



What does MiCA mean for Crypto-assets in EU?

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Crypto Market Today



1 Trillion (?)

- Bitcoin's Market Capitalization Went Over \$1 Trillion This Year
- The World Economic Forum estimates that by 2027, 10% of global GDP will be stored on blockchain technology



6.500

- More than 6.500 cryptocurrencies



Global Phenomenon

- By region, the cryptocurrency market was dominated by Asia-Pacific in 2020, and is expected to retain its position during the forecast period



Prohibition & Increased Regulation

- From full *prohibition* through increased money-laundering and terrorist financing regulation and taxation regulation
- China prohibiting all cryptocurrency transactions 24/09/2021



Yet, moving towards national digital currencies

- ECB, China, Sweden, US, Brasil....



Rising environmental concerns

- Most mining pools are located in China, comprising more than 70% of total Bitcoin mining. China manufactures most cryptocurrency mining equipment and leverages the country's cheap electricity prices.

Deconstructing crypto-assets

Technology

Distributed ledger technology

Cybersecurity

Cryptography

Purpose

Eliminate Intermediaries

NO central authority—such as a bank, the government, or a payments company.

Control

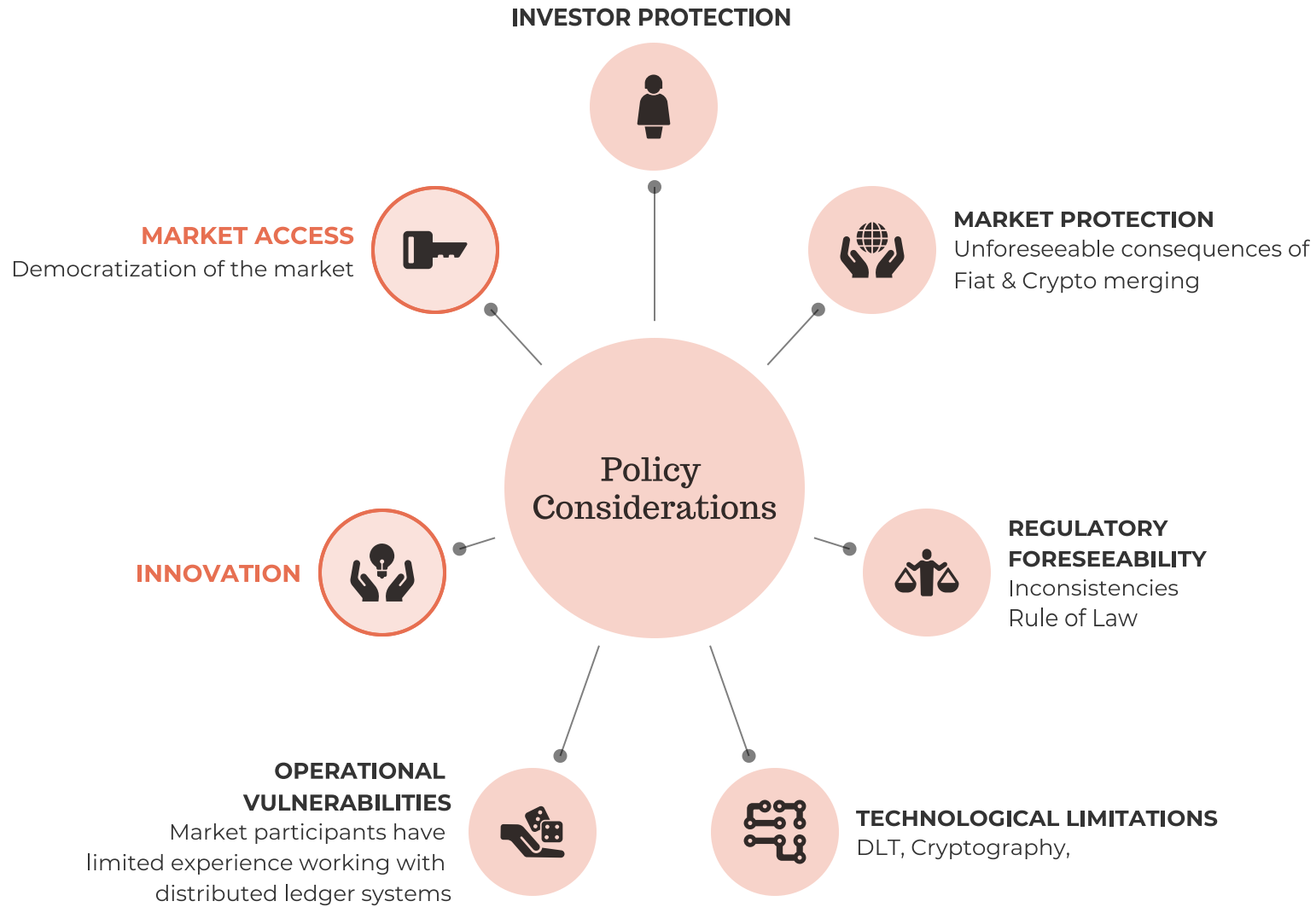
Value

Facilitation of payments

Lower Costs

Access

Continuous



EU Policy Considerations

Before we jump into the regulation

Digital Finance Package

the European Commission adopted on 24 September 2020 a digital finance package, including a digital finance strategy and legislative proposals on crypto-assets and digital resilience



