

Does Decentralized Finance Equal Deregulated Finance?

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The article discusses key concepts in decentralized finance (DeFi), including use cases for the technology, differences between permissionless and permissioned DeFi, and the respective advantages of participating in DeFi versus centralized finance (CeFi) platforms. Highlighting particular differences between DeFi and CeFi, Dan and Sheehan note that many question how DeFi can be regulated, and in turn, some assert that DeFi should not be subject to regulation.

The article analyzes key arguments in favor of and against regulation of DeFi in the context of the recent crypto asset market instability, including an examination of various legal theories of liability under which regulators seek to identify bad actors and penalize harmful activity. Further, Dan and Sheehan offer an overview of recent statements and enforcement activity by several US-based regulators, as well as pertinent executive and legislative developments that could impact the DeFi space.

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