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November 22, 2022

Re: Private Members Bill C-249: Encouraging the Growth of the Crypto-asset Sector Act

Dear Honourable Prime Minister Trudeau,

My name is Eric Kryski. I am the CEO & Co-Founder of Bidali, a financial infrastructure company headquartered in Calgary, Canada that uses blockchain technology to provide safer, cheaper and more transparent financial services.

I received my BSc in Computer Science from the University of Calgary in 2011 where I published research in the area of Human Computer Interaction as an undergraduate[1], and was the co-creator of the popular web application framework FeathersJS[2]. I have been building software for over 15 years, some that still powers existing startups, SMBs and Fortune 100s around the world. Prior to co-founding Bidali in 2018, dating back as far as 2014, I had spent extensive time researching, building and contributing to open source projects with a focus on real-time global database replication systems, peer-to-peer connectivity, and highly scalable distributed systems.

In 2020 I was invited to speak in Davos during the World Economic Forum about the future of money, and have since advised multiple governments on their financial digital transformation strategies. In June of the same year, I was invited to speak to the Standing Committee on Industry, Science and Technology (INDU) to advise on *Canada's Response to the COVID-19 Pandemic*.

Finally, I am the co–chair of the FinTech Committee of the Canadian Blockchain Consortium[3], now Canada's largest industry consortium with almost 100 corporate members and dozens of volunteers. In this role I have worked alongside some of the best in the industry to host quarterly roundtables and panels with some of the brightest minds in the world that are at the forefront of this technology, in order to work through the challenges and opportunities it presents for Canada, and the world. These sessions have been frequently attended by industry stakeholders and various Canadian regulators and legislators, including members from the CRA, FINTRAC, IIROC, CSA, RCMP, Bank of Canada, and the Department of Finance.

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[1] https://link.springer.com/chapter/10.1007/978-3-642-23765-2_7
[2] https://github.com/feathersjs
[3] https://www.canadablockchain.ca/

Earlier this year we invited heads of the regulatory authority from Malta, Cayman Islands and Bermuda, who all have implemented world leading crypto-asset regulatory frameworks, to discuss the challenges and opportunities with implementing and enforcing regulations that cover crypto and digital assets. Notably, two of the regulators are actually ex-Canadian regulators so it was particularly valuable because they already had knowledge of Canada's regulatory framework. You might find this video in particular very useful.[4]

More importantly, I am a proud Canadian with a vested interest in seeing our government support responsible innovation and regulation with regard to blockchain technology and crypto-assets.

I'm writing to you today to ask that you consider supporting Bill C-249 and voting "yes" on November 23, 2022 so that it moves past the past second reading and progresses to the committee stage where you can provide more specific feedback and help craft regulation with guidance from industry experts that span lawyers, entrepreneurs, economists, mathematicians, regulators, law enforcement, and investors. I believe that a multi-stakeholder approach, as proposed in this bill, is absolutely necessary to ensure that we create regulations that encourage responsible innovation while protecting the public and our national interests.

Given the scope of Bill C-249, it should absolutely be supported and it dovetails perfectly into the current work being performed by the Standing Committee on Industry and Technology (INDU) and their study on Blockchain Technology. The outcome of this committee is a report to Members of Parliament that is informed by industry experts with the goal to address the opportunities, challenges and gaps in regulation that this rapidly developing and world changing technology has created. This is precisely what Ms. Rempel's non-partisan Bill C-249 specifies.

By passing this legislation all parties can do what they were elected to do, to create legislation that can benefit our economy and protect Canadians. By passing this bill we can accelerate our ability to address gaps in Canada's existing legislation, of which there are many, with informed feedback from multiple stakeholders.

Blockchain and crypto-assets are breakthrough technologies that are seeing rapid global adoption. We've seen in other countries like China that this technology represents new foundational freedom against oppressive regimes, which is precisely why the CCP has on numerous occasions attempted to ban open source and freely accessible implementations. At the same time, the CCP is leveraging this same technology to develop their own central bank digital currency, the digital renminbi (e-CNY)[5]. Any technology can be used for both good and bad. When used for the wrong reasons, this has the potential to provide the CCP or other regimes with oppressive control over their own citizens and even other countries if the e-CNY gets adoption among key regions within China's Belt and Road initiative.

As we've seen so far with cryptocurrency, the absence of appropriate regulations that enable open experimentation and failure with appropriate guardrails that protect the public, has enabled

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[4] CBC Regulatory Roundtable Challenges & Opportunities in Global Regulations
[5] https://www.bis.org/publ/bppdf/bispap123_e.pdf

bad actors to exploit these gaps in regulation and education. At the same time, it has forced good actors with innovative ideas off shore, or prevented them from innovating entirely. This is not how we should regulate.

Fortunately, Canada has world leading experts in this sector and many Canadians have pioneered innovations across legal, economic, supply chain, financial, and technology disciplines. In some ways Canada has already put forward world leading regulation. Such as, our recently imposed requirement of crypto-asset dealer registration under the CSA or IIROC for custodial crypto-asset exchanges. Another example is when we were the first country to bring recommendations from the Financial Action Task Force (FATF) by amending our Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) to have specific guidelines and rules in order to report and prevent the use of crypto-assets for criminal activity and terrorist finacing.

Despite these progressive regulations, we still have major gaps in our legislation which has enabled bad actors to exploit the lack of comprehensive regulation, as was the case with the recent FTX fraud, despite having aspects of their business appropriately regulated in Japan and the USA.

At the second reading debate on November 21, 2022, many members of parliament gave the impression that the majority of crypto-asset activity is used for crime and that criminals are getting away with ransomware, fraud and money laundering.

While aspects of this are true, criminal usage of crypto-assets, at present, pales in comparison to the amount of crime that uses our traditional financial system and cash. Based on reports by the Canadian Anti-Fraud Centre (CAFC), $379 million was lost to scams and fraud in 2021[6] and the expectation is that in 2022 the number will be even higher. In Canada, the amount of fraud that occurs via wire transfers, Interac, and gift cards, all regulated products, is over five (5) times more than the $75 million of fraud involving cryptocurrency in the same year[7].

Additionally, cryptocurrency currently is very traceable so it is actually easier to track criminals that use it than with other mediums of exchange. As this technology inevitably becomes easier to use, faster, and more integrated into our daily lives, without appropriate regulation, bad actors will continue to use the technology to exploit others. This is precisely why there is an urgent need to pass this legislation.

We are running out of time to address notable gaps in our Criminal Code, securities legislation, and privacy legislation (PIPEDA). We could also benefit from a focused national framework that provides additional clarity with how our existing laws should apply when crypto-assets and blockchain technology is involved.

Today, no nation has a perfect regulatory framework, however there are jurisdictions we can learn from and Canada is well positioned to be a global leader because of our incredible talent,

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6 https://www.rcmp-grc.gc.ca/en/news/2022/fraud-prevention-month-raises-awareness-a-historic-year-reported-losses

7 https://www.rcmp-grc.gc.ca/en/gazette/countering-the-rise-cryptocurrency-fraud

our robust legal system, and our high degree of global trust.

Let’s not squander the opportunity to define what the future of this incredibly important technology will look like. It has the potential to be even more impactful than the Internet itself. We have a responsibility to future generations to ensure this technology is used in the right way.

Please vote “yes” for Bill C-249.

Sincerely,

Eric Kryski

CEO & Co-Founder

Bidali Inc.