Proposal for CRS to impose obligations in respect of crypto, electronic money products and digital currency

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On Aug. 15, 2025, the Department of Finance released for consultation draft legislative proposals that would implement a number of previously announced and other tax measures. These proposals included amendments to Part XIX (CRS) of the *Income Tax Act (Tax Act)*, which implements the Organisation for Economic Co-operation and Development's *Common Reporting Standard* in Canada.

The proposed amendments introduce various changes to the obligations of a reporting financial institution under CRS (as discussed in a separate BLG bulletin). As explained further below, these proposed amendments also introduce:

- Specific references to crypto-assets, electronic money products and digital currency; and
- Obligations under CRS for certain entities that operate in the crypto-assets, electronic money products or digital currency industry.

If enacted in their current form, the proposed amendments will be effective beginning with the 2026 calendar year.

Proposed changes to CRS

Crypto-assets

The proposed amendments introduce the concept of "relevant crypto-asset", which is any "crypto-asset" (*i.e.,* a digital representation of value that relies on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions) that is *not* a central bank digital currency, a specified electronic money product or any crypto-asset for which the reporting crypto-asset service provider has adequately determined that it cannot be used for payment or investment purposes.

The proposed amendments also expand the list of financial institutions to include:

- An entity that primarily carries on as a business the investing, administering or managing of "relevant crypto assets" (or interests in such assets) on behalf of other persons[1]. Such an entity is proposed to be added to the definition of an "investment entity".
- An entity (such as a collective investment vehicle or other fund) with gross income that is primarily attributable to investing, reinvesting or trading in "relevant crypto assets" (or interests in such assets), if the entity is managed by another entity that is a financial institution. Such an entity is also proposed to be added to the definition of an "investment entity". Consequentially, an equity or debt interest in such an entity will be a financial account if the proposed financial institution is subject to CRS obligations.
- An entity that has at least 20 per cent of its gross income attributable to (i) the holding of interests in "relevant crypto assets" for its account holders and (ii) financial services related to the former. Such an entity is proposed to be added to the definition of a "custodial institution". Consequentially, an account that holds one or more interests in "relevant crypto assets" for the benefit of another person are considered "custodial accounts" and may be subject to CRS obligations.

Currently, custodians are required to report the total gross proceeds from the sale or redemption of financial assets paid or credited to a custodial account during the reporting period with respect to which the financial institution acted as a custodian, broker, nominee or otherwise as an agent for the account holder. The proposed amendments will exempt a custodian from having to report the gross proceeds from the sale or redemption of a financial asset (including from an interest in a "relevant crypto asset") under CRS if such amounts are already reported under proposed new Part XXI of the *Tax Act* (which is Canada's implementation of the Crypto Asset Reporting Framework developed by the Organisation for Economic Co-operation and Development). A custodian may also elect out of having the proposed exemption apply with respect to any clearly identified group of accounts.

Electronic money products & central bank digital currency

The proposed amendments impose CRS obligations in respect of "central bank digital currency" and "specified electronic money products". Central bank digital currency is a digital fiat currency issued by a central bank. On the other hand, a "specified electronic money product" is a product[2] that is:

a. A digital representation of a single fiat currency;
b. Issued on receipt of funds for the purpose of making payment transactions;
c. Represented by a claim on the issuer denominated in the same fiat currency of which it is a digital representation;
d. Accepted in payment by a person other than the issuer; and
e. By virtue of regulatory requirements to which the issuer is subject, redeemable at any time and at par value for the same fiat currency upon request of the holder of the product.

The proposed amendments expand the definition of "depository institution" (and by extension, the definition of "financial institution") to include entities that hold "specified electronic money products" or "central bank digital currencies" for the benefit of customers.

The proposed amendments also broaden the definition of “depository account” to include (i) an account or notional account that represents all “specified electronic money products” held for the benefit of a customer and (ii) an account that holds one or more “central bank digital currencies” for the benefit of a customer. Accordingly, depository institutions will generally have obligations under CRS regarding those accounts.

