



**QUANTA LAW PROFESSIONAL CORPORATION**

18 King St. East, Suite 1400,  
Toronto, ON M5C 1C4

Tel. 416.709.8904

April 16, 2024

**The Secretary**

Ontario Securities Commission

20 Queen Street West, 22nd Floor

Toronto, Ontario M5H 3S8

**Subject: Comments on CSA Notice and Request for Comment – Proposed Amendments To National Instrument 81-102 Investment Funds Pertaining To Crypto Assets**

I hope this letter finds you well. I am writing on behalf of Quanta Law Professional Corporation, a law firm focused on investment management and emerging technologies, regarding the recently published Notice and Request for Comment by the Canadian Securities Administrators (CSA) on Notice And Request for Comment—*Proposed Amendments To National Instrument 81-102 Investment Funds (NI 81-102) Pertaining To Crypto Assets* (the **Request for Comment**).

As counsel to participants in the securities industry, we highly value the opportunity to provide feedback and contribute to the regulatory process. We have thoroughly reviewed the contents of the Request for Comment, and we commend the CSA for their efforts in seeking input from stakeholders to enhance regulatory frameworks in Canada.

In response to the Request for Comment, we have carefully considered the proposed amendments and initiatives outlined within the document. Our submission aims to provide constructive feedback, insights, and recommendations based on our industry expertise and commitment to fostering a fair, transparent, and efficient capital market environment.

Furthermore, we recognize the importance of balancing investor protection with facilitating capital formation and market efficiency. Therefore, our comments will focus on the proposed regulatory changes pertaining to the types of crypto assets that alternative mutual funds and non-redeemable investment funds may invest in and the guidance on crypto assets included in Companion Policy 81-102 CP (**81-102CP**).

**Proposed Changes to NI 81-102**

*Section 2.3 – Restrictions Concerning Types of Investments*

We agree with the CSA proposal regarding restrictions for publicly distributed investment funds to only hold fungible crypto assets, considering the potential risks associated with this type of asset class. However, the proposed amendments in the Request for Comment also restrict publicly distributed funds to holding crypto assets that trade on, or are reference assets for specified

derivatives that trade on “recognized exchanges”. We believe this requirement would be overly restrictive as it would likely limit the ability of publicly distributed funds to invest in cryptocurrencies other than Bitcoin and Ethereum. We suggest expanding the restriction to include the top 10 cryptocurrencies by market capitalization, which would be more appropriate for publicly distributed alternative mutual funds and non-redeemable investment funds, which generally tend to have fewer restrictions than traditional publicly distributed mutual funds, including money market funds.

### **Proposed Changes to 81-102CP**

#### *Section 2.01 – Guidance on “Crypto Assets”*

We support the CSA approach on providing guidance regarding the uniform definition of what constitutes cryptocurrency. At the same time, we also note that the definition of crypto asset “to include a digital representation of value that uses cryptography and distributed ledger technology (DLT), or a combination of similar technology, to create, verify and secure transactions” is unclear. For example, Bitcoin is a digital representation of value using cryptography and DLT, whereas there are certain crypto tokens that are designed to perform some other function(s) but are valued based on supply and demand, and it is unclear if such tokens should be treated as including digital representation of value. We suggest that CSA staff review and clarify the proposed guidance on what constitutes a crypto asset and consider adding guidelines outlining current views on the classification of tokens that are crypto assets, such as stablecoins (or value-referenced crypto assets/VRCA as defined by the CSA), utility tokens, security tokens, commodity tokens, currency tokens.

We believe collaboration between market participants and regulatory authorities is crucial in addressing emerging challenges, promoting innovation, and maintaining investor confidence. As such, we welcome further dialogue with the CSA and look forward to contributing to the ongoing regulatory process.

In conclusion, we appreciate the opportunity to provide feedback on the Request for Comment and commend the CSA for their commitment to regulatory excellence. We are confident that our submission will contribute meaningfully to the development of robust regulatory frameworks that support the growth and integrity of the capital markets in Canada.

Thank you for considering our input. Should you require additional information or clarification, please do not hesitate to contact me [REDACTED]

Yours sincerely,

***“Bekhzod Nazarov”***

Founder and Principal Lawyer

Quanta Law Professional Corporation