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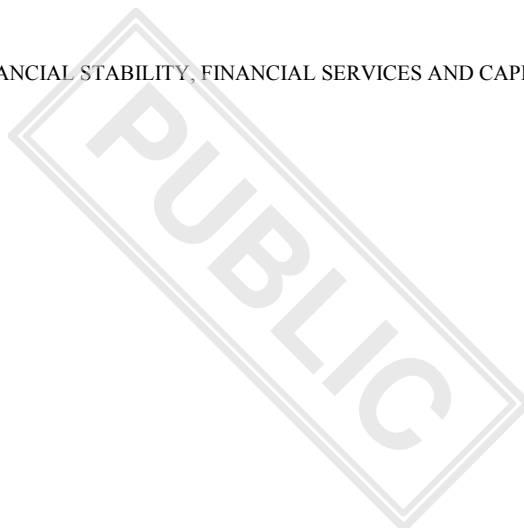
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EUROPEAN COMMISSION

DIRECTORATE-GENERAL FOR FINANCIAL STABILITY, FINANCIAL SERVICES AND CAPITAL
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Commission services note on recent developments in crypto-asset markets and issues related to their regulation

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This note provides an overview of recent developments and emerging issues related to crypto-asset markets and their regulation. It focuses on stablecoins since this subset of crypto-assets may represent higher risks in terms of financial stability and monetary policy. It outlines recent developments in the United States, especially in terms of regulation of stablecoins, and the potential impact of those developments on the EU. Finally, the note discusses a selected number of open issues related to the EU Regulation on Markets in Crypto-Assets (MiCA), i.e. possible EU supervision of crypto-asset service providers (CASPs) in the context of Savings and Investment Union (SIU), and application of MiCA to global stablecoins, where concerns about their effective supervision have been raised by supervisory authorities, including ECB. It builds on the Commission's note to the Eurogroup and complements it by providing further information on stablecoins as well as on draft US stablecoin legislation.

1. Current situation of the crypto asset market and its link with the financial sector

The crypto-asset market has experienced significant growth, driven by the emergence of new assets, technologies, and use cases. The global market capitalisation of crypto-assets peaked at the end of 2024 at EUR 3.3tn following the US elections. By March 2025, it had fallen to EUR 2.4tn and has since then hovered around EUR 2.6tn ⁽¹⁾. This is still a small fraction of global capital markets' value (USD 175 trillion in mid-2024) ⁽²⁾.

The part of that market constituted by stablecoins represents over EUR 220bn of market capitalisation, with the largest stablecoin being Tether (USDT, EUR 130bn) followed by Circle's USDC (close to EUR 55bn). Stablecoins are a type of crypto-asset that aim to maintain a stable value relative to a specified asset, or a pool or basket of assets. They can reference a national currency (like the US dollar or euro), a basket of currencies, or commodities like gold. Currently, 99% of the stablecoin market cap is denominated in US dollars. Unlike traditional digital payments, stablecoins operate on distributed ledger technology, including blockchain, which enhances their transferability, including cross-border.

Global stablecoins are defined by the Financial Stability Board (FSB) as stablecoins "with an existing or potential reach and use across multiple jurisdictions and which could become systemically important in and across one or many jurisdictions, including as a means of making payments and/or store of value". Due to increased risks to financial stability associated with such cross-border stablecoins that could gain systemic importance, and the specific challenges of regulating them, the FSB has adopted dedicated high-level recommendations for the regulation, supervision and oversight of such global stablecoins.

Currently stablecoins are predominantly used for trading and settlement of crypto-assets on exchanges, but their use in international payments is increasing, due to their speed, reach and low cost. They may also be used in countries with volatile currencies as a store of value.

Crypto brokers, trading platforms, custody providers and stablecoin issuers are the most prominent actors in the EU's crypto market. As of 21 March 2024, 15 CASPs have been authorised under MiCA. More applications are expected in the following months as transitional periods will be nearing their end. In addition, there are currently 16 EMTs authorised in the EU and 34 ongoing projects regarding ARTs and EMTs.

⁽¹⁾ <https://coinmarketcap.com/>.

⁽²⁾ <https://www.ssga.com/us/en/institutional/insights/global-market-portfolio-2024>.

