

CONSULTATION PAPER
NO. 10 OF 2025

**PROPOSED REGULATORY
FRAMEWORK FOR THE STAKING OF
VIRTUAL ASSETS**

30 SEPTEMBER 2025



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Introduction

Why we are issuing this consultation paper

1. The Financial Services Regulatory Authority (“**FSRA**”) of Abu Dhabi Global Market (“**ADGM**”) has issued this consultation paper to invite public comment on the proposed introduction of a regulatory framework for staking of Virtual Assets (“**VAs**”).
2. Capitalised terms contained in this consultation paper have the meanings attributed to them in the FSRA’s Glossary Rulebook (“**GLO**”), unless otherwise defined in this consultation paper.

Who should read this consultation paper

3. This consultation paper should be of particular interest to Authorised Persons carrying on Regulated Activities involving VAs, Applicants considering undertaking any of those activities, other Persons active in the digital asset sector including Staking Service Providers, and their respective professional advisors.

How to provide comments

4. All comments should be made in writing and sent to the email address specified below. Please put the consultation paper number in the subject line. If relevant, please identify the organisation you represent in providing your comments. The FSRA reserves the right to publish, including on its website, any comments you provide, unless you expressly request otherwise at the time of making any comments. Comments supported by reasoning and evidence will be given more weight by the FSRA.

What happens next

5. The deadline for providing comments on these proposals is 31 October 2025. When we receive your comments, we will consider whether any modifications to the proposed amendments are required. The FSRA will then proceed to enact the proposed amendments in their final form. You should not act on the proposed amendments described in this consultation paper until the relevant Rules are amended.

Comments to be addressed to:

Consultation Paper No. 10 of 2025
Financial Services Regulatory Authority
Abu Dhabi Global Market
ADGM Square
Al Maryah Island
PO Box 111999
Abu Dhabi, UAE

Email: fsra.consultation@adgm.com

Background

1. In December 2024 the FSRA issued Consultation Paper No. 11 of 2024 which, alongside proposing certain enhancements to its VA regulatory framework, posed a number of questions on the appropriate regulatory perimeter for staking activities. In that consultation paper, the FSRA summarised the features of certain staking business models and the key risks associated with staking activities.
2. Building upon industry feedback to Consultation Paper No. 11 of 2024, this consultation paper describes the FSRA's proposed approach to the regulation of staking activities, including the principles triggering the regulation of such activities and the requirements proposed to be imposed on Authorised Persons engaging in staking activities using their Clients' VAs.
3. The proposals in this paper outlines the proposed approach by the FSRA to the regulation of arrangements which involve participation in a blockchain validation process based on a Proof-of-Stake ("**PoS**") consensus mechanism. Other yield generating activities involving VAs including liquidity mining and yield farming, often referred to in the VA sector as "staking", are considered by the FSRA to be distinct activities and are therefore not addressed by the proposals outlined in this paper. The FSRA is also aware that certain staking arrangements may result in the issuance of liquid staking tokens ("**LSTs**"). The FSRA continues to monitor developments in this area and may in the future implement an LST regime. The current proposals do not address LSTs or enable staking arrangements in or from ADGM whereby Clients may receive LSTs.

Proposed approach to the regulation of staking activities

4. The FSRA proposes to permit an Authorised Person with a Financial Services Permission ("**FSP**") to Provide Custody in relation to VAs (a "**VA Custodian**") or an

- FSP to Manage Assets in relation to VAs (a “**VA Asset Manager**”) to carry on staking activities using Clients’ VAs that it holds or controls by way of business.
5. As the Regulated Activity of Managing Assets is predicated upon the management of assets on a discretionary basis, it is proposed that a VA Asset Manager would be permitted to stake its Clients’ VAs on a discretionary basis by selecting the Staking Service Provider and the specific staking opportunity, as well as being permitted to execute a Client’s instructions to stake its VA.
 6. On the other hand, as the core function of a custodian is to safeguard its Clients’ assets, a VA Custodian would only be permitted to stake Client VAs on specific Client instruction. A VA Custodian that wishes to exercise discretion in staking its Clients’ VAs would need to apply for an FSP for the Regulated Activity of Managing Assets.
 7. Based on the above principles and having regard to the business models described in Consultation Paper No. 11 of 2024, the FSRA’s regulatory perimeter for staking-related activities would apply as follows:
 - a. Solo staking would not be regulated as participants are operating without intermediation and are carrying out staking on their own account;
 - b. Staking-as-a-service would not be regulated where the service provider is only offering technical services to facilitate, set up, operate or maintain the staking infrastructure without holding or controlling a Client’s VAs; and
 - c. An Authorised Person that holds or controls VAs belonging to its Clients and that operates as an intermediary for the purpose of staking Clients’ VAs would

be required to hold an FSP for the Regulated Activity of Providing Custody and/or Managing Assets.¹

8. In relation to the types of VAs that may be staked by Authorised Persons, consistent with the current requirement under COBS 17.2.1 to use only Accepted Virtual Assets (“AVAs”) in the carrying on of Regulated Activities involving VAs, it is proposed that an Authorised Person would be permitted to stake AVAs only.

