

COUNCIL MEMBERS' MOTION

For consideration at the Standing Committee meeting of City Council on December 11, 2024

3. Preserving of the City's Purchasing Power Through Diversification of Financial Reserves – Becoming A Bitcoin Friendly City

Submitted by: Mayor Sim

WHEREAS

1. The City of Vancouver holds financial reserves intended to serve as a safeguard for the city's fiscal health;
2. The City of Vancouver has a fiduciary responsibility to manage its financial reserves prudently and to safeguard the purchasing power of its funds;
3. The purchasing power of traditional fiat currencies through centralized monetary systems has faced increasing challenges in recent years due to inflationary pressures, expansive monetary policy (i.e., excessive money printing), and economic instability, leading to significant currency debasement;
4. In 2008, Satoshi Nakamoto (a pseudonym) published the famous Bitcoin whitepaper titled *Bitcoin: A Peer-to-Peer Electronic Cash System* which laid out the foundational principles of Bitcoin as a decentralized, digital currency impervious to the ups and downs of centralized monetary systems;¹
5. As an open, decentralized, and secure digital asset, Bitcoin has been recognized by many financial experts and analysts as a potential hedge against inflation and currency debasement and represents a viable store of value due its capped supply and growing adoption in the global economy;
6. As regulatory frameworks have evolved over the course of Bitcoin's 16-year existence, and the use of Bitcoin has diversified, Bitcoin has earned a solid reputation and gained broad acceptance and garnered institutional interest. Bitcoin has been the number one best performing financial asset over the past 16 years, and major institutions and investors are increasingly coming to see Bitcoin as a legitimate, long-term store of value. Examples include Fidelity, BlackRock, Charles Schwab, Deutsche Bank, Agricole, and Banco Santander, all of which have become Bitcoin investors / supporters, as well as various exchange-traded funds (ETF);
7. A growing number of cities globally have begun to explore the integration of Bitcoin and other cryptocurrencies into their financial strategies, demonstrating proactive measures to preserve capital in a changing economic landscape, enhance the stability and growth of their financial reserves, and even

¹ On January 3, 2009, Nakamoto mined the first block, known as the genesis block or Block 0, marking the start of the Bitcoin blockchain and the creation of the first bitcoins. Bitcoin has gone from being a niche experiment to a significant global asset and the foundation of a multi-billion-dollar cryptocurrency industry.

by integrating Bitcoin into everyday transactions within their local economies such as accepting Bitcoin as a method of payment. This including payment for municipal services and fees;

8. A review of cities and other jurisdictions that have explored and/or adopted Bitcoin highlights the diverse ways it is being embraced globally, whether it be tourism initiatives or addressing local economic challenges, including making it a key component in day-to-day and long-term financial activities. Examples include:
 - Zug, Switzerland – dubbed "Crypto Valley" – was one of the first municipalities to accept Bitcoin for public services and taxes. This small city with a population of fewer than 30,000 people has since become a global center for blockchain and crypto startups due to Switzerland's supportive regulatory environment. It is now considered to be one of the most technologically advanced cities in the world.
 - Seoul, South Korea has embraced digital currencies, with local government initiatives exploring blockchain integration in municipal operations. Residents can use Bitcoin for various payments and services, supported by local exchanges and innovative fintech companies.
 - El Salvador became the first country to make Bitcoin legal tender in 2021, primarily in the coastal town of El Zonte, also known as "Bitcoin Beach." This initiative has encouraged widespread Bitcoin use, supported by government wallets and tax incentives for crypto-based businesses. These innovative financial strategies have helped El Salvador earn two bond upgrades since adopting Bitcoin as legal tender and committing to buying 1 Bitcoin per day since 2021. El Salvador's Bitcoin strategy has contributed significantly to the country's economic growth, with projections suggesting El Salvador may achieve debt freedom by 2028. In contrast, the U.S. has faced two bond downgrades during this same period.
 - Lugano's Plan B is a joint initiative between the City of Lugano and Tether to accelerate the use of and leverage bitcoin technology as the foundation to transform the city's financial infrastructure. The plan will scale blockchain and Bitcoin throughout the city to positively impact all facets of daily life for the residents of Lugano. From small transactions with local merchants to larger efforts – such as paying annual taxes – blockchain will serve as the foundation for the city's financial exchanges.² <https://planb.lugano.ch/>
 - The Pennsylvania House of Representatives recently passed a bitcoin legislation bill to position the state at the forefront of digital asset regulation and to foster innovation in the sector in recognition of

² The City of Lugano 'does not manage cryptocurrency treasury' and that 'any amount paid in cryptocurrency will be immediately converted into Swiss francs.'
<https://www.globalgovernmentfintech.com/swiss-city-lugano-starts-accepting-bitcoin-and-tether-for-all-municipal-payments/>

blockchain technology's transformative potential. Bill 2481 enshrines the rights of individuals and businesses to self-custody digital assets, operate blockchain nodes, and conduct transactions without interference from restrictive municipal ordinances. Additional legislation under consideration (i.e., the *Pennsylvania Bitcoin Strategic Reserve Act*), would enable the state treasurer to allocate up to 10% of Pennsylvania's General Fund, Rainy Day Fund, and State Investment Fund into bitcoin and crypto-based exchange-traded products (ETPs) – up to \$970 million – to leverage Bitcoin's potential as both a hedge against inflation and a long-term growth asset. Ten other states are reportedly exploring similar legislation to enable adding Bitcoin to their strategic reserves as is the incoming federal administration in Washington, DC on the national level.

