The Stablecoin Era: Canada Proposes Stablecoin Regulations and Expands the Payment Regulatory Framework

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In a development likely to attract significant interest across the stablecoin and payments sectors, on October 24, 2026, the Department of Finance released proposed Stablecoin Regulations (Regulations) under the *Stablecoin Act* (SCA), together with related amendments to the *Retail Payment Activities Regulations* (RPAR). The Regulations operationalize the SCA by establishing detailed requirements for stablecoin issuers, while the related RPAR amendments would bring certain payment service providers (PSPs) that perform payment functions using prescribed stablecoins within the regulatory framework of the *Retail Payment Activities Act* (RPAA). The public consultation is open until December 23, 2026.

Now that these proposals have been released, the practical contours of Canada's new federal framework for stablecoin issuance are coming into focus. The SCA received royal assent in March 2026 but is not yet in force. Once in force, it will establish a framework administered by the Bank of Canada and applicable to domestic and foreign issuers other than financial institutions and central banks. The proposed Regulations mark an important step toward implementation, detailing how that framework would operate in practice.

Stablecoin Issuers: Proposed Requirements

The Regulations propose a broad range of registration, financial, governance and ongoing compliance requirements for stablecoin issuers subject to the SCA, as summarized below.

- **Registration and National Security Review**: Issuers would be required to register with the Bank of Canada and include information prescribed by the Regulations in their application. Applications could be subject to national security review by the Minister of Finance (Minister).
- **Prohibitions**: The Regulations would prohibit issuers from paying interest or yield tied to holding a stablecoin, including through arrangements with intermediaries or other parties that encourage holders to acquire more of the stablecoin or hold it for longer. Issuers would also be prohibited from using terms,

expressions, logos, symbols, illustrations or other representations that falsely or misleadingly suggest that a stablecoin pays interest or yield, is legal tender, constitutes a deposit or proof of deposit, is protected by a public deposit insurance regime, or is government guaranteed. Similar restrictions would apply to representations that an issuer is registered with the Bank of Canada when it is not. Rewards or payments tied solely to the use, rather than the holding, of a stablecoin would remain permitted.

- **Redemption**: Issuers would be required to redeem stablecoins on request, at par in the reference currency, and without a minimum redemption amount. Importantly, issuers would generally need to complete the necessary liquidation of reserve assets and initiate the transfer of the redemption proceeds within three business days. However, an issuer could limit the amount redeemed on a particular day where a market liquidity shortfall prevents it from satisfying all redemption requests. Issuers would also need to publish a clear and publicly accessible redemption policy, provide it to the Bank of Canada and disclose all purchase and redemption fees.
- **Reserve of Assets**: Issuers would be required to maintain daily reserves in the reference currency with a market value at least equal to the value of outstanding stablecoins. Reserve assets would be limited to specified high-quality liquid assets. Reserve assets generally could not be pledged or otherwise encumbered, subject to limited exceptions. The reserve assets would also need to be held with a Canadian-incorporated qualified custodian in a segregated, insolvency-protected account used exclusively for redemption purposes. As a practical matter, the Canadian-incorporation requirement would preclude issuers from using a custodian that is incorporated outside Canada, other than as a sub-custodian of the Canadian-incorporated qualified custodian.
- **Policies**: Issuers would be required to maintain governance, risk management, data security, and recovery and resolution policies, with a designated senior officer responsible for each. Policies would be reviewed annually and before specified changes, with plain-language summaries published in English and French. Risk management and data security policies would also require an independent review every three years.
- **Reporting and Regulatory Notifications**: Issuers would be subject to monthly reporting requirements, including a certified accountant's opinion on specified reserve matters. At the Bank of Canada's request, an issuer would also need to provide a lawyer's opinion concerning compliance with requirements governing the custody and encumbrance of reserve assets. Issuers would also be required to notify the Bank of Canada of incidents and significant changes.
- **Recordkeeping**: Issuers would be required to retain sufficient records to demonstrate compliance with the SCA and the Regulations for up to five years and take reasonable measures to protect those records against loss, destruction, falsification, inaccuracies and unauthorized access or use.
- **Penalties**: Contraventions of the SCA and the Regulations could be classified as serious or very serious and could attract administrative monetary penalties of up to $1 million and $10 million, respectively. A series of two or more serious violations identified in a notice of violation could be treated as a single very serious violation. In determining the penalty amount, the Bank of Canada would consider the actual or potential harm caused, the person's violation history during the preceding five years, and the degree of intention or negligence. Failures to maintain adequate reserve assets or redeem stablecoins at par would constitute very serious violations.

Extending the RPAA Framework to Stablecoin Payments

The proposed RPAR amendments would bring PSPs performing payment functions using prescribed stablecoins within the RPAA framework. Depending on their activities, these PSPs could become subject to registration, safeguarding, operational risk management, incident reporting and regulatory reporting requirements.

Prescribed stablecoins would include those issued by entities on the Bank of Canada's registered issuer list, as well as those issued by certain financial institutions subject to federal, provincial or foreign requirements substantially similar to the SCA. Financial institutions issuing the stablecoins would not become subject to the RPAA or RPAR solely by issuing prescribed stablecoins. Existing entity-based exemptions, including those applicable to prudentially regulated financial institutions and activity-based exemptions under the RPAA would continue to apply.

