

May 14, 2019

CSA Consultation Paper 21-402:

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Proposed Framework for Crypto-Asset Trading Platforms

“The Future Canadian Framework for Digital Assets Needs to be a Federal Government Responsibility”

The initiative of the Canadian Securities Administrators (CSA) and Investment Industry Regulatory Organization of Canada (IIROC) to issue the 21-402 Consultation Paper on the **Proposed Framework for Crypto-Asset Trading Platforms** is a welcome and professional step to ensure Canada remains globally competitive in the new era of digital assets. For this global initiative to be timely, competitive and successful there needs to be an expansion of this project under a Government of Canada mandate with an appropriate funding budget.

The Canadian public capital markets have existing regulatory and technology stacks that took many years to develop and refine into successful operations. These regulations and software systems allow Canadian registered investment dealers and public stock exchanges to be innovators in creating, financing and trading new investment opportunities in all economic sectors including emerging growth areas such as cannabis, esports and blockchain.

The Canadian capital markets operate within a relatively closed system based on Canadian dollars using compatible proprietary software systems that are integrated with the Canadian Banking system. These

systems continue to be automated and optimized and are expected to formidable competitors with many aspects of the new era of digital assets.

There is direct potential competition between of existing capital markets and banking systems and the new era of global digital assets. To nurture innovation a complete “blue sky” review of how Canada can be a global leader in digital assets is recommended. Digital assets creation and trading through the global internet will likely be as significant as the global trade of hard assets and products in the future.

The 21-402 Consultation paper provides useful questions on key areas for additional research based on the existing systems. Each of these questions is worthy of creating a task force of specialists that can recommend possible best practices.

A concern is the CSA and IIROC should not be the regulated authorities to lead the digital assets initiative. The CSA and IIROC can be important contributors to the discussion, but a federal framework, and not provincial securities regulators and may provide broader and more timely leadership on this issue.

It is noted that Singapore has chosen to develop regulations under the authority of the Monetary Authority of Singapore. The Bank of Canada has also conducted extensive research on digital assets from the perspective of applications with fiat currencies. Indeed, many believe that the digital asset marketplace will only truly succeed when government backed digital currencies are available to complete transactions.

It would be a bold stroke for Canada to become the first G7 country to issue a fully backed digital currency using the latest generation of technology. Just as the CSA has created a regulatory sandbox, perhaps the Bank of Canada should launch a digital currency sandbox. A test phase where perhaps \$1 Billion in digital Canadian dollars are issued to qualified investors to allow a new era of innovation for Canadian digital assets and new business models.

Canadian leadership on bold global topics has recent precedent. Many would say the Cannabis Act developed by the Canadian government has sparked a long overdue end to global prohibition on a therapeutic plant that has many beneficial medical claims and may be less toxic than alcohol.

The lawyers and policy advisors can discuss jurisdictional issues and develop assigned responsibilities for different aspects of digital assets global economy. The visionary goal will be to create the **Digital Assets Act of Canada** to define and attain best global practices for digital assets both from a technology and regulatory aspect.

Appropriate federal government budgets can then be assigned to create the **Digital Asset Act of Canada** best practices template for Canada and potentially the world. At this time the CSA, IIROC and provincial regulators all have limited resources and expertise and should remain focused on optimizing existing jurisdictional systems.

A federal taskforce to address all the Digital Assets issues would likely be more focused, better funded and better able to interact with other global leaders than the CSA coalition and the IIROC SRO that is funded by an existing subset of private Canadian registrants in the capital markets ecosystem. Developing new federal legislation can utilize existing principles but also consider new approaches to regulation.

To summarize, the intent and questions raised in the CSA 21-402 Consultation Paper are appropriate. It is however the view of the author that the regulatory authority and limited resources of the CSA and IIROC should not be utilized to develop Digital Assets best practices.

Federal task forces should be established to develop best practices with the possible goal of creating new legislation for the Digital Asset Act of Canada. As appropriate assigned representatives from the CSA and IIROC can provide independent expertise but the CSA and IIROC should not have jurisdictional authority.

A case could be made that registrant funded CSA and IIROC should not even consider assuming the liability risk of developing standards for globally traded digital assets.

These comments are the personal views of the author based on over 30 years of experience in all aspects of the buy, sell and corporate dimensions of the capital markets including senior roles with IIROC Investment Dealers and Canadian banks.

Best Regards,

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