2. Regulatory response

At international level, FSB and other standard setting bodies have been working on international crypto-asset standards that inspired the development of the EU legal framework on crypto-assets. The core of international standards on crypto-assets are the FSB High level recommendations [for the regulation, supervision and oversight of crypto-asset activities and markets](#), and the [Revised high-level recommendations for the regulation, supervision, and oversight of “global stablecoin” arrangements](#) ⁽³⁾.

The EU was the first jurisdiction to comprehensively regulate crypto-assets implementing the FSB recommendations. MiCA aims to promote innovation in crypto-assets while addressing the risks to consumers, financial stability, market integrity and monetary sovereignty. MiCA, which started applying fully on 30 December 2024 ⁽⁴⁾, regulates issuers of crypto-assets as well as CASPs. As to issuers, MiCA provides for transparency requirements for all crypto-assets that are not regulated by the existing financial services legislation, such as the requirement to publish a crypto-asset white paper informing investors of the characteristics of the tokens.

MiCA provides more robust requirements for issuers of stablecoins to protect the EU’s financial stability, monetary policy and retail payment market. Under MiCA, stablecoins are classified into two categories: E-Money Tokens (EMTs) and Asset-Referenced Tokens (ARTs). EMTs are crypto assets that maintain a stable value by referencing a single official currency (e.g. EUR, USD). ARTs, on the other hand, are crypto-assets that maintain a stable value by referencing any other asset than a single official currency, such as several official currencies, commodities (e.g. gold), or other crypto-assets.

MiCA provides for authorisation, prudential and investor protection requirements, and requires both ARTs and EMTs to be fully backed by reserve assets (except in case of credit institutions issuing EMTs). The issuers are to provide a permanent redemption right to holders of such tokens. While MiCA allows euro denominated stablecoins to be used as means of payment, it seeks to limit ARTs and foreign denominated EMTs to be used widely as means of payment in the EU by introducing caps on issuance and allowing central banks to restrict further issuing of such tokens if they could endanger financial stability, smooth operation of payment systems or monetary sovereignty.

Finally, MiCA provides for additional requirements if ARTs or EMTs are qualified by EBA as significant, in which case they are fully (ARTs) or partially (EMTs) supervised by EBA.

CASPs are also subject to authorisation, prudential and investor protection requirements, similar to those applying to investment firms, and they are obliged entities to which AML/CFT regulation apply.

The EU has also addressed risks that could stem from banks potentially increasing exposures to crypto-assets. The Capital Requirements Regulation (CRR) framework integrates key elements of the Basel Committee’s standards on crypto-asset treatment by imposing an exposure limit and risk-based prudential requirements differentiating between exposures to tokenised traditional assets (including EMTs), exposures to ARTs referencing traditional assets and exposures to other crypto-assets.

⁽³⁾ <https://www.fsb.org/2023/07/fsb-global-regulatory-framework-for-crypto-asset-activities/>.

⁽⁴⁾ Titles III and IV MiCA started applying on 30 June 2024.

3. Evolving US crypto policy stance

Since taking office in January 2025, President Trump has taken several actions to promote crypto assets, departing significantly from the stance of previous administrations. The actions are manifold and include an executive order on digital assets aimed at supporting the growth of digital assets and blockchain technology, the establishment of a working group on digital assets chaired by a crypto and AI Czar, launch of work on a potential digital assets stockpile, and regulatory changes (e.g. rescinding certain executive orders of the previous administration). The remainder focuses on legislative intentions as regards stablecoins but also market structure.

a. US draft legislative acts on stablecoins

There are currently two draft bills to establish a regulatory framework for stablecoins: the STABLE Act and the GENIUS Act. The draft GENIUS Act was introduced in the Senate on 4 February 2025 and has passed the Senate Banking Committee in a bipartisan vote. It will now proceed to a full Senate vote. The draft STABLE Act was introduced in the House of Representatives on 6 February 2025, closely mirroring the draft GENIUS Act. Both acts were updated mid-March to align the two proposals and to secure bipartisan support. For the legislation to advance, both the Senate and the House must approve the same version of the bill. The House Financial Services Committee held a hearing on the draft STABLE Act on 2 April with presentation of amendments⁽⁵⁾. The legislative process is expected to conclude before summer with the President signing the final act and it is accordingly still evolving. Some are even advancing the possibility of having a final act to be sent to the President for signature in May.

