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WORKING DOCUMENT

From:	General Secretariat of the Council
To:	Financial Services Committee Financial Services Attachés

Subject:	FSC VTC 8.10.25 Item 8 - ESRB presentation of Recommendation to prevent and mitigate systemic risks from third-country multi-issuer stablecoin schemes
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ESRB presentation, report and recommendation are under embargo.

Confidential treatment requested



ESRB

European Systemic Risk Board

European System of Financial Supervision

ESRB Recommendation

to prevent and mitigate systemic risks
from third-country multi-issuer
stablecoin schemes

**Confidential presentation to
the Financial Services
Committee**

8 October 2025

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Head of the ESRB Secretariat**

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ESRB work: Report and Recommendation

In June, the General Board expressed concerns about systemic risks posed by third-country multi-issuer stablecoin schemes and asked the ESRB to expedite its analysis and report by September (cf. press release).

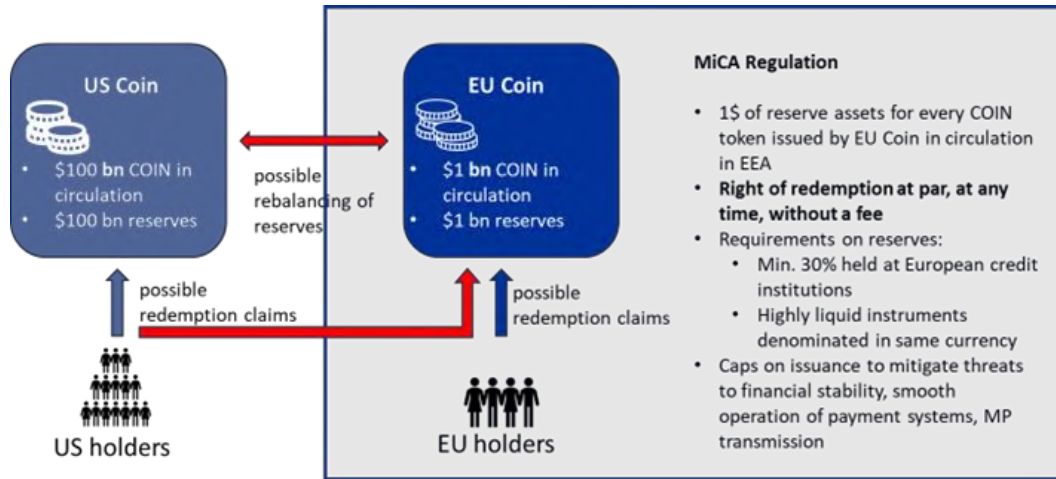
Over the summer, the ESRB prepared a Report and initiated work on a draft Recommendation which was discussed at the Advisory Technical Committee on 4 September.

As a sign of institutional courtesy, the ESRB presented the economic underpinnings of its Report to the EFC-FST on 11 September.

On 25 September, the General Board adopted the Recommendation and Report for publication.

On 3 October, the ESRB sent the Recommendation to the Council so that it can react to its publication, which is expected by 24 October. Until that day, Recommendation and Report are under embargo.

The weak link: Third-country multi-issuer stablecoin schemes



- In these schemes, an EU and a non-EU entity issue stablecoins that are bearer instruments, **technically the same and interchangeable**;
- This fungibility enables *de facto* global stablecoin issuers to operate across jurisdictions;
- See 30 September announcement of Deutsche Börse and Circle on USDC.

MiCAR does not explicitly regulate the risks stemming from the joint issuance of fungible stablecoins by an EU entity and a third-country (non-EU) entity.

Built-in systemic vulnerabilities and missing policy tools to respond

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What are the main systemic vulnerabilities?

- Inadequate reserves and barriers to the flow of reserve assets;
- Regulatory arbitrage incentives;
- Absence of bilateral cooperation agreements, notably for data exchanges;
- Inadequacy of supervisory tools for EU authorities vis-à-vis third-country issuers.

MiCAR does not contain references to these schemes. As a result, there is no:

- Regulatory alignment and cooperation with third-country jurisdictions;
- Required assessment by third-country authorities of the size of necessary asset flows, particularly during market stress;
- Control on decisions made by firm headquarters outside the EU;
- Visibility on the third-country scheme structure and its decisions;
- Reliable data on the localisation of tokens and their holders.

The Recommendation sets a two-stage approach to prevent and mitigate systemic risks from multi-issuer schemes

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(i) First stage, as the ‘first best’:

- The European Commission should consider the schemes as not being permitted within the current MiCAR framework.
(Recommendation A, due by end 2025)

(i) Second stage, as the ‘second best’:

- If schemes are still permitted, EU authorities should establish safeguards.
(Recommendations B to J, due in 2026 and 2027)

Enhancing the international framework

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- Introducing an assessment framework for equivalence between MiCAR and third-country legislations and requiring equivalence as a condition for authorising third-country multi-issuer schemes. (**Recommendation B**)
- Promoting a dedicated international framework for supervisory cooperation, which does not exist. (**Recommendation C**)
- Recommending that an assessment of the barriers to reserve asset transfers inform appropriate actions by supervisory authorities at the time of scheme authorisation. (**Recommendation D**)

Enhancing the EU framework

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- Making third-country multi-issuance one of the criteria for transferring supervision to EBA, also with due regard to proportionality. (**Recommendation E**)
- Ensuring that EU authorities (EBA and ESMA) foster supervisory convergence and have an enhanced set of supervisory tools. (**Recommendation F and G**)
- Fostering the use of existing supervisory powers for EU authorities to obtain information on multi-issuance schemes. (**Recommendation H**)
- Standardising information disclosure to investors. (**Recommendation I**)

Mitigating operational impediments

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- Ensuring that EU issuers provide evidence to relevant authorities in the EU that third-country credit institutions:
 - are not impeded to transfer assets used as reserves to the EU;
 - are able to execute asset sales;
 - and maintain access to international payment systems.**(Recommendation G)**