Innovation is unstoppable

- Innovation increasingly takes a digital form
- Data is becoming a key asset for innovation along with IT infrastructure
- Innovation is changing market structures, structures of collaborations and partnerships (start-ups)



Market integration

- Digital finance cuts across borders, it also has the potential to enhance the Capital Markets Union and thus strengthen Europe's Economic and Monetary Union.



4 priorities for the digital transformation of the EU financial sector

1. Tackle market fragmentation
2. Ensure that the EU regulatory framework facilitates digital innovation in the interest of consumers and market efficiency
3. Create a European financial data space to promote data-driven innovation
4. Address new challenges and risks associated with the digital transformation
5. **Whereas...** *promoting the new opportunities that digital finance offer to consumers and to protecting consumers wherever appropriate.*

To achieve the digital transformation of our society and economy by 2030.

Key Features of

MiCA Proposal

Crypto-assets : “all representations of value or rights that may be transferred and stored electronically, using distributed ledger and similar technology”

Introduced in September 2020 & expected to come into force at the end of 2022.

1 4 main objectives

1. Provide legal certainty for crypto-assets not covered by existing EU financial services legislation, for which there is currently a clear need.
2. Establish uniform rules for crypto-asset service providers and issuers at EU level.
3. Replace existing national frameworks applicable to crypto-assets not covered by existing EU financial services legislation.
4. Establish specific rules for so-called ‘stablecoins’, including when these are e-money.

2 Framework on crypto-assets

- The Commission proposes a framework on crypto-assets to allow for innovation in a way that preserves financial stability and protects investors.
- Crypto-assets are digital representations of values or rights, which are transferred and stored electronically.
- Eliminate the patchy legal framework in different European countries which makes it difficult for companies to start a business.

3 Scope

- The proposal aims to regulate every digital representation of value or rights, which may be shared or stored electronically, using distributed ledger technology (DLT) or similar.

4 Application

This Regulation applies to persons that are engaged in the issuance of crypto-assets or provide services related to crypto-assets in the Union.

5 3 types of crypto-assets

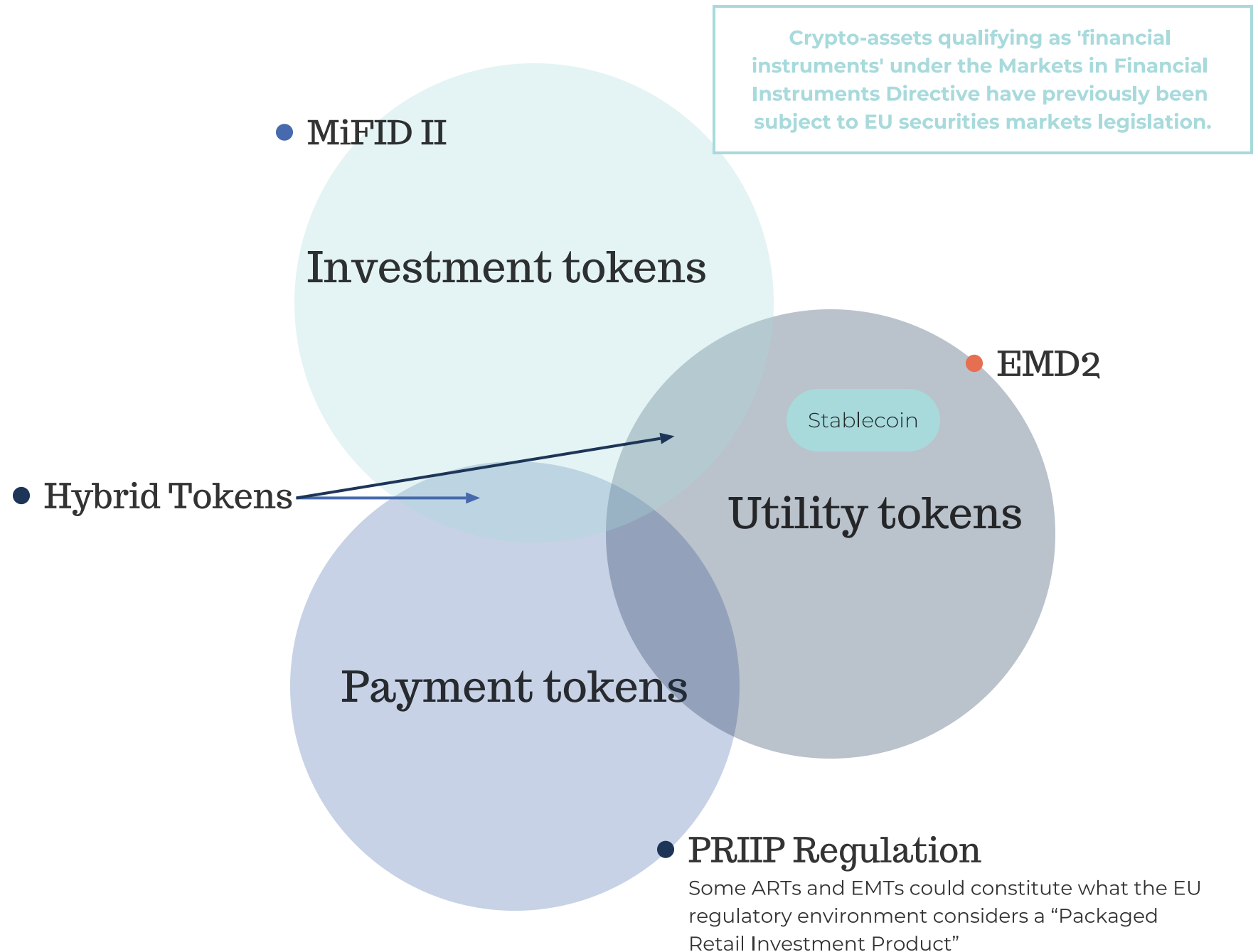
1. **Asset referenced tokens (ART)** - referring to value of several fiat currencies that are legal tender, one or several commodities, or one or several crypto-assets or a combination (CBDCs excluded)
2. **Utility tokens (UT)** - issued with non-financial purposes to digitally provide access to an application, services or resources available on DLT networks
3. **e-money tokens (EMT)**: crypto-assets with a stable value based on only one fiat currency which main purpose is to be used as a means of exchange

