

# **An Analysis of Approaches to Regulating Crypto Trading Platforms: Ontario and Singapore Compared**

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## **Introduction**

This paper explores the regulation of crypto asset trading platforms in Ontario, Canada's leading jurisdiction for finance, and compares it with the approach taken by Singapore. Singapore has often been described as a success story for building an innovative market for crypto currency trading that appropriately balances market efficiency and investor protection. Going forward, Ontario's principal securities regulators, the Ontario Securities Commission (OSC), can consider the approach the Monetary Authority of Singapore (MAS) has taken in constructing innovative crypto currency markets. In each section in this paper, we will compare the approaches that the OSC and MAS take for crypto trading platform regulation. At the end of the paper, we offer policy recommendations for each category we explore and offer guidance for Ontario going forward.

## **Anti- Money Laundering and Terrorist Financing**

One of the most prevalent risks identified by many regulators around the world in regard to Crypto Trading Platforms is that of Money Laundering and Terrorist Financing. One advantage of Canada being a smaller cryptocurrency jurisdiction is that it is less likely that criminal or terrorist entities will try to leverage Canada's crypto platforms to achieve nefarious purposes. Under the CSA Staff Notice 46-307, Canadian regulators outline guidance for running a cryptocurrency trading platform, and how those platforms should comply with existing Canadian laws, like rules surrounding money laundering and terrorist financing. Canadian regulation places an onus on crypto trading platforms to conduct due diligence to ensure that the transactions on those platforms abide by identity

verification, anti-money laundering and counter-terrorist financing procedures and report suspicious practices.<sup>1</sup>

MAS places a greater onus on registered crypto trading platforms to abide with anti-money laundering and terrorist financing requirements. MAS's "Notice PSN02 Prevention of Money Laundering and Countering the Financing of Terrorism – Digital Payment Token Service" came into effect in 2020. Registered crypto trading platforms are obliged to know the clients they are dealing with (including beneficial account owners) and monitor and report suspicious transactions.<sup>2</sup> This goes a step further than Canada becomes it removes a level of anonymity that lies behind crypto transactions. Combatting terrorist financing and money laundering is so important to the MAS that they force registered trading platforms to seemingly remove one of the most salient features of owning crypto assets: anonymity.

## **Custody**

The issue of asset custody is a particularly acute risk for Crypto Trading Platforms. As many platforms have custodial wallets in which they will hold their users' digital assets until they withdraw their assets back to a private wallet, there are susceptible to continuity risks, fraud, or attacks from hackers. In order for the technology and industry to grow, many regulators rightly feel that these issues be addressed by platforms in order to protect the investing public at large.

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<sup>1</sup> <https://www.osc.ca/en/securities-law/instruments-rules-policies/4/46-307/csa-staff-notice-46-307-cryptocurrency-offerings>

<sup>2</sup> <https://www.mas.gov.sg/regulation/notices/psn02-aml-cft-notice---digital-payment-token-service>

Canadian regulators have had a keen interest in addressing the risks associated with custody, likely due to the historical development of platforms within Canada. In 2018, the largest Canadian exchange at the time, QuadrigaCX, would have all of its assets locked up when the founder died while in India. Since he was allegedly the sole person who was able to release funds from the platform, over \$190 million of investor's digital assets would be reported as lost and frozen due to his death.<sup>3</sup> Moreover, it was posthumously discovered that the platform was operating similar to a Ponzi scheme, where the founder would open fake accounts and credit himself with users' cryptocurrencies to trade with, accounting for over \$140 million of losses.<sup>4</sup>

In order to prevent this situation from reoccurring, the OSC sought to have a degree of oversight over crypto trading platforms and took a somewhat novel approach compared to many other major jurisdictions, such as the USA. The OSC would deem cryptocurrencies that are held in custody by the trading platforms to be subject to existing security regulations, and thus under Canadian regulators oversight, including the OSC<sup>5</sup>, unlike the SEC which does not consider security regulation to inherently apply to these coins, though acknowledging the risks custody issues provides<sup>6</sup>. This would require Crypto Trading Platforms to register with the Investment Industry Regulatory Organization of Canada (IIROC), presenting substantial costs both upfront and going forward for nascent exchanges seeking approval.

