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# **Making change—Accelerating payments innovation**

## **Introduction**

Good afternoon, and thank you for the opportunity to speak before this year's Chartered Professional Accountants (CPA) conference.

When I accepted this invitation, no one told me I would be speaking on the same day—and following—two Olympic gold medallists! I don't like to brag, but I did receive a participation award in middle school for finishing dead last at the annual track and field meet. Hold your applause, please. Fortunately, I've found my calling outside the world of sport, and I'll do my level best to live up to Tessa and Alexandre's inspiring words.

As we all know, the world around us is changing—and quickly. Geopolitical tensions are simmering and, in some cases, boiling over. We are seeing seismic shifts in trading relationships and a great deal of uncertainty in the global economy.

At the same time, one of the cornerstones of economies everywhere—how individuals and businesses pay for goods and services—is also facing big changes.

Unfortunately, Canada lags other jurisdictions when it comes to payments innovation. We're behind in adopting new technology, fostering new entrants and providing Canadians with faster and cheaper payment options.

Recently, we've seen positive momentum and significant engagement from both the public and private sectors on these issues. But we have much more work to do and many more opportunities to harness.

We can—and we must—build on this momentum to foster greater innovation and create a more competitive payments ecosystem.

There's a saying that goes something like this, "Even if you're on the right track, you'll get run over if you sit there."

So it's time we get up off the track, and get moving.

I would like to thank Melanie Achtemichuk and Francisco Rivadeneyra for their help in preparing this speech.

## Innovation is everywhere

Today, two main forces are leading innovation in the payments ecosystem: new technology and new players.

In the late 1960s, the Chargex card was big news. As the first credit card in Canada, it offered an alternative to cash and cheques. Today, technology allows us to pay for items instantaneously with a tap—and tapping our credit or debit card represents about half of all transactions at the point of sale.<sup>1</sup> The vast majority of Canadians also have a smartphone, and many of those smartphones support digital payments.<sup>2</sup> We've seen these mobile payments become more popular recently. The Bank of Canada's most recent Methods-of-Payment Survey revealed that about 5% of payment transactions are made with a smartphone. This is a small number, but it's growing quickly, and it almost doubled between 2023 and 2024.<sup>3</sup>

Perhaps the most innovative advancement in recent years is the emergence of autonomous artificial intelligence, known as agentic AI. Unlike traditional AI that responds to human commands—like “Alexa, please call Pam, my Chartered Professional Accountant”—agentic AI is trained to know your preferences and can act without much human direction. Imagine a world where you give your AI agent a budget to not only curate your next vacation but also book it and pay for it—all without you lifting a finger.

The payments space is benefiting from several new types of players. Take digital-only financial institutions, for example. These institutions offer the same services as traditional banks through online platforms and mobile apps—but with no physical locations. New fintech companies are rolling out the smartphone applications I just spoke of. And both foreign and domestic money transfer companies are broadening their services. A few investment dealers have also entered the fray with a new range of payments services.

## A closer look at cryptocurrencies

Now, we can't talk about payments innovation without paying close attention to the rise of cryptocurrencies. These can be used to facilitate transactions, independent of central banks and governments.

At this point, while it's possible to use cryptocurrencies to pay for things, very few people do. For example, survey data from the Bank suggest that only 10% of Canadians hold bitcoin. Among those who do, they hold, on average, about \$500 worth of it. Moreover, most of those who hold bitcoin do so for investment purposes. Only about 10% of the small number who hold bitcoin would consider using it to make payments.<sup>4</sup>

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<sup>1</sup> See M.-H. Felt, A. Chernesky and A. Welte, “2024 Methods-of-Payment Survey Report: Cash in an Era of Alternatives,” Bank of Canada Staff Discussion Paper No. 2025-12 (August 2025).

<sup>2</sup> See M.-H. Felt, A. Welte and K. Talavera, “Untapped Potential: Mobile Device Ownership and Mobile Payments in Canada,” Bank of Canada Staff Working Paper No. 2024-25 (July 2024).

<sup>3</sup> See Felt, Chernesky and Welte (August 2025).

<sup>4</sup> See D. Balutel, M.-H. Felt and D. Rusu, “Canadian Bitcoin Ownership in 2023: Key Takeaways,” Bank of Canada Staff Discussion Paper No. 2025-4 (March 2025).

This could be because price volatility is one of the key drawbacks of using bitcoin for payments. Prices for bitcoin and other cryptocurrencies fluctuate based on supply and demand. This leads to large swings that make cryptocurrencies a very risky method of payment.

To make a stark analogy, paying with bitcoin is like agreeing to pay for your lunch with shares of a tech start-up. By the time the restaurant cashes them in, the price of your sandwich could have doubled—or halved.

It's a bit of a different story with stablecoins. These are a form of cryptocurrency that is pegged to a fiat currency, such as the US dollar, and generally trade close to the value of that currency. They are designed to overcome the price volatility that comes with using other cryptocurrencies like bitcoin for making payments.

