

Europe's Next Financial Architecture

Strategic Considerations for the Review of the Markets in Crypto-assets Regulation (MiCA)

A joint policy paper by

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The Digital Chamber²

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Executive Summary

The review of the Markets in Crypto-assets Regulation (“**MiCA**”) takes place at an important point in the evolution of European financial policy. Since MiCA was adopted, the strategic context surrounding digital assets and blockchain-enabled products and services have changed significantly. The European Union has moved beyond the initial objective of establishing a harmonized framework for crypto-assets towards a broader program of financial modernization

¹ CryptoUK is the UK’s leading self-regulatory trade association representing the cryptoasset sector. Our members comprise over 150 of the leading companies across the sector and across the UK. Many of our members are also international and engage with regulators and policies in The European Union and on a global basis.

² TDC is the world’s largest digital asset and blockchain trade association, representing more than 250 members across the global blockchain ecosystem including stablecoin issuers, digital asset firms, national banks, blockchain analytics firms, custodians, tokenization platforms, and companies building core blockchain infrastructure. Our membership spans jurisdictions, with many members maintaining offices and operations in the EU alongside the U.S. and beyond. Guided by the principle of industry compliance with applicable law, TDC works to foster a regulatory environment that provides clarity and stability for digital asset users and innovators as they apply blockchain technologies across a broad range of commercial, financial, and societal use cases.

designed to strengthen competitiveness, deepen capital markets and improve the mobilization of private investment^{3, 4}

MiCA represents a historic and important recognition by the European Union that digital assets and their underlying blockchain technologies are increasingly important aspects of global finance. The Commission when considering additions and improvements to this framework should prioritize support targeted simplification, access to global liquidity, continued recognition of multi-issuance models, and an outcomes-based equivalence regime. With regards to any provisions directed towards decentralized finance (“DeFi”), the Commission should consider an activity-based approach which distinguished between custodial and non-custodial infrastructure.

This wider direction is reflected in the Savings and Investments Union, the Market Integration and Supervision Package, the Competitiveness Compass, and the Commission's wider simplification agenda. Although these initiatives address different aspects of financial policy, they share a common ambition: creating a more productive, integrated and internationally competitive European financial system capable of supporting sustainable economic growth while remaining compatible and competitive with global financial markets which are increasingly utilizing blockchain-infrastructure upgrades⁵.

As digital finance and mainstream financial services increasingly merge into one, the focus of policy should shift from regulating individual technologies towards enabling safe, efficient and internationally competitive digital financial markets.

As such, the review of MiCA should be viewed as more than an exercise in updating existing digital asset regulations based on lessons learned since MiCA’s adoption. It provides an opportunity to consider how digital financial markets can contribute to the Union's wider objectives for capital formation, market integration and long-term competitiveness. Updated and supplementary regulations can continue to support innovations that strengthen European financial markets while preserving financial stability, market integrity and consumer confidence.

³ The observations and recommendations set out in this paper have been informed principally by official European Union policy documents, legislative proposals and publications issued by the European institutions, and supervisory authorities which are cited throughout this paper. They have also been considered in the context of relevant international standards and policy work concerning digital finance, financial market infrastructure, and capital markets.

⁴ Mario Draghi, *The Future of European Competitiveness, Part A: A Competitiveness Strategy for Europe* 63–66 (Sept. 2024); Enrico Letta, *Much More Than a Market: Speed, Security, Solidarity—Empowering the Single Market to Deliver a Sustainable Future and Prosperity for All EU Citizens* 28–30 (Apr. 2024).

⁵ Eur. Comm’n, *A Competitiveness Compass for the EU*, §§ 2.1–2.3, COM (2025) 30 final (Jan. 29, 2025); Eur. Comm’n, *Savings and Investments Union: A Strategy to Foster Citizens’ Wealth and Economic Competitiveness in the EU*, COM (2025) 124 final (Mar. 19, 2025); Eur. Comm’n, *Market Integration and Supervision Package* (Dec. 4, 2025), https://finance.ec.europa.eu/publications/market-integration-and-supervision-package_en.

MiCA established a common regulatory foundation for digital assets across the Single Market. It has reduced fragmentation, improved legal certainty and reinforced Europe's position as the leading jurisdiction for comprehensive digital asset regulation. These achievements provide a strong foundation for the next phase of policy development. The review should therefore be understood as an exercise in regulatory evolution rather than regulatory redesign, building upon implementation experience while ensuring that the framework continues to reflect changing market structures and the Union's wider economic objectives.⁶ The Consultation should also be an opportunity to what has worked and what has not worked since adoption. MiCA represents an innovative solution to many digital asset regulatory problems. As can be expected from any innovation, it has shown strength in some areas while other areas could benefit from tailored recalibrations.

This paper argues that the continued evolution of MiCA should be considered within the wider context of where Europe's next generation of financial markets fit within the global financial ecosystem. As digital finance becomes progressively embedded across capital markets, payments and financial market infrastructure, the significance of MiCA will increasingly derive not simply from the activities it regulates but from the confidence, legal certainty, and supervisory consistency it provides across Europe's evolving financial architecture within the global financial system.

Four principles emerge from this analysis.

- First, future reforms should support the wider objectives of European financial modernization by reinforcing capital formation, market integration and productive investment.
- Secondly, the framework should continue to be guided by technology neutrality, proportionality, legal certainty and evidence-based regulation, recognizing that these characteristics have become enduring strengths of the European regulatory model.
- Thirdly, interoperability should be recognized as a strategic objective extending beyond technology to encompass market infrastructure, supervisory cooperation and the interaction between different forms of regulated digital money and financial assets.
- Finally, Europe should continue to build upon the international credibility established through MiCA by maintaining a regulatory framework that remains practical, coherent and

⁶ Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on Markets in Crypto-Assets, recitals 4–7, arts. 1, 140, 142, 2023 O.J. (L 150) 40; Eur. Comm'n, *Consultation Document: Targeted Consultation on the Review of Regulation on the Markets in Crypto-Assets (MiCA)* (May 20, 2026); Eur. Comm'n, *Commission Staff Working Document: Better Regulation Guidelines*, at 5–6, 23–29, SWD (2021) 305 final (Nov. 3, 2021).

capable of supporting internationally competitive financial markets operating to European standards.

The review therefore provides an opportunity not only to refine an important piece of legislation, but also to reinforce Europe's wider program of financial modernization. Properly calibrated, the continued evolution of MiCA can contribute to stronger capital markets, more efficient financial infrastructure and a more competitive European economy while preserving the high standards of regulation upon which confidence in the Single Market depends.

Part I - Europe's Next Financial Architecture

1. A changing policy context

The digital asset and financial circumstances are materially different from when the original Regulation was negotiated. MiCA was developed to address an immediate regulatory challenge. It established a harmonized framework for crypto-assets across the European Union, replacing a fragmented landscape of national approaches with new consistent standards for authorization, consumer protection, prudential oversight, and market integrity. In doing so, it provided legal certainty for firms, investors, and supervisors, while establishing the European Union as the first major jurisdiction to adopt a comprehensive regulatory framework for digital assets.⁷

The policy context has since evolved significantly. Across the Union there is growing recognition that long-term competitiveness will depend upon stronger capital markets, more productive investment, and the ability of the financial system to mobilize private capital more effectively. This analysis is reflected in the Draghi and Letta reports, the Commission's Competitiveness Compass, the establishment of the Savings and Investments Union, and the Market Integration and Supervision Package. Although these initiatives address different aspects of financial policy, they point towards a common objective: creating deeper, more integrated and more efficient European capital markets capable of supporting sustainable economic growth.⁸ At the same time, digital assets and blockchain technologies have grown from niche industry separate from traditional finance to being increasingly implemented into the global financial ecosystem.

⁷ Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on Markets in Crypto-Assets, recitals 4–7, art. 1, 2023 O.J. (L 150) 40.

