



Wholesale Cryptoasset Policy
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Paradigm response to FCA [discussion paper](#) on regulating cryptoasset activities.

Paradigm appreciates the opportunity to comment on the FCA's proposed approach to regulating cryptoasset activities.

As a leading research-driven technology investor in next-generation crypto technologies, Paradigm strongly supports the UK government's ambition to position Britain as a global hub for digital innovation. We specialize in supporting and investing in early-stage start-ups and protocols through investments and building long-term partnerships across the crypto ecosystem. Please find more information about our portfolio companies [here](#).

Our response specifically addresses decentralized finance (DeFi), a critical frontier in financial innovation. We believe in the immense potential for DeFi to transform traditional financial (TradFi) markets by reducing costs, streamlining operational efficiency, and bolstering transparency. The data speaks for itself: our recent [research](#) shows over two-thirds of TradFi firms are exploring DeFi solutions to overcome their existing inefficiencies. Yet, despite clear demand, regulatory ambiguity remains a barrier to adoption.

To support the UK's innovation goals and unlock DeFi's full potential in the UK, we propose that the FCA focus on:

1. Clarifying Regulatory Boundaries for DeFi

- Explicitly define decentralization criteria to clearly determine when DeFi activities fall outside the regulatory perimeter.
- Criteria should include the absence of privileged admin keys, on-chain governance, clear control mechanisms for upgrades, and decentralization of validator nodes.
- Prioritize an open, collaborative approach to assessing edge cases, ensuring clarity and innovation-friendly regulation.

2. Deepening Industry Collaboration

- Establish focused public-private working groups or stakeholder forums, leveraging industry expertise to develop practical decentralization standards.



- Encourage proactive industry participation, including voluntary disclosures and self-regulatory initiatives such as open-source compliance tools

Despite this clear opportunity to streamline market operations, ambiguous or overly restrictive regulations continue to hold TradFi back from further engaging with DeFi. Paradigm believes clear guidance and proactive collaboration will enable DeFi innovation while maintaining necessary consumer protections and significantly enhance the UK's global competitiveness in crypto innovation.

Paradigm looks forward to continued engagement with the FCA as it advances its crypto regulatory framework. Please contact Justin Slaughter, Paradigm's VP of Regulatory Affairs (justin@paradigm.xyz), with any questions or follow-up discussions.

Sincerely,

Justin Slaughter

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