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<sup>3</sup> <https://www.cbc.ca/news/business/osc-quadriga-gerald-cotten-1.5607990>

<sup>4</sup> <https://www.cbc.ca/news/business/osc-quadriga-gerald-cotten-1.5607990>

<sup>5</sup> [https://www.osc.ca/sites/default/files/2021-03/csa\\_20210329\\_21-329\\_compliance-regulatory-requirements.pdf](https://www.osc.ca/sites/default/files/2021-03/csa_20210329_21-329_compliance-regulatory-requirements.pdf)

<sup>6</sup> [https://www.reuters.com/legal/transactional/are-cryptocurrencies-securities-sec-is-answering-question-2022-03-21/#:~:text=In%202018%2C%20Clayton%20clarified%20in,%22%20June%206%2C%202018\).](https://www.reuters.com/legal/transactional/are-cryptocurrencies-securities-sec-is-answering-question-2022-03-21/#:~:text=In%202018%2C%20Clayton%20clarified%20in,%22%20June%206%2C%202018).)

As with much of securities regulation in Canada, disclosure is often the key to compliance, with a description of controls and the identities of people or firms with control over custody for trading platforms being mandatory.<sup>7</sup> Regarding what the controls should be, the CSA has identified various best practices they want to see Crypto Trading Platforms to implement. These include having multi-signature wallets with segregated accounts, and segregated duties of those overseeing the safeguarding of assets, Crypto Platforms operating on a full reserve basis, having additional reserves for emergency re-capitalization in the event of hackers attacking the platform, and reserving the majority of assets in cold-storage.<sup>8</sup> On top of limiting the amount of funds that can be in hot-wallets, it is also suggested that warm-wallets be utilized in order to limit the possibilities of losses should the platform become compromised.<sup>9</sup>

To critics, this distinction based on custody may seem arbitrary, as cryptocurrencies are not in and of themselves considered securities and thus are not subject to direct oversight by Canadian regulators. Additionally, some in the industry, such as the CEO of Ether Capital Corp, Brian Mosoff, expressed concerns that the largest foreign platforms could block Canadian Users, removing technically superior and more innovating products from the reach of Canadian investors.<sup>10</sup> Others, such as the Chief Compliance Officer of Bitbuy, Torstein Braaten, disagree, as these regulations can create a two-tiered model of registered platforms that investors can know are following adequate protections, while unregistered platforms are still available on a “buyer beware” basis, and

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<sup>7</sup> [https://www.osc.ca/sites/default/files/2020-10/ni\\_20200914\\_21-101f2\\_unofficial-consolidation.pdf](https://www.osc.ca/sites/default/files/2020-10/ni_20200914_21-101f2_unofficial-consolidation.pdf)

<sup>8</sup> [https://www.osc.ca/sites/default/files/2021-03/csa\\_20210329\\_21-329\\_compliance-regulatory-requirements.pdf](https://www.osc.ca/sites/default/files/2021-03/csa_20210329_21-329_compliance-regulatory-requirements.pdf)

<sup>9</sup> [https://www.osc.ca/sites/default/files/2021-03/csa\\_20210329\\_21-329\\_compliance-regulatory-requirements.pdf](https://www.osc.ca/sites/default/files/2021-03/csa_20210329_21-329_compliance-regulatory-requirements.pdf)

<sup>10</sup> <https://www.theglobeandmail.com/business/article-concerns-mount-over-cryptocurrency-guidelines/>

smaller platforms seek registration as they grow their Canadian userbase and it is more appropriate for them to do so.<sup>11</sup> Still, platforms seeking to avoid the ire of Canadian securities regulators may implement georestrictions to block users from given jurisdictions; while using a VPN to bypass this remains an option, it may create barriers for average Canadian investors. This barrier may be particularly acute due to the limited set of crypto assets currently available on approved Canadian platforms.

