

Executive Summary

The global economy is on the precipice of a foundational technological transition, comparable in scale to the dawn of the commercial internet. Web3 technologies are re-architecting the internet's core ideas, from the current "read-write" model to a "read-write-own" economy. This evolution has the potential to fundamentally restructure how value will be created and managed¹.

Often referred to as the internet of value, this evolution is creating new economic models and unlocking operational efficiencies at a scale that demands strategic national attention. Globally, blockchain technologies are expected to add US\$1.76 trillion to GDP by 2030, equivalent to 1.4% of the world economy². For Canada, Web3 could directly contribute as much as C\$82 billion to GDP, create 40,000 high-value jobs, and increase tax revenues as much as C\$17 billion by 2030.³

Canada does not lack for innovation. We enjoy a very credible early foothold in the Web3 space. We are the birthplace of Ethereum and home to the world's first spot Bitcoin ETFs, we are home to more than 1,450 blockchain-related companies, which have collectively raised over C\$5.4 billion in venture capital. Yet, we are forfeiting our competitive advantages to more coordinated competitors. The absence of a consistent Canada-first regulatory framework risks eroding our foothold further.

The urgency to act is mounting. The Bank of Canada has called for swift modernisation of our payment frameworks and a federal stablecoin regulation⁴, while new US visa policies present Canada with a timely opportunity to retain and attract top talent⁵. Yet, Canada continues to frame Web3 through the lens of risk management, which is a strategic error.

It is time to reframe the narrative. A proactive, coordinated national strategy for Web3 and digital assets is a generational economic opportunity that Canada is uniquely positioned to lead. The recommendations outlined herein are an urgent call for federal leadership. Outlining a focused national framework that unlocks growth while safeguarding the stability that defines our financial system.

Our window of opportunity is narrowing. Decisions taken over the next 24-36 months will determine whether Canada builds and owns a share of the future digital economy or risks becoming a passive consumer of technology developed elsewhere. Which will have lasting consequences on our international competitiveness and even our digital sovereignty^{6,7}.

WHY NOW

Reframe the Narrative

Characterised by decentralisation, individual data sovereignty, and the frictionless exchange of assets across the digital world. Web3 will modernise financial payments infrastructure, secure supply chains and create new models for digital identity. In short, it will be a technological shift that will shape Canada's role in the global digital economy, influencing how we trade, innovate, and grow.

The public first became aware of Web3 technology through high-profile cryptocurrencies, such as Bitcoin. Unfortunately, this focus has narrowed our view of its true potential. This conversation needs to shift. For policymakers and financial leaders, it is imperative to move past the short-term market cycles and speculative narratives that have often characterised public discourse to recognise the power of the technology. Blockchain ledgers, smart contracts, and digital tokens are not a new breed of speculative assets; they are the infrastructure for the next phase of the internet. Just as the early web moved beyond dot-com stock speculation to underpin e-commerce, communication, and media, Web3 is maturing into the backend of finance, supply chains, identity, and more.

Instead of thinking of digital assets as the domain of counter-culture speculators, policymakers should see a new toolkit for solving old problems: instant programmable payments, tamper-proof records, self-sovereign digital identities, and automated compliance. In practical terms, blockchain networks allows value and ownership to flow as seamlessly as information, and this opens the door to countless new applications, from decentralised finance (DeFi) to new forms of digital ownership⁸.

Crucially, these innovations align with many of Canada's digital policy goals^{9, 10}. User ownership of data and digital assets can enhance privacy and consumer control, promoting a more informed and empowered approach to data management. Decentralised systems can increase competition and inclusion by lowering barriers to entry. And blockchain's auditability could strengthen anti-fraud and transparency efforts¹¹.

Canada's leaders must therefore reframe their perspective: Web3 is infrastructure, not just investment. The question is how to guide its evolution in the public interest.

From JPMorgan's Kinexys platform¹² to the Singapore Exchange's tokenised bond pilots¹³, the world's financial leaders, from the European Union¹⁴ to the United Arab Emirates¹⁵, are already moving to integrate blockchain into core systems. For Canada, the strategic question is not about endorsing a specific cryptocurrency. It is about how to build and lead on this new technological framework.

Unlocking Trillions in Illiquid Value

The most transformative use of Web3 technology may be the tokenisation of Real-World Assets (RWA). This process creates a digital token representing ownership of a real-world asset on a blockchain. These assets can be anything from real estate and private equity to fine art and carbon credits. By turning these illiquid assets into tradable digital tokens, RWA tokenisation can unlock vast amounts of liquidity and efficiency.

The scale of this opportunity is enormous. The global value of real-world assets is in the hundreds of trillions, most of which are illiquid. Forecasts for the tokenized asset market by 2030 vary from USD 2.4 trillion¹⁶ to as much as USD 16 trillion¹⁷. This is not a distant dream. The world's largest financial institutions are already preparing for this market. BlackRock launched its BUIDL tokenized money market fund in 2024, which quickly grew to nearly USD 2 billion in assets¹⁸.

Tokenization addresses long-standing problems in finance. It enables fractional ownership, giving smaller investors access to high-value assets. Smart contracts can automate complex processes, reducing administrative costs. Blockchain-based markets can operate 24/7 with almost instant settlement, lowering risk. For Canada's financial sector, RWA tokenization is an opportunity to lead in capital markets innovation. The question is not if this will happen, but where it will happen. A proactive Canadian strategy can ensure the country becomes one of the key hubs.

For Canada to become a hub in this multi-trillion-dollar market, a critical piece of infrastructure is required: a trusted, digital Canadian dollar¹⁹. To trade a token representing a Canadian office building or a piece of infrastructure, the transaction needs to be settled efficiently on-chain. Canada is uniquely positioned because of its pioneering efforts in the creation of central bank digital currencies (CBDCs)²⁰. Canada has been at the forefront of CBDCs since 2016, pioneering with Project Jasper²¹. The Bank of Canada also collaborated with Singapore's MAS in Jasper-Ubin, which in 2019 successfully tested cross-border, cross-currency settlement between different Distributed Ledger Technology (DLT)²². This and other Canadian-driven projects remain a contingency should Parliament and government ever decide issuance is needed.

Additionally, the Canadian private sector is also working to fill this gap with Canadian dollar stablecoins, such as Stablecorp's QCAD²³. These digital dollars, if held to high standards, can provide the payment rails for Canada's tokenised asset economy²⁴. A new CAD-backed stablecoin from Tetra Digital Group, targeted for 2026, further underscores the momentum building behind Canadian-dollar settlement infrastructure and the urgency of a clear regulatory framework²⁵. These developments coincide with provincial regulators, such as the Ontario Securities Commission (OSC), grant a record number of exemptive reliefs for crypto exchanges.²⁶

One area where Canadian ingenuity is particularly visible is in the integration of energy solutions with digital infrastructure. The country is the cradle of vertical integration of oil and gas with cryptocurrency mining. Canada was an early pioneer in vertically integrating oil and gas production with cryptocurrency mining – an approach that captures stranded energy and repurposes it for computing power. In January 2017, Alberta-based Upstream Data launched a small off-grid pilot in British Columbia that

combined its own natural gas generator with an on-site Bitcoin mining operation. The first documented instance of a single company owning and operating both the power generation and the mining infrastructure.²⁷

Today, eleven such vertically integrated mining operations exist globally, two of which—Upstream Data and New West Data—are Canadian. These developments are crucial as demand for data centres accelerates and the democratisation of AI. Some flare-gas Bitcoin sites, such as those of Crusoe (United States),²⁸ are already pivoting from mining to AI and HPC, and Canada’s early adoption of these vertically integrated solutions could become a significant competitive advantage in the era of AI-driven infrastructure.

