

CSA Staff Notice 21-333

Crypto Asset Trading Platforms: Terms and Conditions for Trading Value-Referenced Crypto Assets with Clients

October 5, 2023

Background

On February 22, 2023, the Canadian Securities Administrators (CSA or we) published CSA Staff Notice 21-332 *Crypto Asset Trading Platforms: Pre-Registration Undertakings – Changes to Enhance Canadian Investor Protection (CSA SN 21-332)*.¹ CSA SN 21-332 expanded upon the CSA staff's views that "Value-Referenced Crypto Assets" or "VRCAs" may constitute securities and/or derivatives in several jurisdictions.

A VRCA is a crypto asset that is designed to maintain a stable value over time by referencing the value of a fiat currency or any other value or right, or combination thereof.

The purpose of this Notice is to provide further guidance to crypto asset trading platforms (CTPs) on our interim approach in respect of VRCAs, as referenced in CSA SN 21-332.

Although registered CTPs, and CTPs that provided a pre-registration undertaking (PRU) to the CSA in accordance with CSA SN 21-332, are prohibited from allowing clients either to trade crypto assets that are securities and/or derivatives, or to enter into crypto contracts in respect of crypto assets that are securities and/or derivatives, CSA SN 21-332 recognized that there may be uses for VRCAs by clients of CTPs. Accordingly, CSA SN 21-332 contemplated that the CSA may provide written consent for CTPs to allow their clients to continue trading, on an interim basis, certain VRCAs that seek to replicate the value of a single fiat currency where the issuer sets aside an adequate reserve of assets denominated in the fiat currency (**Fiat-Backed Crypto Assets** or **FBCAs**) and that such consent may be subject to terms and conditions imposed on the CTP and the issuer of the VRCA.

The interim approach outlined in this Notice does **not** apply to VRCAs that are not FBCAs, nor to any new VRCA that a CTP may wish to offer at a date after the publication date of CSA SN 21-332. Please refer to **Alternative Regulatory Approaches** for information on the CSA's approach to these instruments.

¹ <https://www.osc.ca/en/securities-law/instruments-rules-policies/2/21-332/csa-staff-notice-21-332-crypto-asset-trading-platforms-pre-registration-undertakings-changes>

Terms and Conditions

Appendix A sets out the terms and conditions for which the CSA would consent to a registered CTP, or a CTP that provided a PRU, to continue allowing their clients either to buy or deposit FBCAs or to enter into crypto contracts to buy or deposit FBCAs. The terms and conditions for CTPs set out in Appendix A include a requirement that the issuer of the FBCA has filed an undertaking acceptable to the CSA that is substantially in the form of Appendix B. The undertaking includes a requirement that the issuer of the FBCA has filed a submission to jurisdiction and appointment of agent for service in the form of Appendix C.

We caution users of VRCAs and VRCA holders that VRCAs, including any FBCAs that satisfy the conditions in the Appendices, are subject to various risks and are not the same as fiat currency. The fact that a VRCA satisfies the conditions in the Appendices, should not be viewed as our endorsement or approval of the VRCA, nor an indication that the VRCA is risk-free or that all risks associated with VRCAs are adequately mitigated. Further, the fact that a VRCA satisfies the conditions in the Appendices does not mean that it has been distributed in accordance with Canadian securities legislation or that its issuer is otherwise in compliance with Canadian securities legislation.

The CSA will continue to monitor and assess the presence and role of VRCAs in Canadian financial markets and to work collaboratively with other Canadian regulatory authorities, as well as international organizations and standard-setting bodies, to respond to the regulatory implications and risks of such crypto assets.²

This approach in respect of VRCAs is intended to be an interim approach only, as the CSA continues its work in this area. We will consider whether any modifications to this approach are required both on an interim basis and for a longer-term framework. If there are elements of the interim approach that are impracticable for market participants, we are open to considering alternative proposals, provided that investor protection concerns are adequately addressed.

Implementation

(a) *Registered CTPs*

If a registered CTP does not intend to allow clients to continue to buy or deposit VRCAs, or to enter into crypto contracts to buy or deposit VRCAs, we expect the CTP will no longer allow clients to do so by December 29, 2023.

If a registered CTP would like to continue allowing clients to buy or deposit VRCAs, or to enter into crypto contracts to buy or deposit VRCAs, we expect the CTP will do all of the following:

- As soon as possible, contact its Principal Regulator to discuss the process for implementing the terms and conditions in Appendix A;

² For instance, the Financial Stability Board has published on July 17, 2023, its [revised High-level Recommendations for the Regulation, Supervision, and Oversight of “Global Stablecoin” Arrangements](#) and the International Organization of Securities Commission (IOSCO) has published for consultation on May 23, 2023, its [Policy Recommendations for Crypto and Digital Asset Markets](#).