This two-tiered environment may nonetheless have credibility, as seen by contrasting the different approaches taken by Poloniex versus Binance when dealing with Ontario Regulators. One of the first major actions taken by the OSC in Crypto Trading Platform regulation was against Poloniex, with a key issue identified being custody, resulting in the platform rescinding services to Ontario residents.<sup>12</sup> Shortly after, the world's largest Crypto Trading Platform, Binance, came into dispute with the OSC over being unregistered, resulting in the platform suspending its services to Ontario residents.<sup>13</sup> Poloniex, a significantly smaller exchange than Binance, has not made any public plans to register with the OSC, however Binance released a statement that it “continues to be committed to complying with the regulatory regime in Canada”<sup>14</sup> and talks between Binance and the OSC remain ongoing. Thus, going forward it seems the largest platforms may seek to comply with regulations in order to offer their services to Ontarians and Canadians at large, mitigating the concerns of some critics.

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<sup>11</sup> Interview with Torstein Braaten, Feb. 28<sup>th</sup> 2022, Online

<sup>12</sup> <https://www.theblockcrypto.com/post/106206/with-poloniex-action-canadas-securities-regulators-get-serious-about-crypto-exchange-oversight>

<sup>13</sup> <https://www.coindesk.com/business/2022/01/01/binance-held-talks-with-ontario-securities-commission-says-restrictions-on-users-remain/>

<sup>14</sup> <https://www.coindesk.com/business/2022/01/01/binance-held-talks-with-ontario-securities-commission-says-restrictions-on-users-remain/>

In Singapore, MAS recognized that some crypto assets clearly are securities, but they generally do not consider cryptocurrencies to be securities and do they do not focus on the custody issue to the degree seen in Canadian regulation. Under MAS's Payment Services Acts, crypto trading platforms are required to obtain payment licenses with associated obligations depending on the volume of transactions that occur on their platform in a given year.<sup>15</sup> Substantially, many of the requirements for the trading platforms address similar risks as seen described by the OSC. Platforms need to have appropriate measures in place to ensure business continuity, must maintain reserves such that the platform does not risk becoming illiquid, and having technical measures in place to ensure they are protected from hackers.<sup>16</sup> Though the regulations are more open-ended than the guidance seen in Canada, much of the purpose remains the same, and there still exists the need to register along with the associated costs.

## **Costs**

The costs associated with registration and compliance under MAS or the OSC will be highly variable between each platform, and discerning exact figures will be difficult given the limited number of exchanges which have undergone the entire process thus far. Still, the majority of the costs incurred by a Crypto Trading Platform will be present in both jurisdictions.

First and foremost, platforms seeking registration under MAS or the OSC will require legal counsel to help them in their application, presenting a substantial upfront

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<sup>15</sup> <https://www.globallegalinsights.com/practice-areas/blockchain-laws-and-regulations/singapore#:~:text=Cryptocurrency%20regulation,-Back%20to%20top&text=Cryptocurrencies%20are%20either%20regulated%20or,the%20ambit%20of%20the%20P SA.>

<sup>16</sup> <https://sso.agc.gov.sg/Acts-Supp/2-2019/Published/20190220?DocDate=20190220>



cost. Moreover, both will require compliance officers, presenting an ongoing cost that will be difficult for many smaller platforms to absorb.

Another significant cost faced by Crypto Trading Platforms is that of obtaining insurance on their deposits. The CSA has identified obtaining appropriate insurance to mitigate risks as a key practice for platforms seeking registration with Canadian regulators<sup>17</sup>, while also acknowledging the “significant difficulty and costs for a Platform to obtain insurance, in part due to the limited number of crypto asset insurance providers, and the high risk of cyber-attacks”<sup>18</sup>. It therefore may be appropriate in the view of Canadian regulators to insure only a portion of more vulnerable assets, such as those in hot-storage.

