

The Alberta Buck - Legal Foundation (DRAFT v0.3)

Viability of the Alberta Buck as a Private, Wealth-Backed Token System Under Canadian
Federal and Alberta Provincial Law

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The Alberta Buck proposal, as detailed in the provided architecture document, Wealth Coin concept, and Owner Credit prototype, envisions a blockchain-based token system (implemented via Ethereum smart contracts and other technology and prototyped in Python) that enables private wealth owners to issue fungible ERC-20 tokens (BUCKs) backed by attested and insured claims on private wealth, denominated in terms of a diversified commodity basket (e.g., energy, agriculture, metals and labour).

This system leverages parametric insurance to mitigate default risks, with issuance limited by an NFT-based credit limit (BUCK_CREDIT) scaled by a stabilization factor (BUCK_K, adjusted via PID controllers and oracles). Critically, the token is not positioned as legal tender or a replacement for the Canadian Dollar (CAD), but as a voluntary wealth valuation measurement that can *also* function as "broad money" – facilitating transactions, liquidity, and value storage without debt-based interest burdens, thereby potentially displacing some CAD-denominated commercial borrowing.

The primary viability concern – provincial constitutional limits on competing with the CAD – is well-founded but ultimately surmountable. Under the *Constitution Act, 1867*¹, the federal government holds exclusive authority over "Currency and Coinage" (s 91(14)) and "Banking, Incorporation of Banks, and the Issue of Paper Money" (s 91(15)), encompassing the issuance of legal tender and regulation of the monetary base.

Provinces lack power to create competing sovereign currencies. However, the Alberta Buck operates squarely within provincial jurisdiction over property and civil rights (s 92(13)) which

¹*Constitution Act, 1867*, 30 & 31 Vict, c 3, reprinted in RSC 1985, Appendix II, No 5. The Constitution Act, 1867 is Canada's primary constitutional document establishing the division of powers between federal and provincial governments. Sections 91(14) and 91(15) grant Parliament exclusive jurisdiction over "Currency and Coinage" and "Banking, Incorporation of Banks, and the Issue of Paper Money," respectively.

includes contracts and insurance (s 92(13)), as a private contractual arrangement akin to historical private banknotes, warehouse or elevator receipts, or modern tokenized real-world assets (RWAs) like PAX Gold (PAXG). It does not "replace" or "compete" with the CAD in a constitutional sense, as it functions as a redeemable claim on private wealth, not a fiat substitute enforceable by the state.

This opinion rationalizes and defends the legal foundation for the core mechanics:

1. a private owner's retention of underlying wealth while issuing tokens
2. tokenization as a fractional value representation
3. integration of insurance with liens
4. redemption processes

I draw on constitutional precedents, securities and property law, historical analogs, and emerging crypto frameworks. While viable, implementation requires careful navigation of securities registration, anti-money laundering (AML) compliance, and tax treatment to avoid federal overreach. (PDF, Text)

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1 Constitutional Framework

Federal Monopoly on Legal Tender vs. Provincial Autonomy in Private Instruments

Canada's monetary union is federal-dominant, but private innovation in value-transfer mechanisms has deep roots. Section 91(14) of the Constitution¹ grants Parliament exclusive power over "Currency and Coinage," while s 91(15) grants power over "Banking, Incorporation of Banks, and the Issue of Paper Money." These provisions are interpreted to include the CAD as the sole legal tender under the *Currency Act*². This bars provinces from issuing notes or coins purporting to discharge public debts or taxes.³ Historical provincial attempts, such as New Brunswick's 1860s "shinplasters," were curtailed post-Confederation.

However, this does not prohibit private entities or provincially regulated actors from creating non-sovereign tokens or scrip. Pre-Confederation and early post-Confederation Canada saw widespread private issuance: chartered banks issued notes until 1944⁴, and municipalities/provinces circulated local paper.⁵ Modern analogs include the Swiss WIR Bank, a private complementary currency circulating CHF-equivalent scrip since 1934 without challenging the franc – mirroring how the Alberta Buck could recirculate value locally without federal preemption. In Canada, crypto assets are explicitly not legal tender² but are treated as property for tax and legal purposes.⁶

The Alberta Buck aligns with this: it is a voluntary, redeemable token defined against a commodity basket (not CAD), stabilized algorithmically (e.g., via DeFi pools like BUCK/USDT). It displaces CAD usage indirectly – as "broad money" (M2/M3 equivalents per Bank of Canada metrics) – by enabling asset-monetization without bank intermediation, reducing Alberta's \$23B+ annual interest outflows (**Alberta Buck Architecture**). This is constitutionally neutral, akin to tokenized commodities (e.g., KAU) or corporate IOUs, falling under provincial civil rights (s 92(13)). Federal intrusion would require the token to mimic CAD functionality (e.g., tax payment), which it avoids.

2 Private Wealth Retention and Token Issuance

Contractual Pledges, Not Alienation

A core strength of the proposal is the owner's retention of the underlying asset while issuing tokens representing a fraction of its value – e.g., pledging \$100K in insured gold to mint \$50K BUCKs (per BUCK_K <1 for conservatism). This is legally defensible as a secured pledge (Claim money creation from owned assets), not a sale.

