

Lessons from Canada's Approach to Extending Financial Access to Survivors of Modern Slavery

Insight Briefing

Leona Vaughn

About FAST

Finance Against Slavery and Trafficking (FAST) is a multi-stakeholder initiative based at United Nations University Centre for Policy Research (UNU-CPR) that works to mobilize the financial sector against modern slavery and human trafficking. Through its alliance-building approach and grounding its work in evidence-based approaches and rigorous analysis, FAST provides tools and training to financial sector stakeholders to take meaningful, sustained action against modern slavery and human trafficking. UNU-CPR is an independent think tank within the UN system based in New York. It combines research excellence with deep knowledge of the multilateral system to generate innovative solutions to current and future global public policy challenges.

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Introduction

This briefing provides practical insights and lessons for the financial sector, including supervisors and regulators, based on the Public Private Partnership (PPP) approach taken by Canada to increase financial access for people with lived experience ('survivors') of modern slavery.

Banks participating in the Survivor Inclusion Initiative (SII), especially those who work on the basis of referrals from survivor support organizations (SSOs) such as those in Canada, understand that barriers exist for survivors to gain access to financial services. In many instances, a survivor may not have access to the standard official documents to prove their identity or address; banks working with SII know they need to look for alternative documents that they can rely on to validate the survivor's

identity and meet banks' legal obligations. Financial institutions (FIs) require information such as credit history and proof of income for some financial products. Survivors may not have a regular income, they may also have a damaged credit history, or even a criminal record as a result of their experience of exploitation. Participants in SII know that survivors' experiences can be taken into consideration in the application process, if it is not an automated decision or if there is an option to manually intervene on automated screening processes. This understanding has been developed mainly because the referral partnership includes SSOs and the process is informed by the needs of survivors.

Background

Finance Against Slavery and Trafficking (FAST), an initiative hosted by the United Nations University Centre for Policy Research (UNU-CPR), has experience helping to extend access to financial products and services for vulnerable people exposed to the risks of modern slavery and human trafficking, including survivors¹ and people affected by conflict² and crisis.³

The FAST SII, a flagship financial access project in the UK, Canada, and the US, was established in 2019 and has been supporting changes in practice, rules, and

regulations which remove barriers to accessing financial services for the survivors of modern slavery. It has supported over 3,000 people with lived experience of modern slavery to open bank accounts and also access other financial services and products (for example loans, credit, remittance services, and financial literacy). The impact⁴ of this work to remove barriers to financial access for survivors does not only protect them from re-victimization; it also supports their financial recovery in society.

¹ See FAST SII resources: <https://www.fastinitiative.org/implementation/survivor-inclusion/>.

² Leona Vaughn and Simon Zaugg, "Strengthening Financial Inclusion to Protect Against Modern Slavery: Applying Lessons to Bank Forcibly Displaced Persons/Refugees," *UNU-CPR Insight Briefing* (New York: United Nations University, 2023). Available at: https://collections.unu.edu/eserv/UNU:9141/financial_inclusion_insight_brief.pdf.

³ FAST and INURED, "Financial Needs and Vulnerability to Modern Slavery and Human Trafficking in Haiti," *UNU-CPR Research Report* (New York: United Nations University, 2023). Available at: http://collections.unu.edu/eserv/UNU:9098/Financial_Needs_and_Vulnerability_in_Haiti_FINAL.pdf.

⁴ FAST, "Lessons from the Survivor Inclusion Initiative (SII) in the UK, US, and Canada," *UNU-CPR Insight Briefing* (New York: United Nations University, 2022). Available at: https://collections.unu.edu/eserv/UNU:8937/UNU_FAST_SIIReview.pdf.

Why is Financial Access Important for Survivors?

