

Submission to the Bank of Canada and the Minister of Finance

Considerations for Regulations under the Stablecoin Act (Bill C-15)

Respectfully submitted by:

Jean Desgagné

Chair of the Board, Canada Stablecorp

January 30, 2026

Executive Summary

Canada Stablecorp (“we”) appreciate the opportunity to provide comments and recommendations to the Bank of Canada and the Minister of Finance in drafting regulations to support the Stablecoin Act once it is in effect.

Canada is at a genuine inflection point. The Stablecoin Act creates the possibility of a safe, competitive, and globally credible Canadian stablecoin regime. Whether we realize that potential will depend heavily on how the regulations are drafted.

Digital asset and stablecoin technology are evolving quickly and the United States has an enormous head start. Given all of the economic, geopolitical and other factors that affect our relationship with the United States, not getting these right risks exacerbating the growing challenges to our sovereignty. There is urgency – we have to take the time to get this right but also need to get it done.

Stablecoins should be regulated as systemically important payment instruments, not as shadow bank deposits or synthetic securities.

The regulations should lock in safety and trust, while avoiding outcomes that entrench incumbents, fragment oversight, or unintentionally push innovation offshore.

This submission draws on my Senate testimony, my participation in the Finance/Bank of Canada roundtable, and Canada Stablecorp’s experience operating Canada’s first compliant CAD stablecoin. In this submission, Canada Stablecorp (“we”) focus on a small number of design choices that will determine whether this regime succeeds or quietly fails.

We believe some of these recommendations can be dealt with under the regulations for the Stablecoin Act, some with regulations under other legislation or regulations, and some through moral suasion by the Bank of Canada.

1. Start with Safety — But Avoid Bank Capture

The Act is right to insist on 1:1 backing of stablecoins, segregation of reserve assets, bankruptcy remoteness and clear redemption obligations.

The regulations should support these outcomes but not prescribe a single institutional model.

In particular, High-quality liquid assets (HQLA) should be permitted beyond bank deposits, including, but not necessarily limited to, short-dated Government of Canada obligations and all central-bank eligible instruments. Reserves should be held for the benefit of stablecoin holders, with no rehypothecation.

The proportion of these reserves that should be maintained in cash-like instruments should not be set at an arbitrary percentage but should be based on clear and verifiable liquidity metrics. Arbitrary percentages for cash-like instruments may be too high in good times and too low as conditions deteriorate. There should be enough cash-like liquidity to cover expected redemptions (based on timely, robust and frequently back tested forecasts) plus a liquidity buffer.

Forcing reserves, or significant proportions of them, into commercial bank deposits would:

- Concentrate liquidity risk in a small number of banks.
- Create fractional-reserve exposure inside a structure that is supposed to be fully backed. If the reserves underpinning a stablecoin, which is notionally 1:1 reserved, include bank deposits that are fractionally reserved, then on a bad day, those bank deposits may not be available to support redemptions.
- Hard-wire bank incumbents into the ecosystem. The banks become gatekeepers and control access.

A better solution would be to create a class of central-bank-eligible HQLA, which would improve systemic resilience rather than weakening it.

Having led core financial-market infrastructure in Canada (I am a past CEO of the Canadian Depository for Securities), I recall the Bank of Canada discouraging large overnight balances being held at commercial banks by the clearing house. Stablecoin reserves raise a closely related issue.

Stablecoins recognized under this framework should have access to the central bank to hold their liquid reserves.

Safety should mean **robust backing and legal clarity**, not structural dependence on a small number of institutions.

2. Ensure a True Level Playing Field

The Act is explicit that stablecoins are not deposits, are not insured and cannot be represented as legal tender.

The regulations must ensure that **banks and non-banks face functionally equivalent requirements** when issuing stablecoins or stablecoin-like instruments. They should have the

- Same reserve requirements
- Same redemption standards
- Same disclosure and custody rules
- Same rules around deposit insurance

If banks can issue tokenized liabilities under lighter treatment, while non-bank issuers are held to stricter standards, the result will not be competition — it will be **regulatory arbitrage in favour of bank incumbents**. It will create prudential risk (treating fully reserved stablecoins in the same manner as fractionally reserved stablecoins) and will promote consumer confusion.

That outcome would undermine both consumer clarity and the Act's stated objectives.

Moreover, that outcome would make it difficult for non-bank stablecoin issuers to compete with the banks, materially impairing competition and innovation in Canada.

3. Redemption Is the Anchor of Trust

Trust in stablecoins does not come from branding or balance sheets. It comes from **redemption certainty**.

