



CANADIAN MUSLIM
PUBLIC AFFAIRS
COUNCIL

**CMPAC Submission to the Financial Action Task Force (FATF)
Mutual Evaluation of Canada Recommendation 8 – Non-Profit
Organizations**

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1.0 Overview

This submission is presented by the Canadian Muslim Public Affairs Council (CMPAC) ahead of the FATF Mutual Evaluation of Canada scheduled for November 2025. It addresses Recommendation 8 (R8) and Canada's compliance with the revised FATF standards, which mandate a functional definition of NPOs, evidence-based and proportionate risk assessment, and targeted measures that do not disrupt legitimate non-profit activities.

Drawing on the [Under Layered Suspicion](#) report (University of Toronto, 2021), International Civil Liberties Monitoring Group's (ICLMG) [The CRA's Prejudiced Audits: Counter-Terrorism and the Targeting of Muslim Charities in Canada](#) (2021), [Report #4 of the Advisory Committee on the Charitable Sector](#) (October 2024), CMPAC's prior FATF submissions¹, analysis of Canada's [2015](#) and [2023](#) National Inherent Risk Assessments (NIRA), and documented case studies, this submission demonstrates that Canada's implementation of R8, through its National Inherent Risk Assessment (NIRA) and the Canada Revenue Agency's (CRA) Review and Analysis Division (RAD), has resulted in disproportionate and discriminatory impacts on Muslim-led charities. These impacts contravene FATF's "do no harm" principle and the requirement for proportionate, risk-based measures.

2.0 About CMPAC

CMPAC is a non-profit advocacy organization dedicated to combating structural racism and systemic Islamophobia by mobilizing communities, engaging decision-makers, and shaping public policy. Our work is grounded in evidence-based research and community engagement.

CMPAC has participated in multiple domestic and international consultations, including submissions to the Department of Finance, the UN Security Council's Counter-Terrorism Executive Directorate, and prior FATF consultations on R8. CMPAC's policy positions are informed by legal scholarship, community experience, and the standards set by international human rights and financial integrity frameworks.

¹ [CMPAC's Consultation on Strengthening Canada's AML & CTF Regime](#); [CMPAC Consultation Submission on the Financial Action Task Force \(FATF\) Revision of R8 of the FATF Standards and its Interpretive](#); [CMPAC Submission Financial Action Task Force \(FATF\) Best Practice Paper to Combat the Abuse of Non Profit Organizations](#)

3.0 Executive Summary

3.1 Key Findings:

- **Flawed Risk Assessment Methodology:** Canada's National Inherent Risk Assessment (NIRA) employs an "inherent risk" methodology that defaults to classifying Muslim-led and internationally operating charities as high risk without substantiated terrorist financing (TF) evidence. The 2023 NIRA retained high risk ratings despite acknowledging discrimination concerns.
- **Disproportionate Supervision by CRA's Review and Analysis Division (RAD):** The CRA's Review and Analysis Division (RAD) disproportionately targets Muslim-led charities, with 80% of terrorism-financing-related audits affecting such organizations (2008-2015), yet no criminal terrorist financing (TF) charges have resulted. Furthermore, reliance on politicized foreign intelligence and undisclosed "*terrorism risk indicators*" undermines transparency and due process.
- **Lack of Genuine Engagement:** Canada's framework fails to integrate sector-led mitigating measures, does not conduct proportionate, evidence-based assessments, and does not ensure meaningful engagement with affected NPOs. Consultations for NIRA failed to meaningfully include communities most impacted, contrary to FATF's guidance on "*sustained outreach*" and inclusive stakeholder engagement.
- **Unintended Consequences:** The regime has produced well-documented unintended consequences, including derisking, financial exclusion, suppression of legitimate NPO work, and due process violations. Charities reduce or cease humanitarian programs in high-need areas due to regulatory fear.

3.2 CMPAC's Recommendations to FATF

CMPAC urges FATF to ensure that Canada's evaluation addresses these systemic shortcomings and to adopt our recommendations for reform, as follows:

- A. Revising NIRA methodology to comply with FATF's functional definition of NPOs and switching to an evidence-based *residual risk assessment* approach, as recommended by Canada's own [Advisory Committee on the Charitable Sector](#) (Report #4, October 2024). This approach requires assessing actual vulnerabilities after accounting for sector-led compliance and governance safeguards, rather than defaulting to 'inherent' risks.
- B. Disbanding or reforming CRA's RAD to eliminate systemic bias, reliance on politicized intelligence and targeting Muslim-led charities.
- C. Mandating genuine, representative engagement with significant NPOs.
- D. Implementing measures to mitigate unintended consequences and protect due process.

