



**Submission to the Financial Action Task Force
in regard to the Fifth Mutual Evaluation of Canada**

Aug. 28, 2025

1. Who we are

This submission is on behalf of the International Civil Liberties Monitoring Group. We are a coalition of 44 Canadian civil society organizations, based in Ottawa, Ontario, Canada. Founded in 2002, our mandate is to work as a watchdog, research and advocacy organizations regarding the impacts of the Canadian government's anti-terrorism measures on civil liberties, both domestically and abroad.

Over that time we have intervened in numerous judicial processes and government inquiries, published multiple research reports, presented our analysis of legislation at parliamentary committees, and raised public awareness of the impacts of counter-terrorism laws and policies. This has included concerns about Canada's counter-terrorist financing measures.

In 2021, the ICLMG published, "*The CRA's Prejudiced Audits: Counter-Terrorism and the Targeting of Muslim Charities in Canada*,"¹ one of the first reports to analyze the government's implementation of counter-terrorist financing measures and identifying serious concerns about the profiling and targeting for sanctions charities based in the Muslim community in Canada. This included an analysis of Canada's 2015 National Inherent Risk Assessment and Canada's approach to monitoring and auditing charities for CTF purposes.

We are pleased to make this submission in advance of the FATF's upcoming on-site review of Canada's anti-money laundering and counter-terrorist financing regime.

2. Overall concerns

¹ McSorley, T. "The CRA's Prejudiced Audits: Counter-Terrorism and the Targeting of Muslim Charities in Canada," 2021, *International Civil Liberties Monitoring Group*. Online at: <https://iclmg.ca/wp-content/uploads/2021/06/Prejudiced-Audits-ICLMG-2021.pdf> [Prejudiced Audits]

In 2021, our report, along with a report published by researchers at the University of Toronto,² detailed how the Canadian government's approach to countering terrorist financing was targeting Muslim-led charities was biased, disproportionate, unduly secretive and unequal and selective in its application.

We found that Canadian national security agencies and the charities regulator, since at least 2003, had been targeting Muslim-led charities for surveillance and investigation based on approaches to countering terrorism that viewed Muslim and other racialized communities as inherently at-risk for abuse by, or engaging in, terrorist activities. Our research demonstrated that this approach, as in other counter-terrorism measures, was not supported by facts, but rather opinion, conjecture and accusations based in bias and prejudice (both conscious and unconscious), including possible Islamophobia. The findings were bolstered by a report from the Senate of Canada issued in November 2023, finding that the Canadian Revenue Agency's counter-terrorist financing "work to date – regardless of the intentions of its employees – has demonstrated structural bias against Muslim charities" and recommended a full review of the counter-terrorist financing division of the CRA.³ Moreover, testimony from CRA staff during Senate hearings confirmed that of 12 of the 14 charities that have had their status revoked following investigations by the CRA's counter-terrorist financing division were Muslim-led, which supports our previous finding that at least 75% of charities targeted by the CRA were in the Muslim community. Importantly, none of these charities or their directors have been formally charged with terrorist financing or related infractions.

Further, we identified significant concerns in Canada's National Inherent Risk Assessment (NIRA) from 2015,⁴ which unduly labeled the NPO sector as medium to high risk, again with a particular focus (without evidence) on Muslim and racialized NPOs operating both domestically and internationally. Overall risk appeared exaggerated, there were no efforts to address risk-mitigation, and the NPO sector was not consulted in the sectoral evaluation. We note that this NIRA was published before the 2016 revision of Recommendation 8. However, this version of the NIRA persisted until 2023, well after new guidance was issued by the FATF.

Unfortunately, similar concerns continue to persist with the 2023 NIRA, and the forthcoming 2025 NIRA.

There have also been significant concerns with the impact of Canada's CTF regime on the work of humanitarian and international assistance NPOs. In particular, following the take-over of the Afghanistan government by the Taliban in 2021, the Canadian government issued an

² Anver, E. and Hasan, N. "Under Layered Suspicion," 2021, *University of Toronto Institute of Islamic Studies and the National Council of Canadian Muslims*. Online at: https://cdn.prod.website-files.com/6014cdeca65f7f2af7e18187/6577414b5ceebbb807d2e3d3_Under_Layered_Suspicion_Report_Mar2021_b.pdf [Layered Suspicion]

