the NSIRA was a recommendation in ICLMG's 2021 report on the CRA, given that NSIRA has the necessary power to be able to access the information required for this kind of study. The Ombudsperson does not, and ultimately was unable to reach conclusive findings because of these limitations. ICLMG warned of this concern when the OTO study was announced.
[13] NSIRA 2025, *supra* note 5.
[14] Jim Bronskill (The Canadian Press), "Changes Needed at Canada Revenue Agency after Audit of Muslim Charity: Report," *CBC News* (1 April 2026), online: <https://www.cbc.ca/news/canada/manitoba/canada-revenue-agency-muslim-association-audit-report-9.7149904>.
[15] Abdul Nakua, "Reflecting on the CRA Audits of Muslim Charities," *The Philanthropist Journal* (18 December 2023), online: <https://thephilanthropist.ca/2023/12/reflecting-on-the-cra-audits-of-muslim-charities/>.
[16] Umar A Farooq, "'A Chilling Effect': Muslim Charities Fall Prey to Canada's Double Standards" (25 April 2023), online: Middle East Eye <https://www.middleeasteye.net/news/muslim-charities-fall-prey-canada-double-standards-chilling-effect>.
[17] Department of Finance Canada, "Advisory Committee on Anti-Money Laundering and Terrorist Financing" (23 April 2025), online: Government of Canada <https://www.canada.ca/en/department-finance/programs/committees/advisory-committee-money-laundering-terrorist-financing.html> [Department of Finance Canada 2025].

downstream manifestation of the same structural problems exposed in ICLMG's earlier CRA research. Both involve the exercise of significant power over civil society actors through processes that lack transparency, documentation, and independent review. Both rely on preventive logics that prioritize risk avoidance over evidence-based risk management. And both produce disproportionate harms for Muslim-led organizations and charities working in politically sensitive or conflict-affected contexts.

By examining de-risking through this lens, the report seeks to demonstrate that financial exclusion is not an unexpected anomaly, but a predictable outcome of Canada's counter-terrorism policy design. Addressing de-risking therefore requires not only changes in banking practices, but a re-examination of the broader national security framework that continues to generate these harms across multiple arms of government.

Defining De-risking in the Canadian Context

Establishing a precise, shared understanding of "de-risking" is critical for analyzing this issue. A clear definition allows us to distinguish a systemic policy failure from isolated and legitimate compliance actions by financial institutions. Without it, the widespread financial exclusion of entire communities can be incorrectly dismissed as a series of unrelated, justifiable business decisions.

The terms "de-risking" and "de-banking" are often used interchangeably in public and policy discourse, though they have distinct meanings. "De-banking" generally refers to the complete exclusion of a client from the services of a banking institution, which can occur for a variety of reasons. "De-risking," however, describes the termination or restriction of specific products or services – for example, the cancellation of a credit card, closure of one but not all accounts, etc. – in situations where a client exceeds a financial institution's risk tolerance. De-risking also applies to the cancellation or limitation of other financial services, including online fundraising platforms, or payment processing systems.

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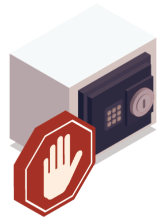
What is De-risking?

De-risking is when a financial institution decides a client exceeds its "risk tolerance" and can result in:

Cancellation of credit card



Freezing of funds or refusal of service by online fundraising platforms

Refusal of service by payment processing system

Cancellation of financial services

De-banking: Closure of chequing & savings accounts, RRSPs and other accounts held with a bank

For many years, federal agencies did not offer a clear or distinct definition of "de-risking" in their work. For examples, searches of federal regulatory enforcement bodies such as the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), the Office of the Superintendent of Financial Institutions (OSFI) and the Financial Consumer Agency of Canada (FCAC) do not reveal definitions of "de-risking". A 2018 consultation paper from the Department of Finance offers one of the sole definitions of de-risking in federal reports, describing it as "the practice of financial institutions (or other businesses) exiting relationships with and closing the accounts of … because the financial institution perceives the client to be high-risk."[18] It is worth noting that this definition was presented in the context of de-risking of money services businesses, and not in regards to NPOs or charities or the broader AML/ATF regime.

However, this definition falls short of the international standard set by the Financial Action Task Force (FATF), the international body which sets global AML/ATF standards. The FATF specifies that de-risking is "the phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients to avoid, rather than manage, risk in line with the FATF's risk-based approach."[19]

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[18] Department of Finance Canada, *Reviewing Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime* (7 February 2018), online (pdf): <https://www.canada.ca/content/dam/fin/migration/activty/consult/amlatfr-rpcfa-eng.pdf> [Department of Finance Canada 2018].
[19] FATF, "High-Level Synopsis of the Stocktake of the Unintended Consequences of the FATF Standards" (27 October 2021), online (pdf): FATF <https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/Unintended-Consequences.pdf.coredownload.inline.pdf>.

What appears to be the first appearance of a formal, complete definition of “de-risking” by Finance Canada is included in the 2025 National Risk Assessment:

“For financial institutions, de-risking refers to the practice of terminating or restricting business relationships with certain clients, or categories of clients, to avoid risk rather than manage it.”[20]

This is a much more complete definition of de-risking than what was previously found in the Department of Finance’s 2018 consultation paper, reflecting the standard set by the FATF. [21]

One final caveat: it is also important to understand how risk is evaluated. As the FATF further states, it’s “risked-based approach” requires individualized risk assessments in order to manage the specific risks posed by each client. This is opposed to a generalized risk assessment based, for example, on risks across a particular sector or in a particular geographic location, which can lead to unjustified cancellation of services.

Therefore, this report will use the following definition of “de-risking”:

> **De-risking refers to the practice of terminating or restricting business relationships with certain clients, or categories of clients, to avoid risk rather than managing risk on a case-by-case basis.**

To further clarify the concept, it is essential to differentiate de-risking from other related actions:

- **Legitimate risk mitigation:** A properly implemented "risk-based approach", the official policy of Canada and the FATF, requires financial institutions to assess, understand, and manage the specific risks posed by each client individually. This involves applying enhanced due diligence to higher-risk clients, leading to specific, individualized risk management decisions, which could include restriction or cancellation of services.
- **Individual compliance failures:** This report does not address isolated account closures that result from specific, proven wrongdoing by a client, such as fraud or money laundering. Instead, it focuses on how de-risking can disproportionately impact categories of organizations or communities who are deemed "risky" by association, location of their activities, or the nature of their work.

[20] Department of Finance Canada, *2025 Assessment of Money Laundering and Terrorist Financing Risks in Canada* (Ottawa: Department of Finance Canada, 2025), online (pdf): <https://www.canada.ca/content/dam/fin/programs-programmes/fsp-psf/nira-neri/2025/nira-neri-2025-eng.pdf>.
[21] It is important to note that the FATF definition of de-risking had itself gone through multiple updates and iterations, starting in 2012, based in large part on concerns raised by NPOs regarding de-risking and unintentional consequences of AML/ATF policies internationally. See *supra* note 19.

De-risking is therefore best understood not as a series of disconnected private decisions, but as a predictable systemic outcome. It is the logical response of private financial actors to a public policy environment that penalizes risk-taking far more severely than it protects financial inclusion. Understanding the architecture of that policy environment is key to understanding the problem.

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The Policy Ecosystem that Produces De-risking

De-risking is not a natural phenomenon of the financial sector nor is it solely the result of choices made in bank AML/ATF departments. It is a direct and foreseeable consequence of the regulatory architecture constructed by the Canadian government to combat money laundering and terrorist financing. This ecosystem of laws, regulators, regulations, and official guidance creates a set of powerful incentives that structurally favour client exclusion over risk management. The following sections dissect this policy environment to reveal its core components and structural flaws.

Canada's Counter-Terrorism Financing Framework

At the heart of Canada's AML/ATF regime is the *Proceeds of Crime (Money Laundering*) and *Terrorist Financing Act (PCMLTFA*).[22] This legislation imposes significant obligations on financial institutions to monitor, detect, and report suspicious financial activity. Compliance with the act is primarily enforced by FINTRAC.[23] While necessary in principle, the framework's design places immense compliance pressures on banks, creating a culture of extreme caution.

[22] *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, SC 2000, c 17, online: <https://laws-lois.justice.gc.ca/eng/acts/p-24.501/>.
[23] Financial Transactions and Reports Analysis Centre of Canada (3 June 2026), online: FINTRAC <https://fintrac-canafe.canada.ca/>.

The Imbalance of Consequences

$0 Penalty

for Wrongly De-risking a Legitimate Client

$3.1 Billion

in Penalties Paid by TD Bank

in 2024 for Violating the U.S. Bank Secrecy Act

$177 Million

Canada's Largest Ever Domestic Fine

$1.9 Billion

HSBC Fine in 2012

This risk avoidance behaviour is driven by several key characteristics of the regime:

- **Severe penalties:** The financial and reputational costs of AML/ATF failures are catastrophic. The $3.1 billion in penalties paid by TD Bank in 2024 for violating the U.S. Bank Secrecy Act[24] and the earlier $1.9 billion fine against HSBC in 2012[25] serve as powerful, chilling examples for the entire industry. In October 2025, Canada recorded its largest domestic fine of $177 million, directed at a cryptocurrency exchange,[26] and in early 2026 increased the maximum fine to $20 million (up from $500,000), or 3% of global revenue (whichever is higher).[27] These figures signal that any compliance failure can lead to existential financial threats.
- **Ambiguous standards:** The regime operates on principles that are often vague and subjective. Banks are expected to manage their activities according to their internal "risk appetite," a concept that lacks clear, objective definition. This ambiguity forces institutions to err on the side of extreme caution, applying the most conservative interpretation of their obligations to avoid any possibility of regulatory sanction.
- **Low tolerance for error:** The combination of severe penalties and vague standards fosters a "zero-tolerance" regulatory culture. This creates a stark cost-benefit imbalance: terminating a 'risky' client relationship has no cost and eliminates all regulatory liability, while managing it is

[24] Nivedita Balu, "TD Bank Says 2025 Will Be 'Transition Year' after $3-Billion US Penalty" (10 October 2024), online: Reuters <https://www.reuters.com/business/finance/td-bank-says-2025-will-be-transition-year-after-3-bln-us-penalty-2024-10-10/>.

[25] US Department of Justice, News Release, "HSBC Holdings Plc and HSBC Bank USA N.A. Admit to Anti-Money Laundering and Sanctions Violations" (11 December 2012), online: <https://www.justice.gov/archives/opa/pr/hsbc-holdings-plc-and-hsbc-bank-usa-na-admit-anti-money-laundering-and-sanctions-violations>.

[26] The Canadian Press, "Cryptomus Fined $177 Million by FINTRAC" (22 October 2025), online: CBC News <https://www.cbc.ca/news/business/cryptomus-fined-177-million-fintrac-9.6948338>.

[27] Vladimir Shatiryan & Ora Morison, "Canada's New Anti-Money Laundering Legislation Significantly Raises Penalties and Adds New Violation" (31 March 2026), online: Blakes <https://www.blakes.com/insights/canada-s-new-anti-money-laundering-legislation-significantly-raises-penalties-and-adds-new-violation/>.

costly, complex, and carries the perpetual threat of catastrophic penalties. Client exit becomes the rational business choice.