The draft GENIUS Act defines a payment stablecoin as a digital asset that is used for payments and settlements, maintains a stable value, and may be redeemed for a fixed amount of money. Payment stablecoins may be issued by both banks (via subsidiaries) and nonbanks. Issuers must be licensed either at the state or federal level, depending on issuance size. Larger issuers are subject to regulation and supervision by federal regulators (OCC, Federal Reserve, FDIC, or NCUA). Smaller issuers (with a market capitalization of up to \$10bn) may opt to operate under state regulation and supervision, thus creating regulatory competition among states. Outstanding stablecoins must be backed 100% with reserves held in highly-liquid, high-quality assets such as cash, demand deposits, U.S. Treasuries, repos and reverse repos (with a maturity of less than 7 days), money market funds investing in certain eligible assets and deposits with a central bank. Central bank reserve deposits are listed as reserves in the draft GENIUS Act, but not in the draft STABLE Act. The reserves may not be rehypothecated or used for lending, effectively creating a narrow banking model where stablecoin issuers act solely as money warehouses rather than engaging in credit creation. The Federal Reserve is mandated to conclude bilateral agreements with jurisdictions that have substantially similar regulatory regimes to facilitate international transactions and interoperability with USD-denominated stablecoins issued outside the US. The draft STABLE Act includes more detailed provisions on foreign stablecoin issuers, which may be under certain conditions exempted from the obligation of approval, mandating the Secretary of the Treasury to determine comparability of the foreign legal frameworks. While the draft GENIUS Act seems not to prohibit granting interests in relation to stablecoins, the draft STABLE Act includes such prohibition.

(5) <https://docs.house.gov/meetings/BA/BA00/20250402/118093/BILLS-119-HR2392-S001213-Amdt-1.pdf>.

The table annexed to this note provides a preliminary, high-level comparison between the main elements of the draft Genius act, MiCA and the FSB Recommendations. The table highlights that the draft Genius Act broadly follows the FSB Recommendations on global stablecoin arrangements. It also highlights that generally there is a large convergence between the draft Genius Act and MiCA on regulation of issuers of EMTs, in particular in terms of licencing requirements, composition and custody of reserve assets, and redemption rights. However, there are also divergences (e.g. general ones in terms of scope where MiCA covers both ARTs and EMTs and the draft Genius Act only covers stablecoins that would correspond to EMTs, as well as more punctual ones e.g. as regards granting of interest, holding reserve assets in form of deposits with a central bank, redemption fees).

b. Possible implications of US developments on the EU

Given the early days of these rapidly evolving policy measures, it is too early to assess their implications on the EU crypto market. The Commission services are closely monitoring the evolving US crypto policy, as it will likely have a significant impact on global markets. It is important that the US, like its international counterparts, adopts regulations aligned with FSB recommendations to establish a level-playing field, strengthen global financial stability and provide a sound base for innovation to unfold. In addition, strong enforcement is crucial, emphasizing the need for robust and independent supervision. Meanwhile, the continued expansion of global crypto markets highlights MiCA's role in safeguarding investor protection, market integrity, financial stability, and monetary sovereignty. For instance, MiCA will ensure that EU investors are offered only MiCA compliant crypto-assets, are informed about their risks through crypto-asset white papers, and interact with regulated and supervised CASPs. These safeguards should be reinforced by rules governing financial institutions' exposure to crypto-assets.

4. Questions related to MiCA

a. Governance – supervision

MiCA grants supervisory responsibilities to both national and EU authorities. Issuers of ARTs and EMTs are supervised by national competent authorities, unless the ART and EMTs are significant in which case the issuer of the former become supervised by the EBA and responsibility for supervising the latter becomes shared by the EBA and NCAs. As regards CASPs, NCAs are in charge of their supervision. However, MiCA gives ESMA limited powers over significant CASPs – i.e. CASPs that have at least 15 million active users in the Union, on average, in one calendar year (calculated as an average of the daily number of active users).

Crypto-asset services, given their nature and the technology they employ, are exclusively conducted online and inherently cross-border, which pose challenges for national supervisors. Cross-border activity in the single market should not in itself be considered a risk factor, but the more cross-border activity there is, the more there is a need for a harmonised approach to supervision and monitoring to safeguard against risks to the functioning of crypto-asset markets in case of a failing CASP affecting clients in many Member States.

