

Canadian banks get a pressure-test of their compliance practices with Emergencies Act

Article

The news: Banks and other financial institutions (FIs) in Canada are compelled to assist the federal government in quashing anti-vaccine-mandate convoy protests after Prime Minister

Justin Trudeau invoked the Emergencies Act, [per](#) the CBC.

- The law has been on the books since 1988, but this is **the first time** it's been used.
- **Banks have legal immunity** pertaining to compliance with the law.

What does this mean? The CBC reports that requirements cover **banks, crypto platforms, credit unions, and insurance companies.**

Their compliance mandates are expansive and include:

- **Monitoring and blocking all transactions** made to provide funds to the protestors.
- **Reporting transaction details** linked to certain individuals, plus property they possess, to the Canadian Security Intelligence Service (CSIS) and the Royal Canadian Mounted Police (RCMP).
- **Completely cutting customer ties with certain people connected to the protests.** The ramifications of this item could lead to consequences **spanning canceled credit cards and frozen accounts.**
- **Freezing insurance policies** for vehicles involved in the demonstrations.

The Designated Persons Question: The restrictions cover what the law defines as “designated persons.”

- Banks will coordinate with law enforcement to determine who they should cut off.
- **Donors who contributed via platforms like GoFundMe can also be deemed as “designated persons,”** the CBC reported, citing the law’s text. The outlet noted that there have been “questions about how widely this policy will be applied.”
- Banks may also **decide to shut down customers’ accounts and avoid doing business with them in the future** despite the Emergencies Act’s measures being temporary, the CBC reported.

The big takeaway: The Emergencies Act adds another time-consuming review to banks’ usual compliance-related duties, underscoring the importance of know your customer (KYC) practices and related technology investments.

FIs with bigger and more experienced compliance arms are better prepared to handle this slog. Canada’s [Big 5](#) banks are likely to have an easier time than upstart fintechs. But since the

anticipated scope of affected customers is relatively small, enforcement of the suddenly invoked Act can serve as a good pressure-test of financial institutions' agility in responding to compliance issues.