



BC4EU high-level response to the ACPR Consultation on DeFi

Introduction and purpose of the document

Blockchain for Europe (BC4EU) and its members **welcome the ACPR's discussion paper** and appreciate the substantive research that has gone into the paper and the questions put to stakeholders.

We believe that many of the questions the ACPR pose are the right ones and are thankful for the paper's inherent recognition of what has most commonly become known as 'true DeFi' or services provided in a 'fully decentralised manner'.

We believe **many of the questions are linked to a political and ideological discussion**. BC4EU represents blockchain and crypto companies of various sizes and business models, and thus, in our response to the consultation, has focused on key high-level comments and observations.

We **hope to build on this input in subsequent discussions with the ACPR**, as it and other European authorities mature their work assessing appropriate

and proportionate regulatory approaches to DeFi.

The MiCA regulation has - in no small part due to the support of France and inspiration from the Loi Pacte - placed Europe at the forefront of global conversations on digital assets. We are confident that the French authorities will continue to influence future discussions on DeFi globally to ensure that potential policy interventions are sensible and well-thought through and **promote responsible innovation** in line with the overarching policy objectives of the G20.

This will ensure **Europe's leadership role** not only in the crypto-assets space through MiCA, but also in the **future Web3 economy and the digital single market**.

We would welcome the opportunity to discuss this further with the ACPR in the coming months.

Technology neutrality

The EU has a long-standing history of aiming to follow the principle of technological neutrality when it comes to regulatory and legal frameworks. It is **the nature of the assets, activities and actors that matters most, not the technology utilised**.

Regulatory challenges

The primary actors who are regulated in financial services are the intermediaries, by which we mean regulated traditional financial market institutions.

Decentralised protocols can present challenges to regulation that is focused on financial intermediaries. In addition to the novel issues relating to various asset types with which users engage in DeFi, there are two other primary regulatory questions that are challenging. First, **DeFi allows anyone, anywhere to interact person-to-code and transfer assets without needing to connect to traditional systems and intermediaries**. This raises questions such as how users are protected and which actors should be regulated and liable for which activities? Second, how should global coordination be achieved? Both of these challenges must be addressed.

At a high level, we believe the ACPR identifies and assesses **three things that are vital** to the adoption of DeFi and present different types of possibilities and risks: **public blockchains, DeFi protocols and DeFi interfaces/front ends**.

As a diverse industry, as is also highlighted in the discussion paper, we do not believe that there is any 'silver bullet' potential regulatory response, which is also why the European Commission within MiCA has given itself further time to assess the DeFi ecosystem as it matures and design potential necessary policy interventions.

High level considerations

We offer the **following observations** and considerations to the ACPR and regulators to take into account as they progress their thinking on these important issues:

- Any potential certification of DeFi protocols and public blockchains **must be voluntary** and based on incentivisation.
- Any potential future **regulation must continue to focus on legal entities** conducting activities, and not individuals or entities solely engaged in software development.
- Interfaces/frontends that provide information for users of DeFi protocol and do not engage in any intermediary functions **should not be pulled inside the regulatory perimeter** because software development and information provision are not traditionally regulated activities.

As an example, MiCA does not enlarge the scope of regulated activities, but applies where identifiable actors provide these same types of activities for crypto-assets, which can represent a wide variety of things, assets or rights.

If any rules for interface/frontend providers - not performing traditional intermediary activities - are contemplated, there should be careful consideration of how those activities are treated in traditional markets and whether regulation would be required there for the sake of consistency, as well as consideration of the impact on innovation and the industry's own ability to bring forward innovative solutions (e.g., self-regulatory initiatives) that can mitigate risks to users.

Finally, we agree with the ACPR that any regulation **should start with a common understanding of key concepts, and definitions**.



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About BC4EU

BC4EU is a trade association representing international blockchain industry players at the EU level. We work with policymakers, academics and our member companies to support their work in developing clear and consumer-friendly European regulatory frameworks for blockchain-based innovation. Over the past years, we have contributed to EU policies such as the AML package, MiCA, TFR, DAC8, taxation, Data Act, eID, as well as discussions around the Digital Euro.