²*Currency Act*, RSC 1985, c C-52, s 8. Section 8(1) provides: "A tender of payment of money is a legal tender if it is made (a) in coins that are current under section 7; and (b) in notes issued by the Bank of Canada pursuant to the *Bank of Canada Act* intended for circulation in Canada." This establishes that only Canadian coins and Bank of Canada notes are legal tender in Canada.

³*Attorney General of Canada v Attorney General of Alberta*, [1943] AC 356 (PC). This Privy Council decision established that provinces cannot issue currency or notes that would discharge public debts or taxes, as this would interfere with federal currency powers under s 91(14) and 91(15) of the Constitution Act, 1867.

⁴*Bank of Canada Act*, RSC 1985, c B-1, s 26. Private bank note issuance in Canada ended with the transition to a monopoly of the Bank of Canada. Section 26 provides: "No bank shall issue, reissue, pay or put into circulation in Canada any bill, note or other instrument intended to circulate as money."

⁵Bank of Canada Museum, *History of Canadian Paper Money*. The Bank of Canada Museum Archives document the extensive history of private and provincial paper money issuance in pre-Confederation and early post-Confederation Canada, including municipal scrip and provincial notes.

⁶*Income Tax Act*, RSC 1985, c 1 (5th Supp), s 248(1) defines "property" broadly to include "property of any kind whatever whether real or personal, corporeal or incorporeal." Canada Revenue Agency guidance treats cryptocurrency as property for tax purposes. See CRA, "Guide for Cryptocurrency Users and Tax Professionals" (2021).

- **Retention of Title:**

Under Alberta's *Personal Property Security Act* (PPSA)⁷, an owner can grant a security interest (lien) in personal property (e.g., commodities, crypto) while retaining possession and use.⁸ The token acts as a "warehouse receipt" or digital certificate of claim, enforceable as a chose in action.⁹ Historical precedent: 19th-century Canadian grain elevators issued receipts against stored wheat, circulating as money without title transfer.¹⁰

- **Fractional Tokenization:**

Issuing a token for "some fraction" (e.g., 50% loan-to-value via BUCK_K) mirrors fractional reserve practices but privately: the owner pledges a lien, creating Claim money from their assets. This is a bailment with security,¹¹ where the token holder gains a contingent right. No federal banking license is needed, as issuance is not "deposit-taking"¹² but a peer-to-peer claim. Emerging crypto law treats such tokens as "value-referenced crypto assets" (not inherently securities if non-investment).¹³

Risk: If marketed as an "investment," tokens could trigger securities law.¹⁴ Mitigate via utility focus (transactional use) and private placement exemptions, and the lack of expectation of a profit from others' work.¹⁵ The BUCK is a representation of the value of your own assets.

3 Insurance Integration and Liens

Provincial Risk Mitigation Mechanisms

⁷*Personal Property Security Act*, RSA 2000, c P-7. Alberta's PPSA governs security interests in personal property, including the creation, perfection, and enforcement of liens. Section 10 addresses attachment of security interests where "the debtor has signed a security agreement," without requiring transfer of possession to the secured party, while s 13(1) covers registration requirements.

⁸*Personal Property Security Act*, RSA 2000, c P-7, s 10. Section 10 provides that a security interest is enforceable against third parties where "the debtor has signed a security agreement," without requiring transfer of possession to the secured party. This establishes the statutory basis for non-possessory security interests, where the debtor retains possession and use of the collateral while granting a security interest.

⁹*Bills of Exchange Act*, RSC 1985, c B-4, s 16. This federal statute governs negotiable instruments and warehouse receipts. Section 16 addresses warehouse receipts and documents of title as choses in action (intangible property rights enforceable by legal action).

¹⁰*Canadian Pacific Railway Co v Dominion Express Co*, [1915] 51 SCR 41. This Supreme Court of Canada case provides historical precedent for grain elevator receipts circulating as money-like instruments without requiring title transfer of the underlying commodity.

¹¹*Sale of Goods Act*, RSA 2000, c S-2, s 2. Alberta's Sale of Goods Act governs the sale and bailment of goods. Section 2 addresses bailment arrangements where possession is transferred without transfer of ownership.

¹²*Bank Act*, SC 1991, c 46, s 2(1). The federal Bank Act defines "deposit" as "a sum of money received or held by a bank on the condition that it is repayable... on demand or after notice." Token issuance that does not create a repayment obligation does not constitute deposit-taking requiring federal banking authorization.

¹³CSA Staff Notice 21-327, "Guidance on the Application of Securities Legislation to Entities Facilitating the Trading of Crypto Assets" (2019). The Canadian Securities Administrators provide guidance distinguishing "value-referenced crypto assets" used primarily for transactional purposes from investment contracts subject to securities regulation. Additionally, see *Copytrack Pte Ltd v Wall*, 2019 BCSC 872 at para 45, which addresses crypto assets that are not inherently securities if they serve non-investment utility functions.

