



Stablecoin Act – First Impressions

4 December 2025

Stablecoin Act (Canada)

First Impressions – Presentation Outline

- Scope and Jurisdiction
- Interaction with other Regulatory Regimes
- Redemptions, Reserves, Reporting
- Application Process
- Bank of Canada Supervision

Stablecoin Act (Canada)

First Impressions – Scope and Jurisdiction

- **Registration requirement** (s. 15) A person must not issue a stablecoin unless the person complies with the Act and their name is included in the Registry of Issuers maintained by the BoC.
 - **person**: any individual or entity – no jurisdictional restrictions
 - **issue**: to **create** the stablecoin **and make it available for purchase, directly or indirectly**, by a person *in Canada*
 - **stablecoin**: digital asset intended or designed to maintain a stable value relative to the value of one fiat currency and has characteristics, if any, provided for in the regulations
 - Different from *GENIUS Act* narrow definition of “payment stablecoin”
- **Federal jurisdiction** (s. 10) Act only applies to stablecoins that could reasonably have inter-provincial or international applications
- **Limited securities dealing carve-out** (s. 3) Issuing a compliant stablecoin is not dealing in securities under federal *Bank Act*, *Insurance Companies Act* or *Loan and Trust Companies Act*, federal statutes governing financial institutions
 - Silent on application of provincial/territorial securities legislation, likely for jurisdictional reasons
 - CSA should clarify intentions not to regulate compliant stablecoins

Stablecoin Act (Canada)

First Impressions – Scope and Jurisdiction

- **Exemption Orders** (s. 14) Governor of BoC can exempt an issuer from all or part of the Act on the basis of a substantially similar regulatory regime in a province or foreign jurisdiction
 - Could apply to VRCA issuers regulated by CSA
 - Foreign stablecoin issuers
- **Inapplicability to financial institutions** (s. 12)
 - FI is defined in the *Bank Act*:
 - federally regulated banks, trust companies, insurance companies, credit unions
 - provincially regulated trust companies, insurance companies, credit unions
 - provincially regulated securities dealers and advisers
 - foreign institution
 - Does not prohibit FIs from issuing stablecoins or deposit tokens
 - Unlike *GENIUS Act*, does not contemplate bank subsidiaries as stablecoin issuers

Stablecoin Act (Canada)

First Impressions – Interaction with other Regimes

- **Prohibition on Interest** (s. 32) An issuer must not, **directly or indirectly**, grant or pay the holder of its coins any form of interest or yield, whether cash, digital assets or other
 - Broader than GENIUS Act: No permitted payment stablecoin issuer... shall pay the holder of any payment stablecoin any form of interest or yield (whether in cash, tokens, or other consideration) **solely** in connection with the holding, use, or retention of such payment stablecoin.
- **Not legal tender, not a deposit, not insured** under a public/government system
 - Prohibitions (s. 33)
 - Prohibited representations (s. 34)
 - Prohibited terms, expressions, logos, symbols in regs (s. 31)
- **Application of PCMLTFA:**
 - Issuers are dealers in virtual currency (**MSBs**) under PCMLTFA (s. 5)
 - BoC provides completed Issuer applications to FINTRAC (s. 20)
- **RPAA amendment to add new “payment function”:** transmission or maintenance of an end users encrypted or tokenized payment instrument or end user’s private key, whether or not encrypted or tokenized

Stablecoin Act (Canada)

First Impressions – Redemptions, Reserve, Reporting

- **Redemptions** (s. 35) An issuer must redeem outstanding stablecoins in the reference currency, at par value and in accordance with the regulations, if any
 - **Redemption policy** (s. 36): Fees, timing, service providers involved; must be public
- **Reserve assets** (s. 37 – 39): value equal to or greater than all outstanding coins, composed of reference currency or other liquid assets denominated in reference currency
 - No pledge or encumbrance; segregated and bankruptcy remote (s. 38)
 - Held with qualified custodians (s. 39) – FI or as otherwise specified in the regs
 - Subject to regs, cannot be used for **any purpose** other than to fund redemptions (s. 37(2))
- **Financial reporting** (s. 46) Issuer must provide to the BoC with the Application and at times specified in the regs, a certified statement from:
 - Statement from CPA of issuer's financial condition, number of outstanding coins, composition of reserve and sufficiency of reserve to fund redemptions
 - Legal opinion re: issuer's compliance with reserve requirements
 - Monthly unaudited information to BoC – unclear whether public
 - Report must be made publicly available (except for information provided in the regs)

Stablecoin Act (Canada)

First Impressions – Application Process

- **Application contents** (s. 17)

- Ownership and organizational structure
- Redemption, reserve and reporting (see prior slide)
- Enforcement history: AML/ATF, market conduct, consumer protection
- Tech description: distributed ledgers, smart contracts, code and infrastructure

- **Policies** (s. 40 – 44):

- **Governance:** roles and responsibilities, accountability and oversight, outsourcing and COI
- **Risk management:** resilience, incident response, business continuity, outsourcing, cybersecurity, AML/ATF
- **Data security:** personal information, data protection
- **Recovery and resolution:** orderly wind-down
- Publicly available in accordance with the regulations, if any (?)