In addition, the proposed amendments will expand the list of “excluded accounts” (*i.e.*, the list of accounts that are exempt from CRS obligations) to include depository accounts that solely contain “specified electronic money products” held for the benefit of a customer, provided that the rolling average 90 day end-of-day aggregate account balance or value during any period of 90 consecutive days does not exceed US$10,000 on any day during the calendar year.

Finally, most governmental entities or international organizations outside Canada and the United States are currently considered to be “non-reporting financial institutions” for purposes of CRS. Where a governmental entity or international organization maintains central bank digital currencies for account holders that are not financial institutions, governmental entities, international organizations or central banks, the proposed amendments now bring these governmental entities or international organizations within the scope of CRS.

How financial institutions can prepare for the proposed changes to CRS

- **Proposed new financial institutions may have obligations under CRS** – To the extent that an above-noted proposed new financial institution is also a “listed financial institution” (a Proposed FI) for purposes of CRS, then the Proposed FI may also have CRS obligations in respect of its account holders. For example, a collective investment vehicle that invests in “relevant crypto assets” (or interests in such assets) is a proposed new financial institution,[3] and it may be a listed financial institution provided that both (i) the investment vehicle is represented or promoted to the public and (ii) the investment vehicle is managed by an entity authorized under provincial legislation to engage in the business of dealing in financial instruments (including securities and interests in “relevant crypto assets”) or to provide services related to portfolio management, investment advising, fund administration or fund management.
- **Next steps for a Proposed FI with obligations under CRS** – The proposed amendments have a January 1, 2026 effective date. Proposed FIs have less than four months to prepare for the CRS obligations – such preparations include:
    - Determining the scope of their obligations, including whether any relevant exceptions may apply (for example, a collective investment vehicle that is invested in crypto-assets may have no reportable accounts if it is an exchange-traded fund in certain circumstances);
    - Preparing a written compliance manual;
    - Delivering training to compliance professionals on their new CRS obligations (for example, providing client-facing staff with training on the requirement to collect a valid self-certification at account opening);
    - Updating their technology systems to identify relevant information in the client file that is applicable to their CRS obligations, such as information relevant to completing the annual information return; and

- Developing a strategy for conducting due diligence on all of their account holders – For any financial accounts that become subject to CRS as a result of the proposed amendments, the Proposed FI will have the same obligations under CRS that were applicable to "preexisting accounts" and "new accounts" at the inception of CRS back in 2017. Specifically, the Proposed FI will need to apply the obligations applicable to "preexisting accounts" for accounts maintained on December 31, 2025, while applying the obligations applicable to "new accounts" for accounts opened in 2026 or later.

While there are proposed new financial institutions under CRS, it is unclear at this time whether similar amendments will be made to Part XVIII of the *Tax Act* (commonly referred to as FATCA). If similar amendments are made to FATCA, then the proposed new financial institutions will have obligations under both FATCA and CRS (which is consistent with the obligations of existing financial institutions).

If you have questions on how the proposed changes to CRS may impact your organization, please contact Grace Pereira and Tony Zhang.

Footnotes

[1] Entities that carry on such a business through the provision of services effectuating for, or on behalf of, customers any exchange between (i) relevant crypto-assets and fiat currencies or (ii) one or more forms of relevant crypto-assets, are not considered to be a "financial institution".

[2] A product created for the sole purpose of facilitating the transfer of funds from a customer to another person pursuant to instructions of the customer are not considered a "specified electronic money product".

[3] Under the current CRS rules, a collective investment vehicle may be a financial institution if its gross income is primarily attributable to investing, reinvesting, or trading in "financial assets". The term "financial assets" includes securities and commodities under the current CRS rules. Some collective investment vehicles that are invested in crypto-assets already take the view that they are subject to obligations under the current CRS rules, on the basis that the crypto-assets are commodities.

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