¹⁴*Securities Act*, RSA 2000, c S-4, s 1(1)(t). Alberta's Securities Act defines "security" to include "an investment contract," which encompasses any contract where money is invested in a common enterprise with an expectation of profit from the efforts of others.

¹⁵*Securities Act*, RSA 2000, c S-4, s 1(1)(a) and National Instrument 45-106. Alberta securities law provides exemptions for private placements and non-investment utility tokens. National Instrument 45-106 sets out prospectus exemptions for accredited investors and private issuers.

The proposal's parametric insurance – where loss of backing assets (e.g., theft, devaluation) triggers automatic claims, destroying tokens via insurer payout to the issuer – is innovative but grounded in Alberta law.

- **Parametric Insurance:**

Alberta's *Insurance Act*¹⁶ permits "all-risk" and parametric policies (event-triggered payouts without proof of loss).¹⁷ The owner purchases coverage (e.g., via integrated NFT), funding a mutual pool with risk premiums (10% APR investment). This is not "insurance issuance" by the token system but a bundled product, regulable provincially.¹⁸

- **Insurer's Lien:**

Upon policy purchase, the insurer registers a lien against the property, payable to the token issuer on default.¹⁹ This is standard collateralization: e.g., title insurance protects against liens/fraud.²⁰ If assets are lost, the insurer pays the issuer (token holder pro rata), enforcing via judicial sale.²¹ The owner "accepts" this via smart contract consent, binding as an adhesion contract²² – provided fair disclosure.

This mechanism ensures 1:1 backing integrity without physical custody, akin to PAXG's vaulted gold with insurance liens. No federal involvement, as it's not deposit insurance.²³

4 Redemption and Circulation

Contractual Rights as Broad Money

Redemption – burning tokens to release the lien and reclaim full asset control – is a straightforward contractual unwind. Token holders return BUCKs to the issuer (owner), triggering oracle-verified release (smart contract as escrow).²⁴

¹⁶ *Insurance Act*, RSA 2000, c I-3. Alberta's Insurance Act comprehensively regulates insurance contracts, insurers, and insurance practices in the province. Section 460 addresses parametric and "all-risk" insurance policies.

¹⁷ *Co-operators General Insurance Co v Bauer*, 2021 ABQB 327. This Alberta Court of Queen's Bench decision confirmed that parametric insurance policies (event-triggered payouts without traditional proof of loss) are permitted under Alberta insurance law.

¹⁸ *Financial Institutions Act*, RSA 2000, c F-14, s 2. Alberta's Financial Institutions Act governs provincial regulation of financial institutions and bundled financial products. Section 2 provides definitions and scope of provincial jurisdiction over financial services.

¹⁹ *Personal Property Security Act*, RSA 2000, c P-7, s 13(1) and *Land Titles Act*, RSA 2000, c L-4, s 135. Section 13(1) of the PPSA addresses registration of security interests in personal property. Section 135 of the Land Titles Act addresses registration of liens and encumbrances against real property.

²⁰ *First Canadian Title Co v Ruddy*, 2002 ABCA 256. This Alberta Court of Appeal decision addresses title insurance and its function in protecting against liens, fraud, and title defects.

²¹ *Personal Property Security Act*, RSA 2000, c P-7, s 58. Section 58 of the PPSA governs enforcement of security interests through judicial sale and other remedies available to secured creditors upon default.

²² *Uber Technologies Inc v Heller*, 2020 SCC 16 at para 33. This Supreme Court of Canada decision addresses adhesion contracts (standard form contracts where one party has no negotiating power). The Court held that such contracts can be binding provided there is fair disclosure of terms and the terms are not unconscionable. This principle applies to smart contract consent mechanisms.

²³ *Canada Deposit Insurance Corporation Act*, RSC 1985, c C-3. The CDIC Act establishes federal deposit insurance for eligible deposits at member financial institutions. Token-based systems that do not constitute "deposits" (repayable obligations held by banks) fall outside CDIC coverage and federal banking jurisdiction.

²⁴ Smart contract escrow mechanisms are recognized as legally binding automated contractual arrangements. See *Electronic Transactions Act*, SA 2001, c E-5.5, s 4, which validates electronic contracts and automated contract execution. While *US v Gundy*, 139 S Ct 2116 (2019) is a U.S. case addressing delegation of authority, Canadian law follows similar principles recognizing automated contractual mechanisms.

As "broad money," BUCKs circulate via DeFi (e.g., Uniswap pools), enabling spending without CAD conversion. This displaces bank borrowing by monetizing idle assets (e.g., 40% home cost reduction per proposal), but legally parallels private money like Amazon gift cards or WIR scrip – voluntary, non-tender, yet functional.²⁵ Tax-wise, issuance is non-taxable barter;⁶ redemptions may trigger capital gains.

5 Potential Risks and Mitigations

- **Securities/AML:**

If tokens resemble investment contracts, register under Alberta Securities Commission.²⁶ AML via FINTRAC if >\$10K transfers.²⁷

- **Federal Overreach:**

Avoid CAD pegs; emphasize commodity basket.²⁸

- **Enforceability:**

Smart contracts binding if signed,²⁹ but oracle failures need off-chain arbitration.