MAS, on the other hand, does not consider deposit insurance necessary per se for crypto trading platforms, and instead focuses on “safeguard measures”. These measures are more specialized for each specific platform seeking registration, and “are designed to be simple and low-cost, different from deposit insurance that banks have to undertake. In particular, these measures do not offer the same level of certainty as deposit insurance in terms of how much money and how quickly this money can be recovered by customers.”<sup>19</sup>

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<sup>17</sup> [https://www.osc.ca/sites/default/files/2021-03/csa\\_20210329\\_21-329\\_compliance-regulatory-requirements.pdf](https://www.osc.ca/sites/default/files/2021-03/csa_20210329_21-329_compliance-regulatory-requirements.pdf)

<sup>18</sup> [https://www.osc.ca/sites/default/files/pdfs/irps/csa\\_20190314\\_21-402\\_crypto-asset-trading-platforms.pdf](https://www.osc.ca/sites/default/files/pdfs/irps/csa_20190314_21-402_crypto-asset-trading-platforms.pdf)

<sup>19</sup> <https://www.mas.gov.sg/-/media/MAS/Fintech/Payment-Services-Act/Payment-Services-Act-FAQ-31-March-2021.pdf>

## **Advertising and Investor Education**

Crypto advertising and marketing is a topic that is increasingly hitting the radar of regulatory bodies, especially the CSA and IIROC. In September 2021, CSA and IIROC issue Staff Notice 21-330: “Guidance for Crypto-Trading Platforms – Requirements relating to Advertising and Social media Use.” Primarily, the Staff Notice takes aim at false or misleading statements, use of gambling-style contests to promote or encourage crypto investing by retail investors, social media supervisor challenges, and general compliance with securities legislation.<sup>20</sup>

The Staff Notice provides guidance on each of these identified issues. In terms of making misleading statements, the OSC advises that crypto marketers adhere to specific, pre-existing guidance that derive from IIROC’s National Instrument 31-103. Significantly, it mandates that, in order to assess suitability for investment, crypto marketers need to “know their client” and “know their product,” and also mandates that crypto marketers need to be able to respond to conflicts of interest in order to act in the best interests of the client.<sup>21</sup>

Further, the Staff Notice takes aim at “gambling style” promotions. Since registered crypto trading platforms are important gatekeepers of capital markets and must uphold the integrity of capital markets, they cannot “gamify” crypto investing. Providing financial “rewards” to invest or making investments bound by time-related incentives are considered as prohibited promotions.<sup>22</sup> Social media also presents a problem for crypto trading platforms. Advertising via social media increases risks that registered platforms

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<sup>20</sup> [https://www.osc.ca/sites/default/files/2021-09/csa\\_20210923\\_21-330\\_crypto-trading-platforms.pdf](https://www.osc.ca/sites/default/files/2021-09/csa_20210923_21-330_crypto-trading-platforms.pdf) page 2

<sup>21</sup> [https://www.osc.ca/sites/default/files/2021-09/csa\\_20210923\\_21-330\\_crypto-trading-platforms.pdf](https://www.osc.ca/sites/default/files/2021-09/csa_20210923_21-330_crypto-trading-platforms.pdf) page 3

<sup>22</sup> [https://www.osc.ca/sites/default/files/2021-09/csa\\_20210923\\_21-330\\_crypto-trading-platforms.pdf](https://www.osc.ca/sites/default/files/2021-09/csa_20210923_21-330_crypto-trading-platforms.pdf) page 3

may not be keeping an adequate record of their client communications and business activities. Canadian regulators believe this should be governed through platforms implementing sophisticated record system that can trace all potential communications platforms may have with clients so those communications and social media activities could be subject to thorough regulatory review.<sup>23</sup> Canadian regulators have published guidance on what sort of client communications or advertisements may run the risk of attracting regulatory scrutiny.<sup>24</sup>

Meanwhile, in Singapore, MAS is seemingly taking a more restrictive approach than Canadian regulators. Like Canadian regulators, crypto trading platforms cannot “portray the trading of [crypto-assets] in a manner that trivialises the high risks of trading.” This corresponds to the Canadian Staff Notice’s prohibition on false and misleading statements. However, MAS is more restrictive where crypto trading platforms can advertise. Crypto trading platforms cannot be promoted in public areas, like “public transport, public transport venues, broadcast media or periodical publications, third party websites, social media platforms, public events or roadshows.”<sup>25</sup> Advertising crypto investing to the general public is essentially off-limits. Further, MAS has made it more difficult for the general public to obtain crypto assets. Crypto trading platforms are prohibited from providing physical ATMs in public spaces to facilitate public purchase of