Risk-Based Regulation and its Structural Flaws

In theory, Canada's AML/ATF regime is built on a "risk-based approach," which encourages financial institutions to assess and manage clients on an individual basis. A Department of Finance report from 2018 explicitly warns against the practice of terminating services for an entire industry, stating that risk assessment "is expected to take place on a case-by-case basis." [28]

However, this is not adequately reflected in FINTRAC guidance, which allows for risk assessments based on entire categories of entities. Moreover, there are no penalties or consequences for engaging in risk determination for entire sectors. The immense pressure to avoid risk at all costs creates a strong incentive to rely on broad and often discriminatory risk indicators. This flawed application is evident in several ways:

- **Broad sectoral labels:** Entire sectors, most notably non-profit organizations and money services businesses (MSBs),[29] are officially and unofficially labelled as "high-risk," triggering heightened scrutiny for any organization within them, regardless of its specific activities or mitigation measures put in place.[30]
- **Geographic and associative markers:** An organization's risk profile is automatically elevated if it operates in, sends funds to, or is associated with certain regions or communities. Conducting humanitarian work in conflict zones like Syria or Palestine, or being an organization led by members of the Muslim community, can be sufficient to trigger a high-risk designation and subsequent financial exclusion.[31]

This system creates a powerful structural incentive for banks to de-risk. Engaging in the costly, time-consuming, and uncertain work of granular risk mitigation for a "high-risk" client is a poor business proposition when the alternative of de-risking carries no penalty and eliminates all regulatory risk.

The Organizational Ecosystem that Produces De-risking

De-risking in Canada does not arise from isolated decisions by individual banks or regulators; rather, it is intertwined with whole-of-government AML/ATF regime, structured to prioritize threat prevention through risk avoidance across multiple institutions simultaneously. This regime integrates international standards, domestic legislation, intelligence assessments, supervisory practices, and enforcement mechanisms into a single policy ecosystem that shapes financial institutions' behaviour.

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[28] Department of Finance Canada 2018, *supra* note 18.
[29] Money Services Businesses are non-bank institutions that provide financial services such as money transfers and currency exchange without the requirement of a bank account.
[30] Department of Finance Canada, *Updated Assessment of Inherent Risks of Money Laundering and Terrorist Financing in Canada* (Ottawa: Department of Finance, 2023) online (pdf): <https://www.canada.ca/content/dam/fin/programs-programmes/fsp-psf/nira-neri/nira-neri-eng.pdf>.
[31] Emon 2026, *supra* note 3.

Canada's AML/ATF Regime Strategy (2023–2026)[32] explicitly recognizes this interdependence. The regime is governed through a formal interdepartmental structure led by the Department of Finance and Public Safety Canada, supported by a network of deputy minister committees, assistant deputy minister steering committees, and multiple intelligence, operational, and thematic working groups. These bodies coordinate the activities of at least 13 federal departments and agencies, alongside provincial regulators, law enforcement, and more than 38,000 private-sector reporting entities subject to the PCMLTFA.

Within this ecosystem, risk signals are generated by the state, circulated through governance and intelligence channels, and ultimately operationalized by private financial institutions. De-risking emerges where these signals converge without sufficient transparency, proportionality, or countervailing accountability mechanisms.

International Standards

Financial Action Task Force (FATF)

The Group of 7 countries (G7) established the FATF in 1989 as an intergovernmental organization to develop policies and set standards to combat money laundering; in 2001, its mandate was expanded to include terrorism financing. The FATF's ongoing purpose is to "research how money is laundered and terrorism is funded, promote global standards to mitigate the risks, and assess whether countries are taking effective action."[33] As part of its work to mitigate risks, the FATF promotes the implementation of legal, regulatory and operational measures by member states in order to combat money laundering, terrorist financing and other threats to the integrity of the global financial system.[34]

This means that the FATF establishes the international AML/ATF standards that Canada is obligated to implement.[35] FATF monitors member state commitments to its recommendations via periodic mutual evaluations; the organizations recommendations and evaluations directly shape Canada's legislative framework, including the PCMLTFA, and inform national risk assessments. Through these systems, they further shape supervisory expectations, and the compliance models used by banks.

While the FATF has, since 2016, clarified that only a small subset of non-profit organizations (NPOs) is genuinely at risk of terrorist financing abuse and explicitly warned against sector-wide de-risking, Canada's implementation has historically diverged from this guidance. Successive National Inherent Risk Assessments (2015 and 2023) applied broad risk characterizations to charities and NPOs, embedding a

[32] Department of Finance Canada, *Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime Strategy 2023-2026*, online (pdf): <https://www.canada.ca/content/dam/fin/programs-programmes/fsp-psf/rs-sr/rs-sr-eng.pdf>.

[33] FATF, "What We Do" online: FATF <https://www.fatf-gafi.org/en/the-fatf/what-we-do.html>.

[34] FATF, online: FATF < https://www.fatf-gafi.org/en/the-fatf.html>.

[35] Countries found during evaluations to have "strategic deficiencies" implementing FATF recommendations are placed on what is informally known as the FATF "grey list," and those with "serious strategic deficiencies" are placed on the FATF "black-list": FATF, "Countries," online: <https://www.fatf-gafi.org/en/countries/black-and-grey-lists.html>. While the FATF does not have formal enforcement powers, even being grey-listed can have negative consequences for a country's economy and reputation, which may impact the financial sector and international financing and aid. In the case of black-listed countries, FATF member states are expected to impose penalties and other restrictive measures: Caitlin Maslen, "Impact of FATF Grey-Listing" (25 October 2023) online (pdf): <https://knowledgehub.transparencycdn.org/kproducts/Impact-of-FATF-grey-listing_final-paper.pdf>.

high-risk narrative that continued to influence regulators and financial institutions even as the FATF's position evolved.[36]

United Nations Sanctions Regimes

United Nations Security Council sanctions regimes[37] further intensify de-risking pressures. Under the *United Nations Act*, Canadian financial institutions are legally required to implement terrorist asset freezes derived from UN listings,[38] reinforcing a zero-tolerance compliance environment. Since 2022, the UN has recognized that certain sanctions measures have negatively impacted the ability to provide humanitarian aid, with the Security Council adopting resolutions that emphasize that sanctions measures "are not intended to have adverse humanitarian consequences for civilian populations nor adverse consequences for humanitarian activities or those carrying them out."[39] In mid-2026, the FATF announced it was modifying its Recommendation 6 on targeted financial sanctions related to terrorism and terrorist financing requiring countries to comply not just with anti-terrorism sanctions, but UN resolutions that establish humanitarian exemptions, such as UNSCRs 2664, 2761 and 2615.[40] While these are positive developments, they are often applied unevenly at the domestic level, and the laws of many member states – including in Canada – have failed to keep pace.

The tension created by this framework is illustrated by Bill C-41 (2023)[41], which introduced a hybrid humanitarian exception/international assistance authorization regime allowing Canadian charities to operate in Taliban-controlled Afghanistan without criminal liability. While the legislation created a lawful pathway, its effectiveness depends entirely on financial institutions' willingness to process authorized transactions. Some Canadian NPOs have reported that concerns persist among financial institutions as to whether they are protected by the Bill C-41 regime in their activities, despite government statements that this is the case (although with the recommendation of seeking out independent legal advice). This illustrates a core structural problem: even where the government creates legal safe corridors, financial institutions remain incentivized to block transactions rather than assume risk.[42]

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[36] Tim McSorley, "Submission to the Financial Action Task Force in Regard to the Fifth Mutual Evaluation of Canada" (28 August 2025), online (pdf): <https://iclmg.ca/wp-content/uploads/2025/09/FATF-Submission_ICLMG_final.pdf>.
[37] United Nations Security Council, "Sanctions" (2025), online: <https://main.un.org/securitycouncil/en/sanctions/information>.
[38] *United Nations Act*, RSC 1985, c U-2, online: <https://laws-lois.justice.gc.ca/eng/acts/u-2/page-1.html>.
[39] United Nations Security Council, "S/RES/2664" (2022), online: <https://main.un.org/securitycouncil/en/content/sres2664-2022>.
[40] FATF, "Update to Recommendation 6" (23 June 2026), online: FATF <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/update-recommendation-6-june-2026.html>.
[41] Public Safety Canada, "Humanitarian Exception" (28 July 2026), online: Government of Canada <https://www.publicsafety.gc.ca/cnt/ntnl-scrt/cntr-trrrsm/hmntrn-xcptn/bt-en.aspx>.
[42] It is possible that this is also partially a communications problem, and that government changes to sanctions and other ATF regulations are not communicated adequately to private institutions; if so, the government must address it immediately. However, this does not change the fact that when this modification in policy is demonstrated by NPOs to financial institutions, there is not necessarily a change in a de-risking decision, as described later on in case study 3.

Domestic Governance and Policy Coordination

Department of Finance Canada

The Department of Finance is the central policy lead for Canada's AML/ATF regime. It develops legislation and regulations under the PCMLTFA, oversees FINTRAC, coordinates national risk assessments, and serves as the secretariat for regime governance and performance reporting.

Finance Canada also co-chairs the Advisory Committee on Money Laundering and Terrorist Financing (ACMLTF), a confidential forum that brings together regulators, law enforcement, and private-sector representatives.[43] Notably, affected civil society organizations and charitable sector are not represented on the committee. This design reinforces a regulator–industry consensus focused on compliance efficiency and risk containment, with limited institutional space for equity, access, or civil liberties considerations to meaningfully shape policy outcomes.

Public Safety Canada

Public Safety Canada is responsible for anti-terrorism and national security in Canada, including within the AML/ATF regime. It coordinates intelligence and operational priorities, supports terrorist listing decisions under the Criminal Code, and houses the Financial Crime Coordination Centre (FC3), which integrates law enforcement and intelligence expertise.

Public Safety Canada is responsible for the Canadian Security Intelligence Service (CSIS), the Royal Canadian Mounted Police (RCMP), and the Canada Border Services Agency (CBSA). Public Safety therefore plays a central role in translating national security threat assessments into operational focus areas. These assessments, in turn, inform CRA audits, FINTRAC disclosure analysis, and banks' internal risk models, reinforcing the inter-agency feedback loop that drives de-risking.

Public Safety Canada is also responsible for the humanitarian exemption/international assistance authorization regime created under Bill C-41, ultimately deciding whether an authorization request meets the criteria for approval, and carrying out ongoing monitoring of the project to ensure compliance. Public Safety is also responsible for issuing guidance for the sectors impacted by the regime, including NPOs and the financial sector, as well as annual reporting to Parliament.

Global Affairs Canada (GAC)

GAC occupies a structurally conflicted position within the regime. It administers sanctions that restrict financial flows while simultaneously leading humanitarian, development, and stabilization efforts in conflict-affected regions. It also provides input to Public Safety Canada as part of the Bill C-41 regime. This dual mandate places GAC at the intersection of security enforcement and humanitarian necessity, yet it lacks authority to compel financial institutions to facilitate lawful humanitarian transactions once risk aversion takes hold.

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[43] Department of Finance Canada 2025, *supra* note 17.

Advisory Committee on AML/ATF (ACMLTF)

The ACMLTF is a forum consisting of federal government and private sector representatives which meets to discuss and provide input on Canada's AML/ATF policy. Its membership consists of representatives from government bodies, including regulators such as FINTRAC and departments such as Public Safety Canada, as well as from the private sector. Private sector members are generally representatives of sectors that are considered reporting entities under the PCMLTFA, as well as other subject matter experts. The committee falls under the Department of Finance, which serves as co-chair along with a private sector representative.[44]

For many years, the ACMLTF has been the sole advisory body on AML/ATF policy, and yet has never included a representative from the NPO sector. This is despite the FATF flagging as early as 2016 the chilling effects that AML/ATF policies worldwide were having on the NPO sector.[45] Excluding the NPO sector from such discussions has denied the government valuable input from the NPO sector, as well as excluded NPOs from a forum to share their concerns and input, and engage in meaningful exchanges with both their private sector counterparts and government officials. This has only belatedly begun to be addressed.

Government of Canada-Non-Profit Sector Dialogues on Illicit Financing Risks and Related Issues (NPO Dialogue)

Since 2024, the Department of Finance has organized a Government of Canada-Non-Profit Sector Dialogues on Illicit Financing Risks and Related Issues. While its structure is still being formalized, it is similar to the ACMLTF, in that the NPO Dialogue brings together members of the NPO community along with individual experts to exchange and provide feedback on the impacts of the AML/ATF regime on the sector, including around concerns of derisking.