PSPs holding prescribed stablecoins for end users would be subject to specific safeguarding requirements. The amendments would introduce a new safeguarding option under which stablecoins could be held through a separate entity whose sole purpose is holding end-user funds, provided that the arrangement prevents the assets from forming part of the PSP's estate in an insolvency. PSPs would also be required to maintain written safeguarding frameworks that are independently reviewed every three years, reported on annually to the Bank of Canada and provided to the Bank of Canada on request, with new procedures addressing prompt access to funds, including redemption of stablecoins, and legal and operational risks if the stablecoin issuer becomes insolvent.

PSPs handling prescribed stablecoins would also be required to notify the relevant issuer without delay of material operational incidents and report the value and volume of electronic funds transfers involving prescribed stablecoins. In addition, the RPAR registration requirements would be expanded to capture further ownership, governance and management information for national security purposes. These enhanced information requirements would apply to all PSP applicants, including those that facilitate only fiat payments.

Implications for Issuers and PSPs

The Regulations, together with the SCA, introduce a new compliance architecture for stablecoin issuers operating or seeking to operate in Canada. Issuers would need to assess whether their reserve, custody, redemption, governance, risk management, data security and distribution arrangements satisfy the proposed federal requirements. Issuers would also become subject to direct Bank of Canada supervision, including registration and ongoing compliance obligations. Restrictions on paying yield or interest tied to holding a stablecoin and marketing representations may require issuers to reconsider their product structures, reward programs, customer terms, distribution arrangements and marketing practices.

The RPAR amendments would also expand the reach of federal payments regulation. PSPs performing payment functions using prescribed stablecoins would need to

determine whether their activities fall within the RPAA framework and, if so, whether their safeguarding, operational risk, incident response, reporting and insolvency arrangements meet the applicable requirements.

The amendments may be particularly significant for PSPs already registered under the RPAA whose stablecoin-related activities have not previously been treated as regulated payment functions. These PSPs would need to reassess their existing products and transaction flows and may need to update their Bank of Canada registration information and extend their safeguarding, operational risk, incident response and reporting frameworks to cover prescribed stablecoin activities. Businesses whose only Canadian payment activities involve stablecoins should also assess whether the amendments would bring them within the RPAA framework for the first time.

Federal and Provincial/Territorial Interplay

The federal announcement acknowledges the existing role of provincial and territorial securities regulators in overseeing stablecoins (which fall within the broader category of **value-referenced crypto assets** or **VRCAs** used by the Canadian Securities Administrators (CSA)), stating that stablecoins are currently subject to the regulation of crypto-asset trading platforms by the members of the CSA. The CSA have expressed the view that VRCAs may constitute securities and/or derivatives in several Canadian jurisdictions. Under the interim approach set out in CSA Staff Notice 21-333 *Crypto Asset Trading Platforms: Terms and Conditions for Trading Value-Referenced Crypto Assets with Clients*, registered crypto asset trading platforms and platforms that have provided pre-registration undertakings may, with the requisite regulatory consent and subject to applicable terms and conditions, permit clients to buy or deposit certain fiat-backed VRCAs. Based on the undertakings entered into by issuers of stablecoins with the CSA and the exemptive relief recently granted by the CSA in respect of stablecoins, we view the CSA's oversight as extending beyond trading on registered crypto asset trading platforms.

Beyond issuer undertakings relating to USDC and QCAD, the recent prospectus-qualified offering of CADC tokens by CADC Reserve Trust, together with time-limited exemptive relief granted to the Trust and Loon Payments Inc., its administrator and servicer, illustrates the application of securities regulatory requirements at the issuer and distribution levels. The CSA have also granted time-limited dealer registration relief to businesses operating under an immediate-delivery model, including zerohash llc and Paytrie AB Inc., to transact in certain VRCAs. The VRCA-related relief is limited to "**Specified VRCAs**," as defined in the applicable decisions, and remains subject to conditions governing the eligible tokens and the dealer's activities. Immediate delivery does not, by itself, resolve the securities law treatment of the underlying VRCA. As a result, the proposed federal framework will operate alongside the existing provincial securities regulatory regime, potentially raising questions regarding the interaction between federal and provincial/territorial authority over stablecoins.

As a result, issuers and intermediaries should not assume that registration with the Bank of Canada would, by itself, satisfy requirements relating to the distribution or trading of a stablecoin. A key implementation question is how federal registration and supervision will interact with existing issuer undertakings, prospectus requirements and exemptive relief, particularly where reserve, custody, redemption and disclosure obligations overlap. Further coordination and guidance would help clarify whether

existing requirements will be maintained, modified or replaced as the federal regime takes effect.

What's Next and How to Prepare

The federal government is targeting fall 2027 for implementation of the regime. The Regulations would take effect on the date(s) set by the Governor in Council for the relevant SCA provisions.

Transitional Relief: Issuers already issuing stablecoins immediately before the SCA takes effect could benefit from transitional relief from prior registration by applying to the Bank of Canada within 30-days after the SCA comes into force. Such issuers could generally continue issuing while their applications are considered but would need to stop if that application is refused. Existing issuers that miss the 30-day deadline would not qualify for this relief.

While the proposals remain open for consultation, stakeholders should consider commenting on potential legal, operational or implementation challenges and begin preparing by reviewing their existing structures, products and processes against the proposed framework in the following ways:

- **Issuers** should review reserve, custody, redemption, governance and reporting arrangements against the proposed requirements.
- **PSPs** should identify stablecoin activities that could fall within the RPAA and assess any needed updates to registration information and compliance frameworks.

As Canada's stablecoin framework takes shape, BLG can help you assess the implications for your business, respond to the consultation and prepare for implementation.

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