

# CANADA MSB/PSP COMPLIANCE GUIDE 2026

Key Requirements Under  
FINTRAC, RPAA & the New Stablecoin Act



Based on CMSBA  
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## 1 Retail Payment Activities Act (RPAA) — Overview

The Retail Payment Activities Act establishes the **Bank of Canada** as the supervisor for **Payment Service Providers (PSPs)**. The Act has two core objectives: protecting end users from operational and financial risks, and building confidence in the safety and reliability of payment services in Canada.

### The Bank of Canada's Role

- ✓ Register and supervise PSPs
- ✓ Promote compliance across the industry
- ✓ Monitor and evaluate trends and systemic issues

## Requirements for PSPs

01

### Operational Risk Management

Establish, implement and maintain a framework to mitigate operational risk and respond to incidents

02

### Safeguarding of End-User Funds

Establish, implement and maintain a framework to mitigate operational risk and respond to incidents

03

### Reporting

Three mandatory reporting obligations submitted through PSP Connect

## 2 Operational Risk Management & Incident Response

A PSP must establish, implement and maintain a risk management framework designed to achieve the operational risk and incident response objectives set out in the **Retail Payment Activities Regulations (RPAR)**. The framework must be tailored to the PSP's own circumstances and the impact on end users and other PSPs.



## Framework Components

<b>Objectives</b>	Define specific operational risk and incident response goals
<b>Human &amp; Financial Resources</b>	Allocate adequate staffing and budget to the framework
<b>Roles &amp; Responsibilities</b>	Clearly assign accountability across the organization
<b>Identify</b>	Identify operational risks and potential incidents
<b>Protect</b>	Implement controls to prevent incidents and reduce risk exposure
<b>Detect</b>	Monitor systems to detect anomalies and potential incidents
<b>Respond &amp; Recover</b>	Define procedures to respond to and recover from incidents
<b>Third-Party Providers</b>	Manage risks from agents, mandataries, and service providers

### Review & Testing Requirements

- ✓ Independent review of the framework
- ✓ Internal review on a regular basis
- ✓ Testing of controls and procedures



### Note:

A PSP's framework must be approved internally and available for submission to the Bank of Canada upon request.

## 3 Safeguarding of End-User Funds

PSPs that hold end-user funds are required to safeguard those funds in accordance with the objectives set out in the **Retail Payment Activities Regulations (RPAR)**.

### Safeguarding Objectives

- ✓ Ensure end users have reliable access to their funds without delay
- ✓ Protect end-user funds against financial loss in the event of PSP insolvency



**Means of Safeguarding**

- Option 1**     Hold funds in trust in a dedicated trust account
  
- Option 2**     Hold funds in a segregated account AND maintain insurance or a guarantee

**Safeguarding Account Requirements**

The PSP must segregate end-user funds in a safeguarding account held at one of the following:

- ✓ A Canadian financial institution
- ✓ A foreign financial institution subject to comparable regulation

**Key Framework Elements**

<b>Ledger</b>	Maintain records including the name, contact details, and amount held for each end user
<b>Liquidity Approach</b>	Ensure end users can reliably access their funds without delay
<b>Procedures for Insolvency</b>	Document how funds would be returned to end users in the event of PSP insolvency
<b>Risk Analysis</b>	Identify and mitigate legal and operational risks to the safeguarding objectives



**Important:**

PSPs must also identify and report any instances of shortfalls in safeguarded funds.



## 4 Reporting Requirements

A PSP must submit three types of mandatory reporting. All submissions must be made through **PSP Connect** using standardized forms.

### 1 Notification of Incidents with Material Impact

- ✓ Notify the Bank of Canada and all materially impacted parties without delay
- ✓ Notification must occur no later than 48 hours after the incident is deemed material
- ✓ Respond to any follow-up notices from the Bank

### 2 Notification of Significant Changes and New Activities

- ✓ Notify the Bank of Canada at least 5 business days prior to implementation
- ✓ Include an assessment of the risk implications of the change or new activity

### 3 Annual Reporting

- ✓ Submit by March 31 each year
- ✓ Reporting covers the previous calendar year (financial metrics may use PSP financial year-end)
- ✓ Must cover: operational risk and incident management, safeguarding, and significant changes
- ✓ Safeguarding reporting must include details of trust or insured accounts and any instances of shortfalls
- ✓ No need to attach additional supporting documentation — the Bank will follow up if more information is needed
- ✓ PSPs are strongly encouraged to begin internal preparation well in advance to allow for validation and leadership review



## 5 Supervisory Assessment Process

The **Bank of Canada** conducts supervisory assessments of **PSPs'** risk management and safeguarding frameworks. The process follows a structured flow.

