CCI and GDF Staking Roundtable
June 2024

- Community Highlights -

On June 20, the Crypto Council for Innovation (CCI) and Global Digital Finance (GDF) held an industry roundtable on the topic of cryptoasset staking. The aim was to facilitate better education on the variety of staking market developments solutions, including benefits, risks, innovation, and areas where policy and regulation can support the development and continued evolution of this crucial piece of the digital ecosystem.

The roundtable was held under Chatham House rules, with a mix of industry participants in the room. Additionally, the event was joined by regulatory observers from both UK and EU authorities.

A full readout from the discussion will be shared with GDF / CCI members in due course. A few key highlights from the discussion included:

- The difference between staking, lending, and a CIS and the importance of appropriately categorising staking.
- Transfer of ownership can exist on a spectrum and it is crucial to assess when this takes place, and from there, what regulated activity may then be occurring.
- Participants were in agreement that the technical activity of staking should remain outside of the regulatory perimeter, whereas participants considered it may be appropriate to capture staking as a service provision.
- Participants also noted that proprietary staking, or solo staking, i.e. that which does not involve an intermediary, should also fall outside of regulation.
- The role of intent was highlighted in creating an effective regulatory regime - policymakers should consider the design and characteristics of staking models to determine if they are indeed staking, and if so, what sort of staking.
- Participants discussed the consumer risks associated with different models of staking and broadly agreed that there are considerable consumer protection advantages afforded to an individual from using a retail staking as a service provider, rather than directly staking themselves.
- Participants felt that slashing - the process by which some portion of the stake delegated to a validator is destroyed as a punitive measure for malicious actions undertaken by the validator - is a risk often discussed but in reality, is a technique very rarely deployed.

- Participants also highlighted that while staking can be used by bad actors, those actors tend to be crypto-sophisticated entities such as hackers or nation state actors. Less crypto-sophisticated actors, such as drug traffickers, money launderers and scammers typically do not use staking or liquidity pools, if at all. Therefore, the risks posed by illicit actors engaging in staking is often overstated.

If you are interested in discussing this topic further, or being involved in any additional follow up work to engage on staking with regulators please do reach out to Elise Soucie at elise@gdf.io.