The establishment of, and ongoing work to formalize, the NPO Dialogue is a positive development given the unique experiences and concerns of NPOs with AML/ATF measures, and reflecting the growing recognition of the impacts of anti-terrorist financing measures on the NPO sector. However, questions remain about the siloing of private sector, particularly financial sector, and NPO actors, who could benefit from a direct exchange. Still in its nascent phase, the impact and effectiveness of the NPO Dialogue will become clearer over the coming years.

Intelligence and Enforcement Actors

Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)

FINTRAC serves as both Canada's financial intelligence unit and its AML/ATF compliance regulator. It receives suspicious transaction reporting from entities such as banks, credit unions, loan companies, as well as accounting firms, real estate agencies, and more, and disseminates relevant intelligence with domestic and foreign partners, and also monitors and enforces compliance with the PCMLTFA. In its role as regulator, it disseminates guidance to the financial sector on how to engage in risk-based analysis, among other activities.

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[44] *Ibid*.
[45] FATF, *supra* note 19 at 4.

Although FINTRAC officially endorses a risk-based, case-by-case approach, its own guidance on risk management allows for assessments based on sectoral or group risk that could lead to unfounded or disproportionate actions being taken against NPOs.[46]

Its authority to impose substantial Administrative Monetary Penalties (AMPs) for non-compliance, though, creates a highly asymmetric incentive structure. The cost of a compliance failure is potentially catastrophic, while the cost of wrongly de-risking a legitimate charity is effectively zero.

This is another example of how its enforcement powers operate within a regime that overwhelmingly rewards risk elimination. This dynamic drives defensive compliance behaviour regardless of stated policy intent.

Canada Revenue Agency (CRA)

The CRA plays a dual role within the AML/ATF regime: enforcing tax compliance and protecting the integrity of the charitable registration system from terrorist financing abuse. Through its Review and Analysis Division (RAD), the CRA audits charities and can deny or revoke charitable status based on national security concerns.

As documented by ICLMG and supported by NSIRA's findings, RAD's audit practices have been shaped by national risk assessments that disproportionately associate terrorist financing risk with Muslim-led and internationally active charities.[47] CRA audits function as powerful risk signals to financial institutions, often triggering account closures irrespective of audit outcomes.

Canadian Security Intelligence Service (CSIS) and Law Enforcement

CSIS collects and analyzes intelligence related to threats to national security, including terrorist financing. The RCMP investigates and prosecutes AML/ATF offences, while CBSA enforces cross-border reporting and investigates trade-based money laundering.

Information sharing between these agencies, FINTRAC, and the CRA is authorized under the PCMLTFA, reinforcing a tightly coupled system in which intelligence assessments—even when untested or outdated—can cascade across institutions and affect access to financial services.

Regulatory and Ombuds Bodies

Office of the Superintendent of Financial Institutions (OSFI)

OSFI's prudential oversight focuses on the safety and soundness of federally regulated financial institutions. It espouses a "high risk tolerance for early intervention" – meaning intervention at the earliest stage that risk is observed.[48] This approach is another instance where policy can incentivize banks to proactively shed

[46] *Ibid*.
[47] NSIRA 2025, *supra* note 5 at 14.
[48] Office of the Superintendent of Financial Institutions, "Refining Our Approach to Risk" (11 May 2023), online: OSFI <https://www.osfi-bsif.gc.ca/en/about-osfi/progress-our-initiatives/refining-we-approach-risk>.

relationships that could attract supervisory attention.[49] Even absent any finding of wrongdoing, institutions are encouraged to exit client relationships that could introduce regulatory complexity or reputational exposure.

Ombudsman for Banking Services and Investment (OBSI)

The OBSI is a non-profit organization that serves as the Canadian external dispute resolution body handling disputes between consumers and small businesses and financial firms, such as banks, credit unions and payment service providers. Complaints can be made to the OBSI only after efforts to reach a resolution with the financial firm has failed. The OBSI provides the service on an impartial and independent basis, and free of charge to the consumer as an alternative to the legal system.

While the OBSI can render a decision on a wide range of issues, it explicitly excludes complaints that "materially relate to a firm's risk management policies and practices."[50] This impacts any decision regarding account closures, given that Canadian law and banking regulations allow banks to close customers' accounts, and do not require them to provide notice or reasons for their decision.[51] So while the OBSI can determine whether proper notice of an account closure was given, it cannot examine the underlying reasons for the account closure.[52]

Financial Consumer Agency of Canada (FCAC)

The FCAC is the federal agency tasked with enforcing consumer protection legislation, regulations and industry commitments by federally regulated financial entities, including banks, credit unions and credit card companies, among others. The FCAC ensures that these entities follow the rules laid out in federal legislation and regulations, as well as voluntary codes of conduct and public commitments. While this means the FCAC ensures that financial institutions follow the law, it cannot address issues like de-risking and its impacts so long as Canada doesn't have stronger financial inclusion laws.

Private sector

The private sector plays a significant role in the phenomenon of de-risking. This includes financial companies ranging from domestic and foreign banks and credit unions to credit card companies to fundraising platforms and more. Financial institutions, along with other sectoral groups defined as reporting entities in the PCMLTFA, are required to report suspicious transactions to FINTRAC and are often at the forefront of countering money laundering and terrorist financing. Because of these legal obligations, and the possibility of significant penalties, financial institutions are placed in a position where they must weigh

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[49] Office of the Superintendent of Financial Institutions, "Learn about OSFI-FINTRAC Working Together" (22 July 2026), online: OSFI <https://www.osfi-bsif.gc.ca/en/about-osfi/osfi-knowledge-centre/learn-about-osfi-fintrac-work-together>.

[50] Ombudsman for Banking Services and Investments, "FAQs" online: OBSI <https://www.obsi.ca/en/how-we-work/faqs/>.

[51] Ombudsman for Banking Services and Investments, "Consumer Surprised When Bank Gives Him 30 Days to Close His Account" (3 November 2022), online: OBSI <https://www.obsi.ca/en/news/posts/consumer-surprised-when-bank-gives-him-30-days-to-close-his-account/>.

[52] Ombudsman for Banking Services and Investments, "Bank Closed Customer's Accounts" (10 December 2008), online: OBSI <https://www.obsi.ca/en/news/posts/bank-closed-customers-accounts/>.

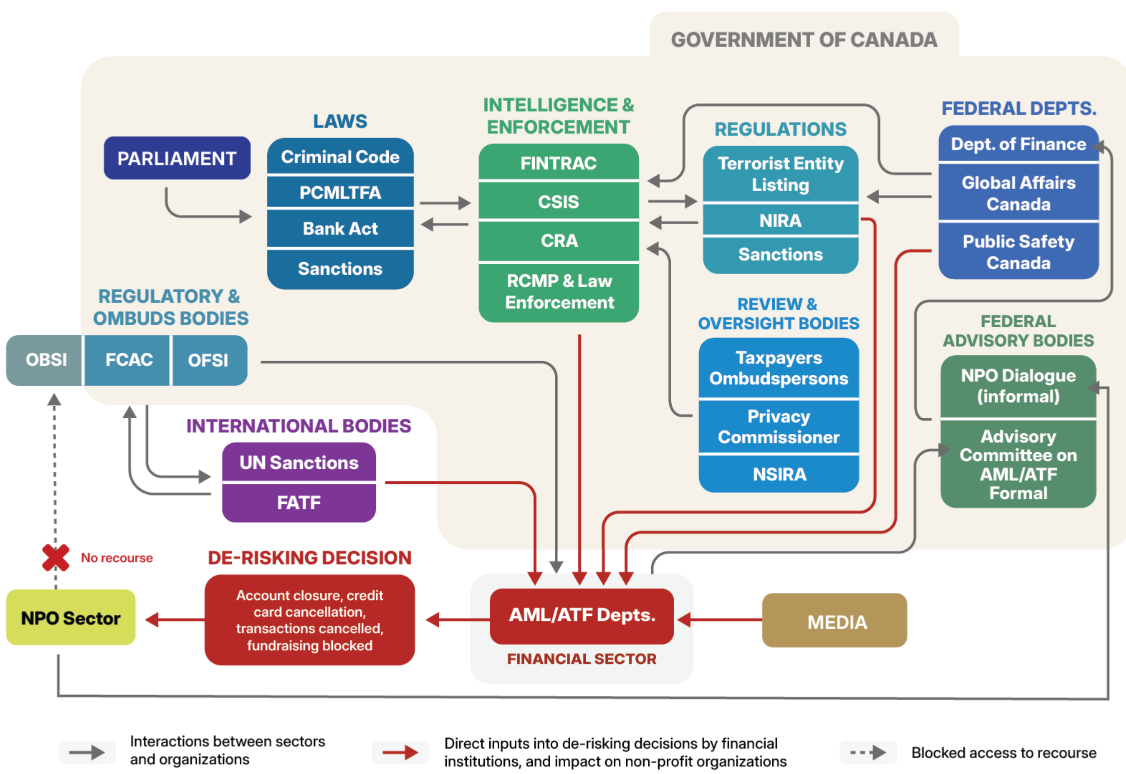
the cost, financially and legally, of maintaining certain clients versus the possible impact of clients engaging in illegal activity. This is where the need to engage in a risk-based analysis that examines the specific situation of each client, including charities and humanitarian organizations, comes into play.

Unfortunately, the vagueness of laws surrounding terrorist financing and the weight of government penalties, combined with little benefit or repercussion for de-risking NPOs, can lead to the freezing of funds, sudden closure of accounts or other issues that accompany de-risking. Moreover, the intelligence-gathering role that the private sector carries out through the provision of Suspicious Transaction Reports to FINTRAC can also play a detrimental role beyond de-risking, flagging NPOs to FINTRAC for follow-up investigations or for inclusion in intelligence reports disseminated to government and law enforcement partners.[53]

Structural Implications of De-risking

Taken together, this organizational ecosystem reveals why de-risking persists despite shifts in policy language and stated commitments to proportionality and a case-by-case approach. Risk assessments, intelligence practices, supervisory incentives, and enforcement mechanisms are mutually reinforcing. Each actor operates within its mandate, yet the cumulative effect is a regime that systematically rewards exclusion over engagement.

The Ecosystem of De-risking



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[53] Emon 2026, *supra* note 3.

De-risking is therefore not a failure of individual institutions, but a structural outcome of Canada's AML/ATF governance model. Addressing it requires more than guidance to banks. It demands reforms that introduce transparency, civil liberties safeguards, and accountability mechanisms across the entire regime—particularly at the points where state-generated risk signals are translated into private-sector decisions with profound consequences for civil society.

The National Inherent Risk Assessments (2015–2025): A Decade of High-Risk Framing of Charities

A central pillar of the government's risk-signaling apparatus is Canada's series of National Inherent Risk Assessments (NIRAs), published by the Department of Finance to assess money laundering and terrorist financing risks across the country. These assessments are not neutral technical exercises. Over time, they have shaped regulatory priorities, supervisory expectations, and the compliance behaviour of financial institutions, establishing the baseline assumptions that define what is considered "acceptable risk" in Canada's financial system.

