



Press release

25 May 2023

ESRB publishes report on cryptos and decentralised finance

The European Systemic Risk Board (ESRB) has today published a [report](#) outlining the systemic implications of crypto markets and proposing policy options to address the risks stemming from crypto-assets and decentralised finance (DeFi).

The report finds that while this past year has been turbulent for cryptos and DeFi, the impact on the financial system was limited. The crypto market has few interlinkages with the traditional financial sector and the real economy, and none of those links are currently significant.

However, given the exponential growth and high volatility of cryptos, they need to be closely monitored as they may come to pose systemic risks. These risks could materialise if, for example, interconnectedness with the traditional financial system increases over time, new connections are not promptly identified, or if similar innovations – such as distributed ledger technology – are also widely adopted in traditional finance.

To better understand developments in crypto-assets and their potential financial stability implications, the report proposes a number of policy options.

- First, the EU's capacity to monitor potential contagion channels should be improved. This applies both to channels between the crypto sector and traditional finance, and to channels within the crypto sector. To this end, it is key to promote standardised reporting and disclosure requirements for: (i) traditional financial sector institutions such as banks that are exposed to cryptos; (ii) investment funds with crypto exposures; and (iii) entities such as stablecoin issuers or e-wallet service providers in the crypto sector.

- Second, the report considers policy options to address risks arising from crypto conglomerates, crypto-based leverage, novel operational challenges, DeFi and crypto staking and lending.

These policy options could also inform any future regulatory initiatives.

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