Budget 2026: The Next Phase of Financial Services Sector Regulatory Reform

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On November 5, 2026, the Honourable François-Philippe Champagne, Minister of Finance, tabled *Budget 2026, Masters of our destiny* (Budget 2026). Budget 2026 sets out a broad economic agenda focused on measures to stimulate investment, improve productivity, support affordability, strengthen competition and reinforce Canada's economic sovereignty.

For the financial services sector, Budget 2026 signals continued regulatory change across several fronts. The proposed measures would promote competition and consumer mobility, modernize Canada's payments and digital assets frameworks, expand consumer protection, and strengthen fraud prevention and financial crime supervision.

This alert highlights key Budget 2026 measures relevant to financial services businesses and considers their potential implications.

Increased Competition in Financial Services

Budget 2026 places the financial services sector within the federal government's broader "Whole-of-Government Competition Plan." The proposed measures are intended to reduce barriers to entry and expansion, increase consumer mobility and incorporate competition considerations more directly into financial sector regulation.

Proposed measures include facilitating the entry and growth of challenger banks and credit unions, increasing deposit insurance coverage to $250,000, improving transparency around annual bank fees and making affordable mortgages more accessible.

The federal government also intends to amend the *Bank Act, Trust and Loan Companies Act,* and *Insurance Companies Act* to:

- Make the process of becoming a federally regulated financial institution more predictable, transparent and timely;
- Provide greater flexibility in ownership structures, and
- Expand options for deposit-taking institutions to exit the market.

Measures intended to facilitate consumer switching and expand data portability are also identified as tools for promoting competition.

Budget 2026 also proposes to introduce a secondary competition objective for the Office of the Superintendent of Financial Institutions (OSFI). The objective is intended to ensure that considerations such as proportionality, compliance burden and market effects are more clearly and consistently reflected in OSFI's regulatory and supervisory activities.

For financial services businesses, these measures could increase competitive pressure by lowering barriers to entry and making it easier for consumers to compare and switch providers. Measures aimed at reducing switching costs and increasing transparency could place additional pressure on established pricing and distribution models, while challenger banks, credit unions and fintechs may benefit from more flexible entry requirements and increased customer mobility.

The practical significance of OSFI's proposed competition objective will depend on how it is framed in legislation and balanced against OSFI's existing prudential mandate.

Advancing Payments Modernization

Budget 2026 commits the federal government to launching the next phase of Canada's payments modernization as part of its broader competition agenda. Public consultations on future priorities and the statutory review of the *Canadian Payments Act* are expected to begin in early 2027.

The federal government also proposes targeted amendments to the *Retail Payment Activities Act* (RPAA)to strengthen the Bank of Canada's oversight of payment service providers (PSPs). These measures build on the significant regulatory transformation already underway in Canada's payments sector.

In addition, the federal government proposes to work with the provinces and territories to develop harmonized consumer protection requirements for PSPs regulated under the RPAA. This is a notable development because the RPAA focuses on operational risk and the safeguarding of end-user funds. Importantly, the Bank of Canada has stated that its supervisory mandate under the RPAA does not extend to broader consumer protection. The federal government has not yet provided details on the proposed requirements or how they would operate alongside existing federal and provincial consumer protection regimes.

Banks, payment service providers and fintechs should monitor these developments closely, including how the proposed measures will interact with the existing federal payments regulatory framework.

Further Development of Canada's Stablecoin Framework

Budget 2026 proposes additional changes to Canada's federal stablecoin framework, including specific requirements for federally regulated and foreign financial institutions.

These measures are being advanced alongside ongoing consultations on the proposed regulations under the *Stablecoin Act*, which we discuss in our prior article.

To promote consistent treatment across stablecoin issuers, the federal government proposes to require federally regulated financial institutions to issue stablecoins through non-financial institution subsidiaries regulated under the *Stablecoin Act*, and to extend the *Stablecoin Act* to foreign financial institutions that are not prudentially regulated in Canada. In parallel, the government intends to continue consulting stakeholders on potential consumer protections in the event of a stablecoin issuer or custodian insolvency.