The 2015 National Inherent Risk Assessment: Establishing Charities as a Core Terrorist Financing Risk

Canada's first comprehensive National Inherent Risk Assessment, released in 2015 as part of post-2014 AML/ATF reforms, set the foundational framing for the charitable sector. The assessment explicitly determined registered charities to be at "high risk" for terrorist financing abuse, particularly those operating in proximity to active conflict zones or within communities perceived to be targeted by terrorist movements for support or cover.[54] The 2015 NIRA went so far as to identify a list of terrorist entities with a financing nexus to Canada. Nearly all entities listed – 9 out of 11 – were alleged to be motivated by Islamist ideology, with the remaining two also originating in non-Western countries with complex political realities.[55] It further asserted that the "majority of terrorist financing actors associated with the assessed terrorist groups have used registered charities at one point," and catalogued a wide range of possible risk scenarios involving diversion of funds, abuse of programming, affiliation with terrorist entities, and sham charitable activity.[56] While allusion was made to charities being involved in these scenarios in real life, no data was provided regarding the actual scope or impact of these activities, nor to the overall determination of high risk. To the contrary, the 2015 NIRA acknowledged that terrorism financing posed a smaller problem than money

[54] Prejudiced Audits, *supra* note 7.
[55] It is important to note here that what is considered a terrorist entity is based largely on Canada's Terrorist Entities List, a rights-violating tool which itself is contested in terms of which groups are listed, what successive Canadian governments have labelled as "terrorism" and its role in perpetuating Islamophobia. For more, see: ICLMG, "ICLMG Calls for End to Terror List" (17 October 2024), online: ICLMG <https://iclmg.ca/iclmg-calls-for-end-to-terror-list/>; ICLMG, "Letter: Federal Leaders and the Terrorist Entities List" (22 February 2021), online: ICLMG <https://iclmg.ca/letter-federal-leaders-terrorist-entities-list/>.
[56] Department of Finance Canada, *Assessment of Inherent Risks of Money Laundering and Terrorist Financing in Canada* (Ottawa: Department of Finance, 2015) online (pdf): <https://www.canada.ca/content/dam/fin/migration/pub/mltf-rpcfat/mltf-rpcfat-eng.pdf>.

laundering in Canada, and repeatedly relied on speculative and qualified language—such as "may," "limited," or "small"—when describing actual terrorist financing activity. [57]

> To the contrary, the 2015 NIRA acknowledged that terrorism financing posed a smaller problem than money laundering in Canada, and repeatedly relied on speculative and qualified language—such as "may," "limited," or "small"—when describing actual terrorist financing activity.

Despite this, the assessment constructed terrorism financing as a distinct and elevated risk category, justifying heightened scrutiny of charities without demonstrating that such financing constituted a significant or empirically established problem in Canada. This framing laid the groundwork for treating charities—particularly Muslim-led and internationally active charities, including humanitarian organizations—as inherently suspect, embedding a risk logic that prioritized prevention through suspicion rather than evidence-based assessment. This is despite the fact that no Canadian charity, or its staff or directors, have been charged with – let alone convicted of – a terrorist financing crime in relation to their charitable or humanitarian work.[58]

The 2023 National Inherent Risk Assessment: Reinforcing Sector-Wide Vulnerability

Nearly eight years later, following concerns raised regarding Canada's approach to countering terrorist financing, the government published an updated risk assessment. Despite critiques of the original NIRA, and nearly a decade for the government to reassess its approach, the 2023 NIRA largely reaffirmed the 2015 assessment. While incorporating new FATF language on protecting against unintended consequences of ATF policies on non-profit organizations, the updated NIRA continued to characterize registered charities and non-profit organizations, especially those operating overseas, as inherently vulnerable to terrorist financing abuse. [59] The assessment again emphasized sector-wide characteristics—public trust, access to funds, international operations, and activity in conflict-affected regions—rather than actual evidence as sources of risk.

The 2023 assessment also reproduced and expanded the same core speculative risk scenarios identified in 2015, including diversion of funds, infiltration by bad actors, affiliation with terrorist entities, abuse of programming, recruitment support, and false representation. It reiterated that "the majority of terrorist financing actors associated with listed terrorist groups have used registered charities," reinforcing the perception that charitable organizations are a primary vector for terrorist financing risk. This is despite, once again, failing to include any supporting details or the scope of the problem. For example, while terrorist entities may have used registered charities, there is no information as to how they were used, the number

[57] *Ibid*.
[58] Prejudiced Audits, *supra* note 7.
[59] *Supra,* note 30.

of actual charities involved, or the real or potential impacts. In fact, the NIRA once again acknowledged that most terrorist financing risks were “limited” or minimal.

> While incorporating new FATF language on protecting against unintended consequences of ATF policies on non-profit organizations, the updated NIRA continued to characterize registered charities and non-profit organizations, especially those operating overseas, as inherently vulnerable to terrorist financing abuse.

Although couched in technical language, the cumulative effect of the 2015 and 2023 NIRAs was to entrench a high-risk narrative around charities for nearly a decade. During this period, financial institutions, regulators, and supervisory bodies were repeatedly signaled—through official government risk assessments—that charities, particularly those operating internationally or connected to Muslim communities, warranted heightened suspicion and defensive compliance despite this not being based on any evidence. [60]

The 2025 National Risk Assessment: A Shift in Tone, Not in Legacy Impact

The 2025 NRA represents a meaningful shift in tone and language. For the first time, the assessment explicitly cautions against bias, mis- and disinformation, and the unintended consequences of overly restrictive policies.[61] It acknowledges financial exclusion and de-risking as real harms, recognizes that broad sectoral generalizations may not reflect actual risk, and calls for customer due diligence and risk assessment processes grounded in credible, evidence-based, and corroborated information. The 2025 assessment also reveals a change in name, dropping “Inherent” from the title. This modified wording represents an important shift in the government’s analysis from only looking at what is known as “inherent risk” – risks of terrorist financing before any safeguards or regulations are put in place – towards looking at “mitigated risk”. Mitigations include, for example, the screening of partners or clients for involvement in financial crimes.

The NPO sector had raised concerns that only looking at inherent risk did not take into account the myriad ways that charities and humanitarian organizations enact safeguards against fund diversion, money laundering or the financing of illegal activities (including terrorist financing). This includes abiding by federal laws in general, and regulations for the charitable sector in particular; oversight by the CRA Charities

[60] While Canada did not produce a national risk assessment before 2015, this does not mean that the “high risk narrative” did not already exist and influence ATF practices. For example, Terrance Carter points out in a 2005 report that, “Under this [the *Anti-terrorism Act, 2001*], charities with political, religious and ideological purposes will now become inherently suspect because they in part meet the definition of ‘terrorist activity.’ As a result, religious, ethnic and environmental charities may be scrutinized more than other charities, possibly resulting in discrimination against charities that have ‘religious or ideological’ purposes. … It could apply to minority religious groups, ethnic social groups and charities, but it could also apply to mainline religious groups and related charities.” Terrance Carter, “The Impact of Anti-Terrorism Legislation on Charities” (27 September 2005), online (pdf): Carter & Associates Professional Corporation <https://www.carters.ca/pub/article/charity/2005/tsc0927.pdf>.
[61] *Supra*, note 20.

Commission; contractual obligations to funders that explicitly require policies to mitigate threats of terrorist financing; domestic laws of the countries where international organizations operate; and internal policies and safeguards the organizations put in place to ensure the effectiveness and integrity of their programs.

The 2025 NRA also lowers the classification of the NPO sector from High to Medium risk and emphasizes that sector-level characteristics should serve only as a starting point for more nuanced, subgroup-specific analysis. Importantly, it warns that de-risking can undermine humanitarian assistance and push financial flows into less transparent, higher-risk channels.

Unfortunately, the NRA's terrorism financing risk analysis continued to focus primarily on entities alleged to be associated with terrorism motivated by Islamist ideology, and entirely from entities linked to racialized communities. While more emphasis is given to the financing of far right and white supremacist extremist entities, the financing concerns raised remain limited. While this may arguably reflect the degrees of terrorist financing risks in Canada, similar to previous years, this is undermined by a lack of information regarding the actual scope of terrorist financing in Canada. For example, while stating that "the misuse of the charitable and NPO sectors has been observed as a prominent financing method used by Hamas and Hezbollah," without crediting a source, the assessment goes on to state that, "that revenue generation through NPO abuse represents a relatively small percentage of operational budgets of terrorist groups overall," sourcing a 2024 report from the Egmont Group.[62] This raises important questions regarding the degree of focus and the risk-rating of NPOs is determined.

So while the lowered risk level represents a substantial change, this shift must still be understood in context. For more than a decade, charities have consistently been framed as a high-risk sector within Canada's AML/ATF regime. Moreover, all three assessments have included, in a relatively consistent manner, a disproportionate and unjustified focus on racialized communities, and Muslim communities in particular, as presenting terrorist financing risks or as being the source of terrorist financing threats in Canada.

> As a result, the civil liberties concern today is not simply the content of the 2025 NRA, but the inertia of a system conditioned by years of high-risk framing.

Financial institutions, regulators, and compliance professionals developed their risk models, supervisory expectations, and internal controls in response to the earlier assessments. These long-standing signals shaped institutional culture, risk appetite, and decision-making practices well before the 2025 course correction.

[62] *Ibid.*

International Civil Liberties Monitoring Group

Timeline of Financial Exclusion

Canadian Event 🍁
International Event 🌐

2001 Dec 🍁

Canada adopts the Anti-terrorism Act, officially adding “terrorist financing” to the Proceeds of Crime (Money Laundering) Act and to FINTRAC’s mandate

🌐 Dec 2013

Global NPO Coalition on FATF is founded to raise concerns regarding impact of AML/ATF measures on non-profits and charities

2015 Jul 🍁

Department of Finance publishes Canada’s first National Inherent Risk Assessment (NIRA)

🌐 Jun 2016

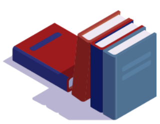
FATF revision to Recommendation 8 on NPOs retracts the claim that the NPO sector is ‘particularly vulnerable’ to terrorist abuse

2021 Feb 🌐

FATF, under pressure from NPOs, launches major review of impact of AML/ATF measures and FATF recommendations on derisking, financial exclusion, and the suppression of NPOs and human rights

🍁 Apr 2021

National Council of Canadian Muslims and Institute of Islamic Studies at U of T (IIS) publish “Under Layered Suspicion” report



2021 Jun 🍁

ICLMG publishes “The CRA’s Prejudiced Audits: Counter-Terrorism and the Targeting of Muslim Charities in Canada.”

🍁 Jul 2021

PM Justin Trudeau acknowledges concerns of systemic racism and Islamophobia in treatment of charities by CRA at National Summit on Islamophobia

Minister of National Revenue Diane Lebouthillier announces investigation by the Office of the Taxpayers’ Ombudsperson (OTO)

2022 Dec 🌐

UN Security Council adopts resolution 2664, recognizing that UN sanctions are not meant to hinder humanitarian aid and creating explicit exemptions

🍁 Mar 2023

OTO publishes "Charity Begins with Fairness," recommending mandatory unconscious bias training for CRA staff involved in auditing charities. National security and privacy laws, though, blocked the OTO from completing its investigation

2023 Jun 🍁

After months of pressure, Parliament amends the Criminal Code to create exemptions to ATF laws for humanitarian aid and an authorization regime for other forms of international development.

2023 Oct 🌐

FATF adopts major changes to its Recommendation 8 to address the "unintended consequences" of AML/ATF measures

🍁 Nov 2023

The Senate Human Rights Committee report on Islamophobia recommends an update to the NIRA and new oversight, review and transparency measures to combat systemic Islamophobia and racism against Muslim-led charities

2024 Oct 🍁

First NPO Dialogue meeting

2025 Aug 🍁

Department of Finance publishes 2025 NRA

🍁 Oct 2025

NSIRA publishes review of the CRA's Review and Analysis Division (RAD). NSIRA finds RAD's approach to countering terrorist financing in the charitable sector lacks rigour and raises serious concerns about bias and discrimination, placing RAD at risk of violating the Canadian Charter of Rights and Freedoms

2026 Mar 🍁

IIS publishes, "Humanitarianism and the Exclusion of Muslim Charities from the Financial Sector"

2026 Sep 🍁

ICLMG publishes, "The Damage of De-risking: How Canada's Policies to Counter Terrorism Financing Drive Financial Exclusion"

As a result, the civil liberties concern today is not simply the content of the 2025 NRA, but the inertia of a system conditioned by years of high-risk framing. While the 2025 assessment articulates more balanced principles, it does not impose binding obligations or accountability mechanisms to ensure that those principles override entrenched practices. The legacy of the 2015 and 2023 assessments continues to inform defensive compliance behaviour, legitimizing financial exclusion even as official policy language changed.

