



FSB Thematic Peer Review on global crypto

Dear Financial Stability Board,

As the European Crypto Initiative (EUCI), we represent stakeholders advocating for effective and proportionate crypto regulation in the EU. Given the extensive regulatory advancements under MiCA, we welcome the opportunity to contribute insights into how the FSB's framework aligns with established EU regulatory efforts and the potential for global harmonisation.

Canadian Web3 Council ("CW3") represents stakeholders who are shaping the future of Canada's digital economy. We collaborate with industry leaders, regulators, and policymakers to develop practical, forward-thinking policies that drive responsible innovation while maintaining stability and security in Canada's financial landscape. We welcome the opportunity to share Canada's experience with quickly adapting existing regulatory frameworks to support innovation in crypto-asset products and services. Such an approach is not without challenges and inherent limitations, and Canada's experience illustrates the crucial role policymakers have in providing legal clarity in driving innovation and competition.

1. Financial Stability as the Primary Goal and MiCA's Role in Ensuring it

We fully support the FSB's objective of mitigating financial stability risks while fostering a well-regulated and transparent crypto-asset market.

MiCA represents a comprehensive framework that balances risk mitigation with market growth. By ensuring prudential requirements, investor protection, and clear rules for crypto-asset service providers (CASPs), MiCA significantly contributes to financial stability in the EU without unduly stifling innovation.

Furthermore, MiCA provides a clear regulatory framework for crypto-assets that do not qualify as financial instruments under MiFID II. This distinction is essential for ensuring legal certainty while avoiding unnecessary overlap with securities regulation.

Given the progress achieved through MiCA, **we urge the FSB to recognise that jurisdictions with robust regulatory frameworks, such as the EU, should be considered largely aligned with the FSB's high-level recommendations, reducing the need for duplicative or overly restrictive measures.**

Canada

Canada does not have a comprehensive regulatory framework covering all crypto-asset activities and markets, and no new legislation has been introduced by federal or provincial governments specifically for crypto-asset offerings or crypto-asset services. To date, Canadian regulators have applied a “sectoral” approach to regulating crypto-asset services (e.g. banking, custody, payments, capital markets) rather than an approach based on function. Establishing clarity around the market structure of crypto-assets is crucial given that financial regulation is a shared responsibility between the federal government and each of its provincial and territorial counterparts. **See Appendix A.**

The division of powers, underpinned by Canada’s constitution, requires greater collaboration and coordination between federal and provincial regulators particularly where responsibilities overlap and prudential oversight is required. This is especially true for matters connected to Canada’s capital markets that may pose a systemic risk to the integrity and stability of Canada’s economy in a material manner¹. The present model requires greater collaboration between federal and provincial agencies in monitoring and addressing systemic risk – for example, a need for a shared database that provides a more complete picture of the health of the financial system, supervision of global fiat-backed stablecoin arrangements that function as payment and settlement instruments, determining a minimum percentage of crypto-assets to be held in cold storage custody in Canada to manage jurisdictional risks etc. A discussion of the regulatory approach for crypto-assets and services in Canada in the context of financial stability appears below.

Crypto-asset Activities Undertaken by Federally Regulated Financial Institutions (“FRFIs”)

FRFIs are highly regulated under a robust prudential framework that has financial stability as a core objective. **A singular focus on financial stability and consumer protection can also slow the pace of innovation and we believe a balance is needed (see Appendix A). Policymakers can play a crucial role in driving responsible innovation and competition using guardrails and removing barriers for fintechs while still preserving the stability of Canada’s banking sector.**

Canada’s financial system remains resilient² and domestic, systemically important banks (D-SIBs) are required to maintain high capital buffers (based on a percentage of risk weighted assets), including a domestic stability buffer. The guidelines on the prudential treatment of crypto-asset exposures (based on the Basel framework) take

¹ [BLG Article 2018 Supreme Court Decision clears pathway for Pan-Canadian Securities Regulation.](#)