- by December 29, 2023, no longer allow clients to buy or deposit VRCAs, or to enter into crypto contracts to buy or deposit VRCAs, that are not FBCAs that satisfy the conditions set out in paragraph (1) of Appendix A; and
- by April 30, 2024, no longer allow clients either to buy or deposit FBCAs, or to enter into crypto contracts to buy or deposit FBCAs, that do not comply with the terms and conditions set out in Appendix A.

(b) *CTPs that provided a PRU*

If a CTP that provided a PRU does not intend to allow clients to continue to buy or deposit VRCAs, or to enter into crypto contracts to buy or deposit VRCAs, we expect the CTP will no longer allow clients to do so by December 29, 2023.

If a CTP that provided a PRU would like to continue allowing clients to buy or deposit VRCAs, or to enter into crypto contracts to buy or deposit VRCAs, the Principal Regulator would provide consent for it to do so subject to terms and conditions in substantially the same form as in Appendix A. The steps for obtaining consent will include the following:

- As soon as possible, the CTP should contact their Principal Regulator to discuss the process for obtaining consent. The Principal Regulator may ask the CTP to provide an updated PRU with the terms and conditions in Appendix A.
- By December 29, 2023, the CTP will no longer allow clients either to buy or deposit VRCAs, or to enter into crypto contracts to buy or deposit VRCAs, that are not FBCAs that satisfy the conditions set out in paragraph (1) of Appendix A.
- By April 30, 2024, the CTP will no longer allow clients either to buy or deposit FBCAs, or to enter into crypto contracts to buy or deposit FBCAs, that do not comply with the terms and conditions set out in Appendix A.

(c) *Issuers of Fiat-Backed Crypto Assets*

The terms and conditions for CTPs set out in Appendix A include a requirement that the issuer of the FBCA has filed an undertaking acceptable to the CSA that is substantially in the form of Appendix B.³ We expect issuers to provide such an undertaking to the CSA by December 1, 2023. If an issuer of an FBCA is interested in providing an undertaking, it should contact the CSA as soon as possible to discuss.

The CSA will post acceptable undertakings on the CSA website⁴ and the undertakings may also be posted on local websites maintained by members of the CSA.

The December 1, 2023, deadline does not preclude an issuer of a VRCA from giving an undertaking at a later date. However, if the issuer has not provided an acceptable undertaking, registered CTPs and CTPs that provided a PRU will be required to cease making the VRCA available to clients by December 29, 2023, or April 30, 2024, as outlined in sections (a) and (b) above.

³ We would not expect to accept an undertaking from an issuer that commenced distributions of a VRCA after February 22, 2023 (*i.e.*, after the issuance of CSA SN 21-332). Issuers in this situation, or that propose to distribute a VRCA, should contact their Principal Regulator to discuss compliance with Canadian securities laws.

⁴ <https://www.securities-administrators.ca/>

Alternative Regulatory Approaches

We intend to implement the interim approach as outlined above. However, we welcome submissions regarding the appropriate longer-term regulation of VRCAs that would address the investor protection concerns identified in CSA SN 21-332 or alternative criteria for trading of other VRCAs by CTPs. For example, such concerns might be satisfied if a VRCA is distributed in compliance with Canadian securities legislation, including the prospectus and dealer registration requirements or under exemptions from those requirements, or an alternative regulatory regime with a comprehensive framework for the regulation of the VRCA.

Further, the terms and conditions outlined in Appendix A have been developed for FBCAs that reference the Canadian or United States Dollar and that are fully backed by a reserve of assets in the same currency. If a CTP or VRCA issuer wishes to offer a VRCA that references another currency and otherwise meets the substance of the terms and conditions, the CSA is open to considering appropriate adjustments to elements of the terms and conditions and form of undertaking to accommodate the difference in currency, such as the composition of the reserve assets or the applicable accounting principles or audit standards.

The definition of VRCA encompasses all crypto assets that are designed to maintain a stable value over time by referencing any value or right, or combination thereof. This broad definition encompasses not only crypto assets commonly referred to as “stablecoins” (including FBCAs), but also other types of crypto assets such as wrapped tokens⁵. These other crypto assets may be collateralized by non-traditional assets such as crypto assets, be used for different purposes or give rise to different risks than FBCAs. While we continue to monitor and assess the presence and role of VRCAs in Canadian capital markets and international regulatory developments, we invite CTPs or VRCA issuers that wish to offer a VRCA that is not a FBCA, to provide relevant analysis and data on the uses and the risks related to such VRCA. This analysis should include sufficient details on the due diligence that a CTP offering such a VRCA must perform to ensure that the applicable risks related to the VRCA are effectively addressed and that the CTP has sufficiently taken into account the interests of Canadian investors. The CSA will consider submissions received in developing any future regulatory changes or interim policy statements regarding VRCAs.

CTPs or VRCA issuers should contact their Principal Regulator using the contacts below to discuss further.