Supervision of CASPs irrespective of size is entrusted to national competent authorities whereas for significant CASPs⁽⁶⁾ there are additional reporting obligations towards ESMA. This arrangement promotes transparency, but it does not

⁽⁶⁾ MiCA provides that CASPs shall be deemed significant in size if they have at least 15 million active users in the Union, on average, in one calendar year (calculated as an average of the daily number of active users).

provide for harmonised or uniform supervision. Sharing competences between different authorities is common in the financial sector, but increases complexity. The allocation of all the supervisory powers to a national competent authority also has shortfalls, as it means that the national competent authority has less visibility to assess whether conduct rules are being complied with in cross border situations. Cooperation amongst home and host authorities can be slow and uncoordinated when it comes to large, cross border market participants.

Given the potential widespread reach of CASPs facilitated by technology and expected consolidation in the industry in the years to come, significant CASPs can pose specific risks to consumer protection, market integrity and financial stability, that may be better addressed at EU level. Consequently, there is a case to consider the possibility of their supervision at EU level, which would require amendments to MiCA. When negotiating MiCA some parties, in particular in the European Parliament, supported ESMA supervising significant CASPs but this did not gain significant support in Council at the time. However, in recent CMU country visits, several Member States expressed openness to now consider such supervision. As set out in the communication on SIU, the Commission is ready to explore the benefits and challenges, including the resource implications, of a direct supervisory role for ESMA of significant CASPs.

b. Regulating global stablecoins

While the Commission has clarified that stablecoins that are not authorised in the EU are to be delisted from the EU crypto-asset exchange platforms ⁽⁷⁾, questions have been raised by supervisors on how MiCA applies with respect to ARTs and EMTs that are issued in a third country but marketed in the EU. It is in the interest of EU investors to have access to global stablecoins, as they provide liquidity on crypto-asset exchanges, and may offer cross-border use cases that may benefit individuals and firms. Absent tokenised central bank money, such stablecoins are essential for settlement purposes in crypto trading.

The challenge of regulating global stablecoins is that they are as such transboundary in nature and therefore subject to regulatory frameworks of several jurisdictions. MiCA applies only to EU/EEA territory and therefore, in recital 8 it recognises the challenge of regulating crypto-assets that are inherently cross-border and stresses the importance of international cooperation. This comes in the form of the FSB recommendations on global stablecoin arrangements that provide for a harmonised international framework for regulating and supervising global stablecoins.

MiCA aims to avoid the situation where jurisdictional regulatory frameworks on stablecoins, implementing FSB recommendations, would require holding a full reserve of assets in each jurisdiction for global stablecoins, which would result in having multiple reserves of assets, thus making the business model of global stablecoins unviable. MiCA accordingly does not regulate issuance and holdings of global stablecoins in third countries due to its limited territorial scope. Instead, MiCA clarifies that where the same ART is marketed both in the EU and outside the EU, the reserve of assets in the EU must cover holdings of such token marketed in the EU. This clarification is also relevant for the issuers of foreign denominated EMTs that must apply the same reserve assets requirements as issuers of ARTs. Accordingly, an issuer of a global stablecoin in the EU is obliged under MiCA to grant a redemption right to EU holders

(7) <https://www.esma.europa.eu/press-news/esma-news/esma-and-european-commission-publish-guidance-non-mica-compliant-arts-and-emts>.

(holdings with EU CASPs and holdings in unhosted wallets by EU residents) and its reserve assets must cover EU holdings.

As MiCA seeks to provide a regulatory framework for global stablecoins in accordance with the FSB recommendations, MiCA allows the issuance of ARTs and foreign denominated EMTs under a so called “multi-issuance” model where the same or fungible token is issued both by an entity established and authorised in the EU and an entity outside the EU. The ARTs and EMTs issued, based on that model, would be authorised in the Union only if the EU issuer is able to comply with MiCA requirements at any time. One global stablecoin issued under such model has received a conditional authorisation and is actively traded.