² [Bank of Canada Financial Stability Report-2024](#)

effect November 1, 2025 for banks - the capital charge for FRFIs with crypto-asset exposures is high, with limits placed on exposures to certain types of crypto-assets. Furthermore, OSFI published the final amendments to the Pillar 3 Disclosure Guidelines for D-SIBs and small and medium-sized deposit-taking institutions (SMSBs). The disclosure guidelines seek to provide transparency, enhance comparability among FRFIs and encourage market discipline towards sound risk management. FRFIs are required to incorporate the crypto-asset disclosures beginning with the fiscal Q1 2026 reporting period. Such reporting is welcomed and will provide valuable insight as to the extent of adoption of crypto-assets by FRFIs, including the provision of custodial services for crypto-assets. The following matters are noteworthy with respect to crypto-asset activities undertaken by FRFIs:

- FIs are expected to “inform OSFI of their policies and procedures, assessment results, as well as their actual and planned crypto-asset exposures or activities in a timely manner, and to demonstrate that they have fully assessed the permissibility of such activities, the associated risks and how they have mitigated such risks”³.
- No specific amendments have been made to existing federal legislation⁴ for crypto-asset activities. It’s currently unclear whether chartered banks and trust and loan companies in Canada (regulated by OSFI) can **issue** any particular crypto-assets⁵.

Retail Payments Activities

The integration of payment stablecoins with retail payment activities is a trend to watch. The federal Retail Payment and Activities Act (“RPAA”) is sufficiently broad to accommodate the use of crypto-assets by payment service providers (“PSPs”). However, the federal government has not yet prescribed its use for payments. Nonetheless, some crypto trading platforms (“CTPs”) are either registered, or seeking registration, as PSPs and this paves the way for CTPs to provide payment services and to seek direct access to fiat payment rails. There are currently no minimum capital requirements for PSPs under the RPAA - it’s a registration framework and not a licensing framework. However, those PSPs that are CTPs and investment dealers are subject to regulatory capital requirements. Furthermore, PSPs are required to safeguard client funds, and to have sufficient operational risk management and incident response procedures and

³ OSFI Guideline - Capital and Liquidity Treatment of crypto-asset Exposures (Banking), Annex 4 Risk Management.

⁴ For example, chartered banks are regulated under the *Bank Act*, while loan and trust corporations are regulated under the *Trust and Loan Companies Act*.

⁵ The guideline does not address other issues, including whether an institution is permitted under the *Bank Act*, or *Trust and Loan Companies Act*, to issue any particular crypto-asset, or to acquire or hold a controlling or substantial investment in entities that engage in this activity. This guideline also sets out expectations as to when institutions should notify OSFI regarding their crypto-asset exposures.

oversight. PSPs are also permitted to hold end-user funds in an account provided by a “foreign financial institution that is regulated by a regulatory regime that imposes standards in respect of capital, liquidity, governance, supervision and risk management that are comparable to those that apply to those entities”⁶.

In summary, Federal prudential regulators in Canada have adopted a conservative stance towards crypto-asset activities under a robust prudential framework that emphasizes financial stability. Provincial regulators have demonstrated a more flexible approach to support innovation than their federal counterparts as evidenced in the discussion below.

Crypto-asset Activities Regulated by Provinces and Territories

Canadian Securities Administrators (“CSA”) have been active in setting a regulatory perimeter for crypto-assets and services in three specific areas: i) the offering of crypto-asset funds, ii) crypto-asset trading platforms (“CTPs”), and iii) listing and issuance of fiat-backed stablecoins. **See Appendix A.**

The approach to date has been to apply the existing capital markets framework to regulate these specific crypto-asset activities, with the CSA showing a willingness to tailor the requirements accordingly using terms and conditions that ensure investor protection and that foster fair, efficient and competitive capital markets. As a result, there are 13 registered CTPs that offer spot trading and staking services (subject to terms and conditions), and investment fund managers who offer 35 public crypto-asset funds with assets under management in excess of \$9.3 Billion in Canada (as at March 2025). CTPs are required to submit to provincial jurisdiction, to seek registration and to apply for exemptions from securities regulations, where applicable. The requirements to demonstrate proficiency, integrity and solvency are high. To date, the CSA has used staff guidance rather than issuing new regulations specifically for crypto-assets and related activities. In January 2024, the CSA proposed amendments to the investment fund regulatory framework to explicitly include crypto-asset funds⁷. However, the CSA has not yet published the final results from that public consultation, including how it views tokenized investment funds.