- **National Security Review** (s. 21 – 27)

Stablecoin Act (Canada)

First Impressions – Bank of Canada Supervision

- **Registry of issuers** (s. 15 – 16, 28 – 29)
- **Bank of Canada Notices** (49 – 50)
 - Incidents: unplanned event or series of events that results or could reasonably result in the reduction, breakdown or deterioration of activities performed by the issuer or a service provider related to the stablecoin
 - Significant changes
- Cost recovery model (s. 53)
- **Administration and enforcement** (s. 59 – 64)
 - Information requests, undertakings, conditions, compliance agreements
 - Administrative monetary penalties: BoC (s. 79 – 83)
- **Prudential measures:** “safety and soundness” regulations or BoC guidelines (s. 65)
 - Directions re: unsafe and unsound practices (s. 66)
- **Regulations:** Governor in Counsel (s. 93(a) to (z.9))

Stablecoin Act (Canada)

GENIUS Act Comparison by ChatGPT from Michael Geist

Topic	United States – GENIUS Act (S.394)	Canada – Stablecoin Act (2025)
Primary Regulator	Federal Reserve, OCC, FDIC, NCUA; plus state regulators	Bank of Canada
Who May Issue	Only permitted payment stablecoin issuers	Any person applying to be listed as an approved issuer
Legal Status of Issuance	Unlawful to issue without qualification	Issuers must be listed by the Bank of Canada
Integration With Other Financial Laws	Issuers treated as financial institutions under BSA	Not considered securities or deposit-taking
Reserve Requirements	Prescriptive 1:1 reserves (cash, insured deposits, Treasuries, MMFs)	Principles-based; set by regulation
Redemption Requirements	Mandatory 1:1 redemption at par	Required redemption policy with safeguards
Technology Requirements	High-level only	Detailed DLT, smart contract, and system disclosures
Governance Requirements	Prudential bank-like standards	Mandatory governance, risk, data security, recovery policies
AML/ATF	Covered under Bank Secrecy Act	Classified as virtual currency dealers under PCMLTFA
Supervision Powers	Exams, reporting, cease-and-desist, penalties	Bank of Canada supervision; RCMP/CSIS/CSE coordination
Liability for False Statements	Criminal penalties for false reserve certifications	Lawyer/accountant attestations; no explicit criminal penalty
Insolvency Treatment	Holder superpriority	No explicit rule in excerpt
State/Provincial Role	Significant; state-qualified issuers allowed	None; fully federal regime
Interoperability	Explicit recognition of foreign regimes	Not specified
Transition Periods	Detailed issuer transition rules	Not detailed
Coming Into Force	18 months after enactment or 120 days post-regulation	By order of Governor in Council

Disclaimer and **Reservation of Rights**

- **This presentation is for general information purposes only.** It is not intended to provide legal advice or opinions of any kind and may not be used for professional or commercial purposes. No one should act, or refrain from acting, based upon the materials provided in this presentation, any hypertext links or other general information without first seeking appropriate legal or other professional advice. The hypertext links in this presentation are provided for your convenience only.
- **A copy of this presentation has been provided for your own personal non-commercial use, provided the content is not modified.** Any other use of the content in this presentation is prohibited. This presentation may not be reproduced, republished or re-disseminated in any matter or form without the prior written consent of McCarthy Tétrault.

Thank You

If you have any questions about the Stablecoin Act, don't hesitate to reach out to **Lori Stein** or your key contact in the **McCarthy Tétrault Fintech group**.



Lori Stein

Partner, Co-Lead of
Fintech Group

lstein@mccarthy.ca
+1 416-601-8867

VANCOUVER

Suite 2400, 745 Thurlow Street
Vancouver BC V6E 0C5
Tel: 604-643-7100
Fax: 604-643-7900
Toll-Free: 1-877-244-7711

CALGARY

Suite 4000, 421 7th Avenue SW
Calgary AB T2P 4K9
Tel: 403-260-3500
Fax: 403-260-3501
Toll-Free: 1-877-244-7711

TORONTO

Suite 5300, TD Bank Tower
Box 48, 66 Wellington Street West
Toronto ON M5K 1E6
Tel: 416-362-1812
Fax: 416-868-0673
Toll-Free: 1-877-244-7711

MONTRÉAL

Suite 2500
1000 De La Gauchetière Street West
Montréal QC H3B 0A2
Tel: 514-397-4100
Fax: 514-875-6246
Toll-Free: 1-877-244-7711

QUÉBEC CITY

500, Grande Allée Est, 9e étage
Québec QC G1R 2J7
Tel: 418-521-3000
Fax: 418-521-3099
Toll-Free: 1-877-244-7711

NEW YORK

55 West 46th Street Suite 2804
New York NY 10036
UNITED STATES
Tel: 646-940-8970
Fax: 646-940-8972

LONDON

1 Angel Court, 18th Floor
London EC2R 7HJ
UNITED KINGDOM
Tel: +44 (0)20 7786 5700
Fax: +44 (0)20 7786 5702