Canada has also been at the forefront of bringing blockchain technologies into everyday use. In October 2013, Vancouver became home to the world’s first Bitcoin ATM, installed at Waves Coffee House. On its first day, the machine processed 81 transactions worth more than C\$10,000; within a month, it surpassed C\$1 million in volume across over 1,500 transactions.²⁹ According to Coin ATM Radar, Canada hosts the second-largest number of Bitcoin ATMs in the world, with 3,706 available locations.³⁰

Our Innovation Gap

Canada has already proven its ability to lead in digital assets. These achievements should have positioned Canada as a natural front-runner.

Yet momentum has slowed. Rather than capitalising on this foundation, Canada’s fragmented regulatory environment has created hesitation. Investors and entrepreneurs increasingly look to more supportive jurisdictions where frameworks are clear, capital flows freely, and innovators can scale³¹. This isn’t a “brain drain” of talent so much as a policy gap: our brightest minds remain, but the conditions to build globally competitive companies are eroding³².

Leadership in digital assets will not be secured by past achievements. Without coordinated action, Canada risks being remembered as the place where innovation started, but not where it scaled.

Our national brand of stability and trust is a powerful asset. In a sector searching for legitimacy, “Made-in-Canada compliance” can be a mark of quality that attracts serious institutional capital. With abundant hydro and renewable power, Canada is uniquely positioned to host digital infrastructure that meets modern environmental standards³³. This advantage can attract investors who are increasingly demanding energy-efficient solutions in blockchain and data services. And our deep talent pool gives us the human capital to innovate and build³⁴. These strengths provide the foundation for a uniquely Canadian approach: to compete not by being the loosest jurisdiction, but by being the most trusted.

THE CANADIAN OPPORTUNITY

An Economic Impact Modelling Framework

A credible impact model must explain how Web3 creates growth beyond trading. The path is familiar. New rails reduce frictions that slow commerce. Better identity and credentialing lower fraud and onboarding costs. Programmable money cuts reconciliation and chargebacks.

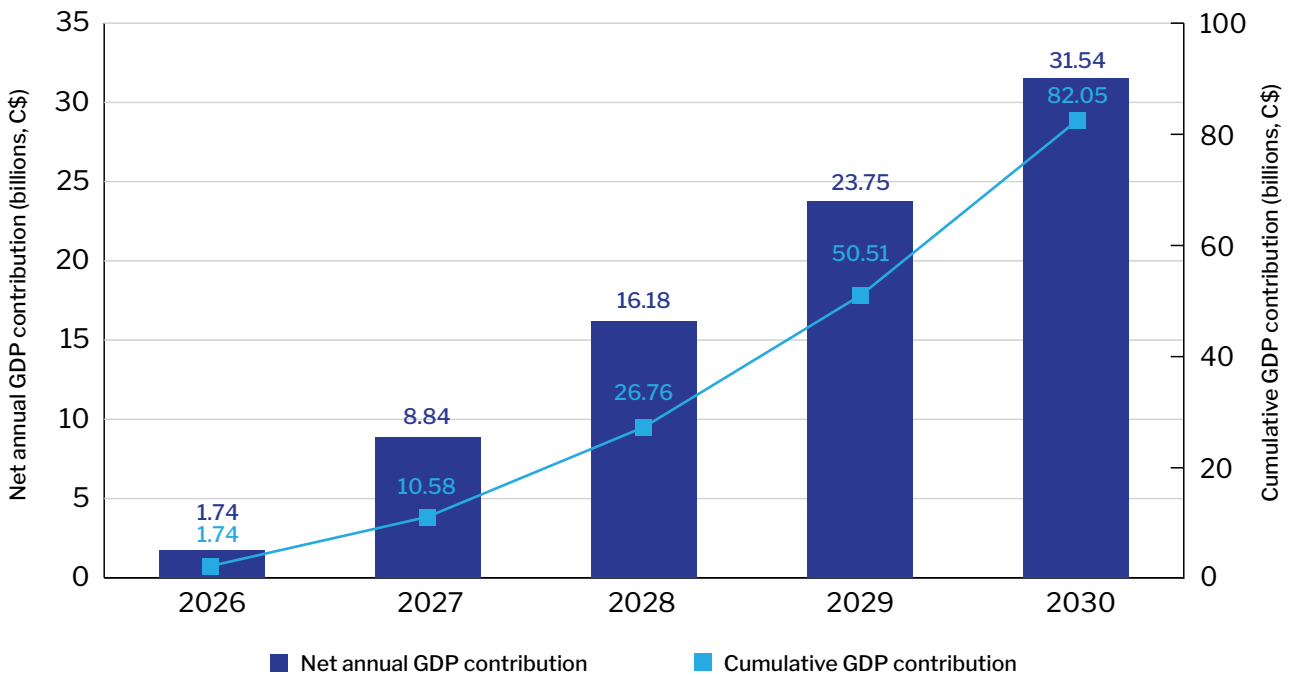
Tokenisation unlocks capital trapped in illiquid assets. These channels raise total factor productivity and spur new investment.

A national Web3 strategy is a direct investment in Canada’s future prosperity. Our economic impact model quantifies the potential returns. The model projects the contribution to Canada’s Gross Domestic Product (GDP), job creation, and new tax revenues. It contrasts a ‘Proactive Leadership’ scenario with a ‘Status Quo’ scenario. The first assumes clear rules, coordinated supervision, and infrastructure that lets firms build at scale. The second assumes drift. The difference between them is the opportunity cost of inaction.

Modelling the Economic Contribution to Canadian GDP

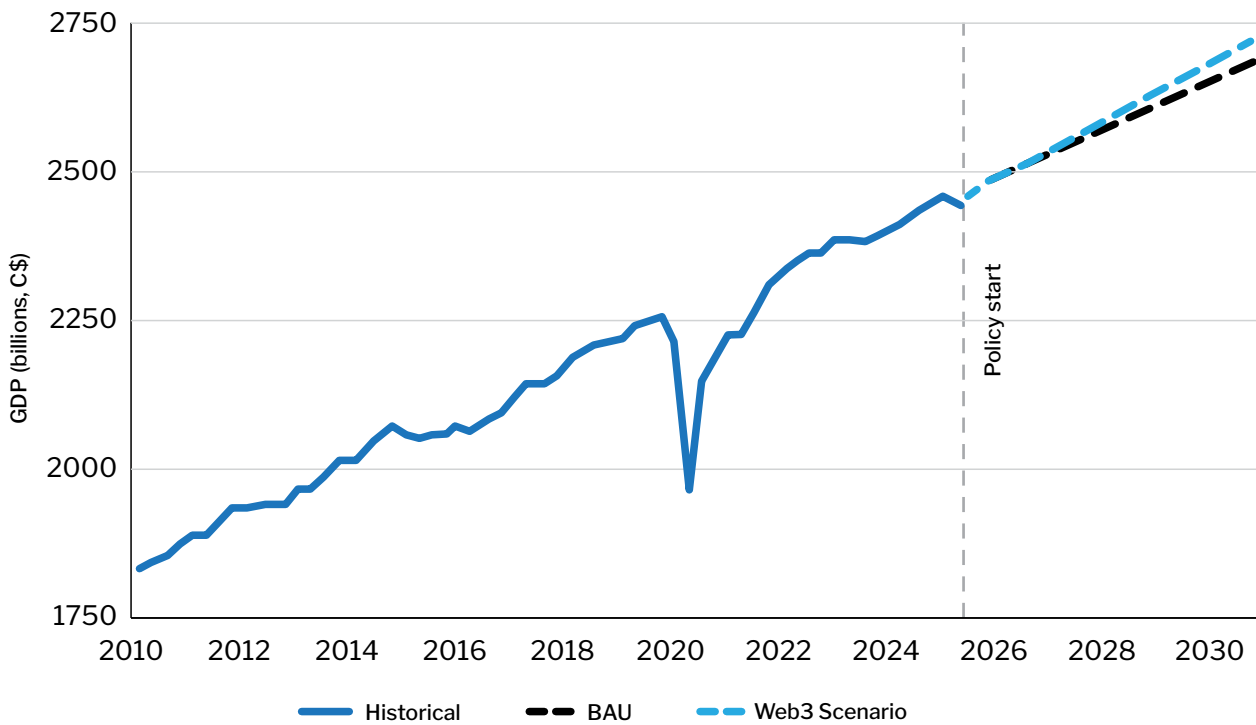
Under the ‘Proactive Leadership’ scenario, the Web3 sector becomes a major driver of economic growth. Our models forecast that a strong domestic digital asset ecosystem could add up to 82 billion dollars to Canada’s GDP cumulatively by 2030, as **Figure 1** exhibits. This growth stems from new Web3 companies, investment in digital infrastructure, and productivity gains in traditional sectors such as finance³⁵.