- E. Establishing a clear process for redress and recovery from unintended consequences, including mechanisms for restoring charitable status, repairing reputational harm, and ensuring access to banking and financial services.

4.0 CMPAC's Submissions

4.1 Overview of FATF Recommendation 8 in the Canadian Context

FATF's revised Recommendation 8 (R8) requires member states to:

- Identify NPOs based on a functional definition, which focuses on activities and purposes rather than legal categorization.
- Conduct evidence-based, proportionate, residual risk assessments that identify only the subset of NPOs at risk of terrorist financing abuse.
- Apply focused, proportionate, risk-based measures in line with identified risks.
- Ensure sustained outreach to a representative sample of the NPO sector, including those most affected by regulatory measures.

The FATF Checklist explicitly warns against:

- Default classification of entire subsectors (e.g., all religious organizations) as high or medium risk without evidence.
- Applying uniform measures to low- and high-risk NPOs alike.
- Burdensome reporting obligations not proportionate to actual risk.

Canada's current implementation diverges from these requirements:

- **Overbroad risk categorization:** Both the 2015 and 2023 NIRAs continue to classify entire segments, particularly Muslim-led international charities, as high risk without specific, substantiated TF evidence.
- **Failure to integrate mitigating measures:** Canada publishes an "inherent" risk assessment that does not adjust risk ratings to account for existing compliance frameworks within the sector. This approach runs contrary not only to FATF's standards but also to the recommendations of the Advisory Committee on the Charitable Sector (ACCS). In its [2024 Report #4](#), the ACCS explicitly urged the federal government to adopt a residual risk framework, noting that inherent risk assessments unfairly inflate risks by ignoring the existing governance, oversight, and compliance mechanisms already embedded within the charitable sector.
- **Inadequate stakeholder engagement:** Consultations for NIRA have lacked meaningful consultation and representation from communities most affected by these policies, particularly Muslim-led organizations most impacted by the regime.

FATF warns explicitly against applying uniform measures to low- and high-risk NPOs and emphasises that many, if not most, NPOs will fall in the low-risk category. Canada's blanket approach fails this standard.

4.2 Case Study: NIRA (2015 & 2023) and Systemic Discrimination

The 2015 NIRA explicitly identified Muslim-majority countries and organizations as higher risk without providing adequate evidence of sector-wide vulnerability. It emphasized that charities operating abroad, particularly in conflict zones, were more susceptible to terrorist financing misuse, largely due to the potential diversion of funds by armed groups. Of the ten jurisdictions flagged as “high risk” in the 2015 report, eight were Muslim-majority states, and the vast majority of named terrorist entities were linked to Muslim communities. The assessment relied partly on open-source reporting without rigorous validation.

The impacts of this framing included:

- CRA audits disproportionately targeting Muslim-led charities.
- Revocations and operational restrictions despite the absence of substantiated terrorist financing findings.
- Reputational damage and loss of donor confidence for targeted charities.

By 2023, NIRA acknowledged stakeholder concerns that its process could stigmatize particular communities or sectors, while asserting that the intent was not discriminatory. Nevertheless, the assessment maintained high inherent risk ratings for charities operating in Muslim-majority jurisdictions. This persistence came despite the absence of proven terrorist financing cases involving Canadian charities in the eight years since the first NIRA, and despite the CRA’s own acknowledgment that most risks in the sector are theoretical or drawn from foreign intelligence assessments. Importantly, the 2023 update did not make methodological changes to account for the impact of sectoral compliance programs. Maintaining elevated risk ratings without concrete evidence runs contrary to FATF’s standards, which call for risk assessments to be proportionate, evidence-based, and grounded in the principle that most non-profit organizations fall into the low-risk category.

4.3 Case Study: Review and Analysis Division (RAD)

RAD is a specialised unit within the CRA tasked with monitoring the charitable sector for terrorism financing (TF) risks. Between 2008 and 2015, RAD audited 39 charities on TF grounds, revoked 14, and suspended at least two others. 80% of these were Muslim-led organisations.

The *Under Layered Suspicion* report documents that:

- No criminal TF charges were brought in any of these cases.
- RAD relied on politicized intelligence, including information from foreign agencies with documented human rights concerns.
- Audits often used “terrorism risk indicators” not disclosed to charities in advance, undermining transparency.

As ICLMG explains in their [report](#), “in practice, this means that a ‘reasonable suspicion’ of charitable funds possibly being used to finance terrorism, even if predicated upon untested secret evidence, is enough of a basis for the CRA to revoke charitable status.” This disproportionate targeting has produced what FATF

describes as an “*unintended consequence*” - the undermining of legitimate charitable work and violates the guidance that TF measures should not disrupt NPO activities that are not at risk.

