

# In search of stability? Canada introduces new Stablecoin Act and receipts a prospectus for a Canadian stablecoin

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It has been an exciting few weeks in the development of the digital asset regulatory regime in Canada. On the heels of the release of the 2025 federal budget, the Canadian government tabled legislation to enact the [Stablecoin Act](#) (the Act), which marked a clear move by the federal banking authorities to take ownership of this developing space. However, only a few days later, the Canadian Securities Administrators (CSA) issued a final receipt for a stablecoin token prospectus, confirming its interim position that stablecoins are, in fact, “securities” governed by provincial securities legislation.

*As defined in the Act, a “stablecoin” refers to a digital asset that is intended or designed to maintain a stable value relative to the value of one fiat currency and that has the characteristics, if any, provided for in the regulations.*

Broadly speaking, the Act will require the registration of stablecoin issuers – a registry of which will be publicly maintained by the Bank of Canada. The Act contains provisions regarding the redemption of stablecoins, the reserve of assets stablecoin issuers must maintain, and the policies these issuers are required to implement.

## Scope and Application

The Act will only apply to fiat-referenced stablecoins issued by entities that are not financial institutions or central banks. The Act will not apply to:

- stablecoins backed by non-fiat assets, such as commodities like gold;
- stablecoins issued by financial institutions or issuers that are central banks;
- closed-loop stablecoins (i.e. stablecoins where the beneficial holder cannot withdraw the stablecoins from the custodial account in which they are held); or
- stablecoins that do not have an interprovincial or international aspect.

The Governor of the Bank of Canada is permitted to make orders excluding stablecoins that are regulated under substantially similar provincial or foreign laws from the application of the Act.

The Act does not yet have a fixed coming into force date.

## **Issuer Registration, Reporting & Oversight**

### **Registration**

Stablecoin issuers will have to be registered with the Bank of Canada and, once approved, will be added to the public registry of approved issuers. These approved issuers are required to hold reserves composed exclusively of the reference currency or other high-quality liquid assets provided for in the regulations or approved by the Bank of Canada in segregated accounts with qualified custodians (i.e., financial institutions and other persons provided for in the regulations).

Issuer registrations must include information on the following:

- ownership, organization and structure;
- technological systems to be used in relation to the stablecoin;
- redemption and reserve policies;
- custodial arrangements;
- governance;
- risk management, data security and recovery and resolution policies; and
- any history of enforcement actions (Canadian or foreign) in relation to anti-money laundering or anti-terrorist financing measures, the provision of financial services, securities and derivatives, market conduct or consumer protection.

Stablecoin issuers will not be permitted to grant or pay any form of interest or yield to a holder of the stablecoin.

We anticipate a focus on the governance, risk, business continuity and other aspects of a stablecoin issuer's policies and procedures, as well as evolving best practices and expectations around these requirements.

### **Reporting (requiring third-party statements)**

Distinct from securities registrant applications, stablecoin issuer registration applications must be accompanied by a statement from a lawyer regarding compliance and a statement from a certified accountant regarding the applicant's financial condition. Without additional guidance from the government on the contents of these third-party statements, the requirements remain speculative in nature.

Ongoing reporting requirements mean that approved stablecoin issuers must provide the Bank of Canada with monthly reports containing a statement from a certified accountant regarding the issuer's financial condition, the number of outstanding stablecoins, and the composition of the reserve of assets.

Additionally, at intervals that are yet to be determined, stablecoin issuers will need to provide reports that include a statement from a certified accountant that the reserve of assets satisfies the requirements of the Act, a statement from a lawyer regarding the issuer's compliance with the Act, and any information provided for in the regulations.

## Oversight

The Bank of Canada and the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) will serve as the primary regulators. The Minister of Finance will retain the authority to refuse registration to issuers for national security reasons.

## Enforcement and Penalties

Non-compliance may result in administrative monetary penalties and a prohibition from issuing stablecoins. The Minister of Finance may apply to a superior court for an enforcement order.

## Stablecoins as Payment

It is clear to us that the Department of Finance intends for stablecoins regulated under the Act to be used as a new payment method by Canadians. Among other things, as a consequential amendment related to the tabling of the new Act, *the Retail Payments Activities Act* is being amended to include a sixth payment function related to the transmission or maintenance of an encrypted or tokenized payment instrument or an end user's private key (in other words, a stablecoin).

## Shared responsibility or federal authority? What lies ahead?

While some have interpreted the Act as the federal government ceding, or perhaps sharing, jurisdiction with the securities commissions, on closer review the "securities" carve out is with reference to equity investments and subsidiary provisions as set forth in other federal laws. The fact that the Act does not expressly override provincial securities laws, in our view, does not equate with the federal government articulating that an issuer must still comply with guidance from the CSA. We will be closely monitoring developments on this front.

Currently, the CSA regulates stablecoins (which it refers to as "value-referenced crypto assets") as "securities" or "derivatives" under an interim approach described in *CSA Staff Notice 21-333 Crypto Asset Trading Platforms: Terms and Conditions for Trading Value-Referenced Crypto Assets with Clients*. That staff notice suggests that the CSA is open to considering having stablecoins regulated by alternative regulatory regimes with comprehensive frameworks. Of note, however, after the public release of the Act, the CSA issued a final receipt for a prospectus for the QCAD, a Canadian-dollar-backed stablecoin. In connection with that prospectus, the issuer of QCAD, CAD Digital Trust, filed an undertaking with the CSA in respect of QCAD, which, subject to compliance with the terms and conditions applicable to Canadian crypto trading platforms (CTPs), permits CTPs to offer or use QCAD on their platforms. A copy of the CAD Digital Trust undertaking can be [found here](#). Based on the actions of the CSA, it is not clear if the securities regulators will fully cede their authority over fiat-backed stablecoins to the federal government. It will be interesting to see how this jurisdictional dispute plays out over the coming months.

In the meantime, issuers and users of stablecoins are faced with regulatory uncertainty. We are hopeful that the regulatory position is clarified quickly, as this type of regulatory uncertainty is a critical barrier to the adoption of stablecoins and the movement of real-world assets onto the blockchain within traditional finance.

By treating stablecoins as a payment method, it is possible that the Act will more closely align the Canadian approach with what appears to be the globally accepted position on stablecoins. Adopting regulations that parallel other regulatory regimes may accelerate the adoption of stablecoins in the Canadian financial ecosystem.

## Contact Us

Should you have any questions about this bulletin or anything in the proposed legislation or wish to discuss the regulatory landscape with respect to digital assets and stablecoin, please reach out to your usual BLG lawyer or any of the authors below.

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