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<sup>23</sup> [https://www.osc.ca/sites/default/files/2021-09/csa\\_20210923\\_21-330\\_crypto-trading-platforms.pdf](https://www.osc.ca/sites/default/files/2021-09/csa_20210923_21-330_crypto-trading-platforms.pdf) page 4

<sup>24</sup> [https://www.osc.ca/sites/default/files/2021-09/csa\\_20210923\\_21-330\\_crypto-trading-platforms.pdf](https://www.osc.ca/sites/default/files/2021-09/csa_20210923_21-330_crypto-trading-platforms.pdf) page 7 - Appendix A

<sup>25</sup> <https://www.mas.gov.sg/-/media/MAS-Media-Library/regulation/guidelines/PSO/ps-g02-guidelines-on-provision-of-digital-payment-token-services-to-the-public/Guidelines-on-Provision-of-Digital-Payment-Token-Services-to-the-Public-PS-G02.pdf> page 2

crypto assets.<sup>26</sup> The restriction of ATMs for crypto trading purposes relates to the MAS's restrictions on the advertising of crypto. Singaporeans can still access crypto investments through online platforms, but there is concern that offering crypto investments through ATMs is a form of problematic advertising.<sup>27</sup>

While both jurisdictions regulate how crypto trading platforms are supposed to present themselves to the public and interact with clients, MAS goes multiple steps further in prohibiting access to crypto trading platforms through heavy restrictions on physical access.

### **Accepted Platforms & Approach to Approving Crypto Assets**

At the time of writing, there are only six registered crypto trading platforms in Ontario: Bitbuy, Coinberry, Fidelity Digital Assets, Netcoins, CoinSmart, and Wealthsimple.<sup>28</sup> Binance, one of the largest crypto trading platforms in the world, is currently not registered under securities law in Ontario.<sup>29</sup> Even for well-established and reputable crypto trading platforms, the bar to registry in Ontario is a high one to clear. For crypto trading platforms in Ontario, the platforms must register through an “exemptive relief” process through the OSC. Trading platforms have to abide by technical requirements, as set out in National Instrument 31-103, but these exemptive reliefs from Ontario securities law are also at the discretion of regulators.<sup>30</sup> Even once the bar for

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<sup>26</sup> <https://www.mas.gov.sg/-/media/MAS-Media-Library/regulation/guidelines/PSO/ps-g02-guidelines-on-provision-of-digital-payment-token-services-to-the-public/Guidelines-on-Provision-of-Digital-Payment-Token-Services-to-the-Public-PS-G02.pdf> page 2-3

<sup>27</sup> <https://finance.yahoo.com/news/singapore-shuts-down-crypto-atms-215659661.html>

<sup>28</sup> <https://www.osc.ca/en/industry/registration-and-compliance/registered-crypto-asset-trading-platforms>

<sup>29</sup> <https://www.osc.ca/en/news-events/news/binance-not-registered-ontario>

<sup>30</sup> <https://www.osc.ca/en/industry/registration-and-compliance/applying-relief>

registry is cleared by trading platforms, they still have to contend with potential restrictions by regulators on which particular assets can be listed on the platforms.

This issue has most recently been emphasized with the OSC barring Ontario's registered crypto trading platforms from listing the stablecoin USDT ("Tether") on their platforms. As of August 2021, Tether was the sole digital asset deemed as prohibited. While OSC representatives claimed that the barring of Tether from registered Ontario platforms should "not be viewed as precedent for other filers," it is noteworthy that the OSC didn't provide any specific rationale that guided the decision to bar Tether.<sup>31</sup> If the OSC was motivated by specific regulatory principles or acting in the public interest in banning Tether, that is one thing. But the fact that no policy rationale was provided in Tether's banning is concerning because it provides uncertainty for registered dealers. If a crypto asset can arbitrarily be de-listed from platforms, that provides uncertainty in what assets crypto platforms may be willing to list in the future. If Ontario authorities may target the specific asset, is it worth going through the trouble of listing it on your platform and marketing it to the public? There can be times when de-listing crypto assets is necessary. However, arbitrary de-listing harms efficiency and innovation in the crypto space due to the uncertainty that is bred.