Regulations should require redemption at par, and on demand with clearly defined settlement timeframes. There should be plain-language public disclosure of redemption rights and processes.

Redemption standards should be enforceable and transparent. Gating, arbitrary discretion, or vaguely defined delays by issuers, their custodians or banks who hold deposits, will quickly destroy confidence, especially under stress.

Redemption standards should require, at a minimum, same-day redemption, on every calendar day (not just “banking business days”).

A key risk arises if the primary sources of liquidity for stablecoins is held in bank deposits. If the ability to meet settlement timeframes for all stablecoin issuers is constrained by the service level standards of those banks and the custodians of the reserves (which may also be banks or other incumbents), it may not be possible to meet redemption standards.

If stablecoins are to function as money-like instruments, redemption standards must be treated as a core public-interest obligation. **All the parties in the redemption ecosystem – issuers, banks, custodians and others - should be bound by the same, or consistent, standards and requirements.**

4. Custody, Segregation, and “No Rehypothecation” Must Be Real

The Act provides strong tools around custody. The regulations should fully align with them and should apply to all stablecoin and stablecoin-like instruments **no matter the issuer, no matter the regulator**. These include:

- Independent, qualified custodians.
- Full segregation of reserve assets
- Explicit prohibitions on rehypothecation
- Regular third-party attestations

We would strongly support regulatory initiatives to encourage real-time validation and publication of reserve balances by custodians, potentially obviating the need for costly and less-than-timely attestations.

The Stablecoin Act requires audits and attestations, which we support, but in our experience the CPA profession in Canada and/or the Canadian Public Accountability Board appear to make it very difficult for CPA firms to provide the necessary attestations and, as a result, non-bank stablecoin issuers may have (or, in our case, have had) significant difficulties accessing these services. Access to these critical services is vital to the success of this initiative, to maintaining a level playing field and to encourage innovation.

Canada has an opportunity to become a jurisdiction where “fully backed” actually means fully backed in a concrete and verifiable way.

5. AML That Targets Risk — Not Technology

The Act appropriately integrates stablecoins into Canada’s AML framework. The regulations should apply AML controls where risk actually arises: holder identification, on-ramps and off-ramps – as is largely the case with banks.

AML controls are most effective where holder identity and value conversion occur. Protocol-level rules are easily bypassed and reduce transparency. Over-prescription or regulation at the protocol or ledger level is both technically flawed and counterproductive. It will push activity toward less transparent jurisdictions, not reduce risk. It will likely result in regulatory gaps as the technology continues to evolve at a pace that will exceed the ability of regulation to catch up.

The principle should be clear: **same activity, same risk, same regulation.**

6. Payments Competition and Innovation for Canada Is the Prize

Stablecoins are not an investment product. They are not securities. They are **payment infrastructure**. They allow market participants and consumers to move value speedily with assurance.

The regulations, working alongside the RPAA, should:

- Ensure non-discriminatory access to banking, clearing and settlement for all recognized stablecoin issuers.

- Support interoperability between stablecoin platforms
- Prevent exclusivity arrangements by “gatekeepers” that perpetuate existing choke points

If licensed issuers cannot access the rails on fair and non-discriminatory terms, we will simply tokenize today’s bottlenecks and cement the role of the current incumbents.

In that undesirable scenario, stablecoins would not increase competition nor payments efficiency — they would merely preserve the status quo in digital form.

7. Proportionate, Coordinated, and Adaptive Regulation

The application and ongoing compliance framework should:

- Make it clear that stablecoins are payment infrastructure and not securities.
- Be principles-based where possible and avoid prescribing solutions that will not withstand the pace of technological change.
- Avoid unnecessary duplication, or worse, inconsistent regulation, across the Bank of Canada, OSFI, and the CSA
- Be proportionate to risk and scale
- Operate through a clear federal licensing pathway, consistent for all stablecoin and stablecoin-like instruments.

Fragmentation increases risk, cost, and supervisory blind spots; coordination or consolidated regulation strengthens outcomes without weakening mandates.

Regulatory fragmentation and cumulative burden are among the greatest risks to Canadian competitiveness in this space.

8. Unlocking the Rails: Ensuring Widespread Access for Everyday Canadians

The utility of a stablecoin is defined by its liquidity and its velocity. If we build a safe instrument but constrain its distribution, we will have created a niche utility, not a payment rail.

While we strongly endorse rigorous controls on **issuance** and the **on-ramps and off-ramps** that connect to the legacy financial system, we must ensure that the actual usage of stablecoins within the economy remains *efficient, cost-effective, and streamlined*:

- **Regulate the Gateways, Free the Flow**
 - Regulatory scrutiny belongs at the points of entry and exit—where fiat currency converts to tokens and back again.
 - Once a stablecoin is in circulation, it must be allowed to move with the ease of digital cash.
 - Imposing heavy friction or excessive screening on the distribution of these instruments' risks impeding the very efficiency gains that make them valuable to everyday Canadians.

