



MINUTES
(Chatham House)
GDF Decentralised Finance Roundtable
Thursday 8th October 2020

Key Challenges:

- The recent increase in activity has similarities with the ICO boom. Should the story go a similar way, this will have an impact on crypto's move to become more mainstream and legitimate in the eyes of the regulator. Quite rightly, regulators are beginning to take an interest to try to stop the same thing happening and protect users (eg. FATF) Is this right – has FATF said anything about DeFi – I have not seen anything. The events of w/c 28th September (eg. Kucoin hack; CFTC charges to BitMEX) will have changed the course for regulators.
- The use cases are increasingly complex. Hard to apply existing regulation to this new space.
- The question is how to define regulatory nexus points while keeping the products or platforms decentralised. Who should be held accountable when something goes wrong? Regulation depends on someone being supervised by a regulator, rather than regulating the underlying technology infrastructure. Will there always be at least one gatekeeper?
- Do we require a new regulator whose whole responsibility is decentralised finance/technology? (cf EU's proposed regulation for operational resilience in FS which includes third party tech providers).

Discussion - The need to define DeFi:

- How should we define DeFi? Does this include stablecoins? As a concept, DeFi is not even 18 months old yet. In many ways, this is still a testing phase. Many new projects are being tried out. Ideally, these will become fringe projects with Ce-DeFi evolving, which is where regulators will come in.
- Should the starting point be decentralisation or the products themselves? Many decentralised companies with development eventually turn to centralisation.
- Decentralisation is a means to an end. Does the value come from the product being decentralised or from democratised access to financial services?
- Should we be looking for 'Ce-Defi' or for 'automation'? From the institutional point of view, the attraction is the possibility of further automation. The starting point should be the product that the consumer wants. Within that, how do we identify the logical regulatory nexus points?



- Currently even the most decentralised efforts aren't fully decentralised. How much further could it go? What is the business value that they provide?
- Is there a particular person making money from the automated protocol? If that person is truly anonymous, how do we deal with the project?
- Is there any particular person or entity truly in control of the automated protocol? Could that person be anonymous?
- DeFi has so many different parts – going well beyond yield farming into defi solutions for asset management, trading, lending, stablecoin, oracles and custody. These may all require a different approach to ensure longevity for regulation.
- Regulators and industry would benefit from some clarity in across the board in understanding what the use cases are, what the risks are, and who is in need of protection. From there, we can define who should be held accountable and how they are regulated.
- There is value in figuring out how to define the regulatory nexus points where companies/players can design in those touch points should they desire without exposing them to regulation based on other instruments that don't fit.

Actions:

- A working group on Defi with the intention to define terms and create clarity over the development of decentralisation:
 - Decentralisation needs to be defined across the board: define the use cases, extent to which projects can be decentralised and actors involved.
 - From there, define the risks: What are the biggest risks, which do you want to regulate and why? Who do we regulate for, and who do we need to protect?



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13:00 BST / 14:00 CET/ 8:00 EST

Chaired by John Salmon, Hogan Lovells

Roundtable Participants:

Tim Grant, **SDX**
Ben Nadareski, **SDX**
Denis Vinokourov, **BeQuant**
Sunil Chaunhan, **BeQuant**
Alan Cohn, **Steptoe & Johnson**
Philip Gradwell, **Chainanalysis**
Jake Stott, **dGen**
Ryan Gorman, **Gorman Strategies**
Lavan Thasarathakumar, **GDF**

Observers:

Lawrence Wintermeyer, **GDF**
Anastasia Kinsky, **GDF**
Thomas Peers, **GDF**

| Time | Duration | Item |
|--|-----------------|--|
| 13:00-13:10 UK 14:00-14:10 CET 08:00-08:10 EST | 10 mins | Welcome and Introduction <i>John Salmon, Technology Partner, Hogan Lovells</i> |
| 13:10-14:00 UK 14:10-15:00 CET 08:10-09:00 EST | 50 Mins | Key challenges report Each participant will outline their challenges or thoughts regarding DeFi. |
| 14:00-14:30 UK 15:00-15:30 CET 09:00-09:30 EST | 30 Mins | Discussion <ul style="list-style-type: none">- What is the sweet spot between CeFi and DeFi?<ul style="list-style-type: none">o What are the BIG DeFi use cases?o Why should traditionally centralised finance take an interest in DeFi? - What is holding DeFi adoption back<ul style="list-style-type: none">o What are the big challenges / barriers?o What are the BIG Regulatory challenges / barriers? <p>Action: Leave the roundtable discussion with the approved next steps for addressing the identified challenges during the DeFi conference and working group.</p> |



GDF Roundtable - Ways of Working

1. GDF will appoint an independent chair from the Board, Patron Board or Advisory Council to chair member roundtables.
2. GDF Roundtables will be comprised of 7-10 member / industry firms.
3. The chair will agree in advance the 2-3 questions / topics that set the roundtable agenda.
4. The chair will provide a 3-5 minute introduction to the questions / topic agenda.
5. Each roundtable participant will have 3-5 minutes to set out their position.
6. The floor is open to all participants by raising a hand / name card which will be recognised by the chair.
7. All GDF Roundtables are run under the Chatham House Rules unless otherwise agreed by all participants:
 - a) "When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the
 - b) information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other
 - c) participant, may be revealed."
8. Minutes / accounts of the roundtable will be taken by GDF and written up for the roundtable participants in a
 - a) summary output / blog which will be used for community outbound work.
9. Where roundtables are conducted virtually, they WILL NOT be recorded, unless the Chatham House rules are waived, and it is agreed that the meeting will be recorded.
10. Thank you very much for your support and enjoy the roundtable.