³ Senate Standing Committee on Human Rights. "Combating Hate: Islamophobia and its Impact on Muslims in Canada," November 2023, *Senate of Canada*. Online at: https://sencanada.ca/content/sen/committee/441/RIDR/reports/Islamophobia_FINAL_e.pdf

⁴ Department of Finance Canada. "Assessment of Inherent Risks of Money Laundering and Terrorist Financing in Canada," 2015, *Government of Canada*. Online at: <https://www.canada.ca/content/dam/fin/migration/pub/mltf-rpcfat/mltf-rpcfat-eng.pdf> [NIRA 2015]

interpretation of its CTF laws that prohibited any activity in Afghanistan that could provide material support to the Taliban government.⁵ This included any taxes, tariffs or other fees that aid organizations would be required to pay to the government in order to carry out humanitarian activities. This was a clearly disproportionate application of Canada's counter-terrorism laws and violated international humanitarian law. With sustained pressure from NPOs, the Canadian government passed legislation to create a humanitarian exemption to CTF measures and an authorization regime for international assistance activities deemed to be non-humanitarian; however, the program is significantly flawed and continues to result in limitations on international aid.⁶

These issues are explored in more detail in the following sections.

3. Canada's National Inherent Risk Assessment

Canada has issued two National Risk Assessments, one in 2015⁷ and another in 2023.⁸ The government is currently working on a 2025 version, which has yet to be released. As mentioned earlier, though, ICLMG and other NPOs have been able to consult draft excerpts of the 2025 NIRA relating to the risk assessment of the NPO sector.

Both the 2023 and draft 2025 risk assessments continue to raise serious concerns for NPOs.

While the government is working on a new NIRA, NPOs have only seen a small section in order to provide feedback. Our understanding is that this was a close to final version, meaning NPOs were consulted very late in the process. It is unclear if and how NPOs were involved in the actual risk assessment development itself, although neither we nor groups we work with closely on this issue were approached as part of the review process. Moreover, we were informed that the excerpts were being shared for information purposes, and not in order to substantially change or consult on the content. The full 2025 risk assessment has not been published as of Aug. 26, 2025, meaning there has not been an opportunity for full review by the 60-day deadline to send submissions before Canada's on-site evaluation.

This also means that the 2023 risk assessment is still the most current version. We have identified key problems:

⁵ Shepperd, M. "Afghans are suffering and dying while Canada plays politics, says aid worker," Aug. 17, 2022, *CBC Radio*. Online at: <https://www.cbc.ca/radio/thecurrent/the-current-for-aug-17-2022-1.6552785/afghans-are-suffering-and-dying-while-canada-plays-politics-says-aid-worker-1.6552788>

⁶ Aid for Afghanistan Coalition. "Humanitarian assistance still needed in Afghanistan after two years under the Taliban government," Aug. 15, 2023. Online at: <https://www.islamicreliefcanada.org/blog/statement-5/aid-for-afghanistan-coalition-statement-34>

⁷ *NIRA 2015*

⁸ Department of Finance Canada. "Updated Assessment of Inherent Risks of Money Laundering and Terrorist Financing in Canada," March 2023, *Government of Canada*. Online at: <https://www.canada.ca/content/dam/fin/programs-programmes/fsp-psf/nira-neri/nira-neri-eng.pdf> [*NIRA 2023*]

- This report was based solely on inherent risk, and does not take into account or consider mitigation measures either established by government regulation or by NPOs themselves
- The sectoral assessment was conducted without input from NPOs, and consultation amongst NPOs on the contents of the report were very limited
- The report took a “one size fits all” approach to the NPO sector, rating the vulnerability to terrorist financing of the entire charitable sector as “high”
- Despite this blanket evaluation, the review focused on two sectors as being predominantly at risk:
 - registered charities and non-profit organizations operating overseas, especially those that operate in areas that may be directly or indirectly controlled by the terrorist organizations.
 - NPOs that operate domestically within communities that are “actively targeted by terrorist movements for support and cover”⁹ were also viewed as being exposed to terrorist financing risks.
- However, the report made no effort to acknowledge the significant mitigation measures put in place by these organizations. Moreover, the descriptions of which domestic communities are targeted and which areas internationally are at risk clearly placed undue focus on racialized, and primarily Muslim, communities in Canada as well as Muslim majority countries abroad. It offered little to no evidence to justify the rating or the basis of the risk evaluations.
- As a result, we believe the 2023 NIRA failed to meet the guidance of the FATF, particularly in ensuring the participation of the NPO sector, and ensuring that the policies and approaches to counter-terrorist financing are proportionate in nature.