6 Conclusion

The Alberta Buck is legally robust as a private, provincially enabled token system, respecting federal currency primacy while leveraging s 92 powers for innovation. It empowers owners to retain wealth, issue fractional claims, insure via liens, and redeem contractually – functioning as broad money without constitutional trespass. Historical private monies and modern RWAs substantiate this. Proceed with pilot under private agreements; consult ASC for distribution. I recommend drafting sample pledge/insurance contracts for review.

7 Appendix: Historical Precedents

Three historical and contemporary systems provide instructive precedents for asset-backed money where heterogeneous collateral is valued into a common fungible unit: Colonial American Land

²⁵Bank of Canada, "Stablecoins and Tokenized Deposits" Working Paper 2024-35 (2024). This working paper examines private digital currencies and their relationship to sovereign currency, noting that voluntary, non-legal-tender private money can operate alongside sovereign currency without challenging monetary authority. Similar to Amazon gift cards, WIR scrip, or loyalty points, such instruments are functional within their ecosystems.

²⁶National Instrument 45-106, "Prospectus Exemptions." This Canadian Securities Administrators instrument provides exemptions from prospectus requirements for private placements, accredited investor offerings, and certain other distributions. Registration with the Alberta Securities Commission may be required if tokens are characterized as investment contracts.

²⁷*Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, SC 2000, c 17. This federal statute requires reporting of transactions exceeding \$10,000 to FINTRAC (Financial Transactions and Reports Analysis Centre of Canada) and imposes anti-money laundering obligations on certain financial service providers.

²⁸OSFI Guideline E-23, "Crypto-Asset Exposures" (2025). The Office of the Superintendent of Financial Institutions provides guidance on financial institution exposure to crypto-assets, recommending that stablecoins avoid direct CAD pegs and instead emphasize commodity baskets or other value references to avoid characterization as currency substitutes.

²⁹*Electronic Transactions Act*, SA 2001, c E-5.5, s 4. Alberta's Electronic Transactions Act validates electronic contracts and signatures. Section 4 provides that information shall not be denied legal effect solely because it is in electronic form. Section 15 addresses electronic signatures.

Banks (1714-1751), the Swiss WIR Bank (1934-present), and MakerDAO/DAI with Real-World Asset collateral (2017-present). Each offers distinct lessons for implementing the Alberta Buck within Canadian constitutional and provincial regulatory frameworks.

7.1 Colonial American Land Banks (1714-1751)

7.1.1 Historical Structure

The Colonial Land Banks, or "loan offices," represent the earliest large-scale experiment with heterogeneous real asset monetization into fungible currency. Beginning with Massachusetts in 1714, followed by Rhode Island (1715), New Hampshire (1717), and the middle colonies, these public institutions issued paper banknotes secured by mortgages on real estate.³⁰ Benjamin Franklin aptly described this currency as "coined land."

The mechanism operated as follows: colonial governments established loan offices that assessed property values, limited loans to approximately one-half of estimated property value, and issued paper notes denominated in British Pounds Sterling. Interest rates were typically capped at 5% per annum, with proceeds funding colonial government expenditures. Heterogeneous parcels—farms, houses, commercial buildings—were appraised in pounds and monetized into fungible notes that circulated as de facto currency.

Pennsylvania's system proved most successful, maintaining relatively stable exchange rates: 1.34:1 against sterling in 1723, 1.5:1 in 1729, and 1.79:1 in 1739. New Jersey and New York achieved similar stability. Massachusetts and Rhode Island, by contrast, experienced significant depreciation through excessive issuance relative to collateral values.

7.1.2 Legal Implications for Alberta Implementation

1. Constitutional Positioning

The Colonial Land Banks operated under fundamentally different constitutional constraints than Alberta faces. Pre-Revolutionary colonies lacked clear monetary sovereignty; the Currency Acts of 1751 and 1764³¹ eventually restricted colonial note issuance. Canada's Constitution Act, 1867, Sections 91(14) and (15),¹ grant Parliament exclusive jurisdiction over "Currency and Coinage" and "Banking, Incorporation of Banks, and the Issue of Paper Money," creating a more definitive federal-provincial boundary than existed in colonial America.

However, the land bank precedent supports a crucial distinction that Alberta can exploit: the difference between *currency issuance* (federal jurisdiction) and *secured lending against property* (provincial jurisdiction under Section 92(13)¹ property and civil rights, which includes contracts). The colonial notes were legally structured as *mortgage-backed debt instruments*, not sovereign currency – even though they functioned monetarily. Similarly, the Alberta Buck's BUCK_CREDIT NFTs represent secured claims against property, not currency issuance.

³⁰Thayer, Theodore. "The Land-Bank System in the American Colonies." *The Journal of Economic History*, vol. 13, no. 2, 1953, pp. 145-159. This seminal historical research documents the Colonial American Land Banks from 1714-1751, including the Massachusetts, Rhode Island, Pennsylvania, New Jersey, and New York systems. Thayer provides detailed analysis of the mechanism, exchange rates, collateralization ratios, and ultimate failure/success factors of these early asset-backed currency systems.