Figure 1. Annual Net GDP Contribution of Policy Changes in Web3 Compared to Business as Usual (BAU)



This projection is a sharp contrast to the ‘Status Quo’ scenario, as exhibited in **Figure 2**. Under the status quo, if we continue with the uncertain regulatory environment, the contribution remains minimal even by 2035. The lesson is straightforward; the gains accrue where policy clarity meets operational readiness.

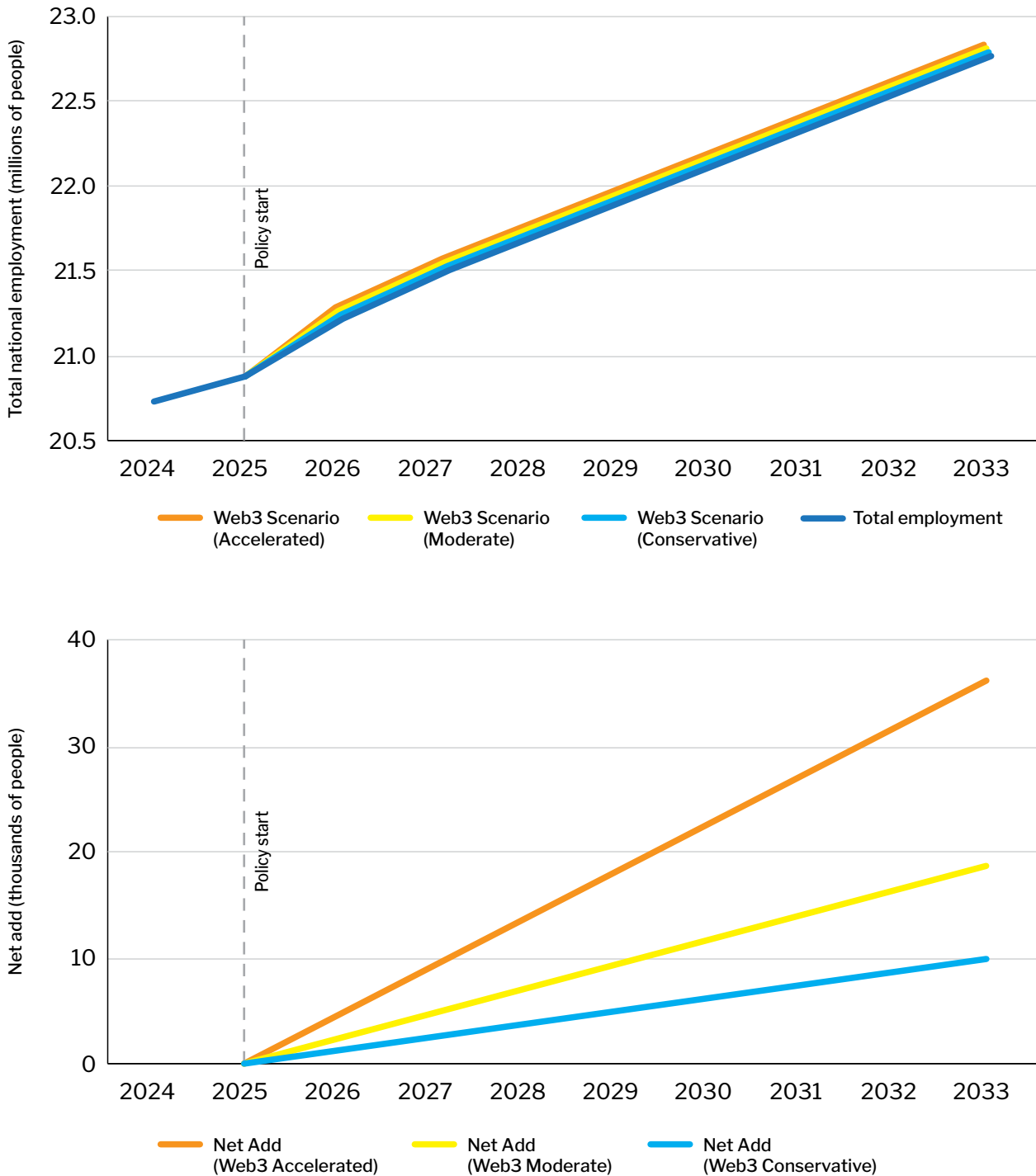
Figure 2. GDP Projections of Status Quo vs Web3 Policy Change Scenario



Creating the High-Value Jobs of the Future

A domestic Web3 sector will also create high-value, future-proof jobs. The technologies at the heart of Web3 require a highly skilled workforce. A proactive strategy supports roughly 40,000 additional jobs by 2030, versus about 5,000 under the status quo. That lifts today's estimated 16,000 Web3-related roles³⁶ to roughly 56,000, as exhibited in **Figure 3**³⁷. These are roles for software engineers, cybersecurity specialists, and data scientists, positions that command salaries roughly 48% above the national median. They anchor careers, retain graduates, and attract global talent.

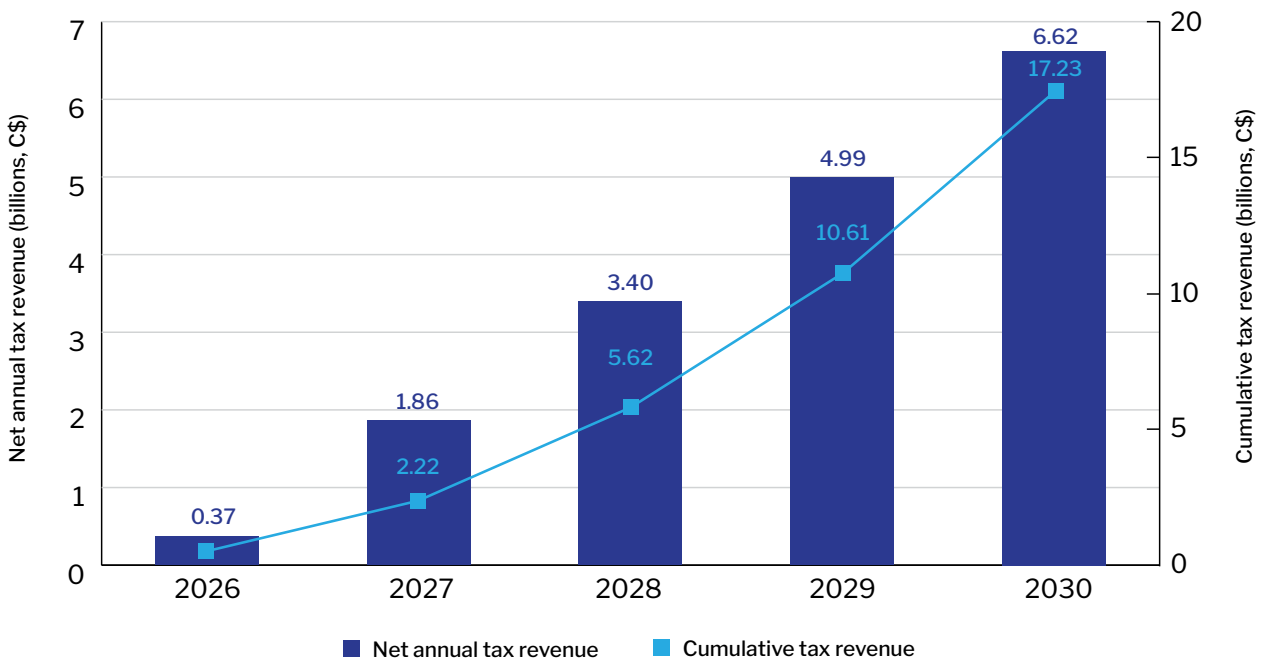
Figure 3. Projections of Jobs Created in Web3 (BAU vs Web3 Scenarios)



Enhancing Fiscal Capacity Through New Tax Revenues

A strong Web3 sector will also generate significant tax revenue. Based on an estimate of Oxford Economics, per each dollar added to GDP through Web3 innovations, there would be about 21 cents earned as tax revenue for the Canadian government³⁸. Based on this assumption, the economic activity in our 'Proactive Leadership' model is projected to generate an additional 17.23 billion Canadian dollars cumulatively by 2030, as shown in **Figure 4**.