### Assessment Steps

<b>Step 1</b>	<b>Select PSP</b>	The Bank selects PSPs for assessment based on risk profile and other criteria
<b>Step 2</b>	<b>Request for Information (RFI)</b>	Bank sends an RFI to the PSP through PSP Connect
<b>Step 3</b>	<b>Communication</b>	Ongoing communication via email, meetings, and PSP Connect portal
<b>Step 4</b>	<b>Assessment</b>	Bank analyzes documentation and information provided by the PSP
<b>Step 5</b>	<b>Share Findings</b>	Bank communicates its findings to the PSP
<b>Step 6</b>	<b>Bring PSP into Compliance</b>	Bank works with the PSP to address any identified deficiencies

#### Request for Information (RFI) – Key Details

- ✓ PSP has 15 days to respond to an RFI
- ✓ Documents are submitted through PSP Connect (PDF format)
- ✓ Bank provides a PSP response table template

#### Types of documentation typically requested:

- ✓ Processes, policies, procedures, and internal controls
- ✓ Reports and other relevant compliance documentation
- ✓ Records of how shortfalls are identified, investigated, and rectified
- ✓ Records of internal and independent framework reviews
- ✓ Records of annual approval of the framework



## 6 FINTRAC Registration — Key Requirements & Updates

### Criminal Record Checks (Effective October 1, 2025)

Expanded criminal record check requirements now apply to MSBs, FMSBs, and their agents and mandataries.

<b>MSBs</b>	Required when: (1) applying for a new registration; (2) renewing or submitting a change request AND there has been a change in director or ownership information. NOT required for renewals with no ownership or directorship changes.
<b>FMSBs</b>	Always required — even with no director or ownership changes. Required when: (1) applying for new registration; (2) renewing; (3) submitting any change request.
<b>Agents &amp; Mandataries</b>	The same triggers that apply to the MSB or FMSB they act on behalf of.

#### Entity Agents/Mandataries: Who Requires a Check?

For MSBs/FMSBs that use agents or mandataries that are entities, criminal checks are required for:

- ✓ Chief Executive Officer (CEO)
- ✓ President
- ✓ Directors
- ✓ Any person that owns or controls directly or indirectly 20% or more of the entity



#### Important:

The **20% ownership threshold** applies both directly AND indirectly. Spousal shareholdings and holding company structures can trigger obligations that are not obvious at first glance. **FINTRAC** looks at Control in Fact, not just what is on paper.

#### Criminal Record Check Validity & Renewal Cycle

- ✓ Checks expire after 6 months from issuance
- ✓ Ongoing renewal required every 2 years within a 30-day window
- ✓ Only original criminal record checks issued by law enforcement where the individual resides are accepted — aggregated reports are not sufficient
- ✓ Translations must come from a certified translator with a Statement of Certification



## Shared Office Spaces – Effective Immediately

### Practical implications:

- ✓ Applications using virtual offices or co-working spaces as their sole address will face delays or rejection
- ✓ A lease demonstrating the MSB's or FMSB's direct access to the premises is now mandatory for all application types



FINTRAC is no longer accepting shared office space as a business address on its own. As part of their application submission, MSBs and FMSBs are now required to provide a copy of the lease on their space, to prove that the MSB/FMSB has access to that space.

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## Access to FINTRAC Web Reporting (FWR)

### Action required for newly registered MSBs and FMSBs:

- ✓ Email FINTRAC directly to request access to the FWR system
- ✓ This step must be completed before you can submit any required reports



Registration does NOT equal access. Access to FINTRAC's web reporting tool is not granted automatically upon registration approval.

