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| **Issues** | | **Challenges** | | **Solutions** | | **Flaws in the solutions** | |
| **TradFi** | **Crypto/DeFi** | **TradFi** | **Crypto/DeFi** | **TradFi** | **Crypto/DeFi** |
| **Consumer and Investor Protection** | **Payments errors and disagreements** | Mistaken payments Contractual dispute | | Multi-step reversible payments processing Fiduciary duty  Court adjudication | Proof of work Code is law | Reliance on central authority | Irreversible No fiduciaries  Lacks court adjudication |
| **Conflicts of Interest (Economies of scope)** | Customer abuse (insider trading, front-running,  pump and dump) | | Segment activities (e.g. independent custodians) Fiduciary duty  Supervision/monitoring Legal deterrents | Voluntary self- regulation | Insufficient monitoring | Voluntary compliance ineffective:   * Miners can front run * Coin issuers: pump & dump * Customer assets not protected in platform bankruptcy |
| **Consumer and investor vulnerability** | Theft of assets or data Suitability (excessive risk) | | Fiduciary duty Supervision/monitoring Customers own data Legal deterrents | Open access to code | Insufficient monitoring Data ownership unclear | Hacks Costly monitoring  No suitability guidelines Judicial recourse untested |
| **Market Efficiency and Integrity** | **Conduct** | Lack of trust Customer abuse  Discrimination/unequal access Operational disruption | | Registration/licensing Disclosure Supervision/monitoring Legal deterrents | Trustless | Reliance on central authority  Insufficient monitoring | Centralized elements still face trust issues  Complex code poorly understood |
| **Asymmetric information** | Market failures (adverse selection/ moral hazard) | | Collateral requirements Conditionality | Collateral requirements Conditionality | Inadequate disclosure Insufficient monitoring | Lacks full disclosure Insufficient monitoring |
| **Prevention of Illicit Activity** | | Money laundering Drug and human trafficking  Terrorist finance Tax evasion | | Identity verification Reporting requirements Monitoring  Legal deterrents | Reporting requirements for platforms | Costly verification Insufficient monitoring | Pseudonymity conceals ownership Insufficient reporting and monitoring |
| **Systemic Stability** | | Runs and panics Fire sales and spillovers | | Regulatory requirements Government safety net | Collateralization | Insufficient capital and liquidity requirements | Inadequate collateralization  No capital or liquidity requirements |