

STAKING

POLICY RECOMMENDATIONS

Staking is a cornerstone of blockchain technology, offering a mechanism for validating transactions, securing PoS networks, and earning rewards for supporting system efficiency. This innovative process underpins the transition to democratised and more sustainable digital assets while fostering decentralisation. However, staking also highlights the urgent need for clear regulatory frameworks focusing on the provision of staking services, rather than the technical activity of staking. A balanced, well-informed approach is essential to drive innovation, ensure fairness, and maintain system integrity. Collaboration between regulators and crypto platforms remains pivotal to achieving these objectives.

Recommendation 1

TREAT STAKING AS TECHNOLOGICAL INFRASTRUCTURE

- Staking is a technical requirement that participants in PoS networks must satisfy in order to validate transactions on the underlying distributed ledger.
- Protocol staking is not an investment product nor lending and viewing staking as a financial service risks stifling innovation, which contradicts the goals of technological neutrality.

Recommendation 2

LEVERAGING EXISTING REGULATORY STANDARDS

- The risks associated with staking are minor and technical rather than financial, and are limited by a technologically sophisticated validator. Current digital asset regulations can effectively mitigate risks without imposing unnecessary barriers to innovation or operational flexibility.
- Distinguishing between the primary risks of CASPs and those of ancillary staking services ensures proportionate regulation and encourages technological advancement. Custodial delegated staking should be permitted activity but regulated as part of custody services as opposed to requiring separate or additional permissions. We believe that existing provisions are sufficient to mitigate any risks associated with custodial staking.

Recommendation 3

PROMOTE STAKING AS A DECENTRALISATION AND INCLUSION MECHANISM

- Further adoption of protocol staking, increases network resiliency, enhances security, and builds a robust blockchain infrastructure.
- Improved tokenomics and governance models will broaden access, making staking more inclusive and unlocking new opportunities for users and blockchain innovation.

Open dialogue between CASPs and regulators is crucial for crafting balanced frameworks that reflect staking's unique role in Web3 infrastructure. Staking not only secures networks but also holds the promise of fostering decentralisation and driving growth in the crypto ecosystem. With continued improvements in tokenomics and governance, staking will empower more users and fuel innovation. By working together, regulators and industry players can ensure this growth aligns with both regulatory objectives and the evolving needs of the digital economy.