Question 1

Do you agree with the FSRA’s proposed approach to the regulation of staking activities?

Proposed requirements for Authorised Persons carrying on staking activities

9. An Authorised Person engaging in staking activities using its Clients’ VAs would be required to comply with all requirements applicable to Authorised Persons carrying on Regulated Activities in relation to VAs, including but not limited to those outlined in Chapter 17 of COBS and in AML.
10. For example, prior to engaging in staking activities using its Clients’ VAs, an Authorised Person would be required to disclose to those Clients the material risks associated with the activity in a clear, fair and non-misleading manner.² The FSRA intends to issue guidance to assist Authorised Persons in determining the content of such staking-specific disclosures. These disclosures may include a description of the risks associated with staking, the terms of the staking arrangement, information relating to the Staking Service Provider and the relevant PoS protocol,

¹ A Recognised Clearing House offering custodial staking may conduct the activity without the need for an additional FSP as it can operate custody services via stipulation under its Recognition Order.

² See COBS 17.6. The general obligations under Chapter 12 of COBS in respect of Client Agreements would also apply to an Authorised Person that intends to stake its Clients’ VAs.

information on the rewards earned by staking Clients' VAs and on applicable fees and charges.

11. In addition to complying with existing obligations, having considered international best practices and the key risks associated with staking, it is proposed that an Authorised Person engaging in staking activities using its Clients' VAs should be required to comply with certain additional obligations, as outlined in paragraph 12.³ Several of these obligations are specific to the Authorised Person's relationship with the network participant that contributes to the PoS consensus mechanism by validating new blocks on the blockchain in return for rewards shared with the owners of the staked VAs (a **"Staking Service Provider"**).

Proposed additional obligations

12. The following requirements would have to be met by an Authorised Person engaging in staking activities using its Clients' VAs (see Appendix 1 for further detail):
- a. Due diligence on Staking Service Provider: an Authorised Person must conduct due diligence on a proposed Staking Service Provider to assess its suitability and whether it possesses the necessary infrastructure and resources. It must also continue to monitor the suitability of the Staking Service Provider during the course of delivery of staking services.
 - b. Due diligence on automated protocols or smart contracts: an Authorised Person must also conduct due diligence on any automated protocols or smart contracts used as part of the staking arrangements to ensure that they require the return of the Client's VAs at the conclusion of the staking period, that they do not contain errors or material shortcomings and that they are subject to a program to identify and correct errors.

³ The proposed Rules would also apply to an Authorised Person conducting staking activities with VAs transferred to it in accordance with a Title Transfer Collateral Agreement.

- c. Written agreement with the Staking Service Provider: the Authorised Person must enter into a written agreement with the Staking Service Provider, which contains certain prescribed terms, including an acknowledgement that the VAs being staked are not the property of the Staking Service Provider, a provision allowing for the Authorised Person to monitor the Staking Service Provider's performance and a requirement on the Staking Service Provider to inform the Authorised Person in the event of an incident or breach of an agreement with a third party necessary for the delivery of staking services.
 - d. Client reporting: an Authorised Person must include within every statement provided to its Client under COBS 15.8.1 information identifying those VAs that have been staked.
 - e. FSRA non-objection: prior to engaging in staking activities using a Client's VAs, an Authorised Person must provide prior written notice to the FSRA of its intention to carry on such activities and have received a written non-objection from the FSRA. The FSRA would prescribe the format of the required notification, including details of the information to accompany the notification.
13. At present, taking into account requirements in benchmarked jurisdictions, the FSRA is not proposing to mandate that an Authorised Person carrying on staking activities with Client VAs take out insurance coverage (either procuring that itself or through the Staking Service Provider) for slashing risks, penalties, and the loss of staked assets that may arise from staking activities. The FSRA may consider imposing such a requirement in future, based on developments in industry practices and international best practices.

Question 2

Do you agree with the requirements proposed to be imposed on Authorised Persons carrying on staking activities?

Appendix

The proposed legislative amendments are set out in the following document.

- **Appendix 1** Conduct of Business Rulebook (COBS)