2. Stablecoins: Addressing USD Denomination and Global Impact

We acknowledge the FSB’s focus on global stablecoins (GSCs) and their potential systemic risks. A key consideration is the entrenched dominance of USD-denominated stablecoins such as USDT and USDC, which currently account for over 78% of global

⁶ [Retail Payment and Activities Act Regulations, paragraph 13.](#)

⁷ CSA Notice and Request for Comment - Proposed Amendments to National Instrument 81-102 Investment Funds Pertaining to crypto-assets (18 January 2024).

crypto trading pairs. This presents macro-financial risks to jurisdictions outside the USD zone, including currency substitution and capital flow volatility.

MiCA directly addresses these concerns by imposing stringent requirements on reserve management, redemption rights, governance, and restrictions on EMT and ART use in payments once certain thresholds are met. Since Titles III and IV took effect in June 2024, several MiCA-compliant euro-denominated stablecoins have gained regulatory approval – including EURC (Circle), EUROe (Membrane Finance), and EURCV (Société Générale) and others.⁸

Current MiCAR-compliant Stablecoins

Commercial Name	EMT	Type	Competent Authority
StablR Ltd	EURR	EMI	Malta
Membrane Finance	EURe	EMI	Finland
Membrane Finance	eUSD	EMI	Finland
Circle	EURC	EMI	France
Circle	USDC	EMI	France
Societe Generale - Forge	EURCV	EMI	France
Quantoz Payments	EURD	EMI	The Netherlands
Banking Circle	EURI	Credit institution	Luxembourg
Quantoz Payments	EURQ	EMI	The Netherlands
Quantoz Payments	USDQ	EMI	The Netherlands
StablR	USDR	EMI	Malta
Schuman Financial	EURØP	EMI	France
Stable mint	EURSM	EMI	Malta
Fiat Republic	ENEUR	EMI	The Netherlands
Crypto.com / 1S1C	USD1	EMI	Malta

Table taken from CoinDesk & Zodia Custody, *MiCAR: The Institutional Playbook for Europe's Digital Asset Market*, February 2025. Key data on EUR-fiat volumes, exchange rankings, EUR-stablecoin market share, and institutional trends, p. 19.

Notably, EURC has emerged as the leading euro stablecoin, growing fourfold post-MiCA to surpass €130 million in circulation and now accounting for 45% of the EUR-stablecoin market. EURC is widely listed on both centralised exchanges (e.g.,

⁸ CoinDesk & Zodia Custody, *MiCAR: The Institutional Playbook for Europe's Digital Asset Market*, February 2025. Key data on EUR-fiat volumes, exchange rankings, EUR-stablecoin market share, and institutional trends.

Coinbase, Bitvavo) and DeFi protocols (e.g., Aave, Uniswap), and it supports on-chain EUR/USD FX.⁹

While EUR-stablecoins still represent just 2.2% of EUR-denominated trading volumes, MiCA's delisting requirements for non-compliant tokens are shifting market dynamics. With EUR-fiat trading volumes up 74.3% year-on-year in 2024 and compliant tokens gaining traction, this marks a pivotal step toward restoring European monetary sovereignty within the crypto ecosystem.

We encourage the FSB to consider MiCA's stablecoin framework as a model for combining monetary autonomy with systemic safeguards and to further explore the risks of over-reliance on USD-denominated stablecoins in global crypto markets.

MiCA represents a significant step forward, and we caution against reopening core components of the framework prematurely and as a result of the upcoming MiCA evaluation reports, especially given the short time since their implementation. Any adjustments should be guided by evidence and stakeholder consultation, ensuring they reinforce – rather than undermine – the credibility and legal certainty that MiCA has begun to establish.

Canada

The regulation of stablecoins in Canada is unique amongst other global jurisdictions, and highlights the need for harmonisation across jurisdictions. Stablecoins are called value referenced crypto-assets (“VRCAs”) by the CSA.

