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Consultation Paper 21-402: Proposed Framework for Crypto-Asset Trading Platforms

Tritum is extremely supportive of global regulatory efforts to bring clarity, and certainty to digital asset markets. We strongly advocate our domestic market regulators jointly recognizing that this growing segment is replete with extremely new and novel characteristics, and is also evolving at extreme speed.

We would like to highlight that we are most interested in seeing Canada provide a balanced framework of regulations providing sufficient participant protections, orderly market liquidity, transparency and overall market certainty. The digital asset industry is fully global and capable of expediently migrating to jurisdictions which offer the most attractive regulations. As such, we strongly support requirements and standards which are fairly attainable for both traditional and digital-first service providers being capable of meeting in operating their businesses. Canada has a formidable global base of digital ledger talent, and history of lost opportunities to foreign jurisdictions when we could easily be a world leader in embracing the capabilities these innovations enable.



To be clear Tritum is not supportive of efforts of various market stakeholders to obfuscate, deny service to, circumvent, or otherwise cast doubt or uncertainty onto the digital asset industry which has thus far been a chronic issue due to either stakeholder self-interest or general poor comprehension regarding the opportunities to improve financial systems which this technology can enable, be it for securities or non-securities.

Concerning the aforementioned, we wish to emphasize that a new approach to establishing the taxonomy of digital assets, some of which exhibit features not previously contemplated in traditional financial services regulations. On that basis, Tritum also strongly suggests guidance regarding a lexicon amongst the industry to identify and agree upon the treatment of very different categories of instruments, such as digital ledger enabled securities vs. non-national “currency” instruments and the unique considerations or applicability of existing rules for each.

Within the existing cryptocurrency services industry, Tritum agrees with, and supports the CSA and IIROC dissection of the functions performed by many of the service providers in the digital asset industry wherein they offer products or services which closely resemble traditional financial services such as broking and custody, but are vertically integrated into a single provider which may be fraught with conflicts of interest and may have a conflict of interest. We believe it is in the public interest to bring as much transparency into these situations where they exist, and apply controls or prohibitions to such operators to either eliminate the opportunities for conflict of interest or excessive stacked risk.

This includes the separation of the functions of ATS-like order matching from managing proprietary market making desks, and the functions of deposit taking institutions. We are also strong supporters of co-ordinated or consolidated audit trails in order to ensure maximum traceability and certainty for banks processing funds via these institutions and eliminate any reasons for reticence to provide full service banking.

Within the legacy securities industry, we note that the adoption of the novel enablements of digital ledger technology for existing financial services and electronic representations of instruments are manifold, and can be best equated to the de-materialization of paper certificates-based securities to the first iteration of electronic clearing such as CDS and DTCC’s first systems. Those changes were embraced and quickly demonstrated their worth to the markets. With due care and consideration for the systemic risks of changing mission critical infrastructure, the ability to reduce points of friction, settlement time, and rent-seeking intermediation in the middle and back office functions via this technology cannot be ignored. For the sake of Canada’s institutional and private investors.

Given this consultation paper, we focus our final thoughts on the existing cryptocurrency market place and sentiments expressed both by legacy crypto currency incumbents as well as forthcoming clean sheet, regulatory approval-seeking entrants. Tritum believes the single biggest immediate issue which should be addressed by CSA and IIROC will be the management of the transition from an ambiguously regulated environment to a fully regulated one. We seek further information regarding the fair and equal treatment of new entrants who we expect may be initially required to meet a



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higher standard of compliance prior to commencement versus legacy providers who may be able to operate continually during a transition period in a non-compliant manner while remediating their operations.

Sincerely,

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