As for Singapore, it's common for platforms trying to gain registry under the MAS regulatory apparatus to delist crypto assets to comply with regulatory requirements.<sup>32</sup> A key difference between what has occurred in Canada and Singapore is that platforms

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<sup>31</sup> <https://www.theblockcrypto.com/post/115804/ontario-securities-regulator-bars-the-countrys-first-registered-crypto-platforms-from-trading-tether>

<sup>32</sup> <https://hive.blog/hive-167922/@harryji/xlm-neo-xmr-and-29-cryptocurrencies-delisted-on-liquid-exchange-to-comply-with-singapore-s-fatf-crypto-regulation>

*voluntary* delisted crypto assets to comply with regulatory requirements. Further, the delisting of crypto assets wasn't arbitrary on the part of the crypto trading platforms. The delisting occurred so that the platform would be in compliance with standards established by the Financial Action Task Force (FATF), a body which Singapore's MAS is a signatory to.<sup>33</sup> The FATF, an international body, is not even established to promote investor confidence or protection; it was established to counter money laundering and terrorist financing using virtual currencies.<sup>34</sup> Thus, it seems that crypto assets in Singapore face de-listing egregious circumstances: when listing crypto assets may run afoul of international rules regarding money laundering and anti-terrorism.

In our research, we have not found one instance of MAS arbitrarily delisting a crypto asset from registered platforms. Even though the OSC's de-listing of Tether is a solitary instance, it is troublesome because, despite OSC claims, it can set a precedent of arbitrary de-listing and stifle consumer confidence in owning crypto assets and the confidence of crypto trading platforms listing those assets.

## **Cyber Security Risks and Systems Resilience**

It seems that securities regulators in Canada have not taken an active concern in the sophistication of the crypto trading platform's cyber security. At most, it seems that the Canadian federal authorities have been most active in this space because they are the authorities that investigate and prosecute instances of fraud and other scams that might occur in the cryptocurrency space.<sup>35</sup> It is an important step that Canadian law

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<sup>33</sup> <https://hive.blog/hive-167922/@harryji/xlm-neo-xmr-and-29-cryptocurrencies-delisted-on-liquid-exchange-to-comply-with-singapore-s-fatf-crypto-regulation>

<sup>34</sup> <https://www.fatf-gafi.org/about/>

<sup>35</sup> <https://bc-cb.rcmp-grc.gc.ca/ViewPage.action?siteNodeld=2087&languageId=1&contentId=68723>

enforcement agencies are paying attention to potential criminal conduct that might occur via cryptocurrencies, but it is problematic that any regulators, based on our research, have yet to make any important statements on how crypto trading platforms should possess desired cyber security to provide maximum protection to investors.

MAS authorities in Singapore have highlighted cyber-security as a central concern in adequately regulating the crypto marketplace.<sup>36</sup> However, despite the MAS viewing cybersecurity as a central issue to the effective functioning on crypto markets, cyber-crime is rampant in the crypto space in Singapore – a quick Google search will show the many instances of cyber-crime occurring in that jurisdiction.

So, Singapore faces much more cyber-crime when it comes to its crypto markets: this could be a natural by-product of Singapore being one of the world's leading jurisdictions when it comes to the volume of crypto currency trading. However, it is important that Singapore's regulators have acknowledged cyber-security's importance in relation to this distinct market. By all standards, crypto trading platforms are still a somewhat nascent sector and, as time progresses, we can expect regulators to devote more attention towards these platforms. As more attention is devoted, we could expect the issue of cybersecurity to increase in importance.

## **Conclusions & Critique of OSC and Roadmap Going Forward**

The next steps for the OSC raise important questions in multiple different areas. Proposed guidance will be laid out based on the order the topics were covered in this paper.