Figure 4. Canada's Net Annual and Cumulative Tax Revenues in a Proactive Web3 Scenario



LEVERAGING CANADA'S INTRINSIC ADVANTAGES

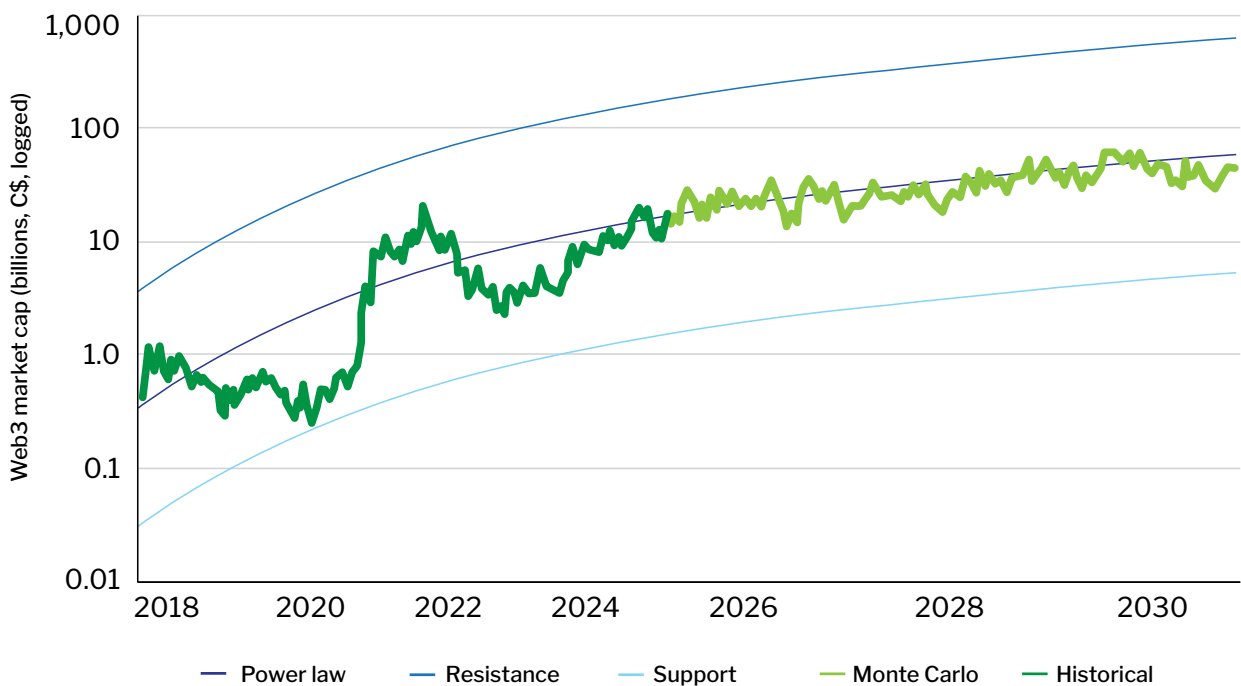
Why Canada Can Increase Its Market Cap in Web3

Comparative evidence suggests that countries with higher levels of education, abundant low-cost electricity, higher GDP per capita, and supportive socioeconomic conditions are more likely to adopt blockchain technologies at scale. Canada's highly educated population, reliable renewable energy, strong financial sector, and a track record of trust in its institutions give us the capacity not only to adopt Web3 technologies but also to play a leading role in shaping their trajectory.

Capturing 50 Billion Dollars in Valuation

We analysed the long-term trajectory of Canada's publicly listed Web3 equity market cap with a proprietary ensemble model that bridges best practices from the two worlds of TradFi and DeFi. At the end of 2024, Canada's Web3 market cap stood at C\$15.96 billion (C\$16.61 billion as of Q2'2025). According to our ensemble model, market cap is expected to reach C\$45.21 billion in BAU settings by the end of 2030. In a best-case scenario, the value could grow as high as C\$56.96 billion by the same period. An average expectation of Canada's Web3 equity is thus C\$51.09 billion in valuation by 2030, which exhibits a compound annual growth rate of 21.40%.

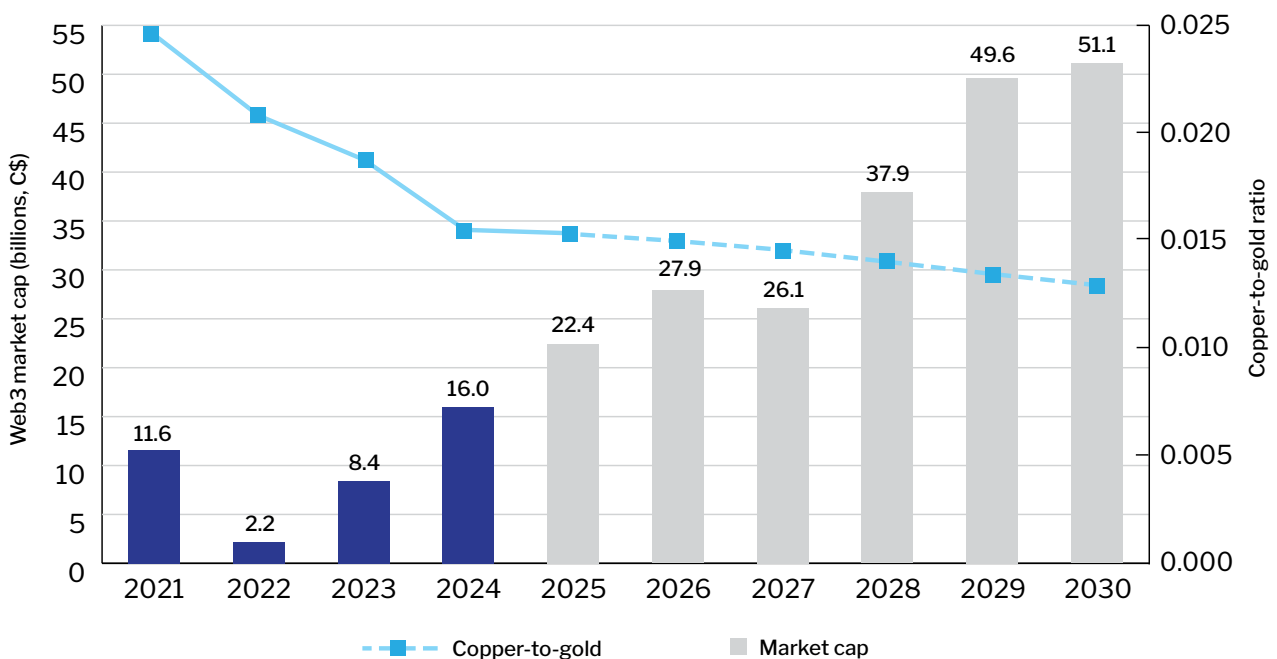
Figure 5. Ensemble Forecast for Canada's Web3 Equity: Monte Carlo and Power Law Predicting Intraday Combined Market Cap of 45 Canadian Web3-Native Entities³⁹



For the best-case scenario, we applied a deterministic power-law (PL) model, long used in DeFi to project Bitcoin prices, which captures how network value accelerates disproportionately with user adoption and provides a transparent baseline with calibrated bands to distinguish normal fluctuations from fundamental shifts. For the business-as-usual case, we ran 10,000 Monte Carlo (MC) simulations based on eight years of sector data, generating a probability fan in which the median path represents the most likely outcome and the outer bounds reflect realistic upside and downside risks. Given the speculative dynamics of Web3, volatility is central, and by filtering out implausible extremes, the MC framework delivers a credible, data-driven envelope for stress-testing and capital planning that turns uncertainty into a quantifiable distribution of risks and opportunities.