Stablecoins function as payment and/or settlement instruments and are regulated as such in many jurisdictions. However, the CSA's position is that VRCAs may constitute securities and/or derivatives¹⁰. As such, issuers of VRCAs referenced to a single fiat currency are regulated under a capital markets framework, and must submit to provincial jurisdiction, including filing a prospectus or similar disclosure document. Importantly, the interim approach is a disclosure framework and not a prudential one. Circle Internet Financial, LLC is currently the only stablecoin issuer to comply with the CSA's requirements in Canada under the interim approach. The undertaking provided by Circle in December 2024 acknowledges the difference between the CSA's position and that in other jurisdictions¹¹. Circle's undertaking to the CSA was necessitated by pragmatism, in our view. It permits USDC to continue to be listed and used on registered crypto-asset trading platforms in Canada, subject to meeting certain terms

⁹ See more at <https://eurc.cool/>. For real-time comparisons, visit <https://bluechip.org/>.

¹⁰ See CSA SN 21-333 crypto-asset Trading Platforms: Terms and Conditions for Trading Value-Referenced crypto-assets with Clients.

¹¹ Circle's undertaking states that it considers that “USDC would be classified in [other] jurisdictions as, among other things, a virtual currency, e-money, a payment instrument, stored value, or a commodity”.

and conditions in the undertaking. Without the undertaking, regulated CTPs in Canada would have had to delist USDC.

Treating stablecoins as securities and/or derivatives in Canada poses significant barriers for stakeholders - including regulators, Canadian stablecoin issuers and fintechs using new payment rails in a global digital economy. Greater collaboration and coordination among international regulatory agencies will be crucial where global stablecoin arrangements give rise to systemic risk. We seek a clear path for Canadian non-bank fiat-backed stablecoin issuers to obtain a federal license under a tailored prudential framework with a strong focus on operational risk management¹². This would allow such issuers to seek mutual recognition in jurisdictions outside of Canada. This can alleviate the current frictions for cross-border payments and settlement, and facilitate cross-border regulatory coordination, and promote the use of stablecoins in Canada, or for trading pairs that include a CAD stablecoin. For example,

- **Businesses** using stablecoins to pay employees or vendors face uncertainty over whether their transactions involve securities and the implications from both a tax and regulatory perspective.
- **Consumers** must worry about tax implications when using stablecoins for everyday payments.
- **Payment service providers** accepting stablecoins must consider whether they are effectively dealing in securities and need to register as securities dealers.
- **New VRCA issuers** face hurdles to list their stablecoins given the restrictions imposed by CSA SN 21-333¹³. The restriction discourages new product innovation particularly for a CAD denominated stablecoin, and undermines the development and adoption of new payment networks, applications and products in Canada.

Canada's policymakers can play a crucial role to support innovation by acting decisively to treat VRCA as payment instruments given the role of stablecoins in global payments and finance. This would allow Canada to harmonise the legal frameworks with other global jurisdictions. **We encourage dialogue to establish a process for mutual recognition, and to identify the necessary conditions to establish reciprocal arrangements for CAD stablecoin issuers listing in jurisdictions outside Canada, in spite of its classification in Canada.**

¹² We refer you to CW3 Response to CSA SN 21-333, CTPs Terms and Conditions For Trading VRCA With Clients - February 5, 2024. [Link Here](#)

¹³ CSA SN 21-333 states: "We would not expect to accept an undertaking from an issuer that commenced distributions of a VRCA after February 22, 2023 (i.e., after the issuance of CSA SN 21-332). Issuers in this situation, or that propose to distribute a VRCA, should contact their Principal Regulator to discuss compliance with Canadian securities laws".

3. Standardisation and Industry Cooperation

The role of industry-led standardisation efforts, such as SEEBLOCKS.EU and similar organisations, should not be overlooked. These initiatives promote best practices in compliance, risk management, and interoperability among crypto businesses, reducing regulatory arbitrage and enhancing market integrity. While SEEBLOCKS is an EU-based project, it is actively engaged in broader global standard-setting processes, including cooperation with international standards bodies such as ISO.

We therefore urge the FSB and other international organisations to treat the development of a coherent global crypto standardisation strategy as a priority. Aligning global standards with local implementation efforts – such as those in the EU and other jurisdictions – will be instrumental in preserving innovation, reducing compliance burdens, and enabling the responsible use of distributed ledger technologies on a global scale.

4. Decentralised Finance (DeFi): No Immediate Need for Regulatory Action

The Joint Report on Recent Developments in Crypto-Assets, published by the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) on January 16, 2025, provides an in-depth analysis of DeFi, crypto lending, borrowing, and staking in the EU.¹⁴ The report highlights that DeFi remains a niche market, comprising only about 4% of the global crypto-asset market capitalisation, with less than 15% of EU-based users engaging regularly. Notably, and also connected to point 2 above, euro-denominated stablecoins have minimal adoption within the DeFi ecosystem.

