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From: Harvey Naglie
To: Financial Market Observers
Re: CANADA'S REAL INDUSTRIAL POLICY IS RISK AVERSION – AND IT IS MAKING US DEPENDENT

Canada keeps announcing a “redo” built on growth, independence, and innovation. The country’s governing reflex keeps producing the opposite: slow decisions, vague rules, and a preference for restraint that is treated as virtue. We have come to confuse caution with strategy.

That confusion was survivable when markets moved slowly and domestic incumbents controlled distribution. It is not survivable in systems shaped by the network effects of platform economics. In those systems, delay is not neutral. Delay is a decision to let others set the standards, build the infrastructure, and capture the compliance and talent ecosystems that form around first movers. Canada then imports the finished system and reassures itself that it was “careful.”

The C.D. Howe Institute’s [Commentary on stablecoins](#) makes this dynamic plain. The authors argue that tokenized financial markets will rely on stablecoins for settlement, that payment systems exhibit network effects, and that the window for Canada to shape this infrastructure is narrowing. This is not a crypto hobbyhorse. It is a competitiveness argument about who owns the rails.

The choice is binary: either Canada builds a workable framework quickly enough that serious activity happens under Canadian oversight, or the activity consolidates under foreign regimes and Canada supervises from the perimeter. There is no third option in which Canada delays indefinitely and somehow retains influence.

Stablecoins are drifting from “product” into “plumbing.” In tokenized finance, the settlement instrument determines how quickly value moves, how collateral is posted, and whether markets can operate continuously. Intercontinental Exchange has publicly described the [NYSE’s work](#) on a tokenized securities platform – 24/7 operation, instant settlement, stablecoin-based funding. Large institutions are building. Regulators in those markets are being forced to decide. Canada is competing against implementation, not against theory.

Canada’s default response is to lead with the harms list. Fraud. AML. Privacy. Systemic risk. Consumer misunderstanding. Market integrity. “Inclusion.” “Misuse.” The list is never wrong, and it is never complete. It can always be extended. That is precisely the problem. When success is defined as anticipating every harm scenario – and avoiding criticism for anything missed – delay becomes the rational outcome. Delay then gets marketed as consumer protection.

It is not.

Consumers do not wait for Canada to finish consulting. When adoption is frictionless through global platforms, Canadians will use what works. Delay does not stop activity. It relocates activity.

Relocation has a quiet but serious supervisory cost. If the market is built to satisfy foreign regimes first, the data standards, compliance tooling, and operating models will reflect those regimes. Canada’s oversight becomes a bolt-on: narrower visibility, weaker leverage, greater dependence on foreign intermediaries. Less protection in practice.

Finance Canada’s [proposed stablecoin framework](#) uses the right concepts: redemption expectations, reserve management, disclosure, coverage of foreign issuers. The test is execution. Can Canada translate policy intent into an operational regime on a timeline that still influences where the market forms?

Canada increasingly speaks about sovereignty and independence. In financial infrastructure, those are not values you declare. They are capabilities you either build or you do not.

The jurisdiction that shapes the rules captures what matters: the compliance stack, the legal engineering, supervisory visibility. Those capabilities compound. They attract talent, deepen domestic expertise, and create regtech ecosystems that can be exported. Canada’s habit of delay forfeits those compounding advantages. We end up “harmonizing” after the fact — accepting foreign templates while pretending we made an independent choice.

The uncomfortable truth is that Canada’s moralized risk aversion does not eliminate harms. It changes who bears them and who controls the response.

When Canada moves slowly and ambiguously, serious, accountable actors hesitate. Less accountable actors proceed. Consumers still encounter the product – but with weaker oversight and fewer trusted intermediaries willing to stake their compliance reputation on operating here.

Canada cannot credibly deliver a growth-and-innovation “redo” while operating a governance model that treats delay as protection and exhaustive harm enumeration as success. That model produces rhetorical ambition and operational dependence.

The C.D. Howe Institute’s authors are right to frame stablecoins as a window. Windows close quietly: standards get set elsewhere, systems harden elsewhere, and latecomers inherit the world as it is.

If Canada wants growth, independence, and innovation to be more than a speech, it needs to stop confusing “being careful” with “being capable.” The country that builds workable rules and enforces them earns both competitiveness and protection. The country that delays in pursuit of theoretical safety gets neither – only dependency, explained as virtue.

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