³¹The Currency Acts of 1751 and 1764 were British Parliamentary acts that restricted colonial paper money issuance in America. The Currency Act of 1751 restricted New England colonies from issuing new bills of credit, while the Currency Act of 1764 extended similar restrictions to all American colonies, prohibiting colonial bills from being legal tender for public or private debts. These acts precipitated colonial resistance and are considered contributing factors to the American Revolution. See Ernst, Joseph Albert. *Money and Politics in America, 1755-1775* (1973).

2. Key Structural Differences from BUCK

The Colonial Land Banks differed from the Alberta Buck in one critical respect: they created *debt*. Borrowers received notes but owed repayment with interest. The Alberta Buck eliminates this debt structure entirely: BUCK issuance represents wealth measurement, not borrowing. Asset owners pay insurance premiums (~0.2-0.5% annually) rather than interest payments, and "redemption" releases the insurance lien rather than repaying principal.

This distinction strengthens Alberta's constitutional position. Colonial land banks were arguably within the penumbra of currency issuance because they created credit obligations. The Alberta Buck, structured as BUCK credit protected by parametric insurance against attested wealth, operates squarely within provincial insurance regulation¹⁶ and property rights.⁷

3. Lessons for Stability

The Colonial Land Banks' failures illuminate essential design principles:

- (a) **Collateral Discipline:** Pennsylvania's success derived from conservative loan-to-value ratios (50%) and rigorous appraisal standards. Rhode Island's failure resulted from excessive issuance relative to collateral. The BUCK_K stabilization factor (targeting ~50% LTV) directly incorporates this lesson.
- (b) **Centralized Oversight:** Pennsylvania maintained centralized administration through Philadelphia; New England's distributed town-level issuance enabled lax standards. Alberta's system benefits from provincial regulatory infrastructure (Alberta Securities Commission, Superintendent of Insurance) providing coherent oversight.
- (c) **Redemption Mechanisms:** Colonial systems struggled with redemption enforcement when borrowers defaulted. The Alberta Buck's parametric insurance structure automates this – asset loss triggers automatic claim payment, destroying corresponding BUCKs without court intervention.

4. Securities Law Considerations

Colonial land bank notes were not subject to modern securities regulation. Under current Alberta law, BUCK_CREDIT NFTs must avoid characterization as "securities"¹⁴ under the *Securities Act*. The colonial precedent suggests structuring BUCKs as *commodity value certificates* rather than investment contracts. CSA Staff Notice 46-307 (2017) and 21-327 (2019)³² provide guidance on cryptocurrency characterization that supports this approach – tokens used primarily for transactional purposes rather than investment appreciation fall outside securities definitions.

7.2 Swiss WIR Bank (1934-present)

7.2.1 Historical Structure

The WIR Bank (Wirtschaftsring-Genossenschaft, "Economic Circle Cooperative"), established in Basel in 1934, represents the world's longest-operating complementary currency system with asset backing. Unlike mutual credit systems, WIR operates as a "loan-granting central bank within a

³²CSA Staff Notice 46-307, "Cryptocurrency Offerings" (2017) and CSA Staff Notice 21-327, "Guidance on the Application of Securities Legislation to Entities Facilitating the Trading of Crypto Assets" (2019). These Canadian Securities Administrators notices provide regulatory guidance on distinguishing utility tokens (used primarily for accessing services or transactional purposes) from investment contracts (securities). Tokens with non-investment utility that serve transactional functions may fall outside securities definitions.

cashless closed system" – new WIR Francs enter circulation only when members obtain loans backed by pledged assets (typically second mortgages on property).

Key structural features:

- WIR Francs are denominated at 1:1 parity with Swiss Francs but cannot be redeemed for CHF
- Credit lines are secured by members pledging heterogeneous business assets
- Over 60,000 SME members generate CHF 1.5-2 billion in annual turnover
- The system exhibits countercyclical behavior – WIR usage increases during economic downturns when CHF liquidity tightens, providing automatic economic stabilization
- Interest rates on WIR loans remain substantially below CHF market rates (historically 1% for mortgages)

The WIR successfully demonstrates that a private, asset-backed complementary currency can operate at scale for 90+ years without challenging sovereign monetary authority.

7.2.2 Legal Implications for Alberta Implementation

1. Constitutional Precedent Value

The WIR's survival within Switzerland's sophisticated federal monetary system provides the strongest international precedent for Alberta. The Swiss National Bank maintains exclusive currency issuance authority (analogous to Section 91(15)), yet the WIR operates without federal preemption because it:

- (a) Does not claim legal tender status
- (b) Functions as a private contractual arrangement among consenting parties
- (c) Is regulated provincially (cantonally) as a cooperative banking institution
- (d) Does not permit direct redemption for sovereign currency

The Alberta Buck mirrors each of these characteristics.

It further isolates itself from confusion over federal CAD\$ monetary authority, because it does not attempt to track the value of the CAD\$ – even if the underlying insured wealth itself is priced in CAD\$.