Furthermore, the report finds that traditional financial institutions in the EU have limited exposure to DeFi, with minimal integration of crypto-related technologies into their operations. While risks such as cyberattacks, money laundering, and financial instability exist, the report concludes that these are currently manageable and do not warrant immediate regulatory intervention. Instead, a monitoring-first approach remains the most effective strategy, allowing regulators to gather data and respond proportionately as the market evolves.

We urge the FSB to maintain its current approach of monitoring developments in the DeFi space rather than moving toward prompting premature regulatory action. As highlighted in the recent French initiative by the AMF and ACPR on smart contract certification,¹⁵ early regulatory thinking is emerging in this area. In its response to the

¹⁴ European Banking Authority (EBA) and European Securities and Markets Authority (ESMA) - Joint Report on Recent Developments in Crypto-Assets (Article 142 of MiCAR) 16 January 2025.

¹⁵ Forum Fintech ACPR-AMF: Report of the Working group on Smart Contract Certification, available here: <https://acpr.banque-france.fr/en/publications-and-statistics/publications/acpr-and-amf-publish-conclusions-working-group-certification-smart-contracts-and-open-public>.

paper, EUCI welcomed this effort as a constructive step, but cautioned that mandatory certification frameworks risk placing disproportionate burdens on decentralised projects and could inadvertently lead to *de facto* regulation of services that MiCA has explicitly excluded from its scope (MiCA's Recital 22).

Importantly, EUCI highlighted many of the best practices outlined in the AMF/ACPR discussion paper—such as transparent governance, responsible upgrade mechanisms, and independent smart contract audits—are already being implemented by leading DeFi protocols. These efforts are driven not by regulation, but by community expectations and reputational incentives. Over time, such market-led practices are likely to become the standard, driven by user demand and investor scrutiny.

We therefore encourage the FSB to recognise the value of these industry-led initiatives and to work in partnership with the private sector. Encouraging the development and adoption of voluntary, security-focused standards will not only enhance trust in DeFi but will also allow innovation to flourish. Regulatory strategies should remain proportionate, avoid gatekeeping effects, and support the organic maturation of the ecosystem through collaborative standard-setting rather than top-down mandates.

5. Multi-Service Providers: A Manageable Risk

One of the longstanding concerns in crypto regulation has been the concentration of multiple services within single entities (e.g., trading, custody, lending). While this model can introduce conflicts of interest, MiCA explicitly regulates CASPs that provide multiple services, imposing operational, governance, and segregation requirements to mitigate associated risks. Similarly, Canada's banking and capital markets frameworks contain explicit provisions on self-dealing and to avoid, manage or control risks arising from conflicts of interest. Such requirements can be adapted to regulate crypto-asset activities. The FSB should acknowledge that risks associated with multi-service providers can be effectively managed through targeted regulation (such as MiCA) rather than outright prohibition.

Conclusion

We commend the FSB for its continued work in strengthening the regulatory environment for crypto-assets. We further emphasise that many of the FSB's high-level recommendations have already been incorporated into the MiCA framework as well as the prudential and capital markets frameworks in Canada. As such, MiCA offers a valuable reference point for other jurisdictions looking to develop or refine their own crypto-asset regulatory regimes. We caution, however, that additional global measures should complement – not override – jurisdiction-specific regulations that are already



proving effective. Canada's adaptation of its capital markets regulations for crypto-assets illustrates the results of using a flexible approach to support innovation. However, such an approach can be a constraint particularly as projects expand beyond investment use cases (e.g. stablecoins for payments, Web3 applications, NFTs used in music, gaming, etc.) It's crucial for regulators to acknowledge a framework's limitations and be willing to further evolve regulatory frameworks before users can reap such benefits. Policymakers play a key role in driving responsible innovation and competition. Local adaptation remains essential to preserving regulatory legitimacy and fostering market confidence.

