



EUROPEAN
COMMISSION

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ANNEX

ANNEX

to the

COMMISSION DECISION

on the financing of the implementation of the pilot project on “Embedded supervision of decentralised financial institutions and activities” and the adoption of the work programme for 2022

ANNEX

Work programme for 2022 for the implementation of the pilot project on “Embedded supervision of decentralised financial institutions and activities”

1. Introduction

On the basis of the objectives given in the budget remarks, this work programme contains the actions to be financed and the budget breakdown for the year 2022 as follows:

- a) for grants implemented under direct management (point 2), not applicable,
- b) for prizes implemented under direct management (point 3), not applicable,
- c) for procurement implemented under direct management: (point 4)
- d) for actions implemented under indirect management (point 5), not applicable,
- e) for contributions to trust funds (point 6), not applicable,
- f) for financial instruments (point 7), not applicable
- g) for contributions to blending facilities (point 8), not applicable,
- h) for other actions or expenditure (point 9). not applicable.

Legal basis

Under Article 58(2)(a) of Regulation (EU, Euratom) 2018/1046, appropriations for pilot projects of an experimental nature designed to test the feasibility of an action and its usefulness, may be implemented without a basic act.

Budget line(s)

PP 03 22 01

Objectives pursued

The global objective of this pilot project is to employ the opportunities offered by digital technologies to promote innovative, secure and competitive financial services that meet the EU regulatory objectives of investor protection, market integrity and financial stability.

The specific objective of the pilot project is to establish how and what data can be gathered from decentralised finance (DeFi) applications on the Ethereum public blockchain in real time, how this can be used for effective supervision of DeFi activity and, if not, what critical data may be missing.

As such, the project will gather evidence for future EU policy measures on DeFi and facilitate the application of the Markets in Crypto-Assets Regulation once it enters into force. It will also provide relevant policy insights for the upcoming EU pilot regime for market infrastructures based on distributed ledger technology (DLT).

Expected results

The development of an experimental technical solution to allow supervisors to engage embedded supervision of decentralised finance applications by directly linking supervisory data applications to decentralised finance applications.

2. *Grants*

Not applicable

3. *Prizes*

Not applicable

4. *Procurement*

The global budgetary envelope reserved for procurement contracts in 2022 is EUR 250 000.

4.1. **Embedded supervision of decentralised finance**

General description of the contracts envisaged

One or more service contracts would be awarded following procurement procedures and/or through the use of one or more existing framework contracts to develop, deploy on the

Ethereum blockchain and test up to four information technology applications, as required, that enable data to be directly collected from the dominant smart-contract based information technology applications used for the provision of decentralised finance services, for example, as regards the following four use cases:

- lending
- decentralised exchange,
- insurance and
- decentralised finance applications combining several use cases.

Implementation

The action will be implemented directly by DG FISMA

5. *Actions implemented in indirect management*

Not applicable

6. *Trust funds*

Not applicable

7. *Financial instruments implemented in direct or indirect management*

Not applicable

8. *Contribution to blending facilities*

Not applicable

9. *Other actions or expenditure*

Not applicable