Financial exclusion – the lack of access to formal financial services and products, including basic bank accounts, loans, credit, and payment services such as remittances – is a [risk multiplier](#) for experiencing modern slavery, including human trafficking.⁵ Ensuring modern slavery survivors have access to and usage of appropriate financial services not only supports and facilitates their [financial recovery](#); it can also contribute to protection against re-victimization. Many survivor stories illustrate that being unable to access formal financial services means they become dependent on informal and cash-based economies and transactions, leaving them vulnerable to abuse and exploitation. This includes examples of money lending which become debt bondage, wage theft by cash-paying employers, or being trafficked into forced labour by exploitative ‘recruitment services.’

The ‘Palermo Protocol’ (2000) to ‘Prevent, Suppress and Punish Trafficking in Persons Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime,’ is

a UN protocol which defines and criminalizes human trafficking.⁶ Article 6 of the protocol outlines “assistance to and protection of victims of trafficking in persons,” with the counsel that each State Party should consider “implementing measures to provide for the physical, psychological and social recovery of victims.” Being able to reintegrate and recover socially, must include financial recovery.

Financial inclusion for survivors can mean different things. For instance, being paid for work in a low-risk way that helps to secure financial independence and other outcomes like improving health and education; process rent and other bill payments in non-cash transactions; build/rebuild credit history; and budget and save so survivors are not always exposed to exploitative loans/credit arrangements with ‘informal’ lenders. Increasing survivor financial inclusion is one way in which the financial sector can contribute towards achieving, *inter alia*, Sustainable Development Goal (SDG) Target 8.7 to end modern slavery.

Canada’s Approach to Survivor Financial Inclusion

Canadian banks (namely Scotiabank, Bank of Montreal, and Royal Bank of Canada), along with FINTRAC (Financial Transactions and Reports Analysis Centre of Canada), have been integral to the development and continuing success of the implementation of the SII in Canada. Canada employs a risk-based approach to increasing survivor financial inclusion. In doing so, financial institutions participating in SII from the outset have been encouraged to understand how actions seeking to improve anti-financial crime (AFC) and anti-money laundering (AML) compliance could unintentionally increase financial exclusion for those who have survived modern slavery.⁷

In February 2023, an ‘Industry Bulletin’⁸ was issued to all banks in Canada to directly address narrow interpretations of the “flexibility that s.627.17 of the Bank Act affords to consumers who do not present standard ID.” This bulletin was issued by the Financial Consumer Agency of Canada (FCAC), and was informed by their collaboration with FINTRAC. FINTRAC, in turn, simultaneously published updated guidance to reflect the FCAC’s clarification.⁹ The FCAC bulletin states that there is an ‘expectation’ for banks to actively support the financial inclusion of customers and it underlines exactly how access to financial services for survivors and other vulnerable groups can be safely supported in compliance with all existing rules and regulations.

⁵ *Unlocking Potential: A Blueprint for Mobilizing Finance Against Slavery and Trafficking* (New York: United Nations University, 2019). Available at: <https://www.fastinitiative.org/the-blueprint/>.

⁶ United Nations General Assembly, Resolution 55/25, adopted by the General Assembly, 15 November 2002. Available at: <https://www.ohchr.org/en/instruments-mechanisms/instruments/protocol-prevent-suppress-and-punish-trafficking-persons>.

⁷ FAST, “Canada: Leading By Example,” Podcast, 27 July 2023. Available at: <https://player.fm/series/finance-against-slavery-and-trafficking-the-podcast/canada-leading-by-example>.

⁸ “Access to basic banking services: opening a retail deposit account,” Financial Consumer Agency of Canada (FCAC), last accessed 11 September 2023, <https://www.canada.ca/en/financial-consumer-agency/services/industry/bulletins/access-basic-banking.html>.

⁹ Methods to verify the identity of persons and entities,” Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), last accessed 11 September 2023, <https://fintrac-canafe.canada.ca/guidance-directives/client-clientele/Guide11/11-eng#s6>.

Case Studies: Practical Insights from Banks

Canada has had a longstanding relationship with FAST, since the inaugural meeting of the Financial Sector Commission in 2017 and has been working ever since to simultaneously improve the detection of modern slavery, including human trafficking, and increase the financial inclusion of survivors to reduce the risk of revictimization and help aid their financial recovery. Canada's approach illustrates the crucial role that the financial sector anywhere in the world can play in supporting national government anti-slavery/anti-trafficking efforts to achieve SDG Target 8.7 to eradicate modern slavery.