6 Decentralized enforcement

- The regulation adopts an enforcement model with decentralised and centralised elements.
- ECB & ESMA with substantial supervisory and investigatory powers.
- Concerns for systemic risk.

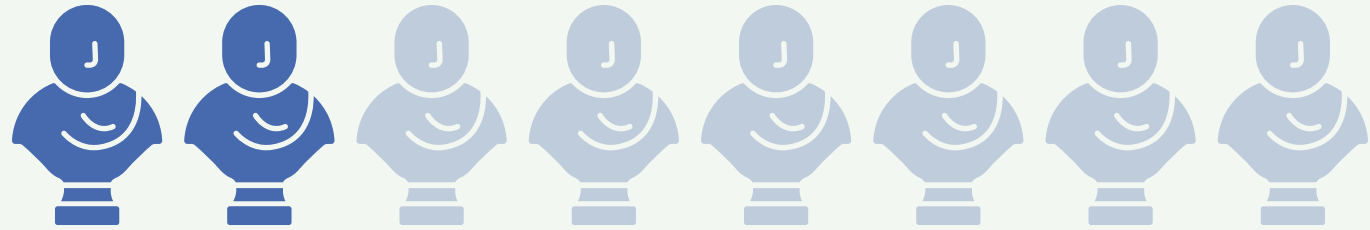
Overlap between existing and future regulation

Lack of clarity between diverse types



Only

25%



Support EU-based regulation of crypto assets

- The poll, that was carried out by Redfield & Wilton Strategies, a global consulting firm, polled more than 31,000 citizens in 12 states of the European block: Germany, Estonia, France, Greece, Hungary, Italy, Latvia, Lithuania, the Netherlands, Poland, Portugal, and Spain.

What does MiCA mean for Crypto-assets?

in the EU

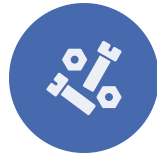


Freedom to provide services across EU



MiCA will have the greatest impact on issuers, service providers, and trading venues --- **CASPs**

- *Crypto-Assets Service Providers*
- Custody & Administration
- Exchange
- Execution of orders
- Advice
- Covering also non-EU CASPs



Increased **reporting**

obligations for CASPs

Similar to MIFID requirements, CASPs will be subjected (depending on their size and associated risk) to further requirements which pertain to their capital requirements, governance model, staff training, insurance coverage and more.



Window shopping

Due to combination of national and EU elements



Entry & Compliance challenge for **SMEs**

- The protection of investors remain a focal point, thus further obligations on adequate asset separation, safekeeping of funds, business structure and management qualification will need to be met.



Focus on **stable coins**

- Heavily criticized by ECB - which suggested greater scope



Regulatory mish-mash

Predominantly overlap between MiFID II, PSD II, e-money

Context matters: from crypto to decentralized finance ?

EU wide sandbox regime



Reinvent the finance space lies in how the market can become permissionless and open to anyone.

Thank You

Questions?