In summary, we recommend:

1. **Recognising MiCA and Canada's prudential framework for federally regulated financial institutions as robust frameworks** that meet the FSB's financial stability objectives.
2. **Recognising that a singular focus on financial stability can slow the pace of innovation and a balance is needed.** Policymakers can play a crucial role in driving responsible innovation and competition using guardrails and removing barriers while still preserving stability.
3. **Acknowledging the USD-denominated nature of stablecoins** and its macroeconomic implications and taking into consideration MiCA's protection mechanisms, aimed at ensuring broader financial stability.
4. **Establishing a process for mutual recognition of global stablecoin arrangements between jurisdictions** that achieves consistency of regulatory and supervisory outcomes.
5. **Engaging with industry standardisation bodies** such as Seeblocks, ISO and others to support standardisation best practices.
6. **Maintaining a monitoring-first approach to DeFi** instead of premature regulation.
7. **Ensuring that multi-service providers remain regulated (and be subject to robust self-dealing and conflict of interest requirements) rather than face restrictions**, e.g., following MiCA's approach or adapting existing regulatory frameworks.
8. **Recognising the important role of policymakers in defining a market structure for crypto-assets**, particularly where there are inherent limitations in existing legal, prudential and capital markets frameworks for regulating all crypto-asset activities.

We look forward to continued dialogue with the FSB and remain committed to contributing to a balanced and effective regulatory landscape for crypto-assets.

Best regards,

Appendix A

Overview - Innovation and Regulation of Crypto-asset Activities in Canada

The responsibility for the stability of Canada’s financial system rests with federal entities, i.e., the Office of the Superintendent of Financial Institutions (“OSFI”) and the Bank of Canada. This oversight includes all FRFIs (e.g. chartered banks, federally regulated loan and trust corporations etc.) who are also key participants in Canada’s payment, clearing and settlement infrastructure. Payments are overseen by the Bank of Canada, while capital markets are overseen by the CSA (securities regulators in each of Canada’s 13 provinces and territories). The below table summarizes crypto-asset services and offerings in Canada.

Category of Service/Offering	Regulator/Framework	Reference	Stats
Crypto Trading Platforms - Investment Dealer	CSA & CIRO Registration	Joint CIRO/CSA SN 21-329	5 CTPs (March 2025)
Crypto Trading Platforms - Restricted Dealer	CSA & CIRO Registration	CSA SN 21-329	7 CTPs (March 2025)
Crypto Trading Platform - Exempt marketplace & Clearing Agency	CSA & CIRO Registration	CSA SN 21-327	1 ¹⁶ (March 2025)
Public Crypto-asset Funds (Reporting Issuers) - Closed-end funds - Exchange Traded funds (staking permitted)	CSA Disclosure ¹⁷	CSA SN 81-336 NI 81-102 (Amendments in progress)	22 ETFs (April 2023) \$2.865 Billion AUM 35 ETFs (Jan 2025) ¹⁸ \$9.385 Billion AUM
Designated Broker Dealers (Bank owned); Liquidity Providers	CIRO / OSFI	Guideline - Capital & Liquidity Treatment of crypto-asset Exposures	TBD
Fiat-backed Stablecoin Issuers	CSA Disclosure OSFI (TBD)	CSA SN 21-333 Guideline - Capital & Liquidity Treatment of crypto-asset Exposures	1 (Global Stablecoin) ¹⁹ TBD
Crypto-asset Custodians - Canadian custodians - Foreign custodians	Prudential Regulator Licensing, Prudential (i.e., trust corporation)	NI 81-102 Definition of Qualified Custodian	Foreign custodians hold the bulk of the assets for public crypto-asset funds

¹⁶ [Fidelity Digital Asset Services \(with Fidelity Clearing Canada as its sole client\)](#). Time limited exemption.

¹⁷ CSA SN 81-336 the regulatory framework for crypto-asset funds is the same as for publicly distributed investment funds

¹⁸ Canadian ETF Association

¹⁹ Circle Internet Financial (USDC).

Crypto-asset investment funds. The first public crypto-asset fund product was approved in 2020 following a decision reached by a panel of the Ontario Securities Commission. This decision paved the way for product innovation in Canada - in addition to closed-end funds for Bitcoin and Ether, Canada has listed ETFs for both crypto-assets in 2021, and the first Ether staking fund and ETF approvals in 2023. In early 2025, investment fund managers filed prospectuses for 3 new ETF products that include staking²⁰.