What we have seen of the 2025 report, although not finalized, is improved in some ways on the 2023 version, but retains areas of concern.

- The draft sections of the report we have seen include clearer and more specific language around the importance of evaluating risks of terrorist financing on a case-by-case basis and that the overall sectoral findings of the report, particularly in the NPO sector, should not be used to cast suspicion over entire either the entire sector or subdivisions within it.
- There is better integration and recognition of mitigation measures, but it still does not go far enough, given that they are not factored into the actual sectoral risk determination.
- Based on an improved approach to evaluating the NPO sector in Canada, the sector is now evaluated as being at “low risk” for terrorist financing abuse.
- However, concerns remain that the same sectors of NPOs as in the 2023 report – namely NPOs operating overseas and domestic-focussed NPOs working within communities “actively targeted by terrorist movement for support and cover” – are considered higher risk and therefore subject to more strict controls than other sectors.
- This is especially concerning given the still incomplete integration of mitigation measures into the risk assessment process, and a lack of acknowledgement that

⁹ NIRA 2023

sectors themselves are aware of particular risk and integrate mitigation measures pro-actively.

- While the draft report discusses the impacts of “unintended consequences” of CTF on the NPO sector, it is limited to impacts from the private sector (i.e. derisking and debanking) and ignores government related unintended consequences, including over-surveillance, double standards in enforcement, and the disproportionate sanctioning of Muslim-led charities. While the CRA has acknowledged these issues, it has not apologised for the impact these actions have had.
- The 2025 NIRA draft also fails to acknowledge, or signal any attempts to rectify, the impact the government's actions have had on the sector, or even present it as an example of unintended consequences

4. Dialogue with the NPO Sector

We appreciate the FATF’s emphasis on the involvement of the NPO sector in the national risk assessment evaluation process as well as the need for ongoing dialogue around guidance, mitigation measures and the impacts of CTF measures.

The Canadian government has increased its dialogue with the sector over the past several months, organizing regular dialogue sessions. However, much more could still be done. For example:

- While there were some early sessions to listen to the concerns of the NPO sector, it has been limited.
- As far as we are aware, the NPO sector itself was not involved in the risk assessment evaluation process leading up to any of the NIRAs.
- While discussion about the draft 2025 NIRA has been more thorough than previous versions, the government made it clear that dialogue sessions were not intended to collect feedback to improve the draft NIRA. There are also questions about why the process began in earnest in the lead up to the FATF review, and not earlier, and whether it was meant to respond to an FATF requirement. Regardless, it would not meet the criteria for what we would consider full consultation or engagement.
- Given all this, it is uncertain how the feedback shared in dialogue sessions will be either integrated into the 2025 NIRA or into government policy going forward.
- The Canadian government has shared only minimal information about FATF process itself.

5. Disproportionate and overly broad measures

An important aspect of the implementation of Recommendation 8 is that the measures implemented to prevent CTF are proportionate. We believe there are two significant areas where this is not the case.

- a. NPOs in the Canadian Muslim community

As mentioned earlier, there has been significant research into how Canada's CTF measures have been disproportionately aimed at NPOs, and particularly charities, in Canadian Muslim communities. This includes charities that operate both within Canada and internationally. We have documented how Muslim-led charities have been the prime – and nearly sole – sector of concern for Canada's CTF activities for more than two decades.¹⁰ They have faced investigations and audits that have been triggered out of terrorist financing concerns (often based on questionable and even discredited information), but have been kept in the dark as to the real nature of the audits and investigations. They have faced severe sanctions at the end of these investigations, which have never concluded that there was terrorist financing, but often rely on administrative issues as the reason for the penalties. Other research has demonstrated how Muslim-led charities appear to be penalized for activities that are accepted within other charities, and raised concerns about a probable double standard in the penalties issued to Muslim-led charities as compared to others.¹¹

For example, in a landmark case, the Muslim Association of Canada challenged the basis of an audit based partially on unproven allegations of terrorist financing. While the challenge was dismissed for technical reasons, the judge did find basis for the concerns raised by the MAC in their case. He found that: "The vast majority of the findings on which the revocation recommendation was based were, as noted in my reasons, ones that I did not believe would ever be used to revoke the charitable status of a Christian or Jewish charity."¹² The judge further noted that the CRA's actions were marked by "overreach" and that "The applicant argued that the process that was completed was marked by misinformed cultural stereotypes and discriminatory attitudes and that minority groups were particularly vulnerable to such measures, especially where the investigation is as exhaustive as it was and where it required substantial resources to address. On the case as it was argued before me, the applicant's position had merit and, in the absence of the prematurity principle, would probably have been successful."

