

To the Director,

First I would like to commend you and your team on this paper, it seems you wish to allow the space to prosper while keeping the participants and financial system safe. This in contrast with the US SEC method of just taking everyone to court, (which at this point seems like corruption rather than any regulatory mechanism.) is refreshing.

I did want to bring some light to one comment: "and high leverage contributed to the collapse of several major crypto intermediaries, such as FTX."

This seems inappropriate as the failure of FTX is far more complex than high leverage, as I am sure you are aware. In fact it is probably safe to say that FTX is a great place to start when learning about the types of risks you may face in the cryptoverse.

I will answer the consultation questions below.

Q1) What do you think the role of Government should be in the regulation of the crypto ecosystem?

The government should act first as a developer and custodian of regulation and frameworks and secondly as a mediator and guardian against bad actors. The role of government should be to find a balance between protecting consumers and nurturing innovation and progress.

Q2) What are your views on potential safeguards for consumers and investors?

One of the benefits of blockchain technology is the data transparency of the majority of these networks. This makes it easy for industry to comply with common sense regulation. For example, requiring crypto exchanges and custodians to have clear and comprehensive information about the assets they offer, and to undergo regular audits to ensure the security of their systems and the accuracy of their data. Adoption of the technology born out of this innovation boom can make these audits easy enough to do daily. Education around custody solutions and scams is also necessary especially in the dynamic environment of the early adoption phase.

Q3) Scams can be difficult for some consumers to identify. a) Are there solutions (e.g. disclosure, code auditing or other requirements) that could be applied to safeguard consumers that choose to use crypto assets?

Firstly I want to point out that these networks and platforms are self regulating in the way that, if they are malicious, people stop using them quickly. I personally believe due diligence should be taken by the individual, before investing in or using any of these platforms. That isn't to say penalties for those acting in a fraudulent manner isn't appropriate or that improved education regarding financial concepts in schools wouldn't help.

Due diligence requirements at an exchange level would have to be carefully balanced to allow small projects access to this form of capital raising. Developing a gold standard for networks may help the average consumer add contrast to the crypto landscape.

b) What policy or regulatory levers could be used to ensure crypto token exchanges do not offer scam tokens or more broadly, prevent consumers from being exposed to scams involving crypto assets?

This is not my area of expertise, though I do know that you cannot ensure nor can you prevent and to pretend you can is folly. You can however collaborate with other regulators, incentivise self regulation through community connectivity and involvement. Market surveillance can help identify and isolate bad actors quickly. Perhaps creating a framework for evaluating the risk of investing tools, with education restrictions on the riskier types. (This could be realised with blockchain tech.) Restrictions on influencer advertising is probably needed as well, as if a project needs someone famous to sell it, it's probably not very good.

I once again thank you for your work and look forward to seeing what the future holds.