Questions

Please refer your questions to any of the following CSA staff:

⁵ In the [*IOSCO Decentralized Finance Report*](#) (March 2022), IOSCO highlighted that “wrapped tokens” are tokens that “are a subset of [crypto assets] created on a blockchain as a synthetic for a given token on another blockchain, thereby enabling the reference token to be used on a different blockchain. These tokens are often treated as if they are the equivalent of the original token, but they are technologically distinct and require either third-party custodians or the creation and operation of smart contracts on each blockchain.”

David Surat
Manager (Acting), Corporate
Finance
Ontario Securities Commission
dsurat@osc.gov.on.ca

Melissa Taylor
Senior Legal Counsel, Corporate
Finance
Ontario Securities Commission
mtaylor@osc.gov.on.ca

Christopher Bent
Senior Legal Counsel, Investment
Funds and Structured Products
Ontario Securities Commission
cbent@osc.gov.on.ca

H. Zach Masum
Manager, Legal Services
British Columbia Securities
Commission
zmasum@bcsc.bc.ca

Daniel McElroy
Senior Legal Counsel
British Columbia Securities
Commission
dmcelroy@bcsc.bc.ca

Ryan Clements
Director, Advanced Research and
Knowledge Management
Alberta Securities Commission
Ryan.Clements@asc.ca

Eniko Molnar
Senior Legal Counsel
Alberta Securities Commission
Eniko.Molnar@asc.ca

Mathieu Simard
Senior Policy Analyst, Data, Fintech
and Innovation
Autorité des marchés financiers
Mathieu.Simard@lautorite.qc.ca

Bruno Vilone
Acting Director of Investment
Products Oversight
Autorité des marchés financiers
Bruno.Vilone@lautorite.qc.ca

Philippe Lessard
Securities Analyst, Investment
Products Oversight
Autorité des marchés financiers
Philippe.Lessard@lautorite.qc.ca

Ata Kassaian
Senior Policy Analyst, Investment
Products Oversight
Autorité des marchés financiers
Ata.Kassaian@lautorite.qc.ca

Appendix A

Terms and Conditions for CTP Trading VRCA with Clients

Despite the requirement that [the CTP] is not permitted either to allow a client to trade crypto assets that are securities and/or derivatives, or to enter into Crypto Contracts in respect of crypto assets that are securities and/or derivatives, [the CTP] may permit a client to trade a VRCA or enter into a Crypto Contract in respect of a VRCA, subject to the following terms and conditions:

- (1) The CTP establishes that all of the following conditions are met:
 - (a) The VRCA references, on a one-for-one basis, the value of a single fiat currency (the “reference fiat currency”).
 - (b) The reference fiat currency is the Canadian dollar or United States dollar.
 - (c) The VRCA entitles a VRCA holder who maintains an account with the issuer of the VRCA to a right of redemption, subject only to reasonable publicly disclosed conditions, on demand directly against the issuer of the VRCA or against the reserve of assets, for the reference fiat currency on a one-to-one basis, less only any fee that is publicly disclosed by the issuer of the VRCA, and payment of the redemption proceeds within a reasonable period as disclosed by the issuer of the VRCA.
 - (d) The issuer of the VRCA maintains a reserve of assets that is:
 - (i) in the reference fiat currency and is comprised of any of the following:
 1. cash;
 2. investments that are evidence of indebtedness with a remaining term to maturity of 90 days or less and that are issued, or fully and unconditionally guaranteed as to principal and interest, by the government of Canada or the government of the United States;
 3. securities issued by one or more Money Market Funds licensed, regulated or authorized by a regulatory authority in Canada or the United States of America; or
 4. such other assets that the principal regulator of the CTP and the regulator or securities regulatory authority in each Canadian jurisdiction where clients of the CTP reside has consented to in writing;
 - (e) all of the assets that comprise the reserve of assets are:
 - (i) measured at fair value in accordance with Canadian GAAP for publicly accountable enterprises or U.S. GAAP at the end of each day;

- (ii) held with a Qualified Custodian;
 - (iii) held in an account clearly designated for the benefit of the VRCA holders or in trust for the VRCA holders;
 - (iv) held separate and apart from the assets of the issuer of the VRCA and its affiliates and from the reserve of assets of any other Crypto Asset, so that, to the best of the knowledge and belief of the CTP after taking steps that a reasonable person would consider appropriate, including consultation with experts such as legal counsel, no creditors of the issuer other than the VRCA holders in their capacity as VRCA holders, will have recourse to the reserve of assets, in particular in the event of insolvency; and
 - (v) not encumbered or pledged as collateral at any time; and
 - (f) the fair value of the reserve of assets is at least equal to the aggregate nominal value of all outstanding units of the VRCA at least once each day.
- (2) The issuer of the VRCA makes all of the following publicly available:
- (a) details of each type, class or series of the VRCA, including the date the VRCA was launched and key features and risks of the VRCA;
 - (b) the quantity of all outstanding units of the VRCA and their aggregate nominal value at least once each business day;
 - (c) the names and experience of the persons or companies involved in the issuance and management of the VRCA, including the issuer of the VRCA, any manager of the reserve of assets, including any individuals that make investment decisions in respect of the reserve of assets, and any custodian of the reserve of assets;
 - (d) the quantity of units of the VRCA held by the issuer of the VRCA or any of the persons or companies referred to in paragraph (c) and their nominal value at least once each business day;
 - (e) details of how a VRCA holder can redeem the VRCA, including any possible restrictions on redemptions such as the requirement for a VRCA holder to have an account with the issuer of the VRCA and any criteria to qualify to have an account;
 - (f) details of the rights of a VRCA holder against the issuer of the VRCA and the reserve of assets, including in the event of insolvency or winding up;
 - (g) all fees charged by the issuer of the VRCA for distributing, trading or redeeming the VRCA;