'Project Protect,'¹⁰ co-led by the Bank of Montreal and FINTRAC, brings together Canadian regulators, financial institutions, law enforcement, and survivors to strengthen understanding of human trafficking among member institutions, which has helped to drive an increase in reporting related to human trafficking and modern slavery in Canada.

Canada's approach demonstrates what can be achieved through long-term partnerships between leaders and advocates in both the public and private spaces working towards a common goal of supporting the victims and survivors of modern slavery.

For banks and other financial institutions, 'know your customer' (KYC) and customer due diligence (CDD) have been priority areas for this work. KYC and CDD measures mitigate financial crime risks and help banks to verify

the identity of customers so they can be reasonably satisfied they are not involved in financial crime. These requirements, and the documentation that satisfies them, vary across jurisdictions, as do the accommodations that banks can make for 'simplifying' these processes in line with a risk-based approach.

This is an important way in which barriers to accessing financial services can be removed for survivors of modern slavery. Simplified CDD or a tiered approach to KYC can mean leveraging retail banking products, for example basic retail deposit bank accounts, and accepting alternative verification of identification or documents from those who do not present standardized identification documents.

It is important to acknowledge that some vulnerable and low-income populations are perceived as a risky category of customers by regulators and supervisors, and a group that offers less business potential to financial service providers.

The following case studies provided by Scotiabank and Royal Bank of Canada, illustrate in practical terms how during their involvement with SII, the banks developed their own public/private partnerships and worked directly with SSOs to increase access to financial services and products for survivors of modern slavery, including human trafficking.

¹⁰ "Project PROTECT – Public Service Renewal in Action," FINTRAC, last accessed 11 September 2023, <https://fintrac-canafe.canada.ca/emplo/project-projet/psr-eng>.

Partnering with Survivor Support Organizations to Increase Financial Access: Scotiabank Case Study

For survivors, the lack of appropriate, verifiable identification documentation (ID) is the most significant barrier to accessing financial services. Scotiabank provides a leading example of how banks can work with an SSO to facilitate financial access for survivors, specifically by taking a simplified CDD approach that meets both survivor needs and a robust risk-based approach to KYC policy.

Scotiabank was one of two banks in Canada to join the SII in 2019. The bank was the first to pilot the financial inclusion programme in Canada, by partnering with SSOs across the country. During the pilot phase, Scotiabank's "Financial Access Program" offered survivors a premium bank account (free for 12 months), and a savings account, supported by financial literacy guidance delivered by specially trained financial advisors. Later, Scotiabank added access to an unsecured credit card and enhanced eligibility considerations for applicants referred to their programme. Today, Scotiabank works with leading SSOs across Canada, with participating branches in Vancouver, Calgary, Toronto, Ottawa, and Montreal. It became clear during this pilot, however, that some survivors still experienced challenges when it came to providing documentation to verify their identity.

In response, Scotiabank is currently piloting a simplified CDD methodology that takes a risk-based approach to the KYC element of identity verification for survivors lacking typical forms of ID.

To enable this approach, Scotiabank partners with established SSOs, who can provide documentation to serve as a reliable source of name and date of birth information, by way of a reference letter signed by the executive director of the referring organisation.

In addition to the SSO reference letter, Scotiabank requires a second, personal reference, which can come from the survivor's case worker or advocate. Together these documents would serve as the identification of the individual, who is offered access to a basic bank account at no cost.

Once they become a customer, the survivor will be given a grace period of up to 12 months to obtain a stronger form of identification (for example, a government-issued photo ID). Upon presenting updated ID documentation, the bank will conduct a KYC refresh of the customer and maintain the relationship in line with Scotiabank's risk-appetite, offering its full range of banking products and services, as appropriate.