The rise in valuation goes hand in hand with geopolitical tensions and global uncertainty, which is traceable in the famous gold-to-copper ratio. However, as Web3 technology matures and branches out into everyday parts of life, the speculative and hedge properties of Web3 equity are expected to diminish with time.

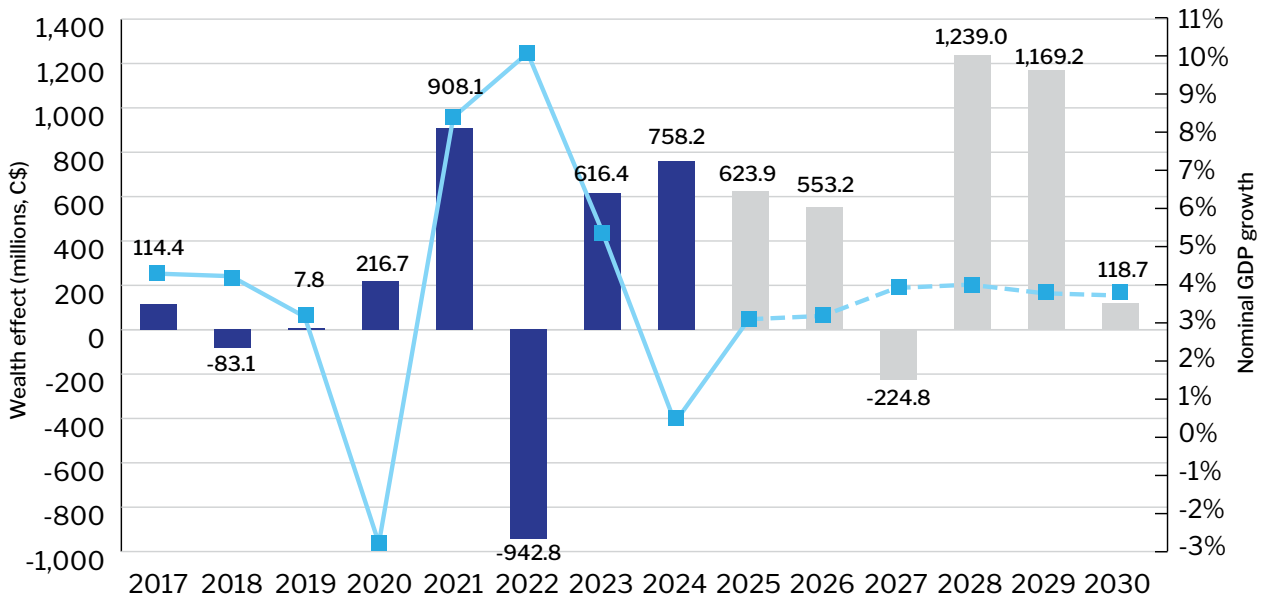
Figure 6. Web3 Market Cap Grows While Copper-to-Gold Falls



Web3 Equity Wealth Effects

A 2023 study found that for every one-dollar increase in crypto market cap, there would be a \$0.10 increase in household consumption.⁴⁰ Applying this principle to Canada’s Web3 equity, the ensemble model suggests that Canadian consumers will profit from C\$3.48 billion of additional household spending over 2025-2030.

Figure 7. Wealth Effects from Web3 Equity: Trickle Down C\$3.48 Billion to Canadians



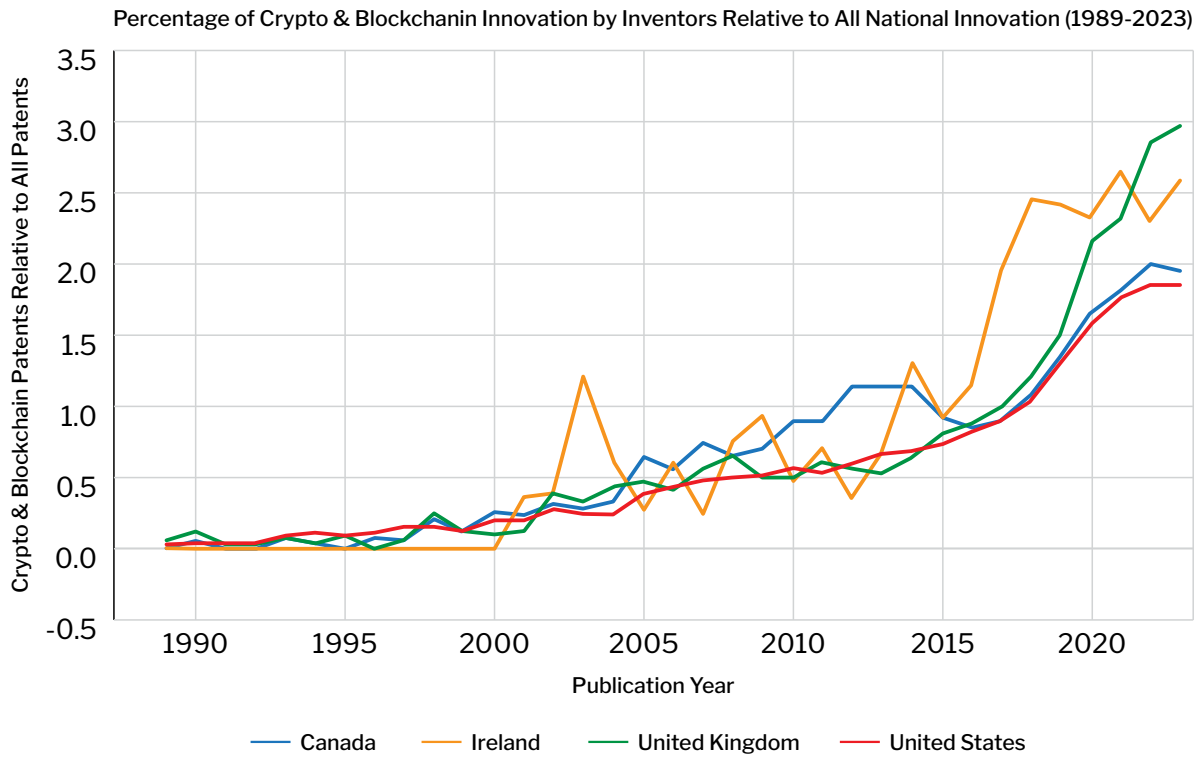
New wealth should release roughly C\$623.9 million in 2025 and C\$553.2 million in 2026. A simulated draw-down in 2027 reduces spending by about C\$224.8 million, but the rebound in market value lifts annual contributions to roughly C\$1.2 billion in both 2028 and 2029, before tapering to C\$119 million in 2030 as technology matures and growth moderates. Cumulatively, this “trickle-down” represents a non-trivial boost to discretionary consumption, equivalent to injecting almost one-tenth of a percentage point into national retail sales each year.

Innovative Capacity

Compared to its OECD peers, Canada is one of the most progressive in terms of innovation in cryptocurrency and blockchain. As **Figure 8** shows, Canada ranks among the top three countries, following only the US and the UK, in terms of blockchain and crypto patents⁴¹.