- (h) whether VRCA holders are entitled to any revenues generated by the reserve of assets;
- (i) details of any instances of any of the following:
 - (i) the issuer of the VRCA has suspended or halted redemptions for all VRCA holders;
 - (ii) the issuer of the VRCA has not been able to satisfy redemption rights at the price or in the time specified in its public policies.
- (j) within 45 days of the end of each month, an assurance report from a public accountant that is authorized to sign such a report under the laws of a jurisdiction of Canada or the United States of America, and that meets the professional standards of that jurisdiction, that complies with all of the following:
 - (i) provides reasonable assurance in respect of the assertion by management of the issuer of the VRCA that the issuer of the VRCA has met the requirements in paragraphs (1)(d)-(f) as at the last business day of the preceding month and at least one randomly selected day during the preceding month;
 - (ii) the randomly selected day referred to in subparagraph (i) is selected by the public accountant and disclosed in the assurance report;
 - (iii) for each day referred to in subparagraph (i), management's assertion includes all of the following:
 1. details of the composition of the reserve of assets;
 2. the fair value of the reserve of assets in paragraph (1)(e)(i);
 3. the quantity of all outstanding units of the VRCA in paragraph (b);
 - (iv) the assurance report is prepared in accordance with the Handbook, International Standards on Assurance Engagements or attestation standards established by the American Institute of Certified Public Accountants;
- (k) starting with the first financial year ending after December 1, 2023, within 120 days of the issuer of the VRCA's financial year end, annual financial statements of the issuer of the VRCA that comply with all of the following:
 - (i) the annual financial statements include all of the following:
 1. a statement of comprehensive income, a statement of changes in equity and a statement of cash flows, each prepared for the most recently completed financial year and the financial year immediately preceding the most recently completed financial year, if any;

2. a statement of financial position, signed by at least one director of the issuer of the VRCA, as at the end of the most recently completed financial year and the financial year immediately preceding the most recently completed financial year, if any;
 3. notes to the financial statements;
- (ii) the statements are prepared in accordance with one of the following accounting principles:
1. Canadian GAAP applicable to publicly accountable enterprises;
 2. U.S. GAAP;
- (iii) the statements are audited in accordance with one of the following auditing standards:
1. Canadian GAAS;
 2. International Standards on Auditing;
 3. U.S. PCAOB GAAS;
- (iv) the statements are accompanied by an auditor's report that:
1. if (iii)(1) or (2) applies, expresses an unmodified opinion,
 2. if (iii)(3) applies, expresses an unqualified opinion,
 3. identifies the auditing standards used to conduct the audit, and
 4. is prepared and signed by a public accountant that is authorized to sign such a report under the laws of a jurisdiction of Canada or the United States of America.
- (3) The Crypto Asset Statement includes all of the following:
- (a) a prominent statement that no securities regulatory authority or regulator in Canada has evaluated or endorsed the Crypto Contracts or any of the Crypto Assets made available through the platform;
 - (b) a prominent statement that the VRCA is not the same as and is riskier than a deposit in a bank or holding cash with the CTP;
 - (c) a prominent statement that although VRCAs may be commonly referred to as "stablecoins", there is no guarantee that the VRCA will maintain a stable value when traded on secondary markets or that the reserve of assets will be adequate to satisfy all redemptions;

- (d) a prominent statement that, due to uncertainties in the application of bankruptcy and insolvency law, in the event of the insolvency of [VRCA issuer], there is a possibility that creditors of [VRCA issuer] would have rights to the reserve assets that could outrank a VRCA holder's rights, or otherwise interfere with a VRCA holder's ability to access the reserve of assets in the event of insolvency;
- (e) a description of the VRCA and its issuer;
- (f) a description of the due diligence performed by the CTP with respect to the VRCA;
- (g) a brief description of the information in section (2) and links to where the information in that section is publicly available;
- (h) a link to where on its website the issuer of the VRCA will disclose any event that has or is likely to have a significant effect on the value of the VRCA or on the reserve of assets.
- (i) a description of the circumstances where the secondary market trading value of the VRCA may deviate from par with the reference fiat currency and details of any instances where the secondary market trading value of the VRCA has materially deviated from par with the reference fiat currency during the last 12 months on the CTP's platform;
- (j) a brief description of any risks to the client resulting from the trading of a VRCA or a Crypto Contract in respect of a VRCA that may not have been distributed in compliance with securities laws;
- (k) any other risks specific to the VRCA, including the risks arising from the fact that the CTP may not, and a client does not, have a direct redemption right with the issuer of the VRCA;
- (l) a direction to the client to review the Risk Statement for additional discussion of general risks associated with the Crypto Contracts and Crypto Assets made available through the platform;
- (m) [for a registered CTP]
a statement that the statutory rights in section 130.1 of the *Securities Act* (Ontario), and, if applicable, similar statutory rights under securities legislation of other Applicable Jurisdictions, do not apply in respect of the Crypto Asset Statement to the extent a Crypto Contract is distributed under the Prospectus Relief in the decision dated [●];