Implications for De-risking

Seen in this light, as concerns about de-risking come to light, they cannot be seen as new or sudden. Rather, de-risking is the downstream effect of a decade-long risk environment in which charities were treated as structurally suspect within Canada's counter terrorism-financing framework. The 2025 NRA's recognition of unintended consequences is an important development, but it does not undo the cumulative impact of earlier assessments that normalized suspicion, justified heightened scrutiny, and rewarded risk avoidance.

This history underscores why de-risking persists despite changes in tone. Without explicit mechanisms to recalibrate supervisory expectations, correct legacy risk models, and hold decision-makers accountable, the system continues to operate on assumptions forged during a prolonged period of high-risk classification. Addressing de-risking therefore requires confronting not only current policy language, but the enduring influence of past risk assessments that shaped the financial system's approach to charities for more than a decade.

Review Agency Findings and Their Implications for Financial De-risking

The practices of the Canada Revenue Agency (CRA) in regulating charities are directly connected to the broader dynamics of financial de-risking. CRA audit and sanction activities function as authoritative risk signals within Canada's AML/ATF regime, shaping how the financial sector assesses and responds to perceived terrorist-financing risk. In 2025, the National Security and Intelligence Review Agency (NSIRA) published a review of the CRA's ATF activities, one of the key recommendations of ICLMG's 2021 report. The public findings of this report provide a rare and critically important window into how risk assessments operate in practice within the state—and why their deficiencies can have profound implications for the private financial sector.

NSIRA's Findings on CRA Risk Assessment Failures

The CRA's Review and Analysis Division (RAD) is mandated to identify and prevent the misuse of registered charities for terrorist financing. However, NSIRA's 2025 review concluded that RAD's audit-selection and risk-assessment practices were deeply flawed. NSIRA found that decisions to audit charities were often not grounded in a credible assessment of terrorist-financing risk and may have been influenced by bias or discriminatory assumptions. [63]

More fundamentally, NSIRA identified systemic failures in documentation, analytical rigour, and evidentiary standards. Risk assessments justifying audits were frequently poorly documented, absent altogether, or based on outdated or unverified intelligence. The decision-making process lacked clear methodologies and consistent application, creating wide discretion with limited internal or external checks. As NSIRA noted, these deficiencies undermined the government's claim to be applying a fair and evidence-based risk-based approach. [64]

From a civil liberties perspective, these findings are significant not merely because errors occurred, but because the institutional design allowed them to occur without detection or correction. Where rationales are undocumented or unclear, meaningful review becomes impossible. Organizations subjected to audits had little ability to challenge the basis for state action because, in some cases, the justification did not exist in a form that could be scrutinized.

Why These Findings Matter for the Financial Sector

NSIRA's findings matter well beyond the CRA. They demonstrate how, within a government entity subject to statutory oversight, formal review, and parliamentary accountability, risk assessments can nonetheless become opaque, weakly evidenced, and resistant to challenge. This has direct implications for de-risking in the financial sector.

CRA audit activity does not operate in isolation. It is embedded in an inter-agency feedback loop that includes national risk assessments, intelligence sharing, supervisory guidance, and bank compliance practices. When the CRA targets an organization for audit—regardless of the quality of the underlying risk assessment—that action sends a powerful signal to financial institutions that the organization is considered "high risk" by the state. Banks, facing severe regulatory and reputational consequences for compliance failures, are structurally incentivized to respond defensively.

This is where the accountability gap becomes critical. Unlike the CRA, financial institutions' internal risk assessments are shielded by commercial confidentiality and are not subject to independent, rights-based oversight. There is no statutory requirement for banks to document their de-risking decisions in a manner that can be reviewed externally, nor is there an independent body equivalent to the NSIRA with the mandate to examine whether bank risk assessments are evidence-based, proportionate, or free from bias.

[63] NSIRA 2025, *supra* note 5.
[64] *Ibid*.

If a government agency—operating within a legal framework that allows for review by the NSIRA—can be found to rely on undocumented, inconsistent, or poorly substantiated risk assessments, it raises an unavoidable question: what safeguards exist when similar or weaker assessments are made by private financial institutions operating behind a veil of confidentiality?

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The result can be catastrophic for human rights and civil liberties. As laid out in international and domestic examples throughout this report, and discussed more in depth below, the impacts can undermine freedom of expression and freedom of association, freedom of religion, the right to equality and non-discrimination, and the right to life and security of the person. As mentioned earlier, other aspects of Canada's ATF regime also implicate other rights. For example, "suspicious transactions reports" sent from financial institutions to FINTRAC have been found to violate privacy rights and demonstrate potential bias in their determination of what constitutes grounds for "suspicion."[65]

De-risking Without Accountability

The result is a system of financial exclusion without meaningful accountability. A CRA audit, even when based on flawed or weakly evidenced premises – and irrespective of the audit's outcome – can trigger a cascading de-risking response. Banks, observing the "smoke" of government scrutiny, have strong incentives to avoid the perceived "fire" of regulatory exposure by exiting the relationship altogether. In doing so, they can cite vague justifications such as changes in "risk appetite" or internal policy, mirroring the lack of documented rationale that the NSIRA identified within the CRA.

Unlike government entities, however, banks are not required to explain their decisions, disclose the basis for their risk assessments, or provide an avenue for appeal. There is no mechanism for an affected organization to test whether a de-risking decision was grounded in credible evidence or merely inherited from flawed upstream risk signals. Nor is there any public body tasked with examining whether systemic de-risking reflects rational risk management or unexamined bias.

In this sense, the NSIRA's findings expose not only a problem within the CRA, but a broader structural vulnerability within Canada's AML/ATF regime. They illustrate how deficiencies in state risk assessments can be amplified by the private sector, where opacity is even greater and accountability mechanisms are virtually nonexistent. De-risking thus becomes not a series of isolated commercial choices, but a predictable outcome of a system that generates powerful risk signals without ensuring that those signals are transparent, evidence-based, or subject to independent review.

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[65] Emon 2026, *supra* note 3.

De-risking as a Systemic Practice

As demonstrated above, de-risking is not a theoretical or marginal phenomenon. It is a documented, ongoing practice that directly contradicts the risk-based approach promoted by the Financial Action Task Force (FATF) and has produced widespread financial exclusion across multiple sectors. In 2021, the FATF explicitly acknowledged that despite repeated efforts to refine its standards, de-risking and financial exclusion persist and remain a significant global challenge.[66] The FATF noted that these outcomes often arise not from the standards themselves, but from their overly cautious, distorted, or incorrect implementation by states and financial institutions. In particular, the FATF has warned that broad, precautionary withdrawal of services runs contrary to proportionate, evidence-based risk management and undermines the core objectives of the AML/ATF framework.

The impacts of de-risking on non-profit, charitable and humanitarian organizations have also been extensively documented at the national and international level by organizations such as the Charity and Security Network,[67] the Charity Finance Group,[68] the European Centre for Not-for-Profit Law,[69] the European Public Interest Law Clinic,[70] the Human Security Collective,[71] the Global Center for Cooperative Security,[72] the Global NPO Coalition on the FATF[73] and others. Initial work has begun to document the impact in Canada, particularly in the recent research from the Institute of Islamic Studies at the University of Toronto.[74]

The experiences collected for this report through discussions with civil society stakeholders, combined with other recent research, demonstrate that de-risking in Canada is neither isolated nor accidental. It affects a wide range of actors: humanitarian charities, faith-based organizations, advocacy groups, frontline aid workers, executives, board members, and even their families. These cases, shared confidentially to avoid further harm and documented below and in Annex A, reveal recurring patterns rather than exceptional

[66] FATF, “Non-Profit Organisations” (2024), online: FATF <https://www.fatf-gafi.org/en/topics/non-profit-organisations.html>.
[67] Charity and Security Network, “Ensuring Risk-Based Compliance and Financial Access for Nonprofit Organizations: Comment on Efforts to Reform AML/CFT Program Requirements” at 2 (9 June 2026), online (pdf): <https://charityandsecurity.org/wp-content/uploads/2026/06/June-2026-BSA-NPRM-Comment.pdf>.
[68] Charity Finance Group, “Impact of Money Laundering and Counter-Terrorism Regulations on Charities” (March 2018), online (pdf): <https://cfg.org.uk/topics/fraud>.
[69] Global NPO Coalition on FATF, “At the Intersection of Security and Regulation: Understanding the Drivers of De-Risking and the Impact on Civil Society Organizations” (March 2018), online (pdf): <https://fatfplatform.org/assets/Understanding-the-Drivers-of-De-Risking-and-the-Impact-on-Civil-Society-Organizations_1.pdf>.
[70] NYU Paris EU Public Interest Clinic, *Bank De-Risking of Non-Profit Clients A Business and Human Rights Perspective* (6 January 2021), online (pdf): <https://www.hscollective.org/assets/Uploads/NYU-HSC-Report_FINAL.pdf>.
[71] Human Security Collective, *The Future of FATF Recommendation 8: A Foresight Piece* (November 2023), online (pdf): <https://www.hscollective.org/assets/Final_R8-Foresight_.pdf>.
[72] Tracey Durner & Liat Shetret, *Understanding Bank De-Risking and Its Effects on Financial Inclusion* (November 2015), online: <https://globalcenter.org/resource/understanding-bank-de-risking-and-its-effects-on-financial-inclusion/>.
[73] Global NPO Coalition on FATF, “Input to FATF Unintended Consequences Workstream: De-Risking/Financial Exclusion,” online (pdf): <https://fatfplatform.org/assets/Global-NPO-Coalition-input-for-UC-workstream-on-derisking-and-financial-exclusion.pdf>.
[74] *Emon 2026, supra note 3.*

failures. They illustrate how risk decisions are routinely made without transparency, without evidence-based justification, and without meaningful avenues for explanation, mitigation, or appeal.

How De-risking Impacts the NPO and Charity Sector

While the previous section established the policy drivers and regulatory failures that produce de-risking, this section will detail the tangible, real-world consequences of this practice on Canadian NPOs. The impacts described below are not speculative; they are drawn from publicly documented sources, including parliamentary testimony, community-led research reports, and media investigations.[75]

To begin, we examine a series of six case studies which are emblematic of the broader impacts of de-risking on Muslim-led charities, humanitarian organizations, and the broader non-profit sector.

Case studies

One recurring pattern involves the treatment of unverified or ideologically motivated information as credible indicators of risk. Charities have seen banking relationships restricted or terminated following media allegations or politically motivated reporting that later proved false or was formally dismissed by courts. In these instances, financial institutions acted not on substantiated findings, but on reputational anxiety and risk aversion. Subsequent corrections, acquittals, or clarifications had no restorative effect. Once risk was assumed, it became effectively irreversible.

Another consistent feature of de-risking is its expansion beyond traditional banking into the broader financial infrastructure on which modern charities depend. Payment processors, donation platforms, and customer relationship management (CRM) systems have become critical intermediaries for fundraising and operations. When these platforms sever services, the impact is immediate and severe, often cutting off a substantial amount of a charity's revenue overnight. In many cases, the platform attributes the decision to its banking partners, while the bank denies responsibility or cites confidentiality. This diffusion of accountability leaves affected organizations trapped in a circular, opaque system where no actor accepts responsibility and no explanation is ever provided.

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[75] *Supra* notes 3, 4, 7 & 8.

Case 1: Impact on funding

Unverified foreign misinformation leads to Customer Relationship Management/Donation Processor abruptly de-platforming the charity, resulting in decision by major Canadian bank to serve notice of account closure in 30 days.

A major fundraising platform/donation processor wrote to a large, established humanitarian organization that does work in many countries, including Syria, that they would be off boarded immediately.

Further investigation revealed that the off boarding was due to a de-risking decision by the platform's banking partner.

This platform was used to process the organization's one time and recurring donations, the latter being a significant and important source of funding for the charity's work.