More recently, there is growing interest in using stablecoins for cross-border payments to make transactions faster and cheaper. Globally, stablecoin use has been rising in recent years and now accounts for around US\$1 trillion in annual transactions.<sup>5</sup> That's about US\$2.7 billion per day. This is a significant amount, however to put it in context, last year Canada's high-value payment system (Lynx) processed Can\$386 billion every day.<sup>6</sup>

Nevertheless, stablecoin use is growing, driven by the high cost and low speed of traditional cross-border payment services, which pose challenges to citizens and economies around the world. This is particularly true in emerging economies where families may rely on money transfers from a loved one working abroad.

Let me give you a practical Canadian example. For many who immigrated here from overseas and want to send money home, the cost of international money transfers is significantly higher in Canada than in jurisdictions like the United States and United Kingdom.<sup>7</sup>

There is a pressing need for faster, cheaper, more transparent and more accessible cross-border payments services. But these services also need to be safe and secure.

With any innovation there are also opportunities for more nefarious applications—like criminal activity. The 2025 *Annual Economic Report* from the Bank for International Settlements (BIS) sounded the alarm on this issue.<sup>8</sup>

The BIS report suggests bringing legitimate stablecoin functions into the existing regulated monetary system. Regulation can ensure that stablecoins are, indeed, stable—and don't pose risks to the financial system.

At the end of the day, for stablecoins to be seen as money, they need to be as safe and stable as the balance in your bank account.

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5 Bank for International Settlements, "The next-generation monetary and financial system," in *Annual Economic Report 2025*, Basel, Switzerland: BIS, June 24, 2025.

6 Bank of Canada, Bank of Canada Oversight Activities for Financial Market Infrastructures: 2024 Annual Report (May 2025).

7 Payments Canada, "Cross-border payments: Canadian landscape and challenges," November 16, 2023.

8 For more, see Bank for International Settlements (2025).

## On regulation

And certainly, regulation can help address concerns and challenges associated with this technology. Governments are moving to regulate stablecoins and other cryptocurrencies so consumers can reap their benefits and be protected from credit and liquidity risks. In fact, many jurisdictions worldwide either have, or will soon have, a regulatory framework for cryptoassets.<sup>9</sup>

Here in Canada, government regulation of digital assets is mostly carried out through provincial securities and derivatives regulation. At the federal level, anti-money laundering legislation has provisions that allow the Financial Transactions and Reports Analysis Centre of Canada to regulate virtual currency exchange or transfer services. Canada should also weigh the merits of federal stablecoin regulation, similar to what other countries have done.

The private sector is also beginning to usher stablecoins into mainstream use. Three months ago, Shopify announced that stablecoins are now a standard option for payments.

And just last week, Tetra Digital Group, alongside a number of fintech and financial market partners, announced its intention to launch a Canadian fiat-backed stablecoin in 2026.

All of this to say, there's scope for a lot of potential change, but there's also the need for some caution.

Let me be clear—that doesn't mean moving slowly. But keeping up with innovation and putting appropriate guardrails in place requires a delicate balance.

Squaring the concepts of speed and safety isn't a new preoccupation. I recently came across a speech that former Bank of Canada Governor Gordon Thiessen delivered in March 1999. One passage from 26 years ago struck me because it remains relevant today.

"To find a balance between the twin objectives of efficiency and safety has always been a challenge for governments when they examine proposals to change the regulatory framework for the financial system."

There are ways to harness the innovations happening around us to bring greater benefits to Canadian consumers in the form of lower costs, greater efficiency, more convenience, faster speed and better quality.

Safe and reliable payments systems support the efficiency of every economy. Payment infrastructures support the whole financial system and facilitate all financial market transactions. They are a pillar of trust and efficiency supporting economic and financial well-being.

This is why federal and provincial regulators must work quickly and collaboratively to evolve our regulatory frameworks—"while balancing the twin objectives of efficiency and safety." This is key to ensuring Canadians can safely reap the benefits of innovation.

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<sup>9</sup> See A. Di Iorio, A. Kosse and I. Mattei, "Embracing diversity, advancing together—results of the 2023 BIS survey on central bank digital currencies and crypto," Bank for International Settlements Papers No. 147 (June 2024).

## Canada is working to support innovation

I don't want to leave you with the impression that innovation in Canada's payments infrastructure is non-existent.

We've adopted global standards to support data-rich payments and we are implementing a new, fast payments system.

The long-awaited Real-Time Rail (RTR) is expected to begin industry testing soon.

Furthermore, the passage of the *Consumer-Driven Banking Act* in 2024 was an important milestone for supporting competition—although further legislative changes are required to bring this regime to life. And key industry groups are calling for consumer-driven banking to be elevated to a national priority.<sup>10</sup>

To date, however, the pace of change here in Canada has been—to use a kind word—gradual. Other major jurisdictions like the United Kingdom, Australia and the European Union have already embraced changes in many areas.