However, it is for the competent authorities to authorise, supervise and ensure compliance with MiCA of ART and EMT issuers, including under the multi-issuance model, based on their comprehensive supervisory powers granted under MiCA. Possible supervisory measures to address the potential risks posed by such “multi-issuance” models for the EU market include:

- Evaluating the conditions under which the issuer of ART or EMT that pursues a multi-issuance model is issuing such tokens in third countries and whether it is subject to a comparable regulatory framework in the third country concerned, in line with the FSB recommendations; pursuing a cooperation arrangement with the regulator in the third country to ensure the effective compliance and enforcement of requirements.
- Requiring specific safeguarding measures, including an effective rebalancing mechanism, to ensure that the reserves held in the EU back estimated EU holdings.

In addition, since MiCA applies only to issuers in the EU, and aims at regulating EU markets and protecting EU investors and consumers, it is possible under MiCA to limit or prioritise redemption rights to EU holders only, to ensure that the EU holders’ redemption right is not negatively impacted by redemption requests of third country token holders.

The risks arising from such global stablecoins seem to be overstated and are manageable under the existing legal framework. The global stablecoins market represents a small fraction of the total capital, money and treasury markets. Furthermore, MiCA contains provisions that limit the use of foreign denominated global stablecoins as means of payment by imposing caps on issuance and allowing central banks to restrict issuance of such tokens if it poses a threat to smooth operation of payment systems, monetary policy transmission or monetary sovereignty. In addition, MiCA also contains safeguards that limit stablecoins’ role as means of investment notably by banning the payment of interest. Finally, bank prudential rules in the EU already limit EU banks’ exposure to crypto assets and stablecoins, mitigating potential contagion risks.

Question

Who would you consider best placed to be responsible for authorising and supervising CASPs between NCAs and EU supervisory authorities? In case you see merits in EU level authorisation and supervision, would you consider it for all or only a subset of CASPs (e.g. significant ones as set out in Article 85 MiCA)?

Annex A

Preliminary comparison of evolving stablecoin regulatory approaches

	<u>Draft GENIUS Act</u>	<u>MiCA</u>	<u>FSB Recommendations</u>
Scope	<p>Covers only issuers of ‘payment stablecoins’ that reference to a currency.</p> <p>Its use for payment or settlement and redemption at par are constitutive elements of the definition of a payment stablecoin.</p>	<p>MiCA covers all stablecoins: referenced to a currency (EMTs), and any other stablecoins (ARTs).</p> <p>Payment stablecoin corresponds to an EMT, so this comparative analysis focuses on EMTs.</p>	<p>The definition of stablecoin is broad: “a crypto-asset that aims to maintain a stable value relative to a specified asset, or a pool or basket of assets.” For global stablecoins (that expand across several jurisdictions and could become systemically important), there are dedicated FSB Recommendations to which this comparative table refers to.</p>
Authorisation requirements	<p>Only the following issuers may issue payment stablecoins in the US:</p> <ul style="list-style-type: none"> - Subsidiaries of banks; - Non-bank payment stablecoin issuers. <p>The issuance is subject to ‘approval’ set out in the Genius Act. The licensing process is to be further specified in implementing acts.</p>	<p>Only the following issuers may issue payment stablecoins in the EU:</p> <ul style="list-style-type: none"> - authorised credit institutions; - authorised electronic money institutions. <p>They are subject to authorisation, prudential and conduct requirements under CRR/CRD and EMD.</p>	<p>Recommendation 10:</p> <p>“Authorities should require that GSC arrangements meet all applicable regulatory, supervisory and oversight requirements of a particular jurisdiction before commencing any operations in that jurisdiction and adapt to new regulatory requirements as necessary and as appropriate.”</p>
Prudential Requirements	<p>Mandates federal and state regulators to issue capital and liquidity requirements, and operational, compliance and information technology risk management standards.</p>	<p>For e-money institutions issuing significant EMTs, and for non-significant if so required by competent authorities, MiCA provides detailed capital, governance and prudential requirements, which are further specified by level II measures.</p> <p>For non-significant EMTs and EMTs issued by credit institutions, capital and prudential requirements of EMD</p>	<p>Recommendation 9:</p> <p>“In order to have effective stabilisation methods, GSC arrangements should also be subject to appropriate prudential requirements (including capital and liquidity requirements) to provide that losses can be absorbed and there is sufficient liquidity to deal with outflows. Prudential requirements should take into account the risks of the reserve assets and operational risks (amongst other risks). Adequate capital buffers also contribute to maintaining confidence in the GSC and a stable value at all times. Such capital buffers should be consistent with the size of the GSC in circulation and</p>