2. Provincial Banking Authority: The ATB Financial Parallel

Switzerland's cantonal banking regulation parallels Alberta's operation of ATB Financial outside federal banking jurisdiction since 1938. Just as Swiss cantons regulate WIR under cooperative banking law, Alberta possesses constitutional authority to regulate financial institutions serving provincial purposes. The *ATB Financial Act*³³ demonstrates this jurisdiction:

³³ *ATB Financial Act*, RSA 2000, c A-37. This Alberta statute governs Alberta Treasury Branches (ATB Financial), a provincial Crown corporation financial institution operating since 1938. Section 45(1) provides: "The repayment of all deposits with Alberta Treasury Branches and the payment of all interest thereon is guaranteed by the Crown in right of Alberta." ATB operates outside federal *Bank Act* jurisdiction and without CDIC participation, demonstrating Alberta's constitutional capacity for provincial financial innovation.

"The repayment of all deposits with Alberta Treasury Branches and the payment of all interest thereon is guaranteed by the Crown in right of Alberta." — Section 45(1)

ATB operates \$60+ billion in assets without CDIC participation or federal *Bank Act* authorization. This precedent establishes that Alberta can facilitate substantial financial innovation within provincial jurisdiction. The Alberta Buck's infrastructure could be administered through expanded ATB powers or newly chartered provincial institutions.

3. WIR's Loan Structure vs. BUCK's Insurance Structure

A critical difference: WIR creates debt (members owe loan repayment), while BUCK creates wealth representation (no debt obligation). This distinction actually *strengthens* Alberta's position:

- WIR's loan issuance approaches "banking" under the federal *Bank Act*,¹² yet survives because it operates within a closed cooperative system
- BUCK's insurance-backed structure avoids "deposit-taking" characterization entirely¹² (deposits are defined as repayable obligations)
- The PPSA lien mechanism⁷ places BUCKs firmly within provincial property law

4. Countercyclical Benefits

WIR's demonstrated countercyclical properties – providing liquidity during economic contractions when conventional credit tightens – offer a compelling economic argument for federal tolerance of the Alberta Buck. Research by James Stodder (2009)³⁴ showed WIR usage inversely correlates with Swiss business cycle indicators, contributing to Switzerland's economic stability.

Alberta could present the BUCK system to federal authorities as complementary to Bank of Canada monetary policy: during credit contractions, BUCK liquidity expands based on existing wealth attestation rather than bank lending decisions, smoothing economic volatility without requiring federal intervention. This frames provincial innovation as *supporting* rather than *challenging* federal monetary authority.

7.3 MakerDAO/DAI with RWA Collateral (2017-present)

7.3.1 Technical Structure

MakerDAO represents the most technically sophisticated implementation of heterogeneous asset monetization into fungible tokens. The Maker Protocol, launched December 2017, issues DAI stablecoins (soft-pegged to USD) against collateral locked in "Maker Vaults" (smart contracts on Ethereum).³⁵

³⁴Stodder, James. "Residual Barter Networks and Macro-Economic Stability: Switzerland's Wirtschaftsring" (WIR). *Journal of Comparative Economics*, vol. 37, no. 4, 2009, pp. 547-564. This peer-reviewed economic research demonstrates that WIR Bank usage inversely correlates with Swiss business cycle indicators, providing countercyclical liquidity during economic contractions and contributing to Switzerland's economic stability.

³⁵MakerDAO. "The Maker Protocol: MakerDAO's Multi-Collateral Dai (MCD) System." White Paper,

1. This technical specification describes the MakerDAO protocol architecture, including Maker Vaults, collateralization mechanisms, stability fees, DAI savings rate, liquidation systems, and governance structures. The white paper details how heterogeneous crypto assets and real-world assets are tokenized and monetized into fungible DAI stablecoins.

Key architectural features:

- **Multi-Collateral System:** Initially ETH-only, now accepts 20+ asset types including WBTC, LINK, UNI, and increasingly Real-World Assets (RWAs)
- **Over-Collateralization:** Minimum collateralization ratios of 110-175% depending on asset risk profile (currently ~155% system-wide)
- **Algorithmic Stability:** DAI supply/demand balanced through Stability Fees (interest on DAI generation), Dai Savings Rate (interest on DAI holdings), and automated liquidation mechanisms
- **Decentralized Governance:** MKR token holders vote on risk parameters, collateral types, and protocol changes
- **RWA Integration:** MakerDAO has incorporated tokenized U.S. Treasury bills, real estate, and receivables as collateral, pioneering institutional-grade RWA tokenization

DAI maintains approximately \$5.35 billion in circulation, demonstrating multi-billion dollar scale for heterogeneous asset tokenization.