Results from a recent survey of Canadian business leaders showed that almost 60% of respondents said that Canada's competitiveness will continue to decline without further payments modernization. Even more called for our financial and payments systems to be modernized immediately to allow for open banking, digital identity and real-time payments.<sup>11</sup>

Clearly, there is a need to accelerate change within our own borders.

As we do this, we must build on the stability and trust Canadians have come to expect from their institutions.

Fortunately, we're starting with one advantage: many people don't worry about what happens behind the scenes when they tap their debit or credit cards.

Safeguarding that trust and confidence will be of the utmost importance as we collectively venture into new territories in the payments ecosystem.

## How the Bank fits in

The Bank has an important role to play alongside other agencies and regulators. We work with these organizations to ensure Canadians can continue to count on a stable financial system, and benefit from important evolutions in the payments landscape.

Our role is threefold.

We oversee financial market infrastructures and payment service providers, which I'll come back to in a moment.

We also monitor financial stability to identify systemic risks that could affect the functioning of the financial system.

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<sup>10</sup> For examples, see the 2025 pre-budget submissions to the House of Commons Standing Committee on Finance by Fintechs Canada and the Financial Data and Technology Association.

<sup>11</sup> KPMG LLP, "Canadian business leaders want open banking and the real-time rail immediately, KPMG poll shows," press release, July 31, 2025.

And we design and produce bank notes that Canadians can use with confidence. This is important because—even with new and innovative payment methods—cash is still used in one out of every five transactions at the point of sale.<sup>12</sup>

On an international scale, the Bank is collaborating with the BIS by sponsoring one of seven Innovation Hubs. The Toronto Hub opened in June 2024—the first centre in the Americas. Its focus is to help develop technology that central banks can use for the public good in Canada and throughout the region.

For example, the Bank is engaging with the Hub to start thinking about how AI can support our work as a supervisor and a regulator. This will involve learning from other jurisdictions that are using AI to improve the efficiency and effectiveness of their supervisory activities.

Another area we are exploring is how Canada can harness the benefits of tokenization—the process of recording digital assets on blockchains so these assets can be exchanged more efficiently. These efforts support work the Bank is already doing to engage with industry members and find projects we can work on together—with the end goal of delivering better outcomes for Canadians.

## **A new role for the Bank**

Now, I want to take a moment to talk about our newest mandate: supervising payment service providers, or PSPs.

Every day, millions of Canadians make payments with the expectation that their money will move safely, reliably and without interruption.

Under the *Retail Payment Activities Act*, the Bank now supervises close to 1,500 PSPs to ensure they manage risks and safeguard funds held on behalf of Canadian households and businesses.

The Act provides a solid framework for protecting consumers' funds.. It brings PSPs into the regulatory sphere so that Canadians can access cheaper payment options and a broader array of services. Moreover, PSPs overseen by the Bank can gain access to Canada's national payments infrastructure, which opens the door to further competition and innovation.

It's a real-life example of the kind of change we need. It lays the foundation for payments systems that can adapt to new technologies, withstand shocks and help drive our economy forward.

The Bank will begin to publish the Registry of PSPs, and update it on a rolling basis, as the national security screenings are finalized and names are provided to the Bank by the Department of Finance.<sup>13, 14</sup>

However, I want to stress that all PSPs are now expected to comply with their regulatory obligations. And once registered, they will need to meet additional reporting requirements.

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<sup>12</sup> See Felt, Chernesky and Welte (2025).

<sup>13</sup> Bank of Canada, "Update on Payment Service Providers Registry," August 8, 2025.

<sup>14</sup> Bank of Canada, "Bank of Canada begins supervising Payment Service Providers," September 8, 2025.

Everyone here has an important role to play in supporting PSPs through this transition. Some of you may have already spoken with clients who are looking for advice on how to comply with our supervisory expectations or want help navigating this new reality.

## **Conclusion**

It's time for me to wrap up.

I hope my speech today has opened your eyes to some great changes to the payments system happening at home and around the world. But there is much more to do.

We should seize opportunities to make the system more efficient and more productive—like opening up settlement and payment rails and continuing work on open banking. To do so, we must think big—and then think even bigger.

Let's consider how Canada's industry and regulators can work together to develop forward-thinking, proactive policies that will benefit all Canadians. And let's consider how we best balance efficiency and safety.

Because innovation cannot come at the cost of personal or national security.

The good news is we have a system that Canadians trust.

Now is the time to build on this solid foundation, to be ambitious and to push for an exciting future in the payments ecosystem.

For our part, the Bank will certainly not sit idly on the rails. So let's get on board the innovation train, imagine the possibilities of where we can go together—and go full steam ahead.