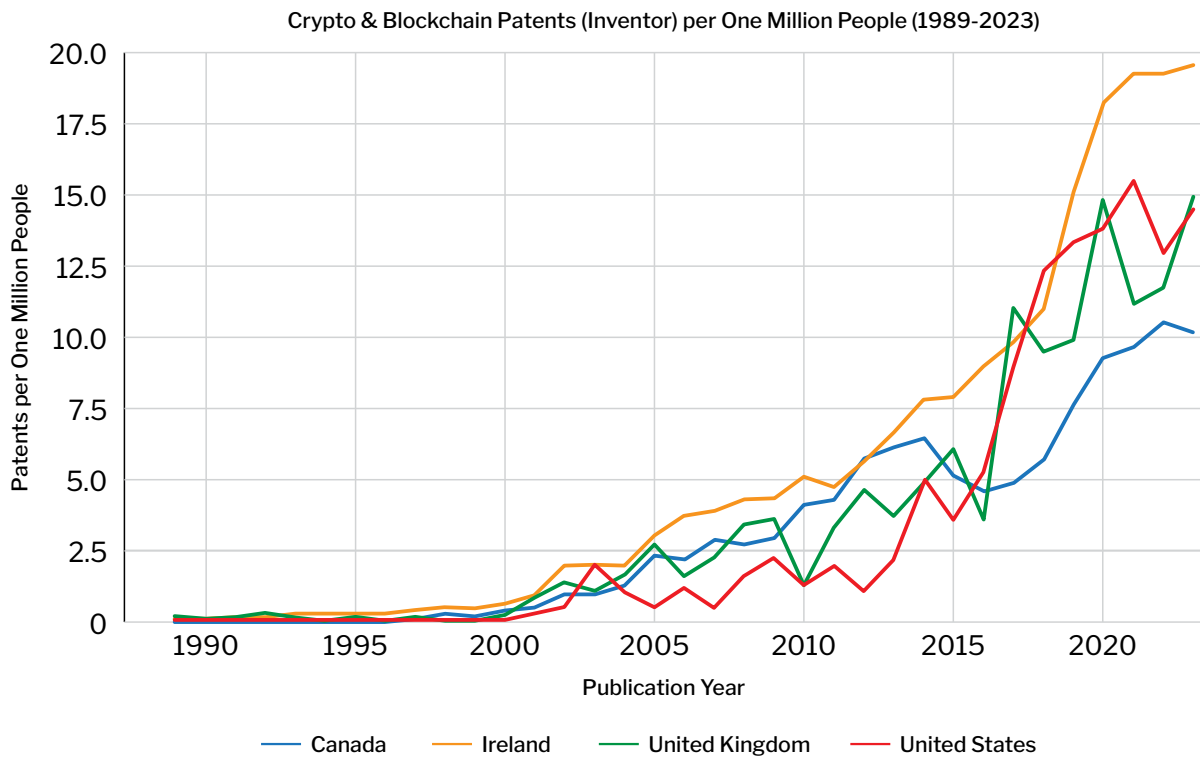
While commendable, it also highlights the historical advantage we have lost. Between 2010 and 2014, Canada ranked first overall in the world. However, regulatory uncertainty has slowed our progress, as Canadian innovators sought more supportive jurisdictions, particularly the United States, where clearer frameworks and deeper capital markets provided an environment in which to grow.

Figure 8. Canada's Competitive Advantage in Web3



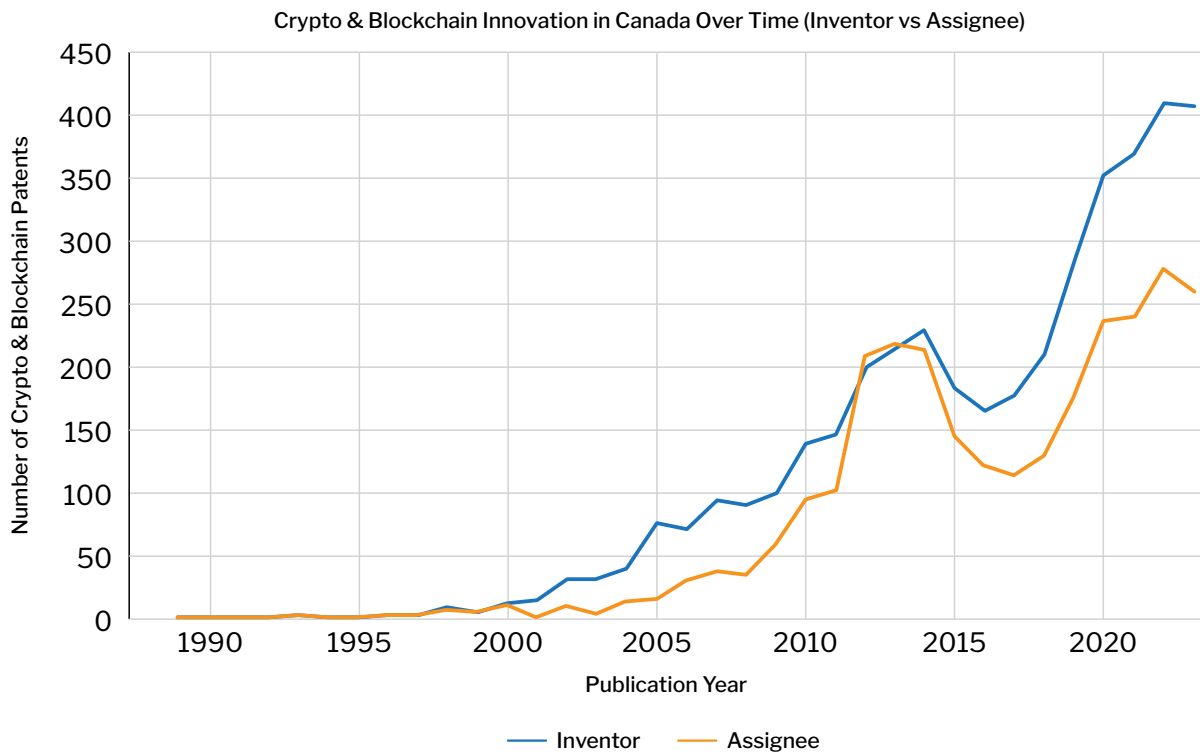
Canada also remains among the top four countries in terms of blockchain and crypto patents per population, as shown in **Figure 9**. We were a global leader, even briefly overtaking the United States in 2012. However, after 2014, patent activity declined, and while it is on the rise again, it has not held pace to close the gap

Figure 9. Canada's Competitive Advantage in Web3 - Normalised



Most concerning is the shift in where Canadian innovation is captured. Since 2014, Canadian inventors have increasingly assigned patents to non-Canadian companies, most often to US-based firms. As **Figure 10** Shows, Canadian innovators are drawn to jurisdictions with regulatory certainty and available growth capital. If left unchecked, this outflow of intellectual property will erode Canada's ability to create and retain value domestically.

Figure 10. Outflow of Canadian Intellectual Property in Web3 to the US



Canadian talent is not lacking, but its commercial impact is often realised abroad. This is driven less by a shortage of ideas than by the pull of predictable rules, stronger funding ecosystems, and faster routes to market. Unless policy conditions change, the gap between where Canadian innovations are produced and where they are captured will continue to widen.

Canada has the fundamentals to lead: one of the most educated populations in the world, a renewable energy advantage, and a track record of research excellence. The challenge is not talent or resources, but policy. With clearer regulatory frameworks and supportive infrastructure, Canada could anchor more of its intellectual property domestically, allowing local firms to scale and ensuring that the economic value and high-quality jobs generated by Web3 innovation accrue to Canadians rather than to foreign markets.

Strategic Enablers for Success: A Blueprint for National Leadership

To turn Canada’s advantages into real economic results, we need a coordinated national strategy. By adopting international best practices, we can establish a policy framework that promotes innovation and attracts investment.

Recommendation 1: Enact a Clear and Proportional Regulatory Framework

Regulatory uncertainty is the biggest barrier to growth in Canada⁴². The federal government must develop a bespoke legislative framework for digital assets, perhaps modelled on the EU’s MiCA⁴³. The current fragmentation of rules is a recognised barrier to innovation. As the Bank of Canada stated, federal and provincial regulators “must work quickly and collaboratively to evolve our regulatory frameworks”⁴⁴. A goal that a national law is designed to achieve. This law must establish clear definitions, create a dedicated licensing regime, and set robust standards for consumer protection. This would provide a clear “Canadian passport” for firms to operate across the country.