SSOs working with Scotiabank are also asked to conduct a suitability assessment on any interested applicant prior to making a referral to the programme. By assessing the needs, risks, and benefits of this approach with internal and external stakeholders, the potential misuse of banking products and services by survivors or those who may seek to exploit them are mitigated.

Partnering with Survivor Support Organizations to Increase Financial Access: Royal Bank of Canada (RBC) Case Study

RBC's Financial Access Program for survivors of human trafficking began with a pilot programme in Vancouver, B.C. in 2021, when the FAST SII brought together RBC and Illuminate-Salvation Army in an innovative partnership to create a process for enabling survivors to gain access to basic banking services and products.

The pilot programme was designed to help survivors in two key ways. First, the pilot provided a checking and savings account, with fees waived for one year, which helped survivors access fundamental opportunities and services. Second, it offered financial literacy training and assistance to help survivors build a secure future for themselves and their families.

With the successful completion and review of the pilot programme in 2022, RBC expanded its programme to Ontario and Alberta, with three additional cities participating and in partnership with two additional SSOs.

One of the initial challenges of developing the programme was understanding the identification challenges faced by many survivors and balancing that with our regulatory obligations to conduct customer due diligence (CDD).

To open a retail deposit account for survivors, the identity verification documents prescribed in the Access to Basic Banking Services Regulations within the Bank Act complies with the identity verification requirements, as prescribed in the Proceeds of

Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA), and with associated regulations. RBC actively collaborates with its industry peers and FAST to identify pragmatic solutions that balance regulatory requirements and support survivors and vulnerable populations on their financial access journey.

Beyond CDD requirements, the relationships between FIs and SSOs are key to a successful financial access programme. Each participating FI relies on its partner SSOs to identify survivors who are ready to take this next step in their reintegration process and to make a referral to the branch teams who are trained and ready to receive survivors as clients and to support them in their financial journey. Currently, FIs are building relationships with individual SSOs in each city and province to expand their Financial Access Programs. However, we recognize that this one-to-one connection is not sustainable for the continued growth of a programme that aims to reach and support as many survivors as possible.

RBC Looking Ahead

In order to leverage work undertaken and scale these efforts and programmes, RBC recognises that further support is required on a national level to explore how the referral process and engagement between FIs and SSOs can be simplified and made more efficient.

Lessons to Share from Canada's Approach

Canada's approach is one which can inspire financial institutions, senior public officials responsible for financial regulations, leaders of Public Private Partnerships, and senior anti-trafficking policymakers around the world. It illustrates the crucial role that the financial sector can play in national government anti-slavery/anti-trafficking efforts to achieve Sustainable Development Goal (SDG) Target 8.7 to eradicate modern slavery. The work to increase financial access for survivors is not only an important contribution to protection and prevention, it

also provides reassurance to the sector that this can be done without compromising equally important efforts to identify and prevent modern slavery-related money laundering within the system.

There are five key elements, in particular, which the Canadian approach highlights can be insightful for those looking to replicate successes elsewhere. (See box below, 'Key Recommendations Based on Canada's Approach').

Key Recommendations Based on Canada's Approach

- 1. A positive approach to risk, based on evidence and not perception, is essential.** Risk is an issue to be managed and not one which should define and exclude potential customers, especially those most at risk of abuse and exploitation. Avoiding or not addressing risk in this context, simply increases vulnerabilities to modern slavery.
- 2. Leadership and buy-in on a senior level** in both the public and private sectors to tackle modern slavery and financial exclusion, is critical to support financial recovery for survivors and prevent revictimization.
- 3. Effective Public Private Partnerships** between government, civil society, survivors and SSOs, banks, supervisors, and regulators are a required ingredient for approaching risk from multiple perspectives and finding solutions which support the financial recovery of survivors and protect them from revictimization.
- 4. Commitment** of time and resources by stakeholders in Canada has been consistent, to advocate for change and demonstrate that change can be achieved in ways that can satisfy the needs of customers and regulators and supervisors alike.
- 5. Wider benefit to vulnerable people.** The focus of SII has been explicitly to improve financial access for survivors – those who have lived experience of modern slavery. The Canadian approach has demonstrated that this work can also improve access to financial services for other groups vulnerable to exploitation and abuse, such as those who have experienced gender-based violence, those who have fled conflict, or those who are homeless.

