

Anticipated activities of Economic Prisoner

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Abstract

Before assigning a registration number, FINTRAC has requested a summary of ECONOMIC PRISONER's activity. This report will explain the anticipated activities of ECONOMIC PRISONER, while focusing on Money Service Business-related activity.

Note: Currently, this is a draft with summaries only.

0.1 Hosting a Bitcoin (and other cryptocurrency) node

Since about March of 2014, I have been using commercial Internet access to host a node on the BITCOIN network. The machine has also been hosting a P2POOL (distributed mining pool) and NAMECOIN (irrevocable domains) node. I did not bother trying to register as a Money Service Business at that time: because there is no way to even theoretically comply with the applicable KYC guidelines. In the future, I hope to host a MONERO (uses optional ring signatures to hide the sender), FRIECOIN (Demurrage) as well as a TESTNET (for testing the DARKWALLET software) node.

0.2 Operating as a Money Service Business

The purpose of applying for Money Service Business registration is two-fold:

1. There appears to be no exemption in regulations for exchanging small amounts of currency. I hope to force the issue by documenting how to comply with the law in a technical sense.
2. While I have abstained from buying and selling BITCOIN more than occasionally due to regulatory uncertainty, I can use the extra income. As a bonus, selling BITCOIN to individuals allows me help increase its use. As a result, any BITCOIN I hold may increase in value as a result.

I expect to buy Bitcoins with CAD, as well as sell Bitcoins for CAD. I may buy and sell small amounts of other currencies (such as USD, EUR, gold/silver coins) and exchange them for other cryptocurrencies (such as BITCOIN, NAMECOIN, MONERO) as well. However, I expect the bulk of my exchanges will be denominated in BITCOIN and CAD.

In order to avoid onerous customer identification requirements as much as possible, I plan to exchange less than \$1000/day. While that in itself would be considered “structuring” in the UNITED STATES, such behaviour does have some security benefits. I also currently lack the capital to deal in more than \$1000/day.

0.3 Arbitrage

Once I have a commercial bank account established, I may buy and sell BITCOIN at more than one exchange. The goal would be to make more money on any price differential than would be lost in fees. It *is possible* to do this without a bank account: by moving BITCOIN in and out as the spread changes over time. Because centralized, unregulated exchanges have a habit of being “hacked”, this activity will likely be limited. In the decentralized case, arbitrage will essentially be my MSB activity described above.

0.4 Web hosting

I hope to offer web hosting in exchange for Bitcoins. Because the webhost I plan resell accepts CANADA POST money orders, I do not even need a bank account for this. For Virtual Private Servers, I may use the services of a Bitcoin-accepting webhost specializing in that. I have seen signals that simply accepting BITCOIN for payment does *not* require registration.