

EMAIL SUBMISSION TO: fsra.consultation@adgm.com

To whom it may concern,

Re: ADGM FSRA Staking Consultation Paper No. 10 of 2025 on the Proposed Regulatory Framework for the Staking of Virtual Assets

About Global Digital Finance (GDF)

GDF is the leading global members association advocating and accelerating the adoption of best practices for crypto and digital assets. GDF's mission is to promote and facilitate greater adoption of market standards for digital assets through the development of best practices and governance standards by convening industry, policymakers, and regulators.

The input to this response has been curated through a series of member discussions, industry engagement, and roundtables, and GDF is grateful to its members who have taken part.

As always, GDF remains at your disposal for any further questions or clarifications you may have, and we would welcome a meeting with you to further discuss these matters in more detail with our members.

Yours faithfully,

Elise Soucie Watts - Executive Director - GDF



Response to the Consultation Paper: Executive Summary

GDF convened its MEA Policy & Regulatory Working Group to analyse the **FSRA's Consultation Paper No. 10 of 2025** (30 September 2025) on the **proposed regulatory framework for staking of Virtual Assets (VAs)**.

GDF welcomes the FSRA's clear and calibrated approach, which distinguishes between the technical process of staking and the provision of staking as a service, and limits regulatory obligations to circumstances where intermediaries hold or control client VAs. This proportionate, technology-neutral framework supports responsible innovation, market confidence, and alignment with emerging international best practice.

The key elements we note are:

- **Balanced perimeter:** We believe that the FSRA's framework appropriately focuses on intermediated or custodial staking models while excluding direct or proprietary staking, thereby safeguarding consumers without stifling permissionless network participation.
- **Robust governance and custody standards:** We welcome the emphasis on client disclosures, transparent agreements, high standards for VA custodians as well as authorised persons, and sound risk management and enhances trust in regulated staking services.
- **Clarification on due diligence expectations:** GDF supports the introduction of due diligence requirements but encourages the FSRA to provide outcome-based guidance on how Authorised Persons should assess automated protocols and smart contracts, particularly where decentralised or open-source models are involved.
- **Future guidance and international alignment:** GDF encourages the FSRA to continue refining practical guidance on custodial liability, treatment of staking rewards, and cross-border participation, ensuring interoperability with other global regimes.

Overall, GDF views the FSRA's proposed framework as a constructive and forward-looking model for regulating staking activities that balances consumer protection, operational integrity, and continued innovation across the virtual asset ecosystem.



Response to the Consultation Paper: Questions for Public Consultation

1. Do you agree with the FSRA's proposed approach to the regulation of staking activities?

GDF broadly supports the FSRA's proposed approach to the regulation of staking activities, and we firmly support all Client disclosures being clear, fair and non-misleading. We believe that the framework reflects a proportionate, technology-neutral, and risk-based model that recognises the critical distinction between the technical process of staking and the provision of staking as a service. This approach appropriately aligns the scope of regulation with the presence of intermediation and custodial responsibilities, rather than capturing the protocol-level validation process itself.

GDF also welcomes the FSRA's clarification that other yield-generating activities, such as liquidity mining or yield farming, fall outside the scope of this framework. Maintaining this boundary ensures regulatory precision and avoids conflating staking with DeFi lending or investment products.

We believe that the FSRA's proposal to focus regulatory obligations on entities that provide staking services to clients, while excluding direct or proprietary staking, strikes the right balance between protecting consumers and preserving the open-source, permissionless innovation that underpins proof-of-stake networks. This is consistent with international best practice emerging across other leading jurisdictions and with industry consensus that staking itself should not be treated as a financial product or collective investment scheme.

We agree with the FSRA's position that solo staking should remain outside scope, as it involves no intermediation, custody, or prudential risk and represents individual participation in network infrastructure rather than the provision of a financial service. Similarly, we support the view that non-custodial or technical staking-as-a-service providers, who facilitate validation without taking custody or control of client assets, should remain outside the regulatory perimeter. This distinction maintains proportionality and recognises that purely infrastructural functions do not constitute financial intermediation.

GDF also welcomes the FSRA's emphasis on transparency, resilience, and clear custody standards for VA custodians offering staking services. These provisions will help ensure that customer assets are safeguarded and that service providers maintain robust governance and risk management processes. The proposed requirements to disclose risks, maintain transparent client agreements, and uphold the existing custody and asset management standards and requirements will strengthen consumer confidence and reduce operational risk in the ecosystem. GDF also recommends that the FSRA further clarify in which circumstances an Asset Management and/or Custody licence would be required, for example, where service providers exercise discretion over clients' assets, to ensure firms can determine the appropriate permissions based on the core activity conducted.

GDF also supports the FSRA's acknowledgement of the diversity of staking models, including the evolution of certain staking arrangements such as Liquid Staking tokens. While we support the FSRA's measured approach to defer the inclusion of LSTs at this stage, we encourage continued assessment of how LSTs that replicate the core features of protocol staking, such as transparent validation processes and full asset backing, could in future be integrated under equivalent principles.