⁸ See Mario Draghi, *The Future of European Competitiveness, Part A: A Competitiveness Strategy for Europe* 63–66 (2024); Enrico Letta, *Much More Than a Market: Speed, Security, Solidarity—Empowering the Single Market to Deliver a Sustainable Future and Prosperity for All EU Citizens* 28–30 (2024); Eur. Comm'n, *A Competitiveness Compass for the EU*, § 2.3, COM (2025) 30 final (Jan. 29, 2025); Eur. Comm'n, *Savings and Investments Union: A Strategy to Foster Citizens' Wealth and Economic Competitiveness in the EU*, COM (2025) 124 final (Mar. 19, 2025); *Market Integration and Supervision Package*, Eur. Comm'n (Dec. 4, 2025), https://finance.ec.europa.eu/publications/market-integration-and-supervision-package_en.

Against this backdrop, the significance of the MiCA has evolved. Rather than considering digital assets through a standalone regulatory framework, the review provides an opportunity to consider how digital financial markets can contribute to Europe's wider economic priorities. The central policy question is no longer simply how to regulate an emerging market. It is how the regulatory framework should evolve as digital technologies become increasingly embedded across capital markets, payments, and financial market infrastructure.

Importantly, this reflects the success rather than the inadequacy of the original Regulation. Implementation experience suggests that MiCA has established a robust foundation upon which the next phase of policy development can build. The review should therefore be understood as an exercise in regulatory evolution rather than regulatory redesign, ensuring that an effective framework continues to reflect changing market structures, technological developments, and the Union's wider economic objectives.

As digital financial markets become more closely integrated with the wider financial system, MiCA is likely to assume a broader role within Europe's evolving financial architecture. Its long-term significance will derive not only from the activities it regulates, but also from the confidence, legal certainty, and supervisory consistency it provides across an increasingly digital financial system.

That broader role should be understood as complementary to, rather than a replacement for, the existing European financial services acquis. As tokenization expands, the priority should be to ensure coherence between MiCA and adjacent frameworks, including MiFID II, MiFIR, MAR, CSDR, DORA and the payments framework, so that equivalent regulatory outcomes are preserved while DLT-specific features are addressed in a consistent way.

2. Digital finance is becoming part of mainstream financial services

The distinction between digital assets and traditional financial services is becoming progressively less pronounced. Distributed ledger technology is increasingly being adopted across banking, capital markets, investment management, payments and, financial market infrastructure. Tokenization is extending beyond early digital asset markets into securities issuance, investment funds, collateral management and post-trade services, while advances in artificial intelligence, programmable finance and digital identity are accelerating the convergence of innovation and established financial markets.⁹

This evolution changes the role that MiCA will play over the coming decade. The first generation of regulation focused principally on establishing legal certainty for new forms of financial activity

⁹ Piero Cipollone, Member of the Exec. Bd., Eur. Cent. Bank, *Building the Rails for Europe's Tokenised Financial Markets* (Mar. 23, 2026), <https://www.ecb.europa.eu/press/key/date/2026/html/ecb.sp260323~a88f20c049.en.html>; Press Release, Eur. Cent. Bank, *Eurosystem Unveils Appia Roadmap for Europe's Tokenised Finance* (Mar. 11, 2026), <https://www.ecb.europa.eu/press/pr/date/2026/html/ecb.pr260311~14ddf51a77.en.html>.

while that financial activity was relatively unconnected to then existing global financial infrastructure. The next phase is increasingly concerned with ensuring that digital market infrastructure can be integrated safely and efficiently into the wider financial system. Regulation must therefore evolve from addressing a discrete market towards providing the confidence necessary to develop within Europe's broader financial architecture.

Technology neutrality remains central to this objective. Regulation should continue to focus on the legal and economic substance of an activity rather than the technology through which it is undertaken. At the same time, technology neutrality does not imply that technology-specific risks should be ignored. Where distributed ledger technology gives rise to identifiable operational, governance or market integrity risks, these should be addressed through proportionate regulatory measures while preserving equivalent regulatory outcomes for comparable financial activities¹⁰. Similarly, where the technology eliminates the counterparty and intermediary risks which existing regulations were formed to protect against, those now unnecessary regulations should not be forced on top of this new technological architecture.

Financial stability, market integrity, consumer protection and effective supervision remain the foundations of public confidence in financial markets. As financial services become increasingly digital, the regulatory framework should continue to support innovation that strengthens capital markets, improves financial intermediation (and eliminates forced intermediation where appropriate), and contributes to Europe's wider competitiveness without compromising these fundamental objectives.

3. The Savings and Investments Union provides the strategic framework

The Savings and Investments Union provides the clearest expression of Europe's current financial policy priorities. It recognizes that improving the mobilization of private savings and strengthening capital markets will be essential if Europe is to finance investment in strategic sectors, including the green and digital transitions, defense capability, industrial transformation, and technological innovation.¹¹

This represents an important evolution in European financial policy. Earlier initiatives focused primarily on removing barriers to cross-border financial activity. The Savings and Investments Union retains that objective but places greater emphasis on improving the effectiveness with which European capital markets allocate investment across the economy. Market integration is therefore viewed as a means of strengthening productivity, competitiveness, and long-term economic resilience.

¹⁰ Eur. Comm'n, *Commission Staff Working Document: Better Regulation Guidelines*, at 5–6, 30–34, SWD (2021) 305 final (Nov. 3, 2021); Eur. Comm'n, *Consultation Document: Targeted Consultation on the Review of Regulation on the Markets in Crypto-Assets (MiCA)* (May 20, 2026)

¹¹ Eur. Comm'n, *Savings and Investments Union: A Strategy to Foster Citizens' Wealth and Economic Competitiveness in the EU*, COM (2025) 124 final (Mar. 19, 2025).

Digital finance has the potential to contribute directly to these ambitions by reducing friction within financial markets. Tokenization may improve the efficiency with which financial instruments are issued, transferred, and administered. Distributed ledger technology may reduce operational complexity across financial market infrastructure, while programmable financial instruments may simplify settlement, collateral management, and corporate actions. These developments should not be regarded as objectives in themselves. Their significance lies in their potential to improve the European economy.¹²

The review should therefore be viewed through this broader strategic lens. The relevant policy question is not whether digital finance should receive preferential treatment, but whether the regulatory framework enables innovation that contributes to the Union's wider objectives while maintaining confidence in the integrity, resilience, and international competitiveness of European financial markets.

4. The Market Integration and Supervision Package provides the legislative architecture

If the Savings and Investments Union establishes the strategic direction, the Market Integration and Supervision Package provides an important part of the legislative architecture through which that ambition will be realized. Its objective is to reduce fragmentation, strengthen supervisory effectiveness, and improve the efficiency with which European capital markets operate across borders.¹³

These objectives are directly relevant to the future development of digital financial markets. As new forms of market infrastructure emerge, there is a risk that technological fragmentation could replace regulatory fragmentation. Incompatible infrastructures, isolated liquidity pools, inconsistent supervisory approaches, or unnecessary operational duplication would diminish many of the efficiencies that digital technologies have the potential to deliver. The challenge is therefore not simply to regulate innovation, but to ensure that innovation contributes to a more integrated, interoperable, and efficient European financial system.

Interoperability supports liquidity, fungibility, and the efficient movement of assets across markets while reducing unnecessary fragmentation. As tokenized financial markets continue to develop, interoperability between infrastructures, settlement assets, and supervisory frameworks will become an increasingly important contributor to the wider objectives of the Single Market.¹⁴

¹² See Mario Draghi, *The Future of European Competitiveness, Part A: A Competitiveness Strategy for Europe* 63–66 (2024); Piero Cipollone, Member of the Exec. Bd., Eur. Cent. Bank, *Building the Rails for Europe's Tokenised Financial Markets* (Mar. 23, 2026), <https://www.ecb.europa.eu/press/key/date/2026/html/ecb.sp260323~a88f20c049.en.html>.

¹³ Eur. Comm'n, *Market Integration and Supervision Package* (Dec. 4, 2025), https://finance.ec.europa.eu/publications/market-integration-and-supervision-package_en.

¹⁴ Press Release, Eur. Cent. Bank, *Eurosystem Unveils Appia Roadmap for Europe's Tokenised Finance* (Mar. 11, 2026), <https://www.ecb.europa.eu/press/pr/date/2026/html/ecb.pr260311~14ddf51a77.en.html>;

Read together, the objectives of MiCA and the Market Integration and Supervision Package are mutually reinforcing. MiCA establishes a trusted framework for digital financial activity. The Market Integration and Supervision Package seeks to improve the functioning of European capital markets as a whole. The next phase of policy development should ensure that these two agendas continue to evolve together.

The chapters that follow examine how the review of MiCA can contribute to this wider program of financial modernization. They do not seek to reconsider the fundamental objectives of the Regulation. Rather, they consider how its continued evolution can reinforce the Union's broader ambitions for competitiveness, capital formation, market integration, and internationally connected financial markets operating within a trusted European regulatory framework.

Part II - Digital Finance and European Financial Modernization

5. Digital finance as an enabler of market integration

The evolution of digital finance should be considered within the broader context of European financial market reform rather than as a separate policy agenda. The significance of MiCA increasingly derives from its contribution to wider objectives already established through the Savings and Investments Union and the Market Integration and Supervision Package.¹⁵

This reflects an important shift in perspective. The first phase of policy development focused on bringing new activities within an appropriate regulatory framework. The next phase is increasingly concerned with improving the way financial markets function. Tokenization, distributed ledger infrastructure, and programmable financial instruments are being explored across securities markets, investment management, collateral management, payments, and post-trade services. These developments are no longer confined to specialist digital asset markets. They are becoming part of a wider program of financial modernization.¹⁶

Bank for Int'l Settlements & Comm. on Payments & Mkt. Infrastructures, *Tokenisation in the Context of Money and Other Assets: Concepts and Implications for Central Banks*, §§ 3.3, 4.2 (Oct. 2024); Comm. on Payment & Settlement Sys. & Int'l Org. of Sec. Comm'ns, *Principles for Financial Market Infrastructures*, principles 20, 22 (Apr. 2012).

¹⁵ See Eur. Comm'n, *Savings and Investments Union: A Strategy to Foster Citizens' Wealth and Economic Competitiveness in the EU*, COM (2025) 124 final (Mar. 19, 2025); *Market Integration and Supervision Package*, Eur. Comm'n (Dec. 4, 2025), https://finance.ec.europa.eu/publications/market-integration-and-supervision-package_en.

¹⁶ See Press Release, Eur. Cent. Bank, *Eurosystem Unveils Appia Roadmap for Europe's Tokenised Finance* (Mar. 11, 2026), <https://www.ecb.europa.eu/press/pr/date/2026/html/ecb.pr260311~14ddf51a77.en.html>; Piero Cipollone, Member of the Exec. Bd., Eur. Cent. Bank, *Building the Rails for Europe's Tokenised Financial Markets* (Mar. 23, 2026), <https://www.ecb.europa.eu/press/key/date/2026/html/ecb.sp260323~a88f20c049.en.html>; Eur. Sec. &

The potential public policy benefits arise not from the technology itself but from its capacity to reduce friction within financial markets. More efficient issuance, settlement, collateral management and asset servicing can improve capital mobility, reduce operational costs and strengthen cross-border investment. These outcomes support the wider objectives of the Savings and Investments Union by improving the efficiency with which capital is allocated across the European economy.

As implementation experience accumulates, the review enables the regulatory framework to evolve alongside these developments while preserving the high standards of financial stability, market integrity, and consumer protection that remain essential to confidence in European financial markets.

6. Capital formation, productivity and competitiveness

Recent European policy initiatives have consistently identified the mobilization of private capital as one of the principal challenges facing the Union. The issue remains ensuring individuals have the ability transform savings into productive long-term investment.¹⁷

Digital finance can contribute to this objective by improving the efficiency of financial market infrastructure. More streamlined issuance processes, reduced operational complexity, and more efficient post-trade arrangements have the potential to lower costs, improve market access, and facilitate cross-border investment. Although these developments remain at different stages of maturity, they demonstrate how innovation can contribute to wider economic objectives beyond the digital asset sector itself. Future regulatory developments should therefore continue to assess innovation not only according to the risks it presents but also according to the contribution it can make to market efficiency, capital formation, and long-term productivity. As stated by former U.S. Comptroller of the Currency, Brian Brooks: “Shouldn’t we take seriously the possibility that algorithms and opensource software that take a measure of human error, greed, negligence, fraud, and bias out of the system might make the system better on net even if there are some new risks that need to be examined and understood?”¹⁸

Well-functioning markets require both effective regulation and efficient infrastructure. Confidence encourages investment, while efficient investment supports stronger capital markets. Regulatory obligations should likewise remain proportionate and risk based. Responsibilities should be

Mkts. Auth., *Report on the Functioning and Review of the DLT Pilot Regime—Pursuant to Article 14 of Regulation (EU) 2022/858*, §§ 3–4, ESMA75-117376770-460 (June 25, 2025).

¹⁷ See Mario Draghi, *The Future of European Competitiveness, Part A: A Competitiveness Strategy for Europe* 63–66 (2024); Enrico Letta, *Much More Than a Market: Speed, Security, Solidarity—Empowering the Single Market to Deliver a Sustainable Future and Prosperity for All EU Citizens* 28–30 (2024)

¹⁸ *Digital Assets and the Future of Finance: Understanding the Challenges and Benefits of Financial Innovation in the United States: Hearing Before the H. Comm. on Fin. Servs.*, 117th Cong. (2021) (statement of Brian P. Brooks, Chief Executive Officer, Bitfury Group), <https://democrats-financialservices.house.gov/uploadedfiles/hhrg-117-ba00-wstate-brooksb-20211208.pdf>.

allocated to the actors best placed to identify, manage, and mitigate the relevant risks, ensuring that regulation remains effective without creating unnecessary complexity or discouraging productive innovation.¹⁹

7. Regulatory leadership and internationally competitive markets

One of MiCA's most significant achievements has been to establish Europe as an international reference point for comprehensive digital asset regulation. The next phase should ensure that regulatory leadership translates into market leadership. MiCA's international influence will be greatest if Europe can demonstrate not only that digital asset markets can be comprehensively regulated, but that they can operate successfully, competitively, and safely within a trusted regulatory framework.

Europe's comparative advantage has never been based upon regulatory arbitrage. It has been built upon trusted institutions, predictable legislation, and effective supervision. These characteristics continue to attract investment because they reduce uncertainty, strengthen confidence and support internationally competitive financial markets.

Maintaining that position requires regulation that remains practical, proportionate, and internationally credible. A framework that supports successful markets is more likely to influence international policy discussions than one characterized by unnecessary complexity or fragmentation. Europe's long-term influence therefore depends not only upon the quality of its legislation but also upon the strength, depth, and competitiveness of the markets operating within it.²⁰

8. Open strategic autonomy and internationally connected markets

The concept of open strategic autonomy has become an increasingly important element of European financial policy. It reflects the legitimate objective of strengthening resilience while

¹⁹ See Eur. Comm'n, *Commission Staff Working Document: Better Regulation Guidelines*, at 5–6, 30–34, SWD (2021) 305 final (Nov. 3, 2021), https://commission.europa.eu/document/download/d0bbd77f-bee5-4ee5-b5c4-6110c7605476_en?filename=swd2021_305_en.pdf; Eur. Comm'n, *Consultation Document: Targeted Consultation on the Review of Regulation on the Markets in Crypto-Assets (MiCA)* (May 20, 2026), https://finance.ec.europa.eu/document/download/62be7015-f066-4fac-b74e-71bacdbcc9f5_en?filename=2026-mica-review-targeted-consultation-document_en.pdf.

²⁰ See *generally* Regulation (EU) 2023/1114, art. 1, 2023 O.J. (L 150) 40, <https://eur-lex.europa.eu/eli/reg/2023/1114/oj/eng>; Eur. Sec. & Mkts. Auth., *Supervisory Briefing: Authorisation of CASPs Under MiCA*, at 5–6, ESMA75-453128700-1263 (Jan. 31, 2025), https://www.esma.europa.eu/sites/default/files/2025-01/ESMA75-453128700-1263_Supervisory_Briefing_on_Authorisation_of_CASPs.pdf; Eur. Banking Auth., *2025 Report on Supervisory Convergence* (June 29, 2026), <https://www.eba.europa.eu/publications-and-media/press-releases/eba-publishes-its-2025-report-supervisory-convergence-supporting-simpler-and-more-efficient-eu>.

preserving the benefits of internationally connected markets.²¹ These objectives are complementary rather than contradictory.

Europe has an interest in maintaining trusted market infrastructure, effective supervision and the capacity to determine its own regulatory priorities. It also benefits from internationally connected capital markets capable of attracting investment, supporting innovation and facilitating cross-border financial activity. A well-calibrated regulatory framework strengthens both ambitions simultaneously.

The continued evolution of MiCA should therefore support markets that operate according to European standards while remaining internationally connected. Such an approach strengthens resilience through capability rather than isolation and reinforces Europe's wider influence within global financial markets.

This is particularly relevant for digital money, global liquidity, and tokenized markets. In these areas, resilience is unlikely to be achieved through fragmentation. It is more likely to be achieved through trusted EU-regulated access, supervisory cooperation, and internationally compatible standards that allow European firms and users to participate safely in global markets.

9. Interoperability as a strategic objective

As European financial markets continue to modernize, interoperability should increasingly be regarded as a strategic policy objective rather than a technical characteristic. Efficient markets depend upon the ability of infrastructures, institutions, and regulatory frameworks to operate together effectively. Interoperability supports liquidity, fungibility, reduces operational duplication, and improves the movement of capital across the Single Market. Fragmentation produces the opposite effect.²²

This principle extends beyond technology. It also applies to the interaction between different forms of regulated digital money, traditional and tokenized financial instruments, financial market infrastructures, and supervisory arrangements. Future reforms should therefore encourage

²¹ See Eur. Comm'n, *The European Economic and Financial System: Fostering Openness, Strength and Resilience*, §§ 1–3, COM (2021) 32 final (Jan. 19, 2021), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021DC0032>; Eur. Comm'n, *A Competitiveness Compass for the EU*, COM (2025) 30 final (Jan. 29, 2025), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52025DC0030>.

²² See Bank for Int'l Settlements & Comm. on Payments & Mkt. Infrastructures, *Tokenisation in the Context of Money and Other Assets: Concepts and Implications for Central Banks*, §§ 3.1, 3.3, 4.2 (2024), <https://www.bis.org/publications/tokenisation-context-money-and-other-assets-concepts-and-implications-central-banks.pdf>; Comm. on Payment & Settlement Sys. & Int'l Org. of Sec. Comm'ns, *Principles for Financial Market Infrastructures*, principles 20, 22 (2012), <https://www.bis.org/publications/principles-financial-market-infrastructure.pdf>; Press Release, Eur. Cent. Bank, *Eurosystem Unveils Appia Roadmap for Europe's Tokenised Finance* (Mar. 11, 2026), <https://www.ecb.europa.eu/press/pr/date/2026/html/ecb.pr260311~14ddf51a77.en.html>.

compatibility wherever equivalent regulatory outcomes can be achieved, reinforcing the wider objectives of the Savings and Investments Union and the Market Integration and Supervision Package.

10. Towards Europe's next generation of financial markets

The direction of European financial policy is increasingly clear. The objective is to create deeper capital markets, improve the mobilization of private investment, and strengthen long-term competitiveness through a more integrated and efficient financial system.

The following chapter considers the regulatory principles that should guide this next phase of development and identifies the characteristics of a framework capable of supporting innovation, maintaining confidence, and advancing the Union's wider economic objectives.

Part III - Regulatory Principles for Europe's Digital Financial Architecture

12. Good regulation evolves through experience

The review of MiCA represents the natural evolution of an established regulatory framework. The original Regulation addressed an important gap within the European financial services framework by establishing common rules for digital assets across the Single Market. As implementation progresses, practical experience will identify opportunities to clarify legal provisions, improve supervisory consistency, and refine the operation of the framework.²³

This should be regarded as a sign of regulatory maturity rather than evidence that the underlying architecture requires fundamental redesign. European financial regulation has consistently evolved through implementation, supervisory experience, and market development. MiCA should follow that tradition. Any legislative changes should be informed by evidence, implementation experience, and clearly defined public policy objectives rather than assumptions that broader regulation necessarily produces better outcomes.

Implementation experience should also distinguish carefully between legislative barriers, supervisory practice, and operational implementation before further legislative intervention is considered. Not every practical challenge requires legislative change. In many cases, greater legal certainty, supervisory convergence, or market experience may provide a more proportionate

²³ See Regulation (EU) 2023/1114, arts. 140, 142, 2023 O.J. (L 150) 40, <https://eur-lex.europa.eu/eli/reg/2023/1114/oj/eng>; Eur. Comm'n, *Consultation Document: Targeted Consultation on the Review of Regulation on the Markets in Crypto-Assets (MiCA)* (May 20, 2026), https://finance.ec.europa.eu/document/download/62be7015-f066-4fac-b74e-71bacdbcc9f5_en?filename=2026-mica-review-targeted-consultation-document_en.pdf.

response. Regulation must walk the fine line of being updated for changing circumstances while remaining consistent enough for businesses to build upon with certainty.

This approach is consistent with the Commission's Better Regulation and simplification agendas. Stable and predictable regulatory frameworks provide legal certainty for investment, facilitate effective supervision, and enable firms to allocate resources towards compliance and innovation rather than continual adaptation to changing legislation.²⁴

The review therefore provides an opportunity to consolidate MiCA's achievements while ensuring that the framework remains capable of supporting the continued evolution of Europe's digital financial markets.

13. Regulation should remain technology-neutral and activity-based

One of the enduring strengths of European financial regulation has been its emphasis on economic substance rather than technological form. This principle has allowed successive legislative frameworks to remain relevant despite significant changes in financial markets and should continue to underpin the evolution of MiCA.

Digital financial markets increasingly extend beyond crypto-assets into securities markets, payments, investment management, market infrastructure, and other areas of financial services. At the same time, distributed ledger technology is evolving alongside artificial intelligence, programmable finance, cloud infrastructure, and digital identity. Attempting to regulate individual technologies risks creating legislation that quickly becomes outdated while unintentionally favoring particular technical solutions.

A more durable approach is to regulate according to economic activity, regulatory outcomes, and identifiable risks. Comparable activities presenting comparable risks should generally receive comparable regulatory treatment regardless of the technology through which they are undertaken.

This principle is particularly important for tokenized financial instruments, stablecoins, staking, lending and decentralized finance. In each case, regulation should focus on the rights created, the activity performed, the role of any identifiable intermediary, and the risks borne by users, rather than relying on labels or technological form.

Technology neutrality does not imply that technology-specific risks should be ignored. Where distributed ledger technology or other emerging technologies give rise to identifiable operational, governance or market integrity risks, proportionate regulatory measures may be appropriate.

²⁴ See Eur. Comm'n, *Commission Staff Working Document: Better Regulation Guidelines*, at 5–6, 23–34, SWD (2021) 305 final (Nov. 3, 2021), https://commission.europa.eu/document/download/d0bbd77f-bee5-4ee5-b5c4-6110c7605476_en?filename=swd2021_305_en.pdf; Eur. Comm'n, *A Simpler and Faster Europe: Communication on Implementation and Simplification*, COM (2025) 47 final (Feb. 11, 2025), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52025DC0047>.

Similarly, where the technology eliminates intermediary-specific risks, that should not be ignored either. The objective should be to preserve equivalent regulatory outcomes while avoiding unnecessary divergence based solely upon technological design.²⁵

Technology neutrality also promotes innovation by providing legal certainty. Firms can invest with greater confidence where legislation focuses upon regulatory outcomes rather than prescribing particular technological models, while supervisory authorities retain greater flexibility to respond to future developments without continual legislative amendment.

14. Proportionality is central to regulatory quality

The quality of European financial regulation has traditionally been measured not only by the robustness of its standards but also by the proportionality with which those standards are applied. This principle is particularly important in markets characterized by rapid innovation, where legislation must remain capable of accommodating future developments while maintaining confidence in financial markets.

Where legislative change is proposed, it should be supported by clear evidence that existing provisions are insufficient to achieve legitimate public policy objectives. Consideration should also be given to the cumulative impact of regulatory requirements upon innovation, investment, market efficiency, and operational resilience.

Regulatory obligations should remain calibrated to the nature, scale and risk of the activity concerned. Digital financial markets encompass a diverse range of business models and technologies presenting materially different risks. Effective regulation therefore requires obligations to be aligned with the activities actually performed and the risks they create.

Regulatory responsibilities should, wherever possible, be allocated to the actors best placed to identify, manage and mitigate those risks.²⁶

²⁵ See Eur. Comm'n, *Commission Staff Working Document: Better Regulation Guidelines*, at 5–6, 30–34, SWD (2021) 305 final (Nov. 3, 2021), https://commission.europa.eu/document/download/d0bbd77f-bee5-4ee5-b5c4-6110c7605476_en?filename=swd2021_305_en.pdf; Eur. Comm'n, *Consultation Document: Targeted Consultation on the Review of Regulation on the Markets in Crypto-Assets (MiCA)* (May 20, 2026), https://finance.ec.europa.eu/document/download/62be7015-f066-4fac-b74e-71bacdbcc9f5_en?filename=2026-mica-review-targeted-consultation-document_en.pdf; Int'l Org. of Sec. Comm'ns, *Policy Recommendations for Crypto and Digital Asset Markets: Final Report*, FR11/2023 (Nov. 2023), <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD747.pdf>.

²⁶ See Eur. Comm'n, *Commission Staff Working Document: Better Regulation Guidelines*, at 5–6, 30–34, SWD (2021) 305 final (Nov. 3, 2021), https://commission.europa.eu/document/download/d0bbd77f-bee5-4ee5-b5c4-6110c7605476_en?filename=swd2021_305_en.pdf; Eur. Comm'n, *Consultation Document: Targeted Consultation on the Review of Regulation on the Markets in Crypto-Assets (MiCA)* (May 20, 2026), https://finance.ec.europa.eu/document/download/62be7015-f066-4fac-b74e-71bacdbcc9f5_en?filename=2026-mica-review-targeted-consultation-document_en.pdf.

This is especially important where the activity involves open-source software, decentralized protocols, global liquidity arrangements, or multi-jurisdictional stablecoin models. Obligations are most effective when they attach to identifiable issuers, intermediaries, or service providers with practical control over the relevant risk.

This is not an argument for regulatory restraint in every circumstance. Effective regulation necessarily evolves alongside financial markets. It is, however, an argument for ensuring that legislative intervention remains proportionate to the risks it seeks to address and consistent with the Commission's wider commitment to simpler, clearer, and more effective regulation. Proportionality should therefore be viewed as an indicator of regulatory quality rather than regulatory ambition.

15. Regulatory coherence strengthens the Single Market

As digital financial markets become increasingly integrated with mainstream financial services, maintaining coherence across the wider European legislative framework becomes progressively more important.

MiCA was introduced to address activities that previously fell outside existing financial services legislation. Since then, digital finance has begun to intersect with securities markets, payments, investment services, and financial market infrastructure in increasingly sophisticated ways. This evolution reinforces the importance of ensuring that legislative frameworks operate coherently rather than developing independently of one another.

Regulatory coherence contributes to legal certainty, supervisory consistency and market confidence. It reduces unnecessary duplication while enabling firms, investors and supervisors to understand more clearly how different components of the European regulatory framework interact.

The continued evolution of MiCA should therefore remain consistent with the broader direction of European financial services legislation and the wider objectives of the Savings and Investments Union.²⁷

16. Interoperability supports market integration

Efficient markets depend upon the ability of financial infrastructures, market participants, and regulatory frameworks to operate together effectively. Interoperability improves liquidity,

²⁷ See Eur. Comm'n, *Savings and Investments Union: A Strategy to Foster Citizens' Wealth and Economic Competitiveness in the EU*, COM (2025) 124 final (Mar. 19, 2025), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52025DC0124>; *Market Integration and Supervision Package*, Eur. Comm'n (Dec. 4, 2025), https://finance.ec.europa.eu/publications/market-integration-and-supervision-package_en.

fungibility, reduces operational friction, and supports the efficient movement of capital throughout the Single Market.²⁸

This principle extends beyond technology alone. It also applies to the interaction between traditional and tokenized financial instruments, different forms of regulated digital money, financial market infrastructures and supervisory arrangements. Future reforms should therefore encourage compatibility wherever equivalent regulatory outcomes can be achieved.

17. International compatibility strengthens European influence

One of MiCA's most significant achievements has been its emergence as an international point of reference for digital asset regulation. This reflects confidence not only in the quality of the legislation but also in the credibility of the broader European regulatory model. Maintaining that influence should remain an important strategic consideration throughout the review.

Digital financial markets are inherently international. Financial institutions, technology providers, investors, and market infrastructures increasingly operate across multiple jurisdictions. Effective supervision therefore depends upon cooperation between authorities, constructive international engagement, and regulatory approaches that facilitate internationally connected markets while preserving European standards.

This does not require legislative harmonization. Different jurisdictions will continue to pursue different policy priorities. However, unnecessary divergence should be avoided wherever equivalent public policy outcomes can be achieved through internationally compatible approaches. Europe's regulatory influence has been strengthened because its legislation combines high standards with practical implementation. Preserving that balance will reinforce both the Union's competitiveness and its international leadership.²⁹

²⁸ See Press Release, Eur. Cent. Bank, *Eurosystem Unveils Appia Roadmap for Europe's Tokenised Finance* (Mar. 11, 2026), <https://www.ecb.europa.eu/press/pr/date/2026/html/ecb.pr260311~14ddf51a77.en.html>; Bank for Int'l Settlements & Comm. on Payments & Mkt. Infrastructures, *Tokenisation in the Context of Money and Other Assets: Concepts and Implications for Central Banks*, §§ 3.1, 4.2 (2024), <https://www.bis.org/publications/tokenisation-context-money-and-other-assets-concepts-and-implications-central-banks.pdf>; Comm. on Payment & Settlement Sys. & Int'l Org. of Sec. Comm'ns, *Principles for Financial Market Infrastructures*, principles 20, 22 (2012), <https://www.bis.org/publications/principles-financial-market-infrastructures.pdf>.

²⁹ See generally Fin. Stability Bd., *FSB Global Regulatory Framework for Crypto-Asset Activities* (July 17, 2023), <https://www.fsb.org/2023/07/fsb-global-regulatory-framework-for-crypto-asset-activities/>; Int'l Org. of Sec. Comm'ns, *Policy Recommendations for Crypto and Digital Asset Markets: Final Report*, FR11/2023 (Nov. 2023), <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD747.pdf>; Eur. Sec. & Mkts. Auth., *Supervisory Briefing: Authorisation of CASPs Under MiCA*, at 5–6, ESMA75-453128700-1263 (Jan. 31, 2025), https://www.esma.europa.eu/sites/default/files/2025-01/ESMA75-453128700-1263_Supervisory_Briefing_on_Authorisation_of_CASPs.pdf; Eur. Banking Auth., *2025 Report on Supervisory Convergence* (June 29, 2026), <https://www.eba.europa.eu/publications-and-media/press->

18. Principles that endure beyond MiCA

The pace of technological development suggests that today's regulatory questions are unlikely to remain static for long. Tokenization, programmable finance, artificial intelligence, digital identity, and new forms of financial market infrastructure will continue to reshape financial services throughout the coming decade.

The purpose of MiCA should not be to anticipate every future technological development. Its greater contribution lies in establishing durable regulatory principles capable of supporting continued innovation while preserving financial stability, market integrity, and public confidence.

The principles discussed throughout this chapter, namely regulatory stability, technology neutrality, proportionality, coherence, interoperability and international compatibility, provide that foundation. They are consistent with the wider direction of European financial policy and sufficiently adaptable to remain relevant as markets continue to evolve.

The final chapter considers how these principles may be applied to the strategic priorities emerging from the review and how the continued evolution of MiCA can support Europe's wider ambitions for integrated, competitive and internationally connected financial markets.

Part IV - Strategic Considerations for the Next Phase of European Digital Finance

19. Digital finance should evolve as part of Europe's financial architecture

The review of MiCA should be considered within the broader transformation taking place across European financial services. The original Regulation established an important foundation for the supervision of digital assets. The next phase is concerned with ensuring that digital finance contributes to stronger capital markets, more efficient financial infrastructure, and a more competitive European economy.³⁰

This reflects the wider direction of European policy. The Savings and Investments Union, the Market Integration and Supervision Package, and the Competitiveness Compass each recognize that Europe's long-term prosperity depends upon more productive investment, deeper capital

releases/eba-publishes-its-2025-report-supervisory-convergence-supporting-simpler-and-more-efficient-eu.

³⁰ See Eur. Comm'n, *A Competitiveness Compass for the EU*, § 2.3, COM (2025) 30 final (Jan. 29, 2025), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52025DC0030>; Eur. Comm'n, *Savings and Investments Union: A Strategy to Foster Citizens' Wealth and Economic Competitiveness in the EU*, COM (2025) 124 final (Mar. 19, 2025), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52025DC0124>; *Market Integration and Supervision Package*, Eur. Comm'n (Dec. 4, 2025), https://finance.ec.europa.eu/publications/market-integration-and-supervision-package_en.

markets, and a financial system capable of supporting innovation while maintaining confidence and stability.

As digital finance becomes increasingly embedded within mainstream financial services, the focus of policy should increasingly shift from regulating individual technologies towards enabling safe, efficient, and internationally competitive digital financial markets. Reforms should be assessed not only according to their regulatory effect, but also according to whether they contribute to market integration, capital formation, and the efficient functioning of European financial markets. The review provides an opportunity to ensure that MiCA continues to evolve consistently with these wider objectives while preserving the legal certainty and supervisory confidence established by the original framework.³¹

20. Tokenization should be understood as financial market modernization

One of the most significant developments since MiCA was adopted has been the growing use of tokenization across mainstream financial services. Financial institutions, exchanges, asset managers, and market infrastructures are increasingly exploring distributed ledger technology as a means of improving existing market processes rather than replacing them.

This distinction has important regulatory implications. In many cases, tokenization does not alter the legal nature of a financial instrument. Rather, it changes the manner in which that instrument is issued, recorded, transferred, or administered. The policy objective should therefore be to facilitate the responsible technical integration of tokenized financial markets into the wider European financial system while preserving existing standards of investor protection, prudential oversight, and market integrity.

The regulatory framework should therefore preserve equivalent protections for comparable financial instruments while ensuring that DLT-specific features, including holding models, settlement, custody, transfer finality, and interoperability with digital money, are addressed coherently to account for both their risks and benefits.

Tokenization should be understood as part of the continuing modernization of European capital markets rather than as a distinct category of crypto-asset activity. Its significance lies in its potential to reduce operational friction, improve market efficiency and strengthen the functioning

³¹ See Piero Cipollone, Member of the Exec. Bd., Eur. Cent. Bank, *Building the Rails for Europe's Tokenised Financial Markets* (Mar. 23, 2026), <https://www.ecb.europa.eu/press/key/date/2026/html/ecb.sp260323~a88f20c049.en.html>; Press Release, Eur. Cent. Bank, *Eurosystem Unveils Appia Roadmap for Europe's Tokenised Finance* (Mar. 11, 2026), <https://www.ecb.europa.eu/press/pr/date/2026/html/ecb.pr260311~14ddf51a77.en.html>; Eur. Sec. & Mkts. Auth., *Report on the Functioning and Review of the DLT Pilot Regime—Pursuant to Article 14 of Regulation (EU) 2022/858*, § 3, ESMA75-117376770-460 (June 25, 2025), https://www.esma.europa.eu/sites/default/files/2025-06/ESMA75-117376770-460_Report_on_the_functioning_and_review_of_the_DLTR_-_Art.14.pdf.

of European capital markets while supporting the broader objectives of the Savings and Investments Union. Tokenization represents a bridge between the first generation of digital asset regulation and the next generation of digitally enabled capital markets.

21. A diverse digital money ecosystem strengthens resilience

The debate surrounding digital money has matured considerably since MiCA was negotiated. It is increasingly recognized that future financial markets are likely to operate using multiple forms of regulated digital money, each serving different economic functions and market needs. Stablecoins are already supporting cross-border payments, digital commerce, tokenized settlement, and programmable financial services, while central and commercial bank money continue to perform essential roles within the financial system.³²

Central bank money, commercial bank money, tokenized deposits and regulated stablecoins should be viewed as complementary components of a broader financial ecosystem rather than as competing alternatives.

The strategic question is increasingly one of interoperability. Capital markets benefit where trusted settlement assets are capable of operating together efficiently across payments, securities settlement, collateral management, and wholesale financial activity. Supporting such interoperability, while maintaining appropriate safeguards for financial stability and monetary integrity, is likely to become an increasingly important consideration during the next phase of European financial market development.

22. The evolution of decentralized finance should remain evidence-based

The review of decentralized finance presents one of the more complex questions arising from MiCA. The diversity of technological models and governance arrangements makes broad legislative assumptions difficult to sustain over time.

The principles established elsewhere in European financial regulation remain an appropriate guide. Activities that perform functions equivalent to regulated financial intermediation should generally achieve comparable regulatory outcomes. At the same time, it remains important to

³² See Eur. Cent. Bank, *Preparation Phase of a Digital Euro: Closing Report*, §§ 1, 6.2.1 (2025), https://www.ecb.europa.eu/euro/digital_euro/progress/html/ecb.deprp202510.en.html; Eur. Banking Auth., *Opinion on the Interplay Between PSD2 and MiCA in Relation to Crypto-Asset Service Providers That Transact Electronic Money Tokens*, EBA/Op/2025/08 (June 10, 2025), <https://www.eba.europa.eu/sites/default/files/2025-06/e2958c99-a1b0-4b07-9d31-bcba0a28dbe7/Opinion%20on%20the%20interplay%20between%20PSD2%20and%20MiCA.pdf>; Bank for Int'l Settlements & Comm. on Payments & Mkt. Infrastructures, *Tokenisation in the Context of Money and Other Assets: Concepts and Implications for Central Banks* 21–23 (2024), <https://www.bis.org/publications/tokenisation-context-money-and-other-assets-concepts-and-implications-central-banks.pdf>.

distinguish between regulated financial intermediation from the development or operation of technology that does not itself involve control over client assets, transaction execution, or user-facing financial services.

Regulatory obligations should continue to be anchored in identifiable control, financial intermediation, and user-facing regulated activity rather than technological architecture alone. This approach supports technology neutrality, legal certainty, and proportionate supervision while ensuring that responsibilities remain aligned with the activities and risks that identifiable persons or entities are capable of managing.³³

23. Europe's regulatory influence is a strategic asset

One of MiCA's most important achievements has been its influence beyond the European Union. The Regulation has become an important point of reference internationally because it demonstrates that comprehensive regulation can support innovation while maintaining high standards of governance, supervision and consumer protection. Preserving that influence should remain an important strategic objective.

Europe's ability to shape international regulatory discussion derives not only from legislative ambition but also from the practical credibility of its regulatory framework. Regulation that remains proportionate, coherent, and capable of supporting successful markets is more likely to influence international practice than legislation characterized by unnecessary complexity or fragmentation.

Maintaining this balance reinforces Europe's competitiveness, strengthens internationally connected financial markets operating to European standards and enhances the Union's wider strategic influence within global financial markets.³⁴

24. Looking beyond MiCA

The review should be understood as another step within a continuing process of financial modernization. Over the coming decade, tokenization, digital money, artificial intelligence, programmable finance, and new forms of financial market infrastructure will continue to reshape

³³ See Eur. Comm'n, *Consultation Document: Targeted Consultation on the Review of Regulation on the Markets in Crypto-Assets (MiCA)*, questions 59–65 (May 20, 2026), https://finance.ec.europa.eu/document/download/62be7015-f066-4fac-b74e-71bacdbcc9f5_en?filename=2026-mica-review-targeted-consultation-document_en.pdf.

³⁴ See generally Fin. Stability Bd., *FSB Global Regulatory Framework for Crypto-Asset Activities* (July 17, 2023), <https://www.fsb.org/2023/07/fsb-global-regulatory-framework-for-crypto-asset-activities/>; Int'l Org. of Sec. Comm'ns, *Policy Recommendations for Crypto and Digital Asset Markets: Final Report*, FR11/2023 (Nov. 2023), <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD747.pdf>; Eur. Sec. & Mkts. Auth., *Fast-Track Peer Review on a CASP Authorisation and Supervision in Malta*, ESMA42-2004696504-8164 (July 10, 2025), <https://www.esma.europa.eu/press-news/esma-news/esma-identifies-opportunities-strengthen-mica-authorisations>.

European financial services. The most durable regulatory framework will be one founded upon stable principles rather than highly prescriptive rules.

MiCA has already established Europe as the international reference point for comprehensive digital asset regulation. The opportunity presented by this review is to ensure that this regulatory leadership contributes to the wider objectives that increasingly define European financial policy: stronger capital markets, improved productivity, greater financial integration, and internationally competitive financial services.

If that ambition is realized, the long-term significance of MiCA will extend well beyond the regulation of digital assets. It will increasingly be recognized as one of the legislative foundations supporting Europe's next generation of integrated, trusted and internationally competitive financial markets.

Appendix: Responses to Selected Consultation Questions

Question 1. Should crypto-assets that qualify as financial instruments as defined in Directive 2014/65/EU of the European Parliament and of the Council, continue to be governed by sectorial legislation (MiFID/MiFIR/MAR/Prospectus Regulation, etc.), or should all assets that are recorded and transacted on distributed ledgers and that meet the definition of a crypto-asset, or the services provided on such assets, in principle be covered by MiCA?

The experience of implementing MiCA demonstrates that the Regulation has established a robust framework for crypto-assets that previously fell outside the scope of existing European financial services legislation. The review should be approached as an exercise in regulatory evolution. In considering the future treatment of tokenized financial instruments, the objective should not be to revisit the fundamental principles underpinning MiFID II or MiCA, but to ensure that the overall legislative framework remains coherent as digital financial markets continue to develop. We would caution against a complete MiCA 2.0 overhaul without first considering if the regulatory concern can be solved through ESMA guidelines and a measured Q&A process.

Financial instruments should continue to deliver regulatory outcomes equivalent to those required under the existing sectoral acquis, including MiFID II, MiFIR, the Market Abuse Regulation, the Prospectus Regulation, and related legislation. Investor protection, market integrity, prudential safeguards and conduct standards should not depend upon the technology through which an instrument is issued, traded, or settled.

At the same time, implementation experience increasingly demonstrates that tokenized financial instruments raise operational and market structure questions that were not envisioned when many existing legislative frameworks were developed. Distributed ledger technology changes the manner in which financial instruments may be issued, recorded, transferred, held, and settled. It

also introduces new considerations relating to wallet-based holding models, smart contracts, on-chain settlement, token registers, interoperability with regulated digital money, and cross-border transfers.

The appropriate response is not to create a lighter regulatory regime for tokenized financial instruments. Rather, the Commission should consider whether, over time, Europe's digital financial architecture would benefit from a more integrated market structure framework capable of accommodating both existing sectoral protections and the operational characteristics of distributed ledger technology.

Such a framework could provide greater legal certainty, support supervisory convergence, and reduce unnecessary fragmentation by establishing a coherent approach to the issuance, admission to trading, custody, transfer, settlement, and servicing of tokenized financial instruments. It would also support the wider objectives of the Savings and Investments Union by facilitating the responsible development of integrated digital capital markets while preserving high standards of investor protection and market integrity.

Any future evolution in this direction should remain guided by four principles.

- **First**, equivalent regulatory outcomes should continue to apply to comparable financial instruments irrespective of the technology used to issue, record or transfer them. Technology neutrality should remain a core principle of the European regulatory framework.
- **Secondly**, legislative development should build upon, rather than duplicate, existing sectoral legislation. Where equivalent risks are already addressed under MiFID II, MiFIR, MAR, the Prospectus Regulation, CSDR, or other sectoral frameworks, additional obligations should be introduced only where implementation experience demonstrates that distributed ledger technology gives rise to clearly identifiable additional risks or operational requirements.
- **Thirdly**, any future framework should remain proportionate and activity-based. Regulatory obligations should continue to be calibrated according to the nature, scale and risk of the activity concerned, while responsibilities should be allocated to the actors best placed to identify, manage and mitigate those risks.
- **Finally**, interoperability should be regarded as a strategic objective. Any future market structure framework should support compatibility between tokenized and traditional financial instruments, different forms of regulated digital money, financial market infrastructures, and supervisory arrangements, thereby contributing to the wider

objectives of the Savings and Investments Union, the Market Integration and Supervision Package and Europe's broader program of financial modernization.

These considerations support further exploration of a more integrated framework for digital financial markets over the longer term. Whether this ultimately takes the form of an expanded MiCA framework, a MiCA-adjacent market structure regime, or another legislative architecture is ultimately a matter for the Commission. The more important objective is to ensure that Europe's regulatory framework continues to evolve coherently as tokenization becomes an increasingly important component of global financial markets.

Question 2. To what extent have ESMA's MiCA Article 2(5) guidelines and the joint ESA standardised classification test reduced uncertainty in practice? Which borderline cases remain difficult? Please explain your response and suggest any policy actions for clarification if needed.

ESMA's Article 2(5) guidelines and the joint ESA standardized classification test have made a valuable contribution to reducing uncertainty during the early stages of MiCA implementation. They provide a more structured and consistent methodology for assessing whether a digital asset falls within MiCA, MiFID II, or another sectoral framework, while supporting more robust internal governance, legal analysis, and documentation by firms. They also represent an important step towards greater supervisory convergence across the Single Market.

Implementation experience nevertheless demonstrates that classification remains one of the more complex aspects of the current framework. This should be regarded as a natural consequence of market evolution, not a fundamental weakness in MiCA. As digital financial markets continue to develop, classification will remain an essential mechanism for preserving legal certainty, ensuring consistent supervisory outcomes, and maintaining coherent boundaries between legislative regimes.

The purpose of classification should continue to be to identify the legal and economic substance of an instrument, the rights it confers on holders, the nature of any intermediary activity and the risks arising from the relevant business model. This supports the principle that comparable activities presenting comparable risks should continue to achieve equivalent regulatory outcomes regardless of the technology through which they are undertaken.

In practice, uncertainty remains where legal form, economic function, and technological design do not align neatly. Examples include hybrid tokens, governance tokens, wrapped assets, tokenized fund interests, tokenized money market instruments, synthetic exposures, NFTs issued in series, and tokens incorporating staking or protocol reward mechanisms. These examples illustrate the increasing diversity of digital financial markets.

Future clarification should focus on principles supported by practical examples rather than increasingly detailed taxonomies or rigid classifications. The same category of token may produce

different legal outcomes depending upon the rights conferred on holders, redemption arrangements, issuer obligations, transferability, governance arrangements, economic incentives, and the role of identifiable intermediaries.

Guidance should also continue to distinguish carefully between issuer-driven products and genuinely decentralized or open-source protocol arrangements. Not all digital asset ecosystems map neatly onto traditional legal concepts such as issuer obligations, share ownership or contractual relationships. Classification should therefore continue to focus on legal and economic substance, identifiable control and financial intermediation rather than technological architecture alone.

Looking ahead, continued cooperation between the Commission, ESMA and national competent authorities will be important in promoting supervisory convergence and reducing divergent interpretation across Member States. As digital financial markets continue to evolve, consistent application of technology-neutral classification principles will provide a stronger foundation than increasingly prescriptive categorization. This approach will support legal certainty, preserve equivalent regulatory outcomes and contribute to a more coherent framework for Europe's evolving digital financial architecture.

Question 6

What administrative simplification or burden reduction measures should be considered under Title II and its implementing measures and technical standards?

The Commission should consider targeted simplification measures under Title II that reduce unnecessary administrative burden while preserving investor protection, market integrity, and supervisory effectiveness. This would be consistent with the Commission's wider simplification agenda and with the principle that the MiCA review should focus on regulatory evolution rather than regulatory redesign. Simplification does not require lowering standards. Rather, it should improve the practical operation of the framework, reduce duplication, and support more consistent implementation across the Single Market.

- **First**, the Commission should promote a more standardized and modular white paper template. Issuers could complete standard disclosure modules depending on the nature of the token, including utility tokens, governance tokens, protocol tokens, or other non-ART and non-EMT crypto-assets. This would improve comparability for investors, reduce legal drafting costs for issuers and support more consistent supervisory review.
- **Secondly**, the notification process should be harmonized across national competent authorities. Differences in submission formats, language expectations, review timelines, or supervisory queries risk undermining MiCA's single-market objective. A common EU notification format, supported where appropriate by a shared digital submission portal or

common technical standards, would reduce administrative burden and improve data quality.

- **Thirdly**, national competent authorities should avoid duplicative information requests where the same white paper, issuer information, or project information has already been submitted in another Member State. MiCA should operate as a genuinely harmonized framework rather than as a series of parallel national filing processes.
- **Fourthly**, the Commission should clarify that immaterial technical updates do not require a revised white paper. The obligation to update should focus on changes that are material to investor decision-making, token rights, risks, governance, or tokenomics. This would preserve investor protection while avoiding unnecessary filings for minor operational or technical changes.
- **Finally**, the Commission, ESMA and national competent authorities should continue to use supervisory Q&As, practical examples, and common templates to support consistent implementation. In many cases, clearer guidance and proportionate supervisory practice will be more effective than additional prescriptive rules, particularly for cross-border and technology-enabled business models.

Taken together, these measures would strengthen legal certainty, improve supervisory convergence, and reduce unnecessary administrative burden while preserving the core protections established by MiCA.

Question 7. Which specific categories remain most difficult to classify in practice? (e.g. hybrid tokens, wrapped assets, tokenised fund interests, tokenised money-market instruments, governance tokens, synthetic exposures, or assets marketed as NFTs but issued in series)?

The most difficult categories to classify are those where legal rights, economic exposure, technological design, and market presentation do not point clearly in the same direction. This is a natural consequence of market evolution and should be addressed through clearer principles, practical examples, and supervisory convergence rather than broad presumptions.

Hybrid tokens may combine utility, governance, payment, and investment-like features in a single instrument. They should be classified according to their predominant legal and economic characteristics, not by label or technology.

Wrapped assets may represent another asset while introducing separate issuer, custody, and redemption risks. Guidance should clarify when classification follows the underlying asset and when the wrapper creates a distinct regulated instrument or regulated risk. It should also address

the difference between custodial wrapping services and those performed entirely through immutable software.

Tokenized fund interests may fall within existing sectoral legislation, including MiFID II, AIFMD, or UCITS, while also raising DLT-specific questions relating to issuance, transfer, custody, settlement, and investor access. Any future framework for tokenized markets should preserve equivalent regulatory outcomes under the relevant sectoral regime while addressing DLT-specific operational features where necessary.

Tokenized money-market instruments may overlap with MiFID II, fund regulation, EMTs, or ARTs depending on their structure, redemption rights, reserve composition, and the nature of holder claims. Governance tokens require careful treatment because governance rights may be passive, decentralized, or economically significant. Passive governance rights should not automatically imply financial instrument status. The analysis should focus on legal rights, economic substance, control, and the role of identifiable persons or intermediaries.

Synthetic exposures may resemble derivatives, but the analysis can be difficult where there is no leverage, margin, traditional counterparty, or bilateral settlement obligation. Guidance should therefore focus on the economic exposure created and the legal obligations of any identifiable issuer or intermediary.

NFTs issued in series may be labelled unique while being economically fungible or investment-like. The NFT exclusion should be preserved for genuinely unique assets, while guidance should address large series, fractionalized NFTs, and NFTs with common financial rights or shared economic exposure. While the U.S.'s market structure legislation commonly referred to as Clarity Act faces uncertain chances of passage this year, it provides instructive exemplars on how to address NFT exclusions to neither be over nor under inclusive.³⁵

Protocol reward tokens may be confused with issuer-paid yield. Guidance should distinguish protocol-level emissions or validation rewards from contractual, managerial, or issuer-promised yield arrangements.

The Commission should avoid resolving these categories through broad presumptions. Practical examples, decision trees, and common supervisory approaches would better support consistent classification while preserving flexibility for innovation. The objective should be to ensure that classification remains based on legal and economic substance, identifiable control and equivalent regulatory outcomes rather than labels, marketing terminology, or technology alone.

Question 9. Looking 5- 10 years ahead, how strongly do you agree with the following visions for the role of stablecoins in the EU?

³⁵ Digital Asset Market Clarity Act, H.R. 3633, 119th Cong. § 602(b)(1)–(3) (as reported in Senate, June 1, 2026), <https://www.govinfo.gov/content/pkg/BILLS-119hr3633rs/html/BILLS-119hr3633rs.htm>.

Over the next five to ten years, regulated stablecoins are likely to become an established component of Europe's evolving digital financial architecture. Their long-term significance is likely to extend beyond crypto-asset markets to support a broader range of payment, settlement and capital market activities as digital financial markets continue to develop.

Properly regulated e-money tokens (EMTs) and asset-referenced tokens (ARTs) should not be viewed solely through the lens of crypto-asset trading. They have the potential to support faster and more efficient cross-border payments, programmable payments, tokenized securities settlement, corporate treasury management, digital commerce, and other forms of financial market infrastructure. Their value is likely to increase as tokenization expands and demand grows for trusted settlement assets capable of operating natively on distributed ledger infrastructure.

The future digital money ecosystem is unlikely to be characterized by a single settlement asset. Rather, central bank money, commercial bank money, tokenized deposits, regulated stablecoins, and, where introduced, central bank digital currencies are likely to perform complementary roles across different segments of the financial system. A resilient and efficient European financial system should therefore support interoperability between these different forms of regulated digital money while maintaining high standards of financial stability, monetary integrity, and consumer protection.

Within this broader framework, the continued development of euro-denominated stablecoins has important strategic implications. A regulatory framework that enables compliant euro-denominated EMTs and ARTs to develop responsibly can contribute to deeper digital capital markets, more efficient cross-border payments, and the wider objectives of the Savings and Investments Union. Conversely, a framework that is insufficiently interoperable, commercially workable, or internationally connected may limit the ability of European providers to compete effectively and reduce the international role of euro-denominated digital money.

The long-term objective should therefore be to support a diverse, competitive, and internationally connected digital money ecosystem that reinforces Europe's wider ambitions for financial modernization, market integration and strategic resilience while preserving the high standards of regulation established by MiCA.

Question 10. The following question explores the current and potential benefits of stablecoins (both EMTs and ARTs) for different use cases. For each use case below, please indicate on a scale of 1 to 5 how beneficial stablecoins would be for EU users:

The potential benefits of regulated stablecoins should be assessed within the broader context of Europe's evolving digital financial architecture. Their value is greatest where they improve the efficiency of payments, settlement, and financial market infrastructure while operating within a robust regulatory framework. As digital financial markets continue to develop, stablecoins are likely to become one component of a wider ecosystem of regulated digital money supporting different use cases across the economy.

The strongest benefits are likely to arise in international payments, tokenized financial markets, digital commerce, corporate treasury management, and programmable financial services.

In international payments, regulated stablecoins can reduce reliance on long correspondent banking chains, support faster settlement and enable the transfer of value on a continuous basis across time zones. Within the European Union, where SEPA and instant payments already provide efficient domestic payment infrastructure, the incremental benefits may be more targeted. Nevertheless, stablecoins can support digital-native business models, programmable payments, cross-platform settlement and international commercial activity extending beyond the Single Market.

Within digital asset markets, stablecoins already perform an important settlement function by providing a widely accepted unit of account and facilitating access to global liquidity. Well-regulated stablecoins help reduce operational friction between traditional finance and digital asset markets. Maintaining access to compliant and internationally interoperable liquidity is therefore important to the competitiveness of EU-regulated market participants and to the continued