



December 18, 2023

The Secretary  
Ontario Securities Commission (OSC)  
20 Queen Street West  
22nd Floor  
Toronto, ON M5H 3S8

VIA EMAIL: [commentssl@osc.gov.on.ca](mailto:commentssl@osc.gov.on.ca)

**RE: Request for Comments Regarding Statement of Priorities for Fiscal Year 2024-2025**

The Canadian Web3 Council (CW3) is pleased to respond to the Ontario Securities Commission's consultations on its priorities for the fiscal year 2024-2025. The CW3 is a non-profit trade association founded by industry leaders to work constructively with policymakers and establish Canada as a leader in Web3 technology. The CW3 represents organizations that have made a critical impact on the development of Web3 technologies in over 100 countries across the globe, and who are committed to responsibly building and innovating in Canada. Our membership is diverse, representing businesses that range from financial products and trading platforms to investors, and open-source blockchain projects. Our trading platform members are entrusted with client assets valued in excess of CAD \$160B.

**Statement of Priorities: Priority #11 relating to the crypto asset sector**

CW3 supports the OSC's Priority #11: "to strengthen oversight and enforcement of the crypto asset sector". While we firmly believe that regulation and oversight of this sector is both necessary and important for adoption and enhancing public confidence in the sector, **we are disappointed that the list of specific activities in the Statement of Priorities does not include plans for public consultation to develop rules/policies for the crypto asset sector.** Furthermore, we note the OSC plans to conduct reviews of registered firms in 2024 without having gone through a process to obtain feedback from participants on any challenges with implementing the terms and conditions prescribed by the Canadian Securities Administrators (CSA), or how they could be improved to function as rules/policies for the sector.

In our 2022 submission regarding the OSC's 2023-2024 Statement of Priorities, we recommended that the OSC, in conjunction with the CSA, launch renewed consultations on the regulatory framework governing crypto assets in Canada. The need for such consultations is even more compelling today given the rapidity of industry developments, emerging risks and use

cases for crypto assets for everyday functions (e.g. adoption of stablecoins as payments technology and for cross-border remittances), and the evolution of global legislation and regulatory frameworks that treat fiat-backed stablecoins as payment instruments and not securities.

With the release of CSA SN 21-333 on October 5, 2023, it would appear the CSA (of which the OSC is a member) is now attempting to bring fiat-backed stablecoin (“FBCA”) issuers under its remit. For a CTP to obtain the CSA’s consent to trade FBCAs with its clients, the FBCA issuer is now required to submit an undertaking that would subject the issuer to a number of requirements, including an examination by the OSC<sup>1</sup>. However, the OSC and the CSA have not set out in detail **why** it believes fiat-backed stablecoins are “securities and/or derivatives”. More importantly, the CSA’s **interim framework** (treating stablecoins as securities or derivatives) makes Canada an outlier amongst other major nations including some of our major trading partners.

We reiterate the comments in our previous letter: that transparent and public consultations are required to inform policy makers on industry developments and shifting risks in order to better inform a regulatory framework for the sector in Canada that is sufficiently flexible to accommodate the rapidity of change, and that is fit for the future rather than one that is designed with a narrow view of crypto assets used purely for investment purposes. Accordingly, we recommend the following be included in the activities for 2024-2025:

- The OSC/CSA hold public roundtable discussions on an appropriate regulatory framework for the crypto asset sector to inform rule-making and policy.
- The OSC/CSA establishes a technology and innovation advisory committee that includes members from a cross section of crypto asset participants, as has been done by the ASC.
- The OSC/CSA issues proposed regulations for public consultation in a manner that is consistent with the *Securities Act (Ontario)*.

We believe such initiatives will promote collaboration between the OSC and industry, and provide a forum for discussing and assessing the impact of technology innovation on capital and financial markets in a timely, open and transparent manner.

## Conclusion

The OSC, together with other CSA members and Canadian Investment Regulatory Organization (CIRO) have demonstrated leadership in articulating a path for crypto asset trading platforms to obtain registration and also an **interim framework** for CTPs to “trade certain value referenced crypto assets with Canadian clients, as the CSA continues its work in this area.” However, other

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<sup>1</sup> See CSA SN 21-333, Appendix B Undertaking from the VRCA Issuer, paragraph (F): The Issuer further acknowledges that the Principal Regulator or other members of the CSA may examine the business, conduct, financial affairs, books, records and other documents of the Issuer and its applicable affiliates and control persons for the purpose of determining if the Issuer is complying with this Undertaking, securities or other applicable legislation in Canada, or acting contrary to the public interest. The undertaking also includes a requirement that the issuer of the FBCA has filed a submission to jurisdiction and appointment of agent for service in the form of Appendix C.

nations have caught up and have adopted a strategic and forward looking view of the use of crypto assets for modernizing payments, financial and capital markets.

It is past time to engage in proper public consultations on a regulatory framework for crypto assets that is fit for the future. We remain committed to collaborating with the OSC and the CSA on such endeavors.

Yours truly,

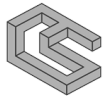
The Canadian Web3 Council

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**Dapper Labs**

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