

Canada's Rules on Stablecoins Incoming

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Yesterday, the Government of Canada unveiled its first and hotly anticipated budget (the “**Budget**”).^[1] Included in the Budget are plans to pass legislation to regulate fiat-backed stablecoins. Stablecoins are a type of cryptocurrency designed to maintain a stable value, typically by being pegged to a fiat currency like the Canadian dollar (CAD) or U.S. dollar (USD), or to another stable asset such as gold or government bonds.

The ‘stablecoin legislation’ will do a number of things, including requiring stablecoin issuers to maintain and manage adequate asset reserves, establish redemption policies, implement risk management frameworks, and protect sensitive and personal information of Canadians.^[2]

The Government of Canada announced that the Bank of Canada would retain \$10 million over two years (starting in 2026-2027) from its remittances to the Consolidated Revenue Fund to implement the act. The Consolidated Revenue Fund is the central account into which the Government of Canada deposits all public money it receives from taxes, customs duties, fines, and other revenues and from which all federal spending is made. Administrative costs in subsequent years are projected at \$5 million annually and will be recovered through fees paid by stablecoin issuers regulated under the forthcoming legislation.^[3]

The federal government also announced that it would explore options and work with the private sector to encourage adoption of artificial intelligence (“**AI**”) in the financial sector to advance innovation and increase trust. It will be interesting to see what role, if any, AI will play in the regulation of stablecoins.^[4]

The Budget also signals that stablecoins subject to the ‘stablecoin legislation’ (and payment service providers dealing with prescribed stablecoins) could be pulled under the *Retail Payment Activities Act* (the “**RPAA**”).^[5] This might mean that RPAA-type registration, safeguarding of end-user funds, operational-risk controls, and reporting obligations may apply to payment service providers who route or hold stablecoins. This would raise compliance costs but also give banks and other financial companies clearer guardrails, potentially unlocking mainstream payment use cases.

No hints were given as to when a draft of the ‘stablecoin legislation’ would be introduced for first reading. Any legislation should be mindful of the laws regulating stablecoins in our neighbours to the South (e.g., the United States). A regime that protects Canadians but is responsive to and allows for competition with the American market might be the best solution. Otherwise, Canada might fall behind in this new international monetary system.

The information and comments herein are for the general information of the reader and are not intended as advice or opinion to be relied upon in relation to any particular circumstances. For particular application of the law to specific situations, the reader should seek professional advice.

[1] Government of Canada, Budget 2025, [Federal Budget](#).

[2] Government of Canada, Budget 2025, Chapter 1: Building a stronger Canadian economy, [Stablecoins](#).

[3] *Ibid.*

[4] Government of Canada, Budget 2025, Chapter 1: Building a stronger Canadian economy, [Artificial Intelligence](#).

[5] Government of Canada, Budget 2025, Chapter 1: Building a stronger Canadian economy, [Stablecoins](#).

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