A “digital asset sandbox”, similar to the Ontario Securities Commission’s TestLab, should also be part of this framework⁴⁵. This would enable innovative firms to test new products in a controlled environment, helping regulation keep pace with technological advancements.

Clarity will give legitimate firms a predictable path to scale, replacing the uncertainty that currently stifles growth.

Recommendation 2: Establish a National Web3 Council and Senior Advisor

Governing digital assets involves many different federal and provincial bodies. This can lead to conflicting policies. To ensure a unified approach, we need a coordinated national game plan. The federal government should establish a National Web3 Council. This group would bring together leaders from government, regulators, and industry to oversee the national strategy. To provide focused leadership, this Council should be led by a dedicated senior government lead, akin to a “Crypto Czar,” similar to the role recently created in the United States, to drive the agenda across government and represent Canada on the world stage. This would signal the highest level of commitment and ensure national accountability⁴⁶.

Recommendation 3: Modernise Payments with a Canadian Stablecoin

The need for a clear Canadian stablecoin framework is no longer a theoretical debate; it is a pressing reality. The Bank of Canada’s Executive Director of Payments, Ron Morrow, has stated that Canada must ‘weigh the merits of federal stablecoin regulation’ to address the high costs and slow speeds of cross-border payments⁴⁷. To ensure the Canadian dollar’s sovereignty in the digital age, we must enable a well-regulated regime for Canadian dollar-backed stablecoins.

These digital dollars must be 1:1 redeemable for cash and fully backed by high-quality liquid reserves held in trust⁴⁸. A Canadian dollar stablecoin, built under strict reserve and audit requirements, could modernise our payments system. It would reduce settlement times, lower costs, and ensure that digital commerce continues to be conducted in Canadian dollars rather than defaulting to foreign currencies.

Recommendation 4: Enhance Investor Protection and Access

Trust is built on safety. We must extend Canadian Investor Protection Fund (CIPF) coverage to crypto assets held at registered dealers, giving consumers a vital safety net⁴⁹. This must be paired with modern custody standards, which require client assets to be held securely in insured, cold storage, preferably on Canadian soil⁵⁰. We should also level the playing field for investors by allowing specified digital assets, such as Bitcoin and Ether, to be held directly in tax-advantaged accounts like RRSPs and TFSAs, provided they are carried through regulated platforms.

Recommendation 5: Incentivise Innovation and Investment

To build homegrown champions, we need to seed the ground. To compete globally, Canada must utilise fiscal policy to attract capital and talent. This means modernising the SR&ED tax credit to explicitly cover R&D in open source blockchain protocols. A Web3-focused fund-of-funds, perhaps through the BDC, could inject critical venture capital into the ecosystem. Finally, time-bound tax incentives, such as a capital gains deferral for long-term investments in Canadian Web3 startups, would encourage investors to back domestic projects⁵¹.

Recommendation 6: Champion Tough, Data-Driven Integrity

A credible strategy must also manage the risks of digital assets. This entails addressing issues of illicit finance and maintaining financial stability. A failure to do so would undermine public trust and deter institutional investment.

While crypto-related crime is a serious issue, its scale is often misunderstood. In 2024, illicit transactions accounted for just 0.14% of total on-chain volume. The transparency of public blockchains is a powerful tool for law enforcement and analytics firms are already leveraging it to trace illicit flows. Canada's reputation for financial integrity is a competitive advantage. We must apply our complete anti-money laundering and counter-terrorist financing (AML/CFT) standards to the cryptocurrency world. This includes fully implementing the international FATF Travel Rule for crypto transactions.

We should also leverage the transparency of blockchains themselves, utilising advanced analytics to trace and disrupt illicit financial activities. An expanded joint industry-government task force, similar to the coordinated “Operation Avalanche” on crypto crime would enhance our ability to keep the ecosystem clean.

By establishing a regime that is tough on crime but supports innovation, Canada can become a jurisdiction recognised for its market integrity.

Upholding Financial Stability: Capital and Reserve Requirements

An ambitious strategy must also be a responsible one. As we embrace innovation, we must ensure the stability of Canada’s financial system remains paramount. To fully integrate digital assets into our financial system, we must adopt global best practices for managing risk. This speaks directly to the stability that underpins Canada’s economic reputation.

Our banking regulator, OSFI, has already set a prudent course following the risk-based approach set by the Basel Committee on Banking Supervision⁵⁵. Its guidelines require banks to hold a dollar in capital for every dollar of “riskier” assets like Bitcoin on their balance sheets, effectively insulating the banking system from market volatility⁵⁶. Total exposure is also capped at a tiny fraction of a bank’s core capital.

For “safer” crypto assets, like well-regulated stablecoins or tokenised traditional assets, which could become a key part of our payment system, the rules must be even stricter. Leading jurisdictions, such as the EU⁵⁷ and the UK⁵⁸, are mandating that stablecoins be backed one-to-one by a reserve of high-quality, liquid assets, including cash or short-term government debt⁵⁹. Any Canadian dollar stablecoin must be backed 100% by reserves of cash or short-term government debt, held in a segregated trust and subject to regular audits. This structure makes them resilient to bank-run scenarios, ensuring that a digital dollar is always worth a dollar.

The Bank of Canada plays a vital oversight role. As the digital asset ecosystem grows, the BoC will monitor any implications for monetary policy and financial liquidity. Should a Canadian stablecoin become systemically important, it would fall under the Bank's oversight framework for major payment systems, the Retail Payment Activities Act (RPAA)⁶⁰. The Bank's engagement provides a crucial backstop, ensuring that the integration of new payment technologies does not compromise macroeconomic stability.

BoC could even consider providing liquidity to a well-regulated stablecoin issuer to ensure an orderly unwind, though this remains a distant possibility. The Bank's engagement provides a crucial backstop, ensuring that the integration of new payment technologies does not compromise macroeconomic stability.

By embedding these safeguards, we build our Web3 ecosystem on a solid foundation. This prudence is not a barrier to growth; it is an enabler. Institutional investors and everyday users will gravitate to the jurisdiction they trust most. Canada can and should be that jurisdiction.

Conclusion: Charting Canada's Course in the Digital Age

The evidence is clear. The move to a Web3-powered internet is happening now. Canada must decide if it will help set the rules of tomorrow's digital economy or simply adapt to standards written elsewhere. The choice we make now will determine whether our values and strengths are embedded in this new system or whether we are left reacting from the sidelines. Canada has an opportunity to shape the trillion-dollar Web3 frontier, translating our strengths into jobs, growth, and innovation. It is a vision of Web3 not as a speculative fad, but as core national infrastructure.

Fundamentally, this is an infrastructure choice, not a trading bet. The recommendations herein recognise that programmable blockchains and digital assets are becoming as foundational as the internet itself, and that Canada will be a builder and rule-maker in this domain.

The cost of inaction is measured in lost GDP, lost jobs, and lost influence. It's a future where Canada becomes a passive user of technology, forced to adapt to standards set by others. Momentum, once lost, is difficult to regain. We must act now to leverage our intrinsic advantages before our window closes.

By acting swiftly and decisively, we can imprint our values of trust, stability, and inclusion into the very standards and platforms of Web3. Early movers have the advantage of shaping protocols and norms; if we lead now, institutions and talent will gravitate here, creating reinforcing advantages. Delay, by contrast, would leave us locked out of key decisions and playing catch-up in perpetuity.

To unlock this potential, a coordinated national strategy is a must. We need to enact a bespoke regulatory framework that provides certainty while upholding Canada's commitment to consumer protection and market integrity. We need to establish focused leadership through a National Web3 Council. We need to implement smart incentives to anchor capital and talent on Canadian soil.

By taking this course, Canada can build a thriving, sustainable, and globally competitive Web3 ecosystem, driving GDP growth, creating thousands of high-value jobs, and generating new tax revenue to support our public priorities.

