



## Press release

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Paris, 12 October 2023

### **DeFi: the ACPR draws conclusions from its public consultation, and outlines concrete avenues for regulation**

**The Autorité de contrôle prudentiel et de résolution (ACPR) has published a summary of its public consultation on a regulatory framework for DeFi, which received a wide response in France and abroad.**

Following a series of interviews conducted with players in the ecosystem, in April 2023 the ACPR published a discussion paper on avenues for regulatory response to DeFi<sup>1</sup>. This paper set out an initial analysis of the risks associated with DeFi and the possible avenues for regulation, with a view to discussing them with stakeholders in a public consultation.

The public consultation process associated with that discussion paper from the ACPR was open for two months (April-May 2023), and received a wide response not only in France and Europe, but also worldwide. A diverse range of stakeholders contributed: traditional financial institutions, consulting and auditing firms, as well as representatives of the crypto and DeFi ecosystems, including some global leaders in the sector.

Today, the ACPR publishes a summary of the lessons it has learned from this exercise : [https://acpr.banque-france.fr/sites/default/files/medias/documents/defi\\_synthese\\_consultation\\_en.pdf](https://acpr.banque-france.fr/sites/default/files/medias/documents/defi_synthese_consultation_en.pdf)

On a technical level, the public consultation has helped consolidating and refining the ACPR's understanding of the main DeFi mechanisms. Thanks to the high quality of the contributions received, the consultation also enabled us to delve deeper into some of the themes under discussion. For instance, a number of respondents have shown that the high degree of concentration paradoxically found in the DeFi universe extends to the physical infrastructure hosting blockchain nodes, in which *cloud* service providers play a central role, which may constitute an operational risk factor. Similarly, participants in the consultation have highlighted the structural persistence of elements of centralisation in the way DeFi protocols operate. The ACPR therefore believes that the term "disintermediated" finance is more appropriate than that of "decentralised" finance.

The public consultation also provided an opportunity to gather participants' opinions on the regulatory avenues outlined in the discussion paper. Firstly, the vast majority of respondents advocate that DeFi activities should continue to be deployed on public blockchains, rather than on private or permissioned ones; respondents do, however, recognise the need to strengthen the resilience of these infrastructures

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<sup>1</sup> As a reminder, "decentralised" or "disintermediated" finance (DeFi) refers to a set of crypto-asset services which are comparable to financial services and carried out without the intervention of an intermediary. It has garnered significant interest both in the public debate and from supervisors, as much for what it is today as for what it could foreshadow for the future: "tokenization" of finance, benefits of blockchain technologies to many activities.

and to audit their functioning on a regular basis. Secondly, the principle of certifying smart contracts<sup>2</sup> received broad support; some respondents also put forward interesting ideas for the methods to be employed for such certification (proportionality, reporting of incidents to a centralising authority, etc.). Lastly, the idea of regulating intermediaries and user interfaces was met with broad consensus.

The input gathered during this consultation will feed into the ACPR's contributions to the discussions under way at European level on the follow-up to the MiCA Regulation<sup>3</sup>. In particular, it seems possible and advisable to:

- lay down measures relating to the reliability of the blockchain infrastructures on which DeFi – or other forms of tokenized finance – may develop;
- draw up rules -e.g. certification- suited to the nature and functioning of smart contracts;
- define governance and conduct of business rules that would ensure adequate protection of DeFi customers.

Nathalie Aufauvre, Secretary General of the ACPR, summarises the benefits of this initiative: *"This public consultation has enabled us to gain a deeper understanding of this ecosystem, thanks to the number, variety and depth of contributions received. This makes the regulatory avenues outlined by the ACPR even more relevant, and will provide us with an opportunity to weigh in on the forthcoming regulatory discussions at European level."*

#### **About the ACPR**

The Autorité de contrôle prudentiel et de résolution, which is backed by the Banque de France, is the administrative authority responsible for supervising the banking and insurance sectors and safeguarding financial stability. The ACPR is also responsible for protecting the customers of supervised institutions and tasked with combating money laundering and the financing of terrorism. It also holds resolution powers. The ACPR's operational departments are grouped within its General Secretariat.

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<sup>2</sup> Computer programs that are automatically executed upon the occurrence of triggers and which form the basis of DeFi protocols.

<sup>3</sup> The European Markets in Crypto Assets Regulation (MiCA), which came into force on the 29<sup>th</sup> of June 2023.