[for a CTP that provided a PRU]
a prominent statement that the CTP has submitted an application for registration and an application for relief under securities legislation of certain jurisdictions of Canada but there is no guarantee these applications will be granted and the CTP is not currently registered under the securities or derivatives legislation of any

jurisdiction of Canada and has not been granted an exemption from any requirements of securities or derivatives legislation of any jurisdiction of Canada;

- (n) the date on which the information was last updated.
- (4) If the CTP uses the term “stablecoin” or “stablecoins” in any information, communication, advertising or social media related to the CTP’s platform and targeted at or accessible by Canadian investors, the CTP will also include the following statement (or a link to the following statement when impractical to include):
- “Although the term “stablecoin” is commonly used, there is no guarantee that the asset will maintain a stable value in relation to the value of the reference asset when traded on secondary markets or that the reserve of assets, if there is one, will be adequate to satisfy all redemptions.”
- (5) The issuer of the VRCA has filed an undertaking acceptable to the CSA in substantially the same form as set out in Appendix B of CSA Notice 21-333 *Crypto Asset Trading Platforms: Terms and Conditions for Trading Value-Referenced Crypto Assets with Clients (CSA SN 21-333)*.
- (6) The KYP Policy of the CTP requires the CTP to assess whether the VRCA or the issuer of the VRCA satisfies the criteria in sections (1), (2) and (5) on an ongoing basis.
- (7) The CTP has policies and procedures to facilitate halting or suspending deposits or purchases of the VRCA, or Crypto Contracts in respect of the VRCA, as quickly as is commercially reasonable, if the VRCA no longer satisfies the criteria in sections (1), (2) and (5).
- (8) The VRCA will be offered in a manner consistent with the representations in [description and date of CTP’s exemptive relief decision (the **Decision**)] [description of and date of CTP’s PRU (the **PRU**)] and in accordance with the terms and conditions of the [Decision][PRU], for the purposes of which the VRCA will be treated as a “Crypto Asset” and a “Specified Crypto Asset”.
- (9) In these terms and conditions, terms have meanings set out in Appendix D of CSA SN 21-333.

Appendix B

Undertaking from VRCA Issuer

To: [CSA member to which Issuer has the most substantial connection] (the **Principal Regulator**) and the other members of the Canadian Securities Administrators (collectively, the **CSA**)

From: [Issuer of the VRCA] (the **Issuer**)

Re: Undertaking in respect of [name of VRCA] (the **Undertaking**)

Date: [●], 2023

Background

The Issuer is the issuer of [name of VRCA], which is a Value-Referenced Crypto Asset as described in CSA Notice 21-333 *Crypto Asset Trading Platforms: Terms and Conditions for Trading Value-Referenced Crypto Assets with Clients* (**CSA SN 21-333**).

The provisions of this Undertaking are representations of and commitments by the Issuer to the Principal Regulator and to the CSA.

The Issuer understands that the Principal Regulator will disclose the names of the Issuer, its applicable affiliates and this Undertaking or the fact that the Issuer has provided this Undertaking on the CSA website and/or the website of the Principal Regulator or other members of the CSA.

Definitions

In this Undertaking, the following terms have the following meanings:

[insert definitions from Appendix D of CSA SN 21-333 as applicable];

“securities legislation” has the meaning ascribed to that term in National Instrument 14-101 *Definitions*.

Representations

The Issuer makes the following representations with respect to [name of VRCA]:

- (1) [Name of VRCA] is a value-referenced crypto asset that references, on a one-for-one basis, the value of [the Canadian dollar][the United States dollar] (the “reference currency”).
- (2) [Name of VRCA] entitles a [name of VRCA] holder who maintains an account with the Issuer to a right of redemption, subject only to reasonable publicly disclosed conditions, on demand directly against the Issuer or against the reserve of assets, for the reference fiat

currency on a one-to-one basis, less only any fee that is publicly disclosed by the Issuer, and payment of the redemption proceeds within a reasonable period as disclosed by the Issuer.