However, challenges remain, not least of all scaling-up work to connect FIs and SSOs to increase financial access for survivors across the country. In FAST work with SII participants across all jurisdictions, it is acknowledged that there are numerous responsibilities placed upon already overstretched SSOs to support the identification

of victims and support their recovery in multiple ways.¹¹ SSOs provide crucial support for survivors to recover from physical and emotional trauma, but the work that they do to facilitate survivors' financial and economic recovery is often under-acknowledged and under-resourced.

¹¹ FAST, "Lessons from the Survivor Inclusion Initiative (SII) in the UK, US, and Canada."

Taking Canada's Work to the Next Level

Significant conversation, dialogue, and awareness on the roles financial institutions can play to support survivors has been initiated in Canada through their involvement in the FAST SII. A major issue that has been raised is how to develop more sustainable and simpler processes for financial access referrals of survivors. Improving access to financial services for survivors, has led to financial institutions and SSOs being keen to develop protocols for responding to safeguarding concerns for this group of customers who may be vulnerable to revictimization, such as through involvement in a National Referral Mechanism.¹²

Much is already happening on a legislative level in Canada to support the financial recovery of survivors. There is draft legislation in progress to address the issue of repairing the damage to survivors' credit histories that are linked to their experience of trafficking¹³ – a major barrier to survivors' financial, economic, and social recovery.

Canada is also one of a small but growing number of countries around the world which have introduced import bans¹⁴ on goods produced in whole or in part by forced labour.¹⁵ Such legal mechanisms have the potential to enable greater financial remedy for the people who

have been forced to produce these goods. Ideally, the provision of compensation and other forms of remedy can be made a condition for the lifting of such bans, and consultation with victims/survivors and Civil Society Organizations should help to inform the remedy that is required.¹⁶ Being able to access financial services (including bank accounts) to receive such restitution or compensation, and also ensuring that survivors have access to financial education and literacy services to manage this money, are crucial parts of the process of repair for survivors. Such provisions can respond to the intersecting vulnerabilities faced by survivors. How the Canadian legislation, which comes into force in January 2024, will improve survivor access to financial remedy is, however, unclear at present.

There is an immediate opportunity for Canada, especially in preparation for new and forthcoming legislation, to develop a national framework to increase the reach of this already impactful work. This would extend the reach to a greater number of survivors, as well as other populations highly vulnerable to experiencing modern slavery, such as indigenous populations, refugees, and migrant workers.

¹² National Referral Mechanism is a 'national framework through which governments fulfil their obligations to protect and promote the human rights of victims of trafficking. It enables the co-ordination of their efforts in a strategic partnership with civil society organizations, the private sector, survivor leaders, and other actors working in the field.' See Organization for Security and Co-operation (OSCE), 'National Referral Mechanisms Joining Efforts to Protect the Rights of Trafficked Persons,' *OSCE Factsheet* (Warsaw: OSCE, 2020). Available at: https://www.osce.org/files/f/documents/2/0/493981_0.pdf.

¹³ "Bill 41, Protection from Coerced Debts Incurred in relation to Human Trafficking Act, 2023," Government of Canada, last accessed 11 September 2023, <https://www.ola.org/en/legislative-business/bills/parliament-43/session-1/bill-41>.

¹⁴ "Supporting the Forced Labour Import Ban and Social Corporate Responsibility (CSR) initiatives," Government of Canada, last accessed 11 September 2023, <https://www.canada.ca/en/employment-social-development/services/labour-relations/international/support.html>.

¹⁵ 'Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff' also covers child labour and comes into force in Canada 1 January 2024.

¹⁶ FAST, *Asset Recovery and Restitution Initiative* (forthcoming).

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