Contributors:

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Appendix 1

Theoretical Model of Crypto Market Capitalization

There are multiple channels through which market capitalization in Web3 can translate into GDP growth.

One important channel through which market cap increase in Canada can result in Canadian GDP is through investment. It is projected that Web3 technologies could catalyze new capital formation, infrastructure development, and business activity, analogous to past waves of general-purpose technologies (e.g. the internet) that spurred productivity and growth (Shin & Rice, 2022). Economic growth theory has long established investment in capital as a fundamental driver of GDP expansion (Solow). Within this context, Web3 and crypto technologies can be viewed as a new frontier of financial and technological innovation that potentially mobilizes new sources of finance and through that, economic growth. The following sub-channels of investment will contribute to how overall investment in Web3 will result in increase in GDP growth:

A) Infrastructure Investment

One significant sub-channel through which crypto market growth can boost GDP is by infrastructure investment, both digital and physical. The assumption is that as cryptocurrencies and blockchain applications gain prominence, there is heightened demand for the underlying infrastructure such as telecommunications networks, computing hardware, and energy systems, as well as new opportunities for public-private investment in technology infrastructure. This assumption relies on empirical evidence of previous technological innovations such as internet boom that caused huge investments in infrastructure. But, more important that physical infrastructure investments are digital infrastructure investments. The assumption is that crypto and Web3 will accelerate investments in blockchain platforms and government IT systems. Many countries are modernizing their digital public infrastructure (such as land registries, identity systems, and supply chain platforms) using blockchain to improve security and efficiency. Doing so often requires capital investment in new software, data centers, and training. All these will translate into GDP growth for Canada.

B) Business Investment

Another channel is through increased business investment by firms in response to Web3 opportunities. Once there are policy changes in Canada regarding cryptocurrency and Web3, a new incentive structure will be created for private businesses so they will respond to these new opportunities by investing in areas with higher potential returns. Based on empirical evidence, the diffusion of blockchain and crypto technology has prompted companies across sectors to invest in new capabilities, whether it be adopting blockchain solutions internally, developing crypto-related products, or simply accepting crypto payments. These business investments in software development, hardware, talent, and corporate venture initiatives represent an important form of capital formation linked to Web3, which will result in improvements in Canadian GDP.

For instance, in the financial services industry, firms like JPMorgan and Goldman Sachs have spent heavily to develop blockchain-based platforms for payments and settlement (e.g. JPMorgan's Onyx division and JPM Coin). These projects are motivated by the efficiency gains and new revenue streams that crypto technology might unlock, and they reflect a reallocation of capital toward digital infrastructure.

C) Foreign Direct Investment (FDI)

FDI can be a powerful engine of growth for host countries by bringing in capital, technology, and jobs. The available evidence indicates that despite the virtual nature of their products, crypto and blockchain firms have established a substantial physical global presence in recent years, undertaking greenfield investments and acquisitions abroad. American crypto companies like Coinbase and Gemini established footprints in Europe and Asia, while Asia-born firms (e.g. Crypto.com) set up operations in the U.S. and elsewhere. Such cross-border investments bring capital expenditures (office leases, IT infrastructure), create skilled jobs (developers, compliance officers, etc.), and can generate tax revenue – directly contributing to host country GDP.

Certain jurisdictions have actively courted crypto FDI as part of an economic strategy. For instance, Singapore and Switzerland positioned themselves as crypto-friendly hubs through clear regulations, and in turn attracted dozens of blockchain startups and international conferences, boosting their fintech sectors. With federal changes in policy and regulatory environment, Canada is projected to receive increasing amount of FDI annually. Crypto firms seek locations with favorable business climates, including reliable infrastructure and legal clarity for digital assets – factors that overlap significantly with general determinants of FDI. Improving these institutional factors to attract crypto investment can have spillover benefits for broader economic governance and investor confidence.

All these three investment channels can together have a cumulative impact on total investment, as shown in the following investment function:

$$I = I_{(Infrastructure)} + I_{(Business\ Investment)} + I_{(FDI)}$$

$$K = I - \delta (K)$$

where K stands for capital, I for total investment, and δ to depreciation rate. Imagine that the depreciation rate is 0, as these are new investments and they will not depreciate within the next five years, so

$$K = I$$

so,

$$K_t = I_{(Infrastructure,t)} + I_{(Business\ Investment,t)} + I_{(FDI,t)}$$

As,

$$g_{Infrastructure} = \text{Growth in Infrastructure Investment}$$

And

$$g_{Business\ Investment} = \text{Growth in Business Investment}$$

And

$$g_{FDI} = \text{Growth in FDI}$$

So,

$$K_{t+1} = I_{(Infrastructure,t)} (1 + g_{Infrastructure}) + I_{(Business\ Investment,t)}$$

$$(1 + g_{Business\ Investment,t}) + I_{(FDI,t)} (1 + g_{FDI})$$

One causal mechanism is through increases in consumer spending caused by wealth effect. A rise in crypto asset prices (and hence market capitalization) increases the wealth of crypto holders, which can stimulate consumer spending. This mechanism mirrors the wealth effect of stock markets: as portfolios appreciate, households feel richer and may boost discretionary expenditures. A recent study found that crypto wealth has a marginal propensity to consume of 0.09, which means for every \$1 increase in crypto market capitalization, there would be an increase of \$0.09 or 9 cents in their consumption (Aiello et al., 2023). That being said, an increase of \$500 billion in market cap of crypto in Canada will be translated into \$45 billion increase in consumption which is directly attributable to Canadian GDP.

The wealth effect channel can work through both perceived wealth (as paper gains make consumers more confident) and realized gains (when investors cash out to purchase goods or assets). In macroeconomic terms, an increase in household net worth from crypto could shift the aggregate consumption function upward.

$$C = c(Y)$$

$$C = (1-s)(Y)$$

where C is consumption, c is marginal propensity to consume, s is marginal propensity to save, and Y is real GDP.

One of the other channels through which policy changes in crypto can impact Canadian GDP is through creation of new jobs. As the following equation shows, creation of new jobs (both indirect and direct) will impact the Canadian economy directly and positively.

$$L_{t+1} - L_t / L_t = g_L$$

So,

$$L_{t+1} = L_t (1 + g_L)$$

Where L stands for the total number of labor force in Canada (which is approximately about 21 million), delta L is the number of new jobs created as a result of regulatory changes regarding crypto, and n is the percentage change in labor force.

The other important channel through which blockchain technology market can increase Canadian GDP is through innovation. One channel is through efficiency gains by reducing costs in corporate investment decisions (Du et al., 2023). This is the most important contribution of crypto regulatory changes on Canadian economy. Innovation impacts the total factor productivity of Canadian economy which will help the economy to experience a sustainable rate of growth in the very long-run.

$A_t =$ Total Factor Productivity at year t or current year

$\Delta_A = g_A =$ Total Factor Productivity Growth

$$A_{t+1} = A_t (1 + g_A)$$

Now, based on the above equations, the fundamental equation this paper relies on to model the impact of regulatory changes in crypto and Web3 is by the following:

$$Y = A f(K, L)$$

where Y is the real Canadian GDP at time t .

$$GDP_t = A_t \cdot K_t^\alpha \cdot L_t^{1-\alpha}$$

where α is the output elasticity of capital and $1-\alpha$ is output elasticity of labor. For Canada, α is approximately about 0.58.

So, the projected GDP in year $t+1$ or 2030 will be the following:

$$GDP_{t+1} = A_t (1+g_A) \cdot (K_{t+1} I_{(Infrastructure,t)} (1+g_{Infrastructure}) + I_{(Business Investment,t)})$$

$$(1 + g_{Business Investment,t}) + I_{(FDI,t)} (1 + g_{FDI}))^\alpha \cdot (L_t (1 + g_L))^{1-\alpha}$$

Or

$$GDP_{t+1} = A_{t+1} \cdot (K_{t+1})^\alpha \cdot (L_{t+1})^{1-\alpha}$$

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