4.4 Documented Unintended Consequences

[FATF's 2021 work](#) on unintended consequences identified four main categories, all of which are present in Canada's implementation of R8:

1. **Derisking** – Muslim-led charities report bank account closures, frozen transactions, and refusal of service despite full compliance.
2. **Financial Exclusion** – Banks, citing the NIRA's “*inherent high risk*” classification, apply enhanced due diligence indiscriminately to Muslim-led charities.
3. **Suppression of Legitimate NPO Activity** – Charities reduce or cease humanitarian programming in high-need areas due to fear of regulatory repercussions.
4. **Due Process Concerns** – CRA imposes immediate sanctions without notice or a meaningful right of appeal prior to reputational damage, violating the principles of proportionality and fairness.

FATF guidance states that countries should have measures to mitigate these impacts, not perpetuate them. Canada's failure to address these consequences undermines both the rights of the sector and the effectiveness of CTF measures. The broader effect, as the [JCLMG report](#) notes, is that “*the Muslim community has been surveilled, profiled, marginalized and borne the brunt of anti-terrorism laws and activities.*”

4.5 Recommendations to FATF

In its mutual evaluation of Canada, CMPAC recommends that FATF require Canada to:

1. **Revise NIRA Methodology**
 - Apply FATF's functional definition of NPOs.
 - Base risk ratings on demonstrable evidence of TF vulnerability.
 - Integrate sector-led compliance measures into risk calculations.
 - Shift from an “inherent risk” framework to an evidence-based residual risk assessment.
2. **Reform Supervisory Practices**
 - Restructure or disband RAD to remove systemic bias and end targeting of Muslim-led charities.
 - Prohibit or minimize reliance on unverified or politicized foreign intelligence sources.
 - Ensure evidentiary integrity by diversifying verification sources and establishing safeguards against the use of unverified or unreliable open-source material, including misinformation and non-credible reports.
3. **Ensure Genuine Sector Engagement**
 - Mandate inclusive consultations with the diversity of the NPO sector, including those historically targeted. In doing so, Canada should build on models such as the Advisory

Committee on the Charitable Sector (ACCS), which provides a standing, representative advisory mechanism. Engagement should not be ad hoc or selective, but should institutionalize regular, transparent consultation with advisory bodies that reflect the diversity of the sector, particularly those communities disproportionately affected by R8 implementation.

- Establish two-way feedback mechanisms in policy consultations with the NPO sector, ensuring transparency on how input is considered and fostering greater trust and accountability.

4. Mitigate Unintended Consequences

- Create banking sector mechanisms for simplified due diligence processes for low-risk NPOs.
- Provide statutory protection from reputational harm absent proven TF violations.
- Facilitate structured engagement between the banking sector and NPOs to strengthen compliance practices, address vulnerabilities, and reduce the risk of unnecessary de-risking or account closures.

5. Guarantee Due Process

- Require advance notice of allegations and full rights of appeal before sanctions take effect.
- Establish clear mechanisms for redress and recovery, including reinstatement of charitable status where appropriate, remedies for reputational harm, and restoration of financial access when allegations are unsubstantiated.

6. Conclusion

Canada's approach to Recommendation 8 fails to meet FATF's revised standard for proportionality, evidence-based risk assessment, and the avoidance of harm to legitimate NPO activities. The persistent targeting of Muslim-led charities through flawed inherent risk-based methodologies and biased supervisory practices undermines both civil liberties and effective counter-terrorist financing policy.

FATF's mutual evaluation of Canada should explicitly address these shortcomings and recommend structural reforms, including the overhaul of the NIRA methodology, RAD practices, and mechanisms for stakeholder engagement. Specifically, FATF should recommend that Canada fully transition to a residual risk assessment approach, where risk ratings reflect the actual vulnerability of NPOs after accounting for existing compliance measures, mitigating factors, and organizational safeguards. This shift ensures that low-risk organizations are not subject to blanket measures, financial exclusion, or disproportionate reporting obligations, and that the evaluation framework is transparent, evidence-based, and aligned with FATF's "*do no harm*" principle.

Canada has already been advised by its own Advisory Committee on the Charitable Sector (Report #4, October 2024) to move toward residual risk analysis and to strengthen structured engagement mechanisms. FATF should hold Canada accountable to these domestic recommendations, ensuring that the evaluation framework reflects both international standards and Canada's own policy guidance.

Without implementing a residual risk assessment, Canada will continue to apply a counter-terrorist financing regime that is misaligned with FATF's intent and erodes trust in both the charitable sector and the broader financial system.