



# BlockChain: An Irrefutable Chain of Custody Audit for the Seed to Sale of Cannabis in BC

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## Opportunity

IBM welcomes the opportunity to provide some feedback to the BC Government as it prepares its regulatory framework in support of the legal distribution of cannabis and cannabis by-products in the Province of British Columbia. IBM has deep learnings from a wide variety of public and private supply chain implementations leveraging a variety of technologies. We will focus on the use of Blockchain as a technology to enhance the overall chain of custody.

## Advice for Consideration

IBM suggests Blockchain<sup>1</sup> is an ideal mechanism in which BC can transparently capture the history of cannabis through the entire supply chain, ultimately ensuring consumer safety while exerting regulatory control – from seed to sale.

Blockchain is a highly effective trust mechanism which uses a cryptographically-secure shared ledger to irrefutably track complex transactions amongst many known parties. Its key attributes:

- It is **distributed**: no central system brokers transactions, instead each party in the business network is provided its own ledger copy showing all transactions, so truth is shared by design;
- It is **immutable**: cryptography ensures that transactions (blocks) once entered into the ledger (chained) can never be altered, so transactions are secure; and
- It is **transparent**: all shared ledgers across the business network hold all transactions of all parties within the network, ensuring consensus.

Blockchain is rapidly becoming a world leading technology enabling the assured exchange of value in both digital and tangible assets, while protecting privacy and eliminating fraud. Its relevance to regulating cannabis is similar to its many chain of custody applications in areas such as pharmaceutical distribution and food chains. The core to those supply chains is the same, assuring health and safety of consumers, preventing fraud and counterfeiting while creating a foundation of transparency upon which to base regulation.

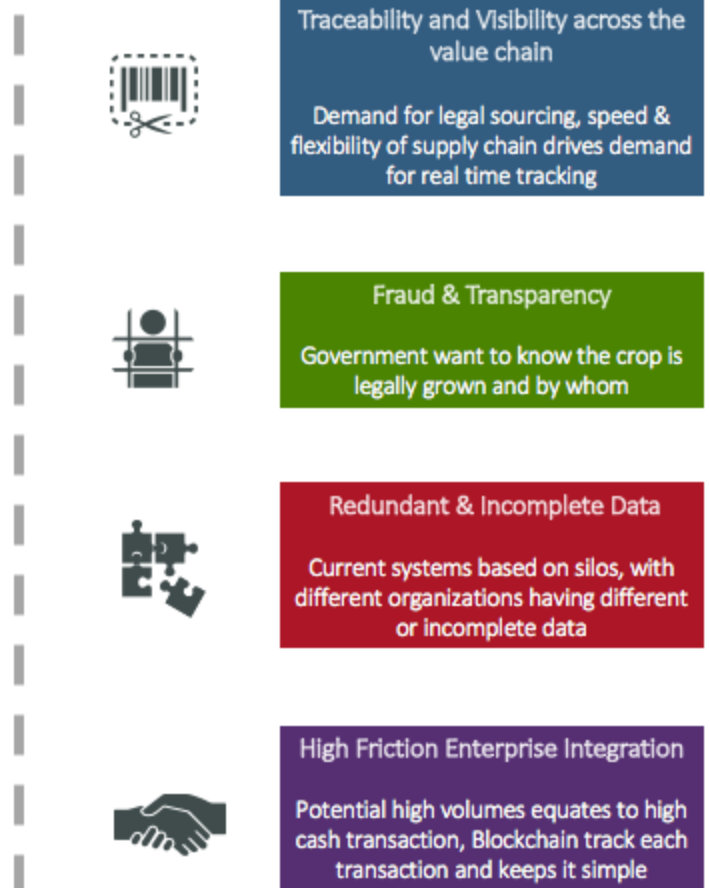
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<sup>1</sup> Blockchain as defined by Wikipedia - <https://en.wikipedia.org/wiki/Blockchain>



The simple straight forward design of a Blockchain system is what is causing it to become one of this decade's technical disruptors. Governments like British Columbia are beginning to understand the potential benefits and realize the rate of speed and cost effectiveness in which Blockchain systems can be delivered, particularly in areas like supply chains<sup>2</sup>.

- By having one set of books (distributed ledger) governments quickly see the benefits of greater visibility, which in turn leads to optimization, improved reconciliation, greater auditability and regulatory compliance.
- Consumer assurance is improved through provenance and traceability of products throughout the cannabis supply chain, and if poor product does enter the system, the controls, methods and ability to quickly identify its' path is in place.
- Complex systems design and architecture are not needed. All participants within the trusted network will have access to their own copy of the BlockChain ledger and no net new information system or complex interfaces are needed to be created as the network serves as the single source of truth.



Blockchain further differentiates by addressing requirements for both product traceability and identity management.

The Blockchain shared ledger is updated and validated in **real time** with each network participant. This enables equal visibility of activities and reveals where an asset/product is at any point in time, who owns it and what condition or state it is in. This type of transparency would bring a new level of visibility and control to the provincial regulators and provide assurance to the multitude of cautious stakeholders regarding the way the management of a cannabis supply chain is rolled out within British Columbia.

<sup>2</sup> Blockchain in supply chains - <https://www.ibm.com/blockchain/supply-chain/>



## Value Proposition

In summary, there are a number of potential benefits for each value chain participant:



*BC Government:* Blockchain can help the Provincial Government take control of sourcing, selling and pricing of products, therefore can reduce or eliminate black market sales completely.



*Producers:* Blockchain can assist producers with real-time inventory management, greater projections of supply and demand, and also elicit trends of consumption through data analytics.



*Retailers:* Although the Government of BC hasn't confirmed its what end user distribution model will be used, we anticipate that it is likely that government itself will play a role in that process. An interconnected Blockchain network can assist retailers identify supply/demand gaps ways to mitigate those gaps, providing feedback mechanisms to producers, and use data to create predictive insights.