After discussion, they were told that they had fifteen to thirty days to transfer their operations from the fundraising platform/payment processor.

This change had occurred because the fundraising platform had changed payment processors, and this new payment processor in turn worked with a bank that was highly risk adverse.

No clear information was provided about what was the nature of the risk, nor how to address it.

The fundraising platform was sympathetic to the charity's concerns, especially after having worked with them without incident for years. Together they found a solution by diversifying the payment processors that the platform used, although the process still had a considerable impact on the charities fundraising efforts. The charity also noted that it is rare for a fundraising platform or other financial service to help reach a resolution, as opposed to simply closing an account.

The impacts:

- Significant impact of recurring donors cancelling future donations
- Significant drain on resources to find and switch to new platform
- Risk of losing donor information in the process
- Charity required to always have back-up systems, and to spread accounts across financial institutions
- Relationship with banks and financial services strained and reduced leverage with any particular institution
- Reputation of charity is damaged in eye of other financial institutions and the public

The issues:

- Pressure to comply with government risk assessments and avoid penalties results in reduced risk tolerance leading to de-risking
- Unsupported – and even debunked – allegations, including those from unreliable, biased or unvetted sources, result in de-risking
- Secrecy and lack of disclosure of concerns makes addressing those concerns impossible
- Trickle-down effect of one institution's lack of risk tolerance impacting other services
- Lack of independent recourse to seek clarity or redress

De-risking also extends deeply into the personal lives of individuals associated with non-profit, charitable or humanitarian organizations based in Muslim communities or operating internationally in areas deemed "high risk." But the impacts are not limited to charities operating overseas or engaged in so-called "high risk activities." Advocacy leaders in Canada have seen both organizational and personal accounts frozen, followed by cascading impacts on spouses, parents, siblings, and extended family members who banked with the same institution. These outcomes demonstrate that de-risking is not confined to institutional accounts, but operates as a form of financial contagion once an individual or organization is flagged.

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

A Palestine solidarity organization, one of its directors and their[76] family are suddenly de-banked

In 2024, a Canadian non-profit engaged in solidarity, advocacy and education regarding Palestine (although not involved in organizing protests) suddenly received notice with no prior warning from a major Canadian bank that its account would be closed in 30 days. Despite repeated requests to find our why its account was being closed, and being transferred between different departments over the phone, no one at the bank was able to provide an answer. Because the account was opened in another city, the organization was told that the bank draft for the funds in their account could only be retrieved there, and that the bank draft could not be mailed or issued at another branch, despite the fact that the organization no longer had any staff or directors living in that city. A director was forced to drive nearly 5 hours to retrieve the bank draft.

In the coming months, one of the directors of the non-profit met with another major Canadian bank to open an account for the organization, but was rejected out of hand, with no explanation. Finally, after months of trying, the non-profit was able to open an account with another bank. In the meantime, the organization was forced to suspend its activities for weeks, at a crucial time in their advocacy work. Moreover, members of the organization were forced to use personal accounts to help manage payments of things like subscriptions while waiting for a resolution. According to a director, they still have no idea what led to the non-profit's de-banking, apart from its name and the issue that they stood for.

Soon after the organization's account was closed, another directors of this non-profit who held accounts with the same bank was also de-banked without explanation. This included credit cards and financial accounts from which this individual's mortgage payments were made. While no explanation was provided,

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

no other activity in their life had changed apart from his advocacy for Palestine and becoming a director of this non-profit. The individual did not make or receive any international transfers, which may raise flags.

Shortly after they found out that their parents, siblings and one of their in-laws had also received similar letters from the same institution and been de-banked. In total, 13 members of their family were de-risked. This caused significant stress, particularly among their older parents, who missed payments on accounts that were sent to collection. Neither this person nor anyone else in their family was provided with details as to why their accounts were closed, despite repeated requests for more information.

Two years later, the individual was suddenly de-banked by another Canadian financial institution. During those two years, they were abroad for work, which led to the natural end of their advocacy activities in Canada. After losing access to their accounts, this person was informed that a letter had been sent to their residence in Canada, but they never received it. An official shared it by email, but once again it did not contain any information specific to the person's situation, simply that from time to time the bank evaluates the risk profile of clients, and that the bank was exercising its right to close this person's account with 30 days' notice (during which the individual can withdraw funds or transfer them to another account). Because of the delay in receiving the notice of closure, the individual was unable to request the funds during the initial 30 days, and still has not received the balance that remained in the account.

The impacts:

- The de-banking of the non-profit came without warning and seriously disrupted their work at a key time in their advocacy.
- The organization and its directors remain concerned that they could once again be de-banked without any notice.
- De-banking can cause significant personal stress and anguish, both in cases where an individual is impacted, but even more so when family is also affected. In this case, the initial de-banking in 2024 led to defaulting on mortgage payments and significant stress transferring financial services to other institutions.
- This was compounded by concerns that other financial institutions could follow suit.
- The complete lack of information around why this person and their family were de-banked and the impossibility of challenging this de-banking caused serious distress.
- The situation also raised questions about why lawful advocacy would result is such serious repercussions not just for this person, but for their family.
- The second de-banking has raised even more questions and stress, given that this person is no longer politically active and that the decision is coming years after their initial de-banking.

The issues:

- The secrecy and inability to challenge a de-banking decision once again highlights the "black box" that surrounds this issue.
- It raises the serious possibility that lawful, domestic political activity leads to de-banking.
- Such de-banking decisions are made based on guilt-by-association: in total, 13 members of this person's family were reportedly de-banked. Even if this person had engaged in "risky" behaviour, their family had not.
- Canada's approach to ATF enables systemic discrimination that views specific communities and specific forms of lawful advocacy as inherently "risky," leading to significant adverse repercussions.
- Lack of transparency, disclosure and recourse results in further instances of de-banking, and instills the concern that no financial service is safe or stable.

A further structural problem is the disconnect between evolving government policy and financial sector practice. Even where Canada has amended its sanctions regime, such as with Syria, or introduced humanitarian exemptions, financial institutions and payment platforms have continued to block or freeze transactions. Institutions appeared sometimes unaware of, sometimes unwilling to, operationalize government authorizations and exemptions, resulting in prolonged fund freezes and stalled humanitarian responses. This gap raises serious questions about how legislative safeguards translate into real-world financial access, and whether government assurances have any practical effect when confronted with institutional risk aversion.

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

How banks apply de-risking policies even when government-designated sanctions evolve.

After Canada amended its sanctions on Syria in February 2025 to allow humanitarian aid, a Canadian charity launched a public campaign raising funds for Syria using a prominent payment processor. The payment processor suddenly froze all funds it held for the organization – not just for Syrian relief but for other campaigns as well – totalling nearly $1 million.

The processor admitted it had no knowledge of the government's Special Economic Measures (SEMA) exemption for Syria. Despite being informed of the change and being provided evidence of the government's modification to the sanctions, the funds remained frozen, and the internal investigation dragged on.

It took nearly a year for the funds to be released. As a condition of continued use of the payment processor, though, the charity was required to put their work in Syria on hold. It was only in April 2026 that the charity was able to restart humanitarian operations in Syria, after the Minister of Foreign Affairs issued a clarifying statement.

<u>The impacts:</u>

- This denial of service and freezing of funds forced the organization to reduce its humanitarian operations in Syria as well as other countries, with serious implications for the lives and safety of the communities in which the organization operated.
- The situation also forced the charity to expend significant time and resources in addressing unnecessary and unwarranted administrative hurdles, including finding new payment processors and re-engineering their online donation system, further reducing funding available for life-saving aid.

<u>The issues:</u>

- Pressure on financial service providers via the ATF regime, and lack of clear guidance, means that even when sanctions and prohibitions change, de-risking still occurs.
- Decision making processes occur in a black box without any independent recourse, allowing unnecessary delays and administrative hurdles to persist.
- The characterization of charities, especially those operating in Muslim-majority and politically complex areas, as being at high risk for terrorist financing results in an overly-cautious and risk-adverse approach that hampers crucial humanitarian assistance.
- It also raises an important question: While Bill C-41 provides exemptions at the government level for humanitarian work in areas controlled by terrorist entities, how do these exemptions actually translate—or fail to translate—into practice at the banking level?

While the majority of these cases deal with charities operating at the international level, the impacts are also felt domestically. Much as Muslim-led charities operating domestically have been subjected to increased surveillance and sanctions by the CRA for unfounded allegations of support for terrorist financing, these charities have also faced de-risking based on unsubstantiated and secretive accusations.

Case 4: Collateral Damage to Families and Financial Ecosystems

Canadian charities operating domestically also subject to de-risking

In the mid-2010s, a Canadian news outlet published an article falsely linking a Canadian, Muslim-led charity to terrorist entities. This charity operates entirely within Canada, with no international operations.

Despite the lack of supporting evidence, and the article eventually being retracted, multiple Canadian banks closed the charity's organizational accounts. The banks also closed personal accounts of individuals associated with the charity as well as their family members:

- One bank canceled a charity executive's Registered Retirement Savings Plan (RRSP) account, bank account and credit card, and required the executive's spouse to remove the executive from their RRSP account.
- Another bank closed accounts held for 20+ years by the executive and their spouse.

At the time, no explanations were provided by any of the banks. Only two years later, the executive was informally told by one bank that the news article was the cause of the closure of accounts.

Despite recourse to banks' ombudspeople and third-party risk-screening company, no answer was provided and no solution reached.

The executive continues to see residual impact today, with a recently canceled credit card.

The impacts:

- The charity was forced to quickly find other banking services.
- This damaged the reputation of the charity with donors, among their community, and among the broader public.
- Important resources were redirected to addressing de-banking.
- Significant disturbance of the personal lives of charity staff and their family.
- Sense of distrust, including among their children, in official institutions.

The issues:

- Even without foreign operations, Muslim-led charities face financial exclusion.
- Once flagged, de-risking spreads across all products—checking, savings, credit cards, mortgages—destroying the financial stability of families.
- It places the charity in a precarious position, including the ongoing fear of additional account closures.
- Without independent oversight, they cannot seek answers or recourse for account closures.

This case study highlights the problems with accountability and recourse structures within financial institutions. Even when high level executives recognize the problem and seek ways to resolve the issue or provide clarity, they cannot access the necessary information. While the *Bank Act* requires that financial institutions have internal recourse measures, there are no requirements that they provide appropriate support in cases of de-risking. Even where information may need to be protected for legitimate privacy, national security or law enforcement reasons, there are no opportunities for explanation or clarity. This lack of transparency includes organizations not being able to know the case against them, or to take action to address and correct false, incorrect or biased information that may have influenced a de-risking decision.

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

A Canadian charity is de-risked despite being a sought-after client, and upper-level executives cannot explain why

A Canadian charity that relied on a major credit card company for both expense payments and donor contributions experienced a sudden and opaque de-banking incident.

A board member of the charity met with a senior, C-level executive of the credit card company, who said that he didn't see any red flags with the charity applying for an account.

When they did so, they were greeted with enthusiasm by the account management team, which expedited the charity's onboarding.

Without warning or rationale, just a week after onboarding, the credit card company abruptly suspended the charity's account. Shortly after, donations paid via that credit card were also halted, cutting off a key stream of recurring revenue.

No explanation was given. No opportunity was offered to provide compliance documentation or engage in due diligence. Follow-up efforts to resolve the matter were met with silence.

Given the severity of the impact, the charity escalated the issue internally and eventually met again with the top 10 C-level executive within the credit card company. The executive agreed the decision seemed unjustified and pledged to help. But when the issue reached the company's AML/ATF department, the outcome was revealing and disturbing: Even senior executives were not authorized to access the AML/ATF department's reasons for the de-banking of this charity or provide input into the overall strategic decision of whether the charity should have been de-banked.

The impacts:

- An important income stream was eliminated.
- Concerns rose among donors and broader community about reliability and trustworthiness of this charity.
- Use of resources to address the sudden loss of both access to credit and of donations.
- Additional work to attempt to diversify credit sources and income streams.
- Additional costs and fees due to loss of volume discounts due to diversification.
- Increased uncertainty about access to financial services.

