



INDU Blockchain Report Regulatory Highlights

Summary of the *Blockchain Technology: Cryptocurrencies and Beyond* Report by the House of Commons

Tetra Trust Company

June 27, 2023



Introduction

The House of Commons Standing Committee on Industry and Technology (INDU) released the *Blockchain Technology: Cryptocurrencies and Beyond* Report in June, which is an in-depth study of blockchain technology within a Canadian context. In addition to the studies and findings on the current Canadian digital landscape, INDU has made recommendations for the consideration of the House of Commons.

Well-researched, progressive recommendations like these provide assurance to market participants that Canada is an ideal jurisdiction to progress the responsible development of blockchain technology.

Tetra was privileged to be invited to testify to the INDU committee. We are pleased INDU has considered our perspective within the report, specifically relating to the importance of digital asset custodians. Below are the three main recommendations from a digital asset custodian perspective. Read on for more details.

Key Observations

- 1** The Committee acknowledged the potential positive societal impact of this sector, and made clear their willingness to engage with industry in a constructive manner.
- 2** The Committee recognized that custodians—specifically those who are domestic, regulated, and specialized in digital assets—are a critical component of the responsible growth of this industry.
- 3** The report called on the Government of Canada to support the builders of this industry by way of providing access to basic infrastructure required for any business to compete, such as banking and insurance.

The Committee acknowledged the potential positive societal impact of this sector, and made clear their willingness to engage with industry in a constructive manner.

Example: INDU Recommendation 1

Additional recommendations: 3, 4, 5, 6, 11, 13

That the Government of Canada recognize blockchain as an emerging industry in Canada, with significant long-term economic and job creation opportunities.

The Government of Canada has taken a constructive approach to assessing the blockchain industry in Canada through a study conducted by the INDU Committee. This Committee, comprised of Members of Parliament representing all recognized Canadian political parties, engaged with the industry in a productive manner, listening to the current challenges and evaluating the implications. From the initial motion mandating the study, INDU has stated the importance of supporting the industry, and crucially declared "that regulatory certainty could bring about more investments in that specific field and drive innovation across the Canadian economy."

This approach is in stark contrast to that being taken towards the industry in other jurisdictions, where a regulation by enforcement approach has been observed. While Canada has not hesitated to sever ties with entities who will not comply with regulation, this study is a strong indicator that the government is ready to support those willing to operate within Canada's regulatory framework.

"Regulatory improvements can, and should, be made to ensure that Canada continues to be a leader in cryptocurrencies, and the blockchain industry more broadly. To that end, the Committee believes that a national strategy, similar to those already in place for other key sectors, is required to clarify the government approach to regulation and demonstrate Canada's commitment to the industry."

— Excerpt from the Blockchain Technology: Cryptocurrencies and Beyond Report



The Committee recognized that custodians—specifically those who are domestic, regulated, and specialized in digital assets—are a critical component of the responsible growth of this industry.

Example: INDU Recommendation 9

That the Government of Canada adopt regulatory changes to promote the establishment of federally regulated cryptocurrency custodians to meet the demand for cold storage services from Canadian cryptocurrency firms.

Custody is at the heart of cryptocurrency and many other digital assets, which are essential to the blockchain industry. Moreover, the importance of custodians being both specialists in digital assets and regulated cannot be underestimated. INDU has recognized this, and Recommendation 9 calls for regulatory action to support regulated cryptocurrency custodians.

As Tetra's CCO, Stephen Oliver, testified to the committee: "Digital asset custodians are the foundational piece of all risk mitigation strategies related to digital assets" as they "act as a trusted independent third party to secure the assets of institutions and their underlying investors." Strong custody solutions are crucial for the development of a trustworthy, accessible, and reliable digital asset ecosystem.

*"Witnesses also pointed to the **important role played by cryptocurrency custodians that provide cold storage services to exchanges and other businesses.** With only one currently operating in Canada, and established under provincial legislation, the Committee believes that there are growth opportunities that could be promoted through regulatory reform."*

*— Excerpt from the Blockchain Technology:
Cryptocurrencies and Beyond Report*



The report called on the Government of Canada to support the builders of this industry by way of providing access to the infrastructure required for any business to compete, such as banking and insurance.

Example: INDU Recommendation 10

Additional recommendations: 7, 16

That the Government of Canada adopt measures for access to banking and insurance services for blockchain firms, including through Crown corporations.

Although the blockchain industry is in its relative infancy, blockchain and cryptocurrency companies are like any other Canadian company in that they must be supported through basic services and infrastructure. Without fundamental capabilities, such as banking and insurance, the blockchain industry in Canada will struggle to reach its potential with respect to the products and services that can be brought to market or the level of investment that can be achieved. A realization of this potential, in contrast, will provide Canada with an economic advantage.

Recommendation 10 in the report recognizes this need for infrastructure, and calls on corporations to provide the assistance that would lead to benefits for all parties. The INDU committee also acknowledges the benefit of supporting innovation within the industry and suggests collaborative initiatives such as pilot programs and an entrepreneurial sandbox.

*“The Committee was concerned to hear from witnesses about the challenges blockchain entrepreneurs and small businesses face in accessing basic banking and insurance services. **Such challenges present an unnecessary obstacle to innovation that the government should address.**”*

– Excerpt from the Blockchain Technology:
Cryptocurrencies and Beyond Report





Trusted Digital Asset Custody

Tetra Trust Company is Canada's first and only trust company licensed to custody digital assets with a vision of enabling the institutional adoption of digital assets.

Registered as a Canadian trust company under the Loan and Trust Corporations Act (Alberta), Tetra is fiducially responsible to act in the best interests of its clients. Its operations are overseen by a Canadian regulator.

Tetra invites you to contact us to understand how we adhere to INDU's recommendations and set the standard for Canadian digital asset custody.

Contact



Steve Oliver, CCO and Chief of Staff

sales@tetratrust.com

Steve has 20+ years experience in financial markets and has held previous senior risk management and compliance roles at BP based out of Calgary, London, and Singapore. He is a CFA charterholder and is also a sessional instructor at the University of Calgary where he teaches a fourth year course on Corporate Governance.