We encourage the FSRA to maintain flexibility to accommodate ongoing innovation in validator structures and network designs. In addition, we respectfully suggest some calibrations to optimise the outcomes and objectives of this regulation:

- Written non-objection prior to offering staking services may add operational friction and single-point of failure. We suggest adopting a standardised post-notification, reserving the written non-objection for higher risk models. Furthermore, we believe it would also be helpful to clarify whether such non-objection is intended as a one-time approval at the commencement of a firm's staking activities, or whether it would apply to each individual client instruction, as the latter could introduce unnecessary delays and administrative complexity.
- We seek FSRA guidance on what would be considered as discretionary management given the regulatory impact that this classification has on the type of licence a firm must apply for. Some examples that may create uncertainty include validator selection and node rotation decisions).
- We seek FSRA clarification to state that staking services are not considered to be Collective Investment Funds under the Financial Services and Markets Regulation. This clarification would serve to provide legal certainty and avoid potential classification breaches.
- To avoid regulatory overlaps, we seek FSRA clarification on the applicable regulatory regime for staking services provided through decentralised infrastructure. This is due to the recent issuance of the Federal Decree-Law no. 6 of 2025, which establishes the CBUAE as the main authority to regulate decentralised finance (Article 62).
- We seek guidance on the boundary between delegated staking and custodial staking models, including where control or discretion over validation rights is deemed to arise;
- We seek further specificity on the liability of custodians offering staking services when rewards or slashing events occur, particularly clarifying the extent of their fiduciary obligations when acting on client instruction;
- We seek clarity on the treatment of cross-border arrangements (such as foreign validators) and recognition of staking services provided by entities regulated in other jurisdictions; and
- We seek further guidance on clear guidance on how staking rewards should be treated for prudential, accounting, and AML purposes.

We also recognise that staking or tokenised products offered on a Shari'ah-compliant basis may require coordination with the Higher Shari'ah Authority to ensure consistency with national frameworks. We seek clarification of guidance from the FSRA on this point to avoid any potential breach. Overall, we believe that the FSRA's framework represents a constructive and pragmatic step toward regulatory certainty for staking, balancing market integrity and consumer protection with continued innovation. GDF would welcome continued engagement with the FSRA to support the development of supplementary guidance and ensure consistency across the wider regional and international regulatory landscape.



2. Do you agree with the requirements proposed to be imposed on Authorised Persons carrying on staking activities?

GDF broadly agrees with the proposed requirements for Authorised Persons conducting staking activities. The measures are pragmatic and risk-based, reflecting the operational and custodial responsibilities inherent in intermediated staking models. The obligations around client disclosures, written agreements with staking service providers, client reporting, and obtaining FSRA non-objection are proportionate steps that should promote market integrity and consumer confidence.

We also support the FSRA's focus on ensuring client disclosures are clear, fair, and non-misleading, and encourage the FSRA to adopt a principles-based approach to disclosure rather than a prescriptive template. This would allow firms to tailor risk disclosures to the protocol and level of intermediation involved, reflecting material risks such as slashing, downtime, liquidity, or counterparty exposure.

However, GDF believes that additional clarification is needed on the due diligence expectations for automated protocols and smart contracts used in staking arrangements. While the intent to ensure robust governance and technical assurance is appropriate, the proposed requirement could be difficult to operationalise in practice if not scoped clearly.

In particular, Authorised Persons may engage with staking protocols that are open-source, decentralised, and continuously evolving, often without a single responsible legal entity. In such cases, traditional due diligence models (e.g. counterparty assessment or contractual undertakings) may not be feasible. GDF recommends that the FSRA clarify that due diligence on automated protocols should be outcome-based rather than prescriptive, focusing on demonstrable assurance of the following elements:

- Independent audit or code review of the relevant smart contracts, including how firms assess material updates or upgrades.
- Transparency of governance and upgrade mechanisms (e.g., existence of admin keys, timelocks, or community voting).
- Documented processes (where available) for monitoring protocol incidents, validator performance, and potential slashing or downtime events.
- Clear procedures for returning client virtual assets at the conclusion of the staking period.

We also encourage the FSRA to clarify that the due diligence requirement on “resources” of staking service providers should encompass both technical capacity (e.g., validator uptime, redundancy, infrastructure reliability) and financial soundness (e.g., capacity to absorb penalties or losses), to ensure proportional and risk-sensitive oversight.

Providing additional guidance or examples, such as in an appendix or future supervisory Q&A, would support consistency across firms and allow the regime to remain technology-neutral while still enforcing meaningful risk controls.

Expanding on these points further, GDF recommends that the FSRA clarify the evidentiary expectations for demonstrating compliance with due diligence requirements. Allowing firms to rely on internal documentation, validator performance reports, or independent attestations,



rather than prescriptive templates, would enable effective oversight while remaining feasible for firms of varying scale and complexity.

GDF also encourages the FSRA to clarify the scope of “due diligence on staking service providers” where the intermediary is a technical protocol rather than a traditional counterparty, and to outline the expected evidence firms should maintain for the FSRA’s non-objection process.

Overall, the proposed requirements strike an appropriate balance between accountability and flexibility. With additional clarity on the treatment of automated protocols and smart-contract diligence, the framework would provide a clear, workable basis for regulated staking within ADGM.