- (3) The Issuer maintains a reserve of assets that is:
- (a) in the reference fiat currency and is comprised of any of the following:
 - (i) cash;
 - (ii) investments that are evidence of indebtedness with a remaining term to maturity of 90 days or less and that are issued, or fully and unconditionally guaranteed as to principal and interest, by the government of Canada or the government of the United States;
 - (iii) securities issued by one or more Money Market Funds licensed, regulated or authorized by a regulatory authority in Canada or the United States of America;
 - (iv) such other assets that the Principal Regulator and the other members of the CSA have consented to in writing;
 - (b) all of the assets that comprise the reserve of assets are:
 - (i) measured at fair value in accordance with Canadian GAAP for publicly accountable enterprises or U.S. GAAP at the end of each day;
 - (ii) held with a Qualified Custodian;
 - (iii) held in an account clearly designated for the benefit of [name of VRCA] holders or in trust for [name of VRCA] holders;
 - (iv) held separate and apart from the assets of the Issuer and its affiliates and from the reserve of assets of any other Crypto Asset so that, to the best of the knowledge and belief of the Issuer after taking steps that a reasonable person would consider appropriate, including consultation with experts such as legal counsel, no creditors of the Issuer other than [name of VRCA] holders in their capacity as [name of VRCA] holders, will have recourse to the reserve of assets, in particular in the event of insolvency; and
 - (v) not encumbered or pledged as collateral at any time; and
 - (c) the fair value of the reserve of assets is at least equal to the aggregate nominal value of all outstanding units of [name of VRCA] at least once each day.

- (4) In the last five years, the Issuer has not been the subject of a publicly announced order, judgment, decree, sanction, fine, or administrative penalty imposed by, or has entered into a publicly announced settlement agreement with, a government or government agency, administrative agency, self-regulatory organization, administrative tribunal or court in Canada or in a Specified Foreign Jurisdiction in relation to a claim based in whole or in part on fraud, theft, deceit, aiding and abetting or otherwise facilitating criminal activity, misrepresentation, violation of anti-money laundering laws, conspiracy, breach of trust, breach of fiduciary duty, insider trading, market manipulation, unregistered trading, illegal distributions, failure to disclose material facts or changes, or allegations of a similar or analogous conduct.
- (5) The Issuer has written policies, procedures and controls in respect of all of the following:
- (a) prudent management of the reserve of assets, including with respect to concentration of the investments that comprise the reserve of assets, to ensure that the fair value of the reserve of assets is at least equal to the nominal value of outstanding units of [name of VRCA] and the maintenance of effective liquidity risk management tools to be employed under normal and stressed market conditions;
 - (b) recovery and an orderly wind-up in the cases of a crisis or failure by the Issuer, the manager of the reserve of assets or the custodian of the reserve of assets;
 - (c) identification, management, avoidance and public disclosure of conflicts of interest between any of the following:
 - (i) [name of VRCA] holders;
 - (ii) the Issuer;
 - (iii) any person that is responsible for the minting, distributing, burning, redeeming or administering of the VRCA or the management of the reserve of assets;
 - (iv) any affiliate of a person referred to in subparagraphs (ii) or (iii);
 - (d) the minting, issuance, redemption and burning of units of [name of VRCA], including controls that units of [name of VRCA] are not issued until funds are received and units of [name of VRCA] are burned after a redemption is fulfilled.
- (6) The Issuer has filed a submission to jurisdiction and appointment of agent for service with each member of the CSA in the form set out in Appendix C of CSA SN 21-333.

Undertaking

Unless this Undertaking is otherwise withdrawn by the Issuer in accordance with the manner described below, the Issuer hereby undertakes to comply with the provisions of this Undertaking:

- (A) The Issuer will make all of the following publicly available:
- (a) details of each type, class or series of [name of VRCA], including the date [name of VRCA] was launched and key features and risks of [name of VRCA];
 - (b) the quantity of all outstanding units of [name of VRCA] and their aggregate nominal value at least once each business day;
 - (c) the names and experience of the persons or companies involved in the issuance and management of [name of VRCA], including the Issuer, any manager of the reserve of assets, including any individuals that make investment decisions in respect of the reserve of assets, and any custodian of the reserve of assets;
 - (d) the quantity of units of [name of VRCA] held by the Issuer or any of the persons or companies referred to in paragraph (c) and their nominal value at least once each business day;
 - (e) details of how a [name of VRCA] holder can redeem [name of VRCA], including any possible restrictions on redemptions, such as the requirement for a [name of VRCA] holder to have an account with the Issuer and any criteria to qualify to have an account;
 - (f) details of the rights of a [name of VRCA] holder against the Issuer and the reserve of assets, including in the event of insolvency or winding up;
 - (g) all fees charged by the Issuer for distributing, trading or redeeming [name of VRCA];
 - (h) whether [name of VRCA] holders are entitled to any revenues generated by the reserve of assets;
 - (i) details of any instances of any of the following:
 - (i) the Issuer has suspended or halted redemptions for all [name of VRCA] holders;
 - (ii) the Issuer has not been able to satisfy redemption rights at the price or in the time specified in its public policies;
 - (j) within 45 days of the end of each month, an assurance report from a public accountant that is authorized to sign such a report under the laws of a jurisdiction

of Canada or the United States of America, and that meets the professional standards of that jurisdiction, that complies with all of the following:

- (i) provides reasonable assurance in respect of the assertion by management of the Issuer that the Issuer has met the criteria in representation (3)(a)-(c) as at the last business day of the preceding month and at least one randomly selected day during the preceding month;
 - (ii) the randomly selected day referred to in subparagraph (i) is selected by the public accountant and disclosed in the assurance report;
 - (iii) for each day referred to in subparagraph (i), management's assertion includes all of the following:
 - 1. details of the composition of the reserve of assets;
 - 2. the fair value of the reserve of assets in representation (3)(b)(i);
 - 3. the quantity of all outstanding units of the VRCA in paragraph (b).
 - (iv) the assurance report is prepared in accordance with the Handbook, International Standards on Assurance Engagements or attestation standards established by the American Institute of Certified Public Accountants.
- (k) starting with the first financial year ending after December 1, 2023, within 120 days of the Issuer's financial year end, annual financial statements of the Issuer that comply with all of the following:
- (i) the annual financial statements include all of the following:
 - 1. a statement of comprehensive income, a statement of changes in equity and a statement of cash flows, each prepared for the most recently completed financial year and the financial year immediately preceding the most recently completed financial year, if any;
 - 2. a statement of financial position, signed by at least one director of the Issuer, as at the end of the most recently completed financial year and the financial year immediately preceding the most recently completed financial year, if any;
 - 3. notes to the financial statements;
 - (ii) the statements are prepared in accordance with one of the following accounting principles:
 - 1. Canadian GAAP applicable to publicly accountable enterprises;

2. U.S. GAAP;
- (iii) the statements are audited in accordance with one of the following auditing standards:
1. Canadian GAAS;
 2. International Standards on Auditing;
 3. U.S. PCAOB GAAS;
- (iv) the statements are accompanied by an auditor's report that,
1. if (iii)1 or 2 applies, expresses an unmodified opinion,
 2. if (iii)3 applies, expresses an unqualified opinion,
 3. identifies the auditing standards used to conduct the audit, and
 4. is prepared and signed by a public accountant that is authorized to sign such a report under the laws of a jurisdiction of Canada or the United States of America.
- (B) The Issuer will promptly update any information in (A) if it is no longer true or does not contain information necessary so that it is not misleading.
- (C) The Issuer will as soon as possible and in a clear, accurate and transparent manner disclose, in a publicly and easily accessible place, on its website at the following page [link to webpage], any event that has or is likely to have a significant effect on the value of [name of VRCA] or on the reserve of assets.
- (D) The Issuer will promptly inform the Principal Regulator in writing if any of the following events occur:
- (a) any of the representations in this Undertaking are no longer true;
 - (b) the Issuer, an affiliate of the Issuer or a control person of the Issuer or an affiliate of the Issuer becomes subject to any of the following under the laws of any jurisdiction including any foreign jurisdiction:
 - (i) a bankruptcy, a filing for bankruptcy or a proceeding governing an event similar to a bankruptcy;
 - (ii) a proposal, including a consumer proposal, or restructuring under any legislation relating to bankruptcy or insolvency or any similar proceeding;

- (iii) proceedings under any legislation relating to the winding up or dissolution of the entity, or under the *Companies' Creditors Arrangement Act* (Canada);
 - (iv) any proceedings, arrangement or compromise with creditors, including the appointment of a receiver, receiver-manager, administrator or trustee.
- (E) The Issuer acknowledges that the giving of this Undertaking does not mean that distributions of [name of VRCA], or the activities of the Issuer otherwise, are in compliance with securities legislation.
- (F) The Issuer further acknowledges that the Principal Regulator or other members of the CSA may examine the business, conduct, financial affairs, books, records and other documents of the Issuer and its applicable affiliates and control persons for the purpose of determining if the Issuer is complying with this Undertaking, securities or other applicable legislation in Canada, or acting contrary to the public interest.
- (G) The Issuer will provide not less than 30 days' prior written notice to the Principal Regulator and the other members of the CSA if the Issuer wishes to withdraw this Undertaking. Where such notice is given, the Issuer will cease distributions of [name of VRCA] in Canada at the time the Undertaking is withdrawn. All obligations respecting the provision of information relevant to the period in which the Issuer was in operation will survive the withdrawal of this Undertaking.