Crypto trading platforms. In 2021, the CSA took a unique and flexible approach to allow crypto-asset trading platforms (“CTPs”) to legally operate in Canada by issuing time limited exemptions for CTPs who wished to serve the Canadian market, and a pathway to become an investment dealer member under the Canadian Investment Regulatory Organization (“CIRO”) a self-regulatory organization. Entities who conduct such crypto-asset activities are subjected to Terms and Conditions negotiated bilaterally with the principal securities regulator. These stringent requirements led to the departure of several large, high profile CTPs from Canada. The restricted dealer pathway is no longer available. Instead, CTPs who wish to enter the Canadian market must apply for registration as an Investment Dealer directly with CIRO. Registrants must meet high standards for proficiency, solvency and integrity. The primary objectives of Canada’s securities regulatory framework are investor protection, and fair and efficient capital markets rather than financial stability.

Issuers of fiat-backed stablecoins. In October 2023, the CSA published their interim position requiring issuers of fiat-backed stablecoins (called Value Referenced crypto-assets by the CSA) to submit to CSA jurisdiction. This led to CTPs having to delist stablecoins that did not meet the requirement. To date only USDC meets the CSA’s interim requirements, with several other applications for VRCA’s referenced to CAD in progress. It’s crucial for policymakers i) to clarify whether Canadian banks can issue fiat-backed stablecoins, and ii) to provide a pathway for non-bank fiat-backed stablecoin issuers to obtain a federal license to operate and be subject to a tailored prudential framework.

Crypto-asset custodians. Regulated crypto-asset custodians are critical to growing institutional and retail adoption of crypto-assets. The regulations for this sector are in need of modernization to accommodate crypto-assets and to grow crypto-asset custodial services in Canada. Qualified domestic custodians in Canada - while growing - are currently providing custodial services to a relatively small amount of Public crypto-asset Funds which have existed in Canada since 2020. This is largely the result of a legacy landscape from before regulated domestic digital asset custodians were

²⁰ Canadian Crypto Outlook: Progress or Standstill, [McCarthy Tetrault](#) March 7, 2025.

operational. There are now high quality, viable, and regulated domestic digital asset custody providers with established track records, and the expertise and technology to provide digital asset custody services. The present barriers to entry are high (\$100M in capital) and emphasizes financial resilience whereas the emphasis should be on operational resilience (including cyber security), and transparency. Custodial services provided by custodians operating outside of Canada introduces jurisdictional risk. In today's geopolitical climate, holding digital assets in cold storage in Canada mitigates that risk. We believe this is critical to consumer protection.

We advocate for policymakers and regulatory agencies to review and update the rules and qualifications for a Qualified Custodian to ensure that the minimum standards meet the requirements for a digital age, and to support domestic, robust digital asset custody solutions to serve Canadians. In the interim period, we propose that domestic custodians be allowed a predefined period to grow their balance sheets to meet the capital requirements. This will require an exemption from the current capital requirements. Furthermore, in an environment of heightened jurisdictional risks, we support steps to require a minimum percentage of digital assets to be held in cold storage in Canada.

Balancing financial stability and Innovation

A study using a textual analysis of Canada's approach to financial regulation by the C.D. Howe Institute published in July 2024²¹ concluded that "Canadian regulators have largely been successful in identifying potential risks and clearly stating their regulatory objectives, producing regulations that have enhanced financial stability and consumer protection. However, the approach has been weaker in performing and disclosing cost-benefit analyses, and has disproportionately focused on stability and protection, likely at the expense of innovation and competition".

In our view, provincial regulators in Canada have demonstrated a more flexible approach to innovation than their federal counterparts, the results of which are evident in the above table. **Despite a flexible approach to innovation, a securities framework is a constraint to innovation particularly as projects expand beyond investment use cases (e.g. stablecoins for payments, Web3 applications, NFTs, music, gaming, etc.) and regulators must be willing to avoid path dependency and to further evolve regulatory frameworks before users can reap such benefits.**

²¹ Bourque Paul and Caracciolo Gherardo. 2024. "The Good, the Bad and the Unnecessary: A Scorecard for Financial Regulations in Canada". Research. Toronto: C.D. Howe Institute.