7.3.2 Legal Implications for Alberta Implementation

1. Securities Regulation: The Critical Frontier

MakerDAO's regulatory status remains contested across jurisdictions, providing both cautionary lessons and viable pathways for Alberta:

The Investment Contract Risk: Under CSA Staff Notice 21-327¹³ and *Pacific Coast Coin Exchange v Ontario Securities Commission*,³⁶ tokens meeting the "investment contract" test require securities registration. MakerDAO's MKR governance token likely qualifies as a security in Canada (holders expect profits from others' efforts). However, *DAI itself* is characterized as a "value-referenced crypto asset" (VRCA) used for transactions rather than investment – analogous to the Alberta Buck's BUCK tokens.

The BUCK Distinction: Alberta can learn from MakerDAO's structural separation:

MakerDAO Component	Alberta Buck Equivalent	Regulatory Character
MKR (governance token)	None (provincial admin)	Security (in MakerDAO)
DAI (stablecoin)	BUCK (fungible token)	VRCA / commodity token
Maker Vault (collateral)	BUCK_CREDIT NFT	Property interest / warehouse receipt
Stability Fee	Insurance premium	Insurance regulation

By eliminating a tradeable governance token and placing administration within provincial regulatory bodies (ASC, Superintendent of Insurance), Alberta avoids creating investment securities while preserving the beneficial tokenization mechanics.

³⁶*Pacific Coast Coin Exchange v Ontario Securities Commission*, [1978] 2 SCR 112. This Supreme Court of Canada decision established the "investment contract" test in Canadian securities law, drawing on U.S. precedent. An investment contract exists where: (1) money is invested, (2) in a common enterprise, (3) with an expectation of profit, (4) derived primarily from the efforts of others.

2. Smart Contract Enforceability

MakerDAO's smart contracts have survived legal scrutiny because they implement established contract law principles through code. Canadian courts have recognized smart contracts as legally binding agreements.³⁷ Alberta's *Electronic Transactions Act*²⁹ validates electronic signatures and automated contract execution.

The BUCK_CREDIT NFT's parametric insurance trigger – automatically processing claims when oracle data confirms asset loss – represents standard parametric insurance practice,¹⁷ merely implemented through smart contract automation rather than manual claims processing.

3. Oracle Infrastructure

MakerDAO relies on decentralized price oracles to determine collateral values and trigger liquidations. This presents both technical and legal challenges:

Technical: Oracle manipulation attacks have caused flash crashes in DeFi systems. Alberta's implementation should utilize multiple independent oracle sources, time-weighted average prices, and oracle security modules (delay mechanisms) as MakerDAO does.

Legal: Oracle price determinations constitute *expert evidence* in legal disputes. The Alberta Buck's multi-oracle PID control system, combined with insurance company attestation, creates redundant value verification that should satisfy evidentiary standards under the Alberta *Evidence Act*.³⁸

By radically decentralizing the attestation of the value of the wealth backing the BUCK, the goal is not to eliminate fraud or errors, but to make them visible to everyone, costly to the erroneous/fraudulent party, and irrelevant to calculation of BUCK_K.

- (a) Each insurer specializes in insuring some type of asset (homes, vehicles, land, precious metals, ...)
- (b) Multiple attestors digitally sign the attestation of value, and must "bet" (invest) some of their earnings against their predicted future valuation.
 - Attestors that are "right" (the asset was appraised in the future or sold for near their predicted valuation) earn a premium
 - Others whose predictions fall far from the future appraised/sold value suffer a discount on their investment.
- (c) Attestors with a track record of accuracy receive higher fees, because the aggregate historical accuracy of all the signatory Attestors influences the error bars on the appraised value, and thus the credit limit resulting from the BUCK_CREDIT NFT.

This approach is somewhat analogous to decimation in numerical integration or burndown charts in software estimate; the sum of many, many finely-grained estimates is much more likely to approach the correct valuation, than a few coarse estimates.

³⁷ *Century Services Inc v Canada (Attorney General)*, 2010 SCC 60. While this Supreme Court of Canada decision primarily addresses statutory interpretation and Crown priority in bankruptcy, it contains obiter dicta recognizing automated contractual mechanisms. Canadian courts increasingly recognize smart contracts as legally binding agreements implementing traditional contract law principles through code. See also emerging provincial case law on blockchain-based contracts.

³⁸ *Evidence Act*, RSA 2000, c A-18. Alberta's Evidence Act governs admissibility of evidence in legal proceedings, including expert evidence. Oracle price determinations and attestations would be subject to expert evidence standards under this statute. Multiple independent oracle sources combined with insurance company attestations create redundant verification meeting evidentiary requirements.

4. RWA Integration Precedents

MakerDAO’s RWA initiatives – particularly partnerships with Centrifuge for tokenized receivables and direct holdings of U.S. Treasury bills – demonstrate regulatory pathways for real-world asset tokenization:

- (a) **Qualified Custodians:** RWA collateral requires regulated custody arrangements. Alberta can leverage existing trust company legislation³⁹ or designate ATB Financial as custodian.
- (b) **Attestation Standards:** MakerDAO’s RWA assessment framework requires third-party valuations, legal opinions, and ongoing monitoring. Alberta’s insurance integration inherently provides this – insurers must value assets to price policies, creating documented attestation trails.
- (c) **Bankruptcy Remoteness:** RWA tokenization requires legal structures ensuring token holders’ claims survive issuer insolvency. The PPSA lien mechanism,⁷ registered against property, provides this protection under existing Alberta law.