		and CRR/CRD, respectively, apply.	proportionate to the risks of GSC arrangement.”
Stabilisation mechanism	<p>Payment stablecoins must be backed by reserves on at least 1 to 1 basis.</p> <p>The reserves are to be composed of:</p> <ul style="list-style-type: none"> - coins and currency - demand deposits with banks; - U.S. Treasuries - Repos and reverse repos (< 7 days), - Money market funds (MMF) investing in the above-mentioned assets; - and central bank reserve deposits. <p>These reserves must be custodied at FDIC-insured institutions, ensuring depositor protection.</p> <p>The rehypothecation or use of reserves for lending is prohibited.</p>	<p>For e-money institutions issuing EMTs (both non-significant and EMTs), MiCA requires to back the EMT on at least 1 to 1 basis. At least 30% (or 60% for significant) of the safeguarded funds/reserve of assets must be in deposits with credit institutions. The rest can be invested in highly liquid financial instruments denominated in the same currency with minimal market risk, credit risk and concentration risk, such as cash, sovereign bonds and certain cover bonds.</p> <p>Credit institutions issuing EMTs are not subject to safeguarding of funds/reserve assets requirements but back the EMT with their balance sheet.</p>	<p>“An effective stabilisation method should include a reserve of assets that is at least equal to the amount of outstanding stablecoins in circulation at all times, unless the GSC issuer (or where applicable, the provider or providers of the issuance, redemption or stabilisation function of the GSC arrangement) is subject to adequate prudential requirements, oversight and safeguards equivalent to BCBS standards and delivers similar levels of protection to commercial bank money. [...] For GSCs that use a reserve-based stabilisation method (“reserve-based stablecoin”), authorities should ensure that there are robust requirements for the composition of reserve assets consisting only of conservative, high quality and highly liquid assets.”</p>
Redemption	<p>Obligation to “convert, redeem or repurchase for a fixed amount of monetary value” is part of the definition of payment stablecoin.</p> <p>The issuer must also disclose a redemption policy and establish procedures for timely redemption.</p>	<p>MiCA similarly provides for redemption at par at any time.</p> <p>MiCA also explicitly prohibits redemption fees, except in the recovery situation, and prohibits interests, which is motivated by the intention of the legislator that EMTs are used as means of payment.</p>	<p>Recommendation 9 states that “redemptions should be at par in fiat. The issuer should provide a robust legal claim and timely redemption. The issuer should also provide information on the process of redemptions. Fees are not prohibited but should be clearly communicated to users and should be proportionate.”</p>
Equivalence	<p>Mandates the Federal Reserve to conclude bilateral agreements with jurisdictions with substantially similar regulatory regimes. The objective is to facilitate international transactions and interoperability with</p>	<p>No equivalence regime. The possibility to conclude cooperation arrangements with third country authorities for exchange of information and supervision.</p>	<p>Recommendation 3: “Authorities should cooperate and coordinate with each other, both domestically and internationally, to foster efficient and effective communication, information sharing and consultation in order to support each other in</p>

	USD-denominated stablecoins issued overseas.		fulfilling their respective mandates and to ensure comprehensive regulation, supervision, and oversight of a GSC arrangement across borders and sectors, and to encourage consistency of regulatory and supervisory outcomes.”
Rules on custodians of reserve assets and payment stablecoins	<p>These rules include provisions on segregation and prohibition of commingling so that the customer’s assets or stablecoins are segregated from the estate of the custodian.</p> <p>Stablecoin holders will be granted a priority over all other claims in insolvency proceedings.</p>	<p>MiCA provides for robust segregation requirements, including operational and legal segregation of reserve assets from the issuer. For non-significant EMTs, PSD2 rules on safeguarding of funds apply.</p> <p>EMT holdings in custody with a CASP must be also operationally and legally segregated from the custodian, including in insolvency.</p>	<p>Recommendation 9: “In particular, authorities should require reserve-based stablecoins to ensure safe custody and proper record-keeping of reserve assets and that ownership rights of reserve assets are protected at all times, including through segregation requirements from other assets of the GSC, members of its group and the custodian’s assets. The reserve assets should be protected against claims of creditors of the GSC issuer, and members of the group of the GSC issuer, in particular in the event of insolvency of the issuer.”</p>