The proposed subsidiary requirement would be particularly relevant to banks, trust and loan companies, insurers and other federally regulated financial institutions considering stablecoin issuance. Institutions considering stablecoin issuance should monitor both the proposed legislative amendments and the ongoing regulatory consultations, including how the developing framework may affect their corporate structure, governance, operations and regulatory obligations.

Expanding Data Portability Beyond Banking

Budget 2026 identifies the expansion of data portability beyond banking as part of the federal government's broader competition agenda, alongside measures intended to make it easier for consumers to switch providers and open access to data. This signals that the principles underlying consumer-driven banking could be applied more broadly. In particular, the federal government proposes to expand data portability rights to additional sectors, including telecommunications and air transportation. Budget 2026 describes the expansion as being implemented following the establishment of the new data portability framework under the *Protecting Privacy and Consumer Data Act*.

Although the expansion would apply to sectors outside financial services, it reflects a broader policy approach that could inform the continued development of consumer-driven banking. Accordingly, the development of this broader framework will be important for financial services businesses to monitor. Depending on how the framework develops, expanded portability could have implications for the use and transfer of customer data, customer acquisition, third-party arrangements, product distribution and competitive dynamics.

Strengthening Fraud Prevention and Financial Crime Enforcement

Budget 2026 advances a broader, coordinated approach to combatting fraud, money laundering and other financial crimes. Central to this agenda are the National Anti-Fraud Strategy and the proposed Multi-Sector Anti-Fraud Framework (Anti-Fraud Framework), which would establish fraud prevention requirements across the financial and telecommunications sectors and digital platforms.

Although the federal government continues to consult on the Anti-Fraud Framework's structure and scope, covered organizations could be required to take measures to prevent, detect, disrupt and respond to fraud. The proposed Anti-Fraud Framework

signals a move toward coordinated, multi-sector responsibility for fraud prevention rather than treating fraud as a matter for individual financial institutions and law enforcement.

Budget 2026 also builds on the proposed Financial Crimes Agency introduced under Bill C-29, the *Financial Crimes Agency Act*, which is expected to begin operating in fall 2027. The new federal enforcement agency would investigate serious financial crimes, including fraud and money laundering, and recover illicit proceeds.

Budget 2026 also proposes to:

- Transfer responsibility for the anti-money laundering and anti-terrorist financing (AML/ATF) supervision of federally regulated financial institutions from the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) to OSFI;
- Enhance information sharing between OSFI and FINTRAC;
- Expand FINTRAC's access to supervisory information;
- Extend federal AML/ATF requirements to additional sectors and certain higher-risk gambling activities (such as certain pari-mutuel betting on horse racing) while exempting lower-risk activities;
- Extend FINTRAC registration requirements to additional sectors, including dealers in precious metals and stones;
- Strengthen government access to beneficial ownership information; and
- Enhance the government's ability to dissolve corporations used for fraudulent purposes.

The proposed transfer would consolidate prudential and AML/ATF supervision of federally regulated financial institutions within OSFI. Financial institutions should monitor further details regarding the transition and any resulting changes to supervisory expectations, examinations, reporting and compliance processes.

These initiatives are being advanced alongside Bill S-8, the *Combatting Financial Crimes and Drug Trafficking Act,* which would introduce additional regulatory and enforcement measures affecting money services businesses, crypto ATM operators and businesses handling certain cash transactions. As discussed in our prior article on Bill S-8, the proposed legislation reflects a broader shift toward stronger supervision, enforcement and coordination across Canada's AML/ATF, payments and national security frameworks.

Budget 2026 also proposes amendments to the *Bank Act* to cap consumer liability for unauthorized transactions at $0 across all account types held with a bank, in the absence of gross negligence by the consumer. For banks, the proposed change could shift the allocation of losses arising from unauthorized transactions and have implications for fraud prevention, investigation and reimbursement processes.

Taken together, these proposals, if implemented, could materially affect how financial institutions and other covered businesses manage fraud and financial crime risk. Affected businesses should monitor the developing requirements and assess the potential implications for their governance, fraud controls, AML/ATF compliance programs, information-sharing arrangements and customer reimbursement procedures.

Contact Us

For more information on Budget 2026, please reach out to the key contacts below or any lawyer from BLG's Banking and Financial Services Group.

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