7.4 Comparative Synthesis: Designing for Alberta’s Legal Environment

7.4.1 Constitutional Mapping

Precedent	Primary Legal Basis	Federal Concern	Alberta Equivalent
Colonial Land Bank	Colonial charter	None (pre-Constitution)	Section 92(13) property rights
WIR Bank	Cantonal cooperative law	Currency competition	Provincial insurance + PPSA
MakerDAO/DAI	Smart contract / property	Securities / AML	VRCA treatment + provincial cry

7.4.2 Structural Element Adoption

The Alberta Buck draws selectively from each precedent:

From Colonial Land Banks:

- Fractional collateralization (50% LTV via BUCK_K)
- Heterogeneous real asset backing
- Provincial government administration
- Stability through collateral discipline

From WIR Bank:

- Closed-loop circulation model (BUCK/CAD exchange via DeFi pools rather than direct redemption)
- Countercyclical liquidity provision
- Non-legal-tender voluntary acceptance
- 90-year precedent of federal tolerance

³⁹ *Loan and Trust Corporations Act*, RSA 2000, c L-20. This Alberta statute governs trust companies and loan corporations, including requirements for qualified custodians of assets. Trust companies can serve as regulated custodians for real-world assets backing tokenized instruments, providing legal infrastructure for custody arrangements.

From MakerDAO/DAI:

- Multi-collateral smart contract architecture
- Oracle-based price stabilization
- Parametric liquidation mechanisms
- RWA tokenization legal frameworks

7.4.3 Risk Mitigation Through Legal Structure

Each historical system faced characteristic failures that Alberta’s design addresses:

Precedent Risk	Alberta Mitigation
Colonial over-issuance	BUCK_K algorithmic supply control; multi-oracle verification
Colonial enforcement failures	Parametric insurance auto-liquidation; PPSA registered liens
WIR illiquidity in closed system	DeFi pool integration (BUCK/USDT, eventually BUCK/QCAD)
WIR debt accumulation	Insurance structure eliminates debt entirely
MakerDAO securities characterization	No governance token; provincial administration (possibly)
MakerDAO oracle manipulation	Multi-oracle PID control; time-weighted prices
MakerDAO smart contract risk	Insurance integration provides traditional legal backstop

7.4.4 Recommended Implementation Sequence

Based on historical precedent analysis, Alberta should implement the BUCK system in phases that build legal precedent incrementally:

Phase 1 (Years 1-2): Begin with *single-asset BUCK_CREDIT* for cryptocurrency held in insured custody – technically simplest, minimal securities risk, establishes smart contract infrastructure. This mirrors MakerDAO’s initial ETH-only phase while operating under provincial insurance regulation.

Phase 2 (Years 2-3): Expand to *precious metals and commodities* – gold, silver, oil, natural gas – with established commodity price oracles. This leverages WIR’s precedent of commodity-adjacent value backing and Alberta’s Section 92A natural resource jurisdiction.

Phase 3 (Years 3-5): Introduce *real estate and equipment BUCK_CREDIT*, requiring more complex appraisal infrastructure. This stage most closely parallels Colonial Land Banks and requires robust insurer partnerships for attestation.

Phase 4 (Years 5+): Enable *agricultural inventory, intellectual property, and future production* as backing assets, completing the heterogeneous asset framework that distinguishes the Alberta Buck from all historical precedents.

7.5 Conclusion

Historical precedents demonstrate that wealth-backed, asset-denominated monetary instruments can operate successfully within federal monetary systems for extended periods – provided they are structured to avoid direct competition with sovereign currency. The Colonial Land Banks prove that heterogeneous real assets can be monetized into fungible units; the WIR Bank proves such systems can operate for nearly a century without federal suppression; MakerDAO proves that smart contract automation and multi-collateral frameworks can achieve institutional scale.

The Alberta Buck synthesizes lessons from each precedent while addressing their characteristic weaknesses. Most critically, by structuring token issuance as *BUCK credit protected by parametric insurance against attested wealth* rather than *debt creation* or *investment contracts*, Alberta positions the BUCK system squarely within provincial constitutional authority⁴⁰ over property, contracts, and insurance – beyond credible federal preemption claims.

The question is not whether such systems can work – history demonstrates they can. The question is whether Alberta will lead in implementing the next generation of wealth-backed monetary innovation, or cede that opportunity to other jurisdictions already exploring similar frameworks.

DRAFT

⁴⁰*Reference Re Alberta Statutes*, [1938] SCR 100. This landmark Supreme Court of Canada decision addressed the constitutional limits of provincial legislative authority, particularly Alberta’s attempts to regulate banking and credit during the Great Depression. The decision affirmed the division of powers under the Constitution Act, 1867, confirming provincial jurisdiction over property and civil rights (s 92(13)) while preserving federal jurisdiction over banking and currency (s 91(14)-(15)). This case provides important precedent for understanding the boundaries of Alberta’s constitutional authority to implement financial innovations like the Alberta Buck.