The issues:

- The AML/ATF departments operate as a sealed "black box" — without transparency, explanation, or recourse. The charity received no formal notice of wrongdoing, no guidance, and no appeal mechanism. The decision was final.
- Financial institutions, including banks and credit card companies, often centralize risk-related decisions in opaque AML/ATF units, beyond internal executive oversight.
- Even when a client escalates to the highest level, there may be no pathway to resolution if the issue lies with compliance departments.

The impact of de-risking can also extend beyond the charity itself and implicate donors. Invasive questioning without justification can lead to donors unnecessarily mistrusting the charity, worrying about personal risks of donating, and ultimately decrease their willingness to give.

Case 6: Impact on donors

Severe scrutiny of donation leads to funding falling through

A Canadian, Muslim-led humanitarian organization that operates in Syria and Palestine, among other regions, was offered a $400,000 private donation from an individual outside Canada.

The charity's bank flagged the donation and sent a nearly 50-question questionnaire regarding the donation and the donor nearly six months later. These intrusive questions included queries about the donor's financial and business activities. Despite the charity having received large donations in the past, and the donor giving large donations to other charities, this was the first time a donation was flagged.

The bank would not provide any additional details about why the donation was flagged.

$400,000

Individual Donation Lost

An unexplained 50-question inquiry to a reputable charity led a donor to withdraw their gift.

The impacts:

- Because of the intrusive questions, the donor questioned the legitimacy of the charity and ended up retracting the donation.
- To avoid this scenario in the future, the charity no longer accepts international donations.
- A potentially important source of funding is denied, undermining future activities.
- The situation forced the charity to dedicate limited resources to addressing the bank's decision, without any details as to why the decision was taken.
- The reputation of the charity and its staff is harmed because of the actions of the bank, based on undisclosed information.

The issues:

- A bank's risk aversion, without any details or evidence, results in measures that harm the operations and use up the resources of a humanitarian relief organization.
- Without disclosure of information or independent recourse, the charity cannot adequately address the concerns.
- The lack of information makes it impossible to directly address the issues, raising concerns of future impacts on financial services.

Across these experiences, one theme remains constant: opacity. Decisions are typically made by centralized AML/ATF compliance units that operate as sealed systems, insulated from internal executive oversight and entirely beyond public scrutiny. Even when charities escalate concerns to senior executives within financial institutions, those executives may lack the authority to review, explain, or overturn compliance decisions. There is no requirement to disclose the basis of risk assessments, no obligation to provide evidence, and no external body tasked with reviewing de-risking decisions for fairness, proportionality, or compliance with human rights principles.

Taken together, these examples demonstrate that de-risking in Canada is not the result of a few bad actors or isolated compliance errors. It is the predictable outcome of an AML/ATF ecosystem that prioritizes institutional risk avoidance over evidence-based risk management, and confidentiality over accountability. While FATF guidance emphasizes proportionality and case-by-case assessment, the lived reality for many charities and individuals is blanket exclusion with no recourse.

> These examples underscore that de-risking is embedded across the financial system, not confined to a single institution or sector, and cannot be addressed without structural reform, transparency requirements, and meaningful accountability mechanisms.

The cases summarized in this report involve a wide range of major financial and financial-technology actors operating in Canada, including large domestic banks, international credit card companies, and global payment and donation platforms. Institutions implicated through these anonymized accounts include large Canadian banking institutions, major credit card companies, and leading payment and fundraising platforms.

These examples underscore that de-risking is embedded across the financial system, not confined to a single institution or sector, and cannot be addressed without structural reform, transparency requirements, and meaningful accountability mechanisms.

The Sectors Most Affected

While de-risking can affect various sectors, public evidence points towards particularly harmful impacts on specific parts of the NPO and charity sector. These groups are affected not because of any wrongdoing, but because they fit a risk profile pre-defined by government assessments and regulatory culture. As demonstrated above, international research has documented the breadth of de-risking's impacts on non-profits and humanitarian organizations. While Canada requires quantitative research on this issue, qualitative evidence and case studies included in this report and others are making it clear that these impacts are also present here. The most affected organizations include:

- **Muslim-led charities:** These organizations are systematically viewed with heightened suspicion, a bias reflected in the historical audit focus of the CRA's RAD and reinforced by broader security narratives.
- **International humanitarian and development NGOs:** Charities providing essential aid in conflict zones or complex political environments are deemed inherently high-risk.
- **Organizations working in or connected to jurisdictions designated as "high-risk" by the government:** Any financial activity related to regions such as Syria, Palestine, or Pakistan automatically triggers heightened scrutiny and risk aversion from banks. The fact that many regions that are facing humanitarian crises are also facing politically complex situations that can be interpreted as increasing risk only further heightens the tension between the requirements of the ATF regime and the humanitarian principles of providing aid where needed and without discrimination.

Types of Documented Impacts

The consequences of being de-risked are severe and multifaceted, often creating an existential threat to an organization's ability to operate. Documented impacts include:

- **Account closures and service denials:** Major Canadian banks have abruptly closed the long-standing accounts of mosques and registered charities, often providing only a few weeks' notice and no specific reason.
- **Payment processor exclusions**: The exclusion is not limited to traditional banks. Reports show that crucial fundraising and payment processing platforms have simultaneously terminated services for affected charities, creating a comprehensive financial blockade: the ability to collect, hold and disburse funds – the entire cycle of humanitarian aid – is blocked.
- **Operational disruption**: The cascading effects are devastating. De-risking leads to the immediate disruption of humanitarian programs, imposes an immense administrative burden as organizations scramble to find new financial partners, and causes a severe loss of donor confidence due to the stigma associated with being "de-banked."
- **Individual de-risking:** Beyond impacts on organizations themselves, employees, board members and their relatives face serious financial impacts when their personal accounts, ranging from credit cards to RRSPs, are disrupted, or they are forced entirely from a financial institution, again with no clear path to appeal, challenge, or even understand the decisions being made.
- **Reputational impacts:** Both organizations and individuals face reputational impacts following de-risking. Organizations face questions from funders, community members, partners and other financial institutions, impacting their ability to carry out their work. Individuals can face similar questions and concerns, with the additional stress that the accounts they rely upon to live day-to-day are being disrupted, and the tension it can cause in personal relationships.

Civil Liberties Implications

These operational impacts translate directly into profound violations of fundamental human rights and civil liberties. The harms of de-risking are not merely financial; they strike at the core of a free and democratic society. The rights and freedoms impacted include:

- **Equality and non-discrimination**: The consistent and disproportionate targeting of Muslim-led organizations raises serious concerns about religious and ethnic discrimination, contrary to the equality guarantees of the Canadian Charter of Rights and Freedoms. The system effectively creates a two-tier standard of financial access based on community identity.
- **Freedom of religion:** Closely associated to the right to be free from discrimination, the disproportionate and unfounded targeting of a religious community raises serious concerns regarding freedom of religion. This freedom is not limited to just practicing one's religion, but also the ability to "declare religious beliefs openly and without fear of hindrance or reprisal."[77] The higher risk that Muslim-led charities or humanitarian organizations rooted in or serving Muslim-majority

[77] *Canadian Charter of Rights and Freedoms,* s 2, Part I of the *Constitution Act, 1982,* being Schedule B to the *Canada Act 1982* (UK), 1982, c 11, online: <https://www.justice.gc.ca/eng/csj-sjc/rfc-dlc/ccrf-ccdl/check/art2a.html>.

populations could face de-risking simply because of their religion has a clear impact on the ability to openly express religious affiliation without fear of hindrance or reprisal.

- **Freedom of association**: The ability to access basic financial services is a precondition for meaningful association. By denying NPOs the tools needed to receive donations, pay staff, and fund programs, de-risking functionally cripples their ability to operate and pursue their lawful mandates, rendering the freedom of association hollow.
- **Freedom of expression:** The current environment creates a powerful chilling effect on lawful civic and humanitarian activity. Organizations may self-censor, avoiding essential work in challenging regions or refraining from serving marginalized communities for fear of attracting the attention of regulators and being financially blacklisted. This discourages vital charitable work and shrinks the space for civil society.
- **Right to life and security of the person**: Canadian AML/ATF policies and the ensuing impacts of de-risking unduly limit the provision of essential, live-saving humanitarian assistance in some of the areas that require it most, and place even greater barriers for international assistance and development projects that help ensure sustainable, long-term resources for preventing a recurrence of immediate crises.

These harms are magnified by the systemic gaps in accountability that define the entire de-risking landscape.

Recourse, Oversight, Transparency and Accountability Gaps

The harms caused by de-risking are enabled and entrenched by a systemic lack of transparency, accountability, and oversight. This institutional opacity effectively shields both government agencies and private financial institutions from scrutiny, allowing a system of financial exclusion to operate without challenge or remedy. The entire process is a black box, leaving affected organizations with no information, no recourse, and no justice.

Lack of effective recourse mechanisms

In Canada, there are limited protections against de-risking, especially for business or corporate accounts, including NPOs. Stronger safeguards exist for personal financial services that are not used for business purposes. This includes requiring financial institutions, such as banks and credit unions, to allow a person with appropriate identification to open an account, except in limited circumstances such as where there are reasonable grounds to believe that the account will be used for illegal activity. Such protections do not extend to business accounts, including for NPOs.

Banks are required to maintain an internal complaint mechanism that applies to all complaints, whether from individuals or businesses. These requirements are laid out in the *Bank Act*, and are supervised by the FCAC. While the Act sets out the criteria for the complaint mechanism itself, it does not establish rules regarding how financial institutions handle account closures or other forms of de-risking.

The *Bank Act* also does not require financial institutions to provide detailed information regarding why a financial institution makes a particular decision that results in de-risking, including a refusal to open an account, a decision to close an account, etc., either in regard to individuals or businesses, including NPOs.

Regulations set out mandatory timelines for addressing complaints, but financial institutions are empowered to decide themselves when they consider a dispute resolved and the complaint closed, and whether any redress is required or is appropriate.

Financial institutions are required to document all complaints, their investigative process and the outcome, and submit records to the FCAC. These records must be retained by financial institutions for seven years. Financial institutions must also issue annual public reports regarding their complaints handling, but it is limited to the number and nature of complaints, the average amount of time to deal with complaints, and the number of complaints that, in the financial institution's opinion, were resolved.

If individuals and small businesses (less than $5 million cumulative income over the past five years) are unsatisfied with a financial institution's complaint resolution process, they may bring their complaint to the OSBI. The OSBI, as explained above, is a non-profit organization appointed as the third-party complaint regulator by the federal government. It is an independent and impartial body that works to resolve disputes between banking services and investment firms and their customers if they can't solve them on their own. However, it is limited in their scope and cannot address complaints related to a financial institution's risk-management practices. This includes de-risking practices related to AML/ATF compliance. The result is that there is currently no effective redress mechanism in Canada to address de-risking's impacts, either for NPOs or even for individuals.

For instance, in Case Study 2, multiple family members were de-risked because of unwarranted concerns over another family member's activities. If these family members were to file a complaint with the bank, it would be under no obligation to provide further information regarding the reasons for de-risking beyond the notice of closure of the account. The bank would then proceed to carry out the required internal investigation and determines that the institution's procedures were appropriately followed, and therefore determines the case resolved. The individual is provided with no further information and, unsatisfied with the bank's determination, decides to bring their complaint to the OSBI. While their complaint would normally be accepted and further investigated by the OSBI, the watchdog must determine it as out-of-scope because the complaint relates to the bank's risk management decisions. In fact, as mentioned above, all decisions on whether to close an account are out of scope for the OSBI.

> The individual is provided with no further information and, unsatisfied with the bank's determination, decides to bring their complaint to the OSBI. While their complaint would normally be accepted and further investigated by the OSBI, the watchdog must determine it as out-of-scope because the complaint relates to the bank's risk management decisions.