For [the Issuer]

Signature: _____

Name:

Title:

"I have authority to bind the firm"

Date: [●], 2023

Appendix C

Submission to Jurisdiction and Appointment of Agent for Service for Issuer of a VRCA

1. Name of issuer (the “Issuer”):
2. Name of value-referenced crypto asset (the “VRCA”):
3. Jurisdiction of incorporation of the Issuer:
4. Address of principal place of business of the Issuer:
5. Name of agent for service of process (the “Agent”):
6. Address for service of process of Agent in Canada (the address may be anywhere in Canada):
7. The Issuer designates and appoints the Agent at the address of the Agent stated above as its agent upon whom may be served a notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal, penal or other proceeding (a “Proceeding”) arising out of or relating to or concerning the obligations of the Issuer under Canadian securities legislation or the undertaking to the members of the Canadian Securities Administrators dated [●] (the “Undertaking”), including but not limited to the distribution or trading of the VRCA, and irrevocably waives any right to raise as a defence in any such Proceeding any alleged lack of jurisdiction to bring such Proceeding.
8. The Issuer irrevocably and unconditionally submits to the non-exclusive jurisdiction of
 - (a) the judicial, quasi-judicial and administrative tribunals of each of the provinces and territories of Canada; and
 - (b) any Proceeding in any such province or territory,in any Proceeding arising out of or related to or concerning the obligations of the Issuer under Canadian securities legislation or the Undertaking, including but not limited to the distribution or trading of the VRCA.
9. Until 6 years after the Issuer has withdrawn the Undertaking, the Issuer must submit to the regulator or securities regulatory authority
 - (a) a new Submission to Jurisdiction and Appointment of Agent for Service in this form no later than the 30th day before the date this Submission to Jurisdiction and Appointment of Agent for Service is terminated;
 - (b) an amended Submission to Jurisdiction and Appointment of Agent for Service no later than the 30th day before any change in the name or above address of the Agent; and

(c) a notice detailing a change to any information submitted in this form, other than the name or above address of the Agent, no later than the 30th day after the change.

10. This Submission to Jurisdiction and Appointment of Agent for Service is governed by and construed in accordance with the laws of the local jurisdiction.

Dated: _____

(Signature of the Issuer or authorized signatory)

(Name of signatory)

(Title of signatory)

Acceptance

The undersigned accepts the appointment as Agent of _____ [Insert name of Issuer] under the terms and conditions of the foregoing Submission to Jurisdiction and Appointment of Agent for Service.

Dated: _____

(Signature of the Agent or authorized signatory)

(Name of signatory)

(Title of signatory)

Appendix D

Defined Terms

“aggregate nominal value” means the price of the outstanding units of the VRCA where each unit of the VRCA has a price equal to one dollar, or one of the similar monetary units, of the reference fiat currency;

“Canadian GAAP” means generally acceptable accounting principles determined with reference to the Handbook;

“Canadian GAAS” means generally accepted auditing standards determined with reference to the Handbook;

“Crypto Asset” means anything commonly considered a crypto asset, digital or virtual currency, or digital or virtual token;

“Crypto Asset Statement” has the meaning ascribed to that term in the [Decision][PRU];

“Crypto Contract” has the meaning ascribed to that term in the [Decision][PRU];

“Handbook” means:

- (a) the Chartered Professional Accountants of Canada Handbook - Accounting, as amended from time to time, and
- (b) the Chartered Professional Accountants of Canada Handbook - Assurance, as amended from time to time;

“International Standards on Assurance Engagements” means the International Standards on Assurance Engagements set by the International Auditing and Assurance Standards Board, as amended from time to time;

“International Standards on Auditing” means auditing standards set by the International Auditing and Assurance Standards Board, as amended from time to time;

“KYP Policy” means the policies and procedures that the CTP has established and applies to review Crypto Assets and to determine whether to allow clients to enter into Crypto Contracts to buy and sell the Crypto Assets on the CTP’s platform;

“Money Market Fund” has the meaning ascribed to that term in National Instrument 81-102 *Investment Funds* or in Rule 12d1-1 of the United States *Investment Company Act of 1940*, as the case may be;

“outstanding units of the VRCA” or “outstanding units of [name of VRCA]” means units of the VRCA that have been minted and issued in exchange for funds less any units for which a request for redemption has been fulfilled;

“publicly accountable enterprise” means a publicly accountable enterprise as defined in the Handbook;

“Qualified Custodian” has the meaning ascribed to that term in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;

“Specified Foreign Jurisdiction” means any of the following: Australia, Brazil, any member country of the European Union, Hong Kong, Japan, Republic of Korea, New Zealand, Singapore, Switzerland, United Kingdom of Great Britain and Northern Ireland, and United States of America;

“U.S. GAAP” means generally accepted accounting principles in the United States of America that the SEC has identified as having substantial authoritative support, as supplemented by Regulation S-X under the 1934 Act, as amended from time to time;

“U.S. PCAOB GAAS” means auditing standards of the Public Company Accounting Oversight Board (United States of America), as amended from time to time;

“Value-Referenced Crypto Asset” or “VRCA” means a Crypto Asset that is designed to maintain a stable value over time by referencing the value of a fiat currency or any other value or right, or combination thereof; and

“VRCA holder” or “[name of VRCA] holder” means a person or company with ownership or control or possession of a unit of a VRCA, including a CTP holding a unit of a VRCA pursuant to a Crypto Contract with a client.