**FINTRAC FWR Access Request** [F2R@fintrac-canafe.gc.ca](mailto:F2R@fintrac-canafe.gc.ca)



## 7 Legislative Developments — Budget 2025 & Bill C-12

### Measures in Budget 2025 (Not Yet in Bill C-12)

<b>Large Cash Bans</b>	Proposed ban on large cash transactions
<b>Third-Party Deposits</b>	Proposed ban on third-party cash deposits
<b>Information Sharing</b>	Broader public-private information sharing powers for AML purposes

### Spring Economic Update 2026 — Increased MSB Scrutiny

<b>Registration Control</b>	Expand FINTRAC's ability to refuse or revoke MSB registration
<b>Shelf MSBs</b>	Prevent re-registration of non-compliant MSBs and address 'shelf MSB' market
<b>Record Checks</b>	Increase the number of criminal record checks required for MSBs
<b>Crypto ATMs</b>	Make it a criminal offence to operate a cryptocurrency ATM without authorization

### FINTRAC - A More Assertive Regulator

- ✓ Increased penalties for non-compliance
- ✓ Enforcement actions without requiring formal examinations
- ✓ No longer guaranteed immunity through Voluntary Self-Declarations of Non-Compliance (VSDONCs)
- ✓ Heavy-handed registration revocations
- ✓ Greater penalties under Bill C-12





## 8 Canadian Stablecoin Act — Overview

The **Stablecoin Act** was enacted as part of the **Budget Implementation Act (Bill C-15)** on March 26, 2026. It is not yet in force - implementing regulations are pending. The Act establishes a comprehensive regulatory framework for the issuance of fiat-based stablecoins by non-financial institution issuers in Canada.

<b>Regulator</b>	Bank of Canada
<b>Who Must Register</b>	Non-financial institution stablecoin issuers
<b>Model</b>	Largely modelled after the RPAA framework
<b>National Security</b>	National security review by Department of Finance
<b>Status</b>	Not yet in force — implementing regulations pending

## Requirements for Issuers

### 1 Asset Reserve

- ✓ Issuers must maintain a 1:1 reserve of assets with a value equal to or greater than the par value of outstanding stablecoins
- ✓ The reserve must consist exclusively of the reference fiat currency
- ✓ Reserve assets may be invested in eligible high-quality liquid assets denominated in the reference currency
- ✓ Issuers may not pledge, encumber, or use reserve assets
- ✓ The reserve must be held by one or more qualified custodians in a manner that is segregated from the custodian's and issuer's own assets, and protected from creditor claims

### 2 Redemption

- ✓ Issuers must redeem outstanding stablecoins in the reference currency at par value
- ✓ Redemption policy must be made publicly available



### 3 Reporting

- ✓ Monthly report to the Bank of Canada, including:
  - ✓ A statement from a certified accountant regarding the issuer's financial condition, the number of outstanding stablecoins, the composition and fair market value of the reserve of assets, and whether the reserve satisfies the requirements of the Act
  - ✓ A statement from a lawyer regarding whether the issuer is in compliance with the Act
- ✓ Incident reports
- ✓ Notices of significant changes

## Restrictions

- 1 Issuer may not directly or indirectly grant or pay to holders any interest or yield in respect of the stablecoin, whether in cash, digital assets, or other consideration
- 2 Issuer may not issue a stablecoin or represent that it is a deposit or proof of a deposit, or that it is insured under a deposit insurance scheme

## Characterization as Security or Deposit



Issuing a stablecoin in accordance with the Stablecoin Act does NOT constitute dealing in securities, nor engaging in the business of accepting deposit liabilities — for the purposes of federal financial institutions legislation only.

### However, provincial securities regulatory regimes remain in place:

- ✓ Fiat-backed crypto assets (stablecoins) may still be considered securities and/or derivatives by provincial regulators
- ✓ Issuers must assess their obligations under applicable provincial securities law in addition to the federal Stablecoin Act



## 9 Key Resources & Contacts

<b>Bank of Canada (RPAA/PSP)</b>	<a href="http://www.bankofcanada.ca">www.bankofcanada.ca</a>
<b>PSP Connect Portal</b>	Submissions via PSP Connect (standardized forms)
<b>FINTRAC</b>	<a href="http://www.fintrac-canafe.gc.ca">www.fintrac-canafe.gc.ca</a>
<b>FINTRAC FWR Access</b>	<a href="mailto:F2R@fintrac-canafe.gc.ca">F2R@fintrac-canafe.gc.ca</a>
<b>Key Legislation</b>	Retail Payment Activities Act   Retail Payment Activities Regulations   PCMLTFA   Stablecoin Act (Bill C-15)
<b>DM Strategy</b>	<a href="mailto:info@dmstrategy.io">info@dmstrategy.io</a>   +371 26 910 869   <a href="http://www.dmstrategy.io">www.dmstrategy.io</a>

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