- **The Competitive Reality is Already Here**
 - Non-Canadian stablecoins (primarily USD-denominated) are already circulating in the Canadian market with high velocity and minimal friction.
 - If Canadian regulations make a domestic CAD-stablecoin significantly harder to hold, transfer, or use than its foreign competitors, the market would simply bypass the Canadian product.
 - The result would be the "**digital dollarization**" of our economy, where Canadians use unregulated foreign instruments because the regulated domestic alternative is too cumbersome to access.
 - This is especially critical at a time when economic sovereignty is key.

- **Modernization Requires Mass Adoption**
 - To truly modernize Canada's financial infrastructure, stablecoins cannot be restricted to institutional walled gardens. They must be usable by the gig worker, the small merchant, and the everyday consumer.
 - Any regulation that artificially constrains the distribution network, or limits who is "allowed" to hold a compliant stablecoin, directly undermines the policy goal of payment modernization.

- **The Principle of Open Innovation**

- We must maintain strict scrutiny on **issuance transparency** and **reserve integrity**, but we must strongly avoid constraints on **usage**.
- A safe, fully backed Canadian stablecoin should be as easy to pass from person to person as a twenty-dollar bill. Anything less is a failure to innovate.

Concluding Observations

Stablecoins are not the risk. **Closed systems and restricted access are.**

Bill C-15 gives Canada a rare opportunity to design modern financial infrastructure deliberately, rather than inheriting it by accident. If the regulations are prudent but not protectionist, technologically neutral, firm on outcomes, flexible on implementation, and not overly protective of incumbents, then Canada can establish a regime that is safe, competitive, and globally respected.

If we get this wrong, we will have built a bank-only stablecoin regime, likely no better than the status quo.

We appreciate the opportunity to provide these comments and would be pleased to engage further as the regulatory process continues.

Annex A — High-Level Mapping of Recommendations to Regulatory Levers

This annex provides a concise mapping of the core recommendations in this submission to the principal regulatory and supervisory levers available to Canadian authorities. It is intended to support implementation within the existing statutory framework of the Stablecoin Act (Bill C-15).

1. Reserve Integrity (1:1 Backing, Segregation, Bankruptcy Remoteness)

Objective: Absolute confidence in backing and redemption.

- **Bank of Canada regulations:** Define eligible HQLA on a principles basis; require segregation, bankruptcy remoteness, and prohibition on rehypothecation.
 - **Moral suasion / supervisory expectations:** Encourage stress testing of reserve liquidity and intraday availability.
-

2. Level Playing Field (Banks and Non-Banks)

Objective: Same activity, same risk, same regulatory outcomes.

- **Bank of Canada regulations:** Apply equivalent reserve, redemption, disclosure, and custody standards to all stablecoin issuers.
 - **Ministerial coordination:** Align treatment across BoC, OSFI, and CSA to avoid regulatory arbitrage and jurisdictionally unique obstacles.
-

3. Redemption Certainty

Objective: Trust anchored in predictable redemption.

- **Bank of Canada regulations:** Require redemption at par, on demand, with clearly defined settlement timeframes and disclosures.
- **Supervisory enforcement:** Treat persistent redemption failures as material compliance issues for all mandated players in the redemption ecosystem.

4. Custody and Attestations

Objective: Verifiable backing and operational resilience.

- **Bank of Canada regulations:** Define qualified custodians; mandate independent custody and periodic third-party attestations.
- **CSA coordination:** Align attestation and reporting expectations to minimize duplication.

5. AML Applied at Access Points

Objective: Effective AML without distorting technology choices.

- **FINTRAC guidance / coordination:** Apply AML controls at on-ramps, off-ramps, and redemption points.
- **Bank of Canada oversight:** Reinforce activity-based, risk-proportionate AML expectations.

6. Payments Access and Interoperability

Objective: Competition and efficiency in payments.

- **RPAA oversight:** Require non-discriminatory access to payment rails for licensed stablecoin issuers.
- **Bank of Canada standards role:** Promote interoperability and settlement clarity across platforms.

7. Proportionate and Coordinated Compliance

Objective: Safety without unnecessary fragmentation or burden.

- **Federal licensing approach:** Anchor oversight at the Bank of Canada with coordinated inputs from OSFI and others.
- **Moral suasion:** Encourage harmonized supervisory outcomes and principles-based implementation.