While the government has acknowledged and taken steps to address issues of systemic Islamophobia in the regulation of charities, concerns continue to persist as little has been changed within government to ensure that these issues do not recur.

b. Humanitarian and development NPOs

There is ongoing, significant concern around how federal counter-terrorist financing provisions in the Canadian *Criminal Code* negatively impact the provision of humanitarian aid and international assistance. In 2021, after the Taliban claimed power in Afghanistan, the Canadian government advised Canadian organizations carrying out both humanitarian and international assistance activities in the country that if they continued to do so they would be at risk of contravening Canada's counter-terrorist financing laws. This was due to what appeared to be a novel interpretation of Canada's *Criminal Code* provisions, namely that the payment of taxes or tariffs to a government controlled by a terrorist entity equated providing support for a terrorist entity or terrorist activities. This sent a significant chill through the international NGO

¹⁰ *Prejudiced Audits*

¹¹ *Layered Suspicion*

¹² Bronskill, J. "Judge rejects federal bid to recoup legal expenses in Muslim charity court case," 4 Jan. 2024, *The Canadian Press*. Online at: <https://www.cbc.ca/news/politics/muslim-charity-legal-expenses-1.7074534>

community in Canada, putting on hold nearly all aid efforts to Afghanistan. It was only through a substantial campaign from the NPO sector that the government introduced and passed legislation to attempt to resolve this issue, which was not limited to Afghanistan but to any region that is controlled by a terrorist entity and where it is inevitable that financial or other material would be provided to the terrorist entity.¹³ Concerns included Yemen, regions of Africa, and parts of Central and South America.

The new legislation, while resolving some concerns, continues to hinder the work of humanitarian and international assistance NGOs.

The new system is a bifurcated process, including an exemption for humanitarian efforts and an authorization regime for set categories of international assistance activities deemed to be “non-humanitarian” in nature.

Despite assurances of an exemption for humanitarian activities, humanitarian organizations continue to raise concerns. For example, the contours of what is considered to be humanitarian activities are unclear, and the government’s subjective division of what is considered humanitarian and what is not likely infringes on international humanitarian law by unjustly defining and limiting what services can be delivered during a humanitarian crisis. This has led to uncertainty and hesitancy in the sector around what protections exist for humanitarian work.

The authorization process for so-called “non-humanitarian” activities raises even greater concerns. The current authorization process is arduous, requiring substantial amounts of information not just about the Canadian NPO, but about all implementing partners. The application is then evaluated on obscure grounds by multiple agencies, with Public Safety Canada having the final say on whether an authorization can be granted. The information submitted can be shared with multiple security agencies for their “assistance” in the authorization process, as well as with foreign entities, raising significant privacy concerns. Projects that are authorized are then subject to potentially arduous reporting requirements throughout the lifespan of the project. All of this requires significant resources and means that smaller NPOs that provide either relocation/immigration services, economic development support, or establish educational and medical programs with local organizations are at a significant disadvantage. Early reports point to an ongoing chilling effect within the sector where NPOs are simply deciding not to participate in this process.

Overall, this new process, while purportedly facilitating the provision of humanitarian aid and international assistance in politically complex regions such as Afghanistan, continues to present a disproportionate application of CTF laws on an important part of the Canada’s NPO sector.

For more information, we would direct you to a report from the Canadian Council of Muslim Women entitled, [*Challenges and Consequences: the Impact of Bill C-41 on Aid Delivery in Afghanistan*](#).

¹³ Faizi, A. “Challenges and Consequences: the Impact of Bill C-41 on Aid Delivery in Afghanistan,” Aug. 2024, *Canadian Council of Muslim Women*. Online at: <https://static1.squarespace.com/static/5b43ad2bf407b4a036d27f06/t/66e90448bcf7e65482acc119/1726547021248/BillC41FINAL.pdf>

6. Conclusion

We hope that these observations will be helpful in carrying out the evaluation of Canada's adherence to Recommendation 8 and the related FATF guidance. We are concerned that Canada's current approach to both its evaluation of the NPO sector and its implementation of counter-terrorist financing measures, continue to have significantly negative impacts related to both intended and unintended consequences.

We would be happy to discuss these concerns with you further. We can be reached at:

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