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<sup>36</sup> <https://gadgets360.com/cryptocurrency/news/cryptocurrency-activities-singapore-magnet-regulation-2598137>

## **AML/Terrorist Financing**

Singapore is known as one of the leading crypto jurisdictions in the world, and they have implemented rules that remove the crypto trading platform related anonymity in crypto transactions to achieve anti-money laundering and counter-terrorist financing objectives. While the risk of money laundering and terrorist financing may not be as large because of Canada's crypto market size, it is worthwhile for regulators to explore whether further controls on the anonymity of transactions should be pursued in order to deter nefarious uses of crypto assets. Removing anonymity from holding crypto assets can be problematic in itself because it removes one of the central appeals of holding crypto assets. Deterring potential nefarious uses will need to consider the drawbacks of doing so for the crypto investing public at large.

## **Custody**

It is clear that custodial issues present a large number of risks for investors as it relates to crypto investments. Ultimately, using this issue to apply securities regulation to these trading platforms may be an effective tool for the OSC and other Canadian regulators to maintain oversight and require appropriate disclosure.

Still, the approach of MAS seems to effectively address the risks that are present, while not applying all securities regulations in a blanket approach. The approach by the OSC may ultimately be less targeted and more reactive and could present more ongoing disclosure costs for newer and smaller platforms trying to establish themselves. While unregistered platforms continue to be an option for investors, albeit with more risk



attached, the need to use a VPN to bypass possible georestrictions may create a further unnecessary barrier for the average Canadian investor.

## **Costs**

Though difficult to directly calculate due to the multitude of variables that can affect costs, the more tailored approach to insurance of crypto assets seen in Singapore likely lowers the cost of registering within that jurisdiction compared to Ontario, if possibly carrying more risk. Canadian regulators may wish to seek a clearer path for platforms to obtain an appropriate amount of insurance to mitigate the risk of losses to platforms and investors, while avoiding the “significant difficulty” that Canadian regulators acknowledge come with obtaining this insurance.

Additionally, due to the international nature and goals of decentralized finance, the costs of registration in various jurisdictions would be additive, preventing economies of scale. Going forward, this may present issues to platforms if global harmonization or cooperation is not an active goal between major jurisdictions.

## **Advertising/Marketing**

Undoubtedly, the Singaporean restrictions on marketing and advertising are more austere than the Canadian restrictions. In choosing a path to take, the OSC will need to strike a balance between investor protection and market efficiency. These two objectives are not mutually exclusive – bolstering investor protection and improve market efficiency because investors can feel more confident in their investment decisions. Since Singapore is already well-known for being a market leader in the crypto space, it may have seemed prudent to the regulators to implement safeguard to protect investors from making

investments that may not have suited their needs or that they may just have been plainly uninformed about. Of course, this is a desired objective. However, at the stage Ontario is at, it may be desirable to encourage crypto trading platform marketing within acceptable bounds. In order to foster greater market efficiency, competition between platforms will need to occur. The best way to aid in this restriction is through advertisement and enticing customers to use the platforms through influencing public opinion. Ontario is not at the stage of Singapore's development, and, as such, should encourage permissible advertising to better inform the public about crypto investing opportunities that might be available.

### **Accepted Platforms and Accepted Assets**

We agree that it is desirable to give regulators discretion in deciding which crypto assets should and shouldn't be able to trade on platforms. Stock exchanges, which operate under regulatory supervision, have discretion in choosing which assets can be listed, and the listings must abide by requirements. Regulators already have discretion in approving which platforms can register, so it makes sense that they should also be able to oversee what those registered platforms can trade in. However, the OSC may have erred in barring Tether from crypto trading platforms. The OSC didn't make a mistake in barring Tether itself. However, investor confidence in crypto markets would be improved if crypto assets were not arbitrarily de-listed, something the OSC should take note of. For a regulatory decision to carry weight and be understood by investing public, reasons need to be provided for it. This is a principle of administrative law and there is no reason why it should not be carried into the realm of crypto trading platform regulation.