

DeFi's current status and challenges, and issues for regulatory consideration*

Ver 1.1

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Abstract

DeFi (Decentralized Finance), with its decentralized features, is expected to be a source of innovation, reduce financial risks, ensure transparency of transactions, facilitate international transactions, and promote financial inclusion. On the other hand, many problems have been also pointed out, including questions regarding the above advantages. Lack of AML/KYC, doubts about the transparency of transactions and contribution to financial inclusion, the difficulty of market manipulation investigations due to anonymity and pseudonymity are often discussed. Considering DeFi regulations, whether DeFi is really "finance", and its participants should be subject to investor protection, regulations from the perspective of systemic risk and anti-money laundering might be important.

* The views expressed in this paper are based on the personal views of the authors and not the views of the organizations to which they belong.

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