The individual has no further recourse in their complaint and must simply find another financial institution that will open an account for them. There is no assurance that, at this new bank, they will not suffer the same outcome.

This process would be similar for NPOs and result in the same frustratingly fruitless conclusion. However, for larger charities and humanitarian organizations that have more than $1 million in annual income, they may not fall under the OSBI's definition of a small business and would be unable to even escalate their complaint to this independent body. Regardless, the OSBI would remain limited in providing assistance due to their inability to adjudicate on risk management related decisions.

Systemic Failures in Accountability

The accountability vacuum described above is created and reinforced by a series of distinct but interconnected failures. It and other case studies reveal a pattern of concerns:

- **Lack of clear reasons:** Financial institutions are not legally required to provide—and, based on case studies, rarely do provide—a specific, actionable reason for closing an account. Vague references to "risk appetite" or "terms and conditions" are standard practice. This stands in contrast to emerging international best practices, such as proposed laws in the United Kingdom that would mandate banks provide a clear and specific explanation for closures.
- **No meaningful appeal**: Without a clear reason for a decision, there is no basis for a meaningful appeal. An organization cannot correct a factual error or provide mitigating information if it does not know what concerns prompted its exclusion. The mandates of both the OSBI and the FCAC are limited and do not provide an effective avenue for redress in these cases.
- **Absence of independent review:** There is no dedicated, independent body in Canada with the mandate and authority to review de-risking decisions. Such a body would be needed to assess whether a bank's decision was reasonable, non-discriminatory, and based on credible evidence rather than bias or flawed risk models.
- **No systemic data collection**: A critical failure is the complete lack of public data on the scale and nature of de-risking. No Canadian authority systematically collects or publishes statistics on how many accounts are closed for risk-related reasons, which sectors are most affected, or the demographic profile of those impacted. This data gap makes it impossible for policymakers and the public to grasp the full scope of the problem, allowing it to persist in the shadows.

The pervasive secrecy that characterizes this system, often justified by invoking commercial confidentiality or national security, is the primary barrier to remedy and reform. It perpetuates a cycle of unaccountable power, where life-altering financial decisions are made behind closed doors, based on secret information and undisclosed criteria.

Recommendations to Address Financial De-risking in Canada

The following recommendations are meant to provide clear, actionable guidance for a comprehensive reform agenda. Each stakeholder—government, regulators, and financial institutions—has a distinct and critical role to play in addressing the impacts of de-risking.

Government of Canada

The federal government plays a pivotal role in setting the tone and legal framework for Canada's AML/ATF regime. Federal policy, particularly through its national risk assessments, has inadvertently fostered a climate of heightened suspicion that contributes directly to the defensive posture adopted by financial institutions. This has led to the over-broad application of risk criteria. Targeted federal action is therefore required to correct this imbalance and restore proportionality to the system. This would also be in line with recent modifications to FATF Recommendation 1, which requires countries and financial institutions to adopt a risk-based approach (RBA) to countering money laundering and terrorist financing. These changes, adopted in 2025, state that when “countries identify lower [ML/TF] risks, they should allow and encourage simplified measures,” as opposed to the previous language of “countries may decide to allow simplified measures.”[78]

However, decades of government policy that has classified charities, particularly those which are Muslim-led or that provide assistance in politically complex regions, as high risk for terrorist financing has left an indelible mark on the sector. While recent efforts, like the 2025 NRA, have moved towards addressing this, it does not go far enough to undo entrenched views and policies that lead to the unjustified de-risking of charities and individuals associated with them.

Recommendation 1: Integrate civil liberties and financial inclusion impact analyses into National Risk Assessments

Recommendation to:

- Department of Finance

For nearly two decades, Canada’s approach to countering terrorist financing in the charitable sector has painted Muslim-led charities and international assistance organizations operating in Muslim majority or politically complex regions as high risk, without public evidence and without taking into account the broader impacts on individuals and organizations, including surveillance, investigations and financial de-risking, and increased xenophobia and Islamophobia. To counter this, the Department of Finance must include in future NRAs clear language around risk-based approaches that are individualized, and the importance that policies are not implemented in ways that infringe on civil liberties and financial inclusion. This includes conducting, at a minimum for the NPO sector if not for all sectors impacted by the NRA, an analysis of how AML/ATF policies impact civil liberties and financial inclusion.

Recommendation 2: Issue policy guidance to relevant departments and bodies on de-risking and financial inclusion, including reporting

Recommendation to:

- Department of Finance
- Public Safety

[78] FATF, *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation: The FATF Recommendations* at 10, (June 2026) online (pdf): <https://www.fatf-gafi.org/content/dam/fatf-gafi/recommendations/fatf-recommendations-2012.pdf>.

- Global Affairs Canada
- Minister of Revenue

There is a clear gap in government analysis when it comes to the impact of AML/ATF regulations and its impact on de-risking and financial inclusion. The Department of Finance, Public Safety and Global Affairs Canada should develop guidance and issue directives to the agencies under their purview, including CSIS and the RCMP for Public Safety, the OSFI and FINTRAC for the Department of Finance, and the CRA for the Minister of Revenue. This should include requirements to consider impacts of AML/ATF work on de-risking and financial inclusion, and particularly instances of disproportionate impact on specific sectors and communities.

Recommendation 3: Amend the PCMLTFA to require de-risking reporting from reporting entities

Recommendation to:

- Department of Finance

The Department of Finance should amend the PCMLTFA to require all listed reporting entities to submit annual reports to FINTRAC on how many accounts they have terminated in the previous year and the rationale for de-risking decisions. Additionally, FINTRAC should include an analysis on de-risking in the private sector in its annual reports, based on the reports it receives as well as consultations with impacted sectors.

This recommendation is in support of recommendations 3 & 4 in "Humanitarianism & the Exclusion of Muslim Charities from the Financial Sector," by Dr. Anver M. Emon.[79]

Recommendation 4: Amend the PCMLTFA to protect against disproportionate de-risking

Recommendation to:

- Department of Finance

In support of recommendation 3, the government should amend s. 9.6 of the PCMLTFA to clarify that a compliance program that fails to put into place appropriate safeguards against de-risking will not be considered "reasonably defined, risk-based or effective," as required in s. 9.6(1.1), and therefore a failure to comply with the PCMLTFA.

Recommendation 5: Integrate civil society into AML/ATF policy-making and specifically the NRA process

Recommendation to:

- Department of Finance

In support of recommendation 1, the Department of Finance should further develop its efforts to consult with the NPO sector by developing a clear, public strategy, supported by adequate resources, to seek out feedback in advance of AML/ATF policy-making and at the earliest stages of the NRA drafting process.

[79] Emon 2026, *supra* note 3.

This should also include avenues for the NPO sector to be able to proactively raise concerns and receive clear answers.

Recommendation 6: Develop guidance for private sector interpretation and integration of changes in sanctions and ATF policy

Recommendation to:

- Department of Finance
- Public Safety
- Global Affairs Canada

The federal government, and in particular the Department of Finance, Public Safety and Global Affairs Canada, develop a process, including guidance, to clearly communicate and ensure the integration of changes to Canada's sanctions and ATF policies by financial sector entities, particularly in regard to exemptions, exceptions or changes to sanctions and terrorism financing laws meant to facilitate the provision of humanitarian aid and international assistance.

Recommendation 7: Strengthen government consultation with NPOs and cross-sector exchanges between NPOs and financial sector

Recommendation to:

- Department of Finance

The Department of Finance should consult further with the NPO sector with the aim to strengthen consultation with NPOs regarding the AML/ATF regime. This could include examining the formalization of the NPO Sector Dialogues on Illicit Financing Risks and Related Issues. It should also examine options for integrating NPO sector representatives into the ACMLTF or other approaches to create a tripartite dialogue between government, financial sector and NPO sector representatives.

Supervisory bodies:

Recommendation 8: Issue guidance emphasizing mitigation over client exit

Recommendation to:

- FINTRAC
- FCAC
- OSFI

The current regulatory environment incentivizes banks to de-risk clients as a defensive measure. The pressure from OSFI, with its stated support for early intervention, as opposed to risk mitigation, and the constant threat of Administrative Monetary Penalties from FINTRAC combine to push financial institutions to "err on the side of caution." When faced with a client deemed high-risk, exiting the relationship becomes the simplest and safest path for institutions.

To counter this, OSFI, FINTRAC and the FCAC should coordinate on, and where feasible, jointly issue updated and more prescriptive guidance that actively promotes risk mitigation as a viable, and most often preferable, alternative to account closure. This guidance should:

- Include educational materials and guidance around de-risking, the FATF guidelines on risk-based assessments, and the unintended consequences of over-compliance or generalized risk assessments
- Provide clear, practical examples of effective both risk calibration (measurement of risk) and mitigation (address and reduce the risk) measures for high-risk clients, such as charities operating in conflict zones.[80]
- Reference successful trust-building mechanisms as industry best practices, such as the specialized model of the Charities Aid Foundation (CAF) Bank in the UK, which has developed bespoke methods for facilitating payments to high-risk areas.
- Explicitly state that a pattern of sector-based de-risking, without documented case-by-case analysis, are in breach of FATF expectations will be flagged as a compliance deficiency during regulatory reviews.
- Ensure that changing international standards, such as those set by the FATF, are communicated and integrated into risk-based analyses, including recent updates to Recommendation 1 to emphasize tailoring mitigation measures based on level of risk and promoting financial inclusion.

Recommendation 9: Require minimum documentation standards for risk-based decisions

Recommendation to:

- FINTRAC
- OSFI

In line with recommendations 2 and 3, and given that FINTRAC already requires reporting entities to engage in risk-based analyses, both FINTRAC and OSFI should develop clear standards for the sectors they supervise in how they document risk-based decision-making.

Recommendation 10: Develop training around risk-based decision-making in regards to the NPO sector, including systemic bias and discrimination

Recommendation to:

- FINTRAC
- Department of Finance

In recognition of the particular impacts of risk assessment in regards to the NPO sector, particularly Muslim-led and humanitarian organizations, FINTRAC and the Dept. of Finance should develop, in consultation with representatives of the NPO sector, specific guidance and training materials for financial institutions in order to address and minimize the occurrence and impacts of de-risking.

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[80] Human Security Collective, *Dutch Banking Association Publishes NPO Sector Standard Aimed at Curbing De-risking* (2026), online: <https://www.hscollective.org/news/timeline/important-step-towards-applicat/>.

Recommendation 11: Allow independent review of risk-based decision-making

Recommendation to:

- OBSI

Financial institutions' risk-based decision-making, particularly when it comes to individuals and small businesses/NPOs, should not be shielded from independent complaints reviews. The OBSI should examine how to amend its terms of reference to be able to examine a financial institution's risk management policies and their application when investigating a complaint.

Financial Institutions and Payment Processors:

Recommendation 12: Adopt due process standards for account closures

Recommendation to:

- Private sector

The current opaque process is both unsustainable and deeply damaging to community trust. For clients, the experience is disorienting and devastating, as one leader described: "one day we were a normal customer, the next day we were effectively blacklisted." To remedy this, the financial industry should adopt a new best practice standard that introduces fundamental due process into account closure decisions. This standard should include three core components:

- **Provide clear reasons:** Barring active law enforcement investigations where disclosure is prohibited, institutions must provide a client with a "sufficiently detailed and specific explanation" for an account closure. Generic references to "risk appetite" should be deemed insufficient.
- **Create an opportunity to respond:** The client must be given a formal opportunity to respond to the institution's specific concerns. This would allow them to submit additional information or context, such as providing detailed documentation on their internal financial controls or clarifying the nature of their humanitarian work in a region perceived as high-risk.
- **Establish an internal review mechanism:** An escalation path must be available for an independent internal review of the closure decision. This review should be conducted by a team or committee separate from the one that made the initial recommendation to ensure objectivity and fairness before a final decision is rendered.

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