9. For people living in underdeveloped countries in Africa, where over 600 million people live without electricity, Bitcoin mining provides a significant social impact pathway. A prime example is the village of Bondo in Malawi where [Gridless](#) – a Kenyan company that designs, builds, and operates Bitcoin mining sites – installed a micro-hydro mini-grid in the village. The micro-hydro mini-grid harnesses renewable, clean power of the plentiful water resources in the mountainous region to generate electricity and mine Bitcoins. Gridless not only earns income to sustain the mini-grid, the organization also provides affordable electricity now to over 1,800 homes in Bondo. Villagers have access to electricity now to power light bulbs, fridges, TVs, and phones and are also starting new businesses, and preserving food, storing medicine, and being able to study at night;
10. Bitcoin mining has shown environmental benefits by consuming low-cost, excess energy from stranded renewable sources and waste methane, thus reducing emissions and supporting grid stability. Research indicates that Bitcoin miners seek the cheapest power available, frequently opting for intermittent renewable energy that would otherwise go unused thanks to the "interruptible" nature of Bitcoin mining. The energy use profile of Bitcoin mining not only helps to balance electricity demand and avoid peak strains on infrastructure, Bitcoin also makes renewable energy projects financially viable (and in fact helps renewable energy projects get built that would not otherwise be built) while also stabilizing energy prices and advancing global decarbonization efforts;
11. Vancouver is recognized as an important hub for blockchain and cryptocurrency innovation in Canada, with a vibrant blockchain ecosystem that gained international recognition when the world's first Bitcoin ATM was installed in a Vancouver coffee shop in 2013. Vancouver is also home to a number of prominent blockchain companies, such as Dapper Labs (creator of CryptoKitties), HIVE Blockchain, and Victory Square Technologies, which have contributed to advancing blockchain-based applications across sectors like digital collectibles, cryptocurrency mining, and AI-driven solutions. By becoming a Bitcoin friendly city, it ensures that Vancouver plays a leadership role in fostering new jobs and creating economic value similar to Silicon Valley's role in the development of the internet and signals Vancouver's willingness to embrace innovation;
12. Diversifying the City of Vancouver's financial reserves and payment options to include Bitcoin would not only enhance the resilience of our City's financial

portfolio it would ultimately benefit the city's taxpayers by preserving the value and purchasing power of precious tax dollars and other financial resources against the volatility of traditional currencies while also aligning the City with the innovative financial strategies and approaches needed to combat economic challenges in the digital age, including currency debasement and inflation, and

13. It would be irresponsible for the City of Vancouver to not look at the merits of adding Bitcoin to the City's strategic assets to preserve the City's financial stability.

THEREFORE BE IT RESOLVED

THAT Council direct staff to explore options to make Vancouver a "Bitcoin Friendly City" by undertaking a comprehensive analysis of the potential to integrate Bitcoin into the City of Vancouver's financial strategies, such as (but not limited to) accepting taxes and fees in Bitcoin as well as the potential conversion of a portion of the City's financial reserves into Bitcoin to preserve purchasing power and guard against the volatility, debasement, and inflationary pressures of traditional currencies;

FURTHER THAT staff be directed to report back to Council on the feasibility, risks, and potential benefits of such a "Bitcoin Friendly City" strategy by the end of Q1 2025, with specific direction to, but not be limited to:

- i. consulting with financial advisors, cryptocurrency experts, and relevant stakeholders to:
 - a. ensure a thorough understanding of the implications of asset conversion and establishing a safe and secure method for managing the assets acquired through Bitcoin, including any legislative changes that may be required.
 - b. develop a comprehensive framework for the management, storage, and potential liquidation of Bitcoin assets to ensure full transparency and accountability to the citizens of Vancouver by implementing appropriate policies and guidelines to govern the procurement and holding of Bitcoin reserves.
 - c. engage with the wider community, including local stakeholders, residents, and experts in the cryptocurrency space, to gather feedback and foster an informed dialogue regarding this strategic proposal.
 - d. promote transparency in this initiative by keeping the public informed about developments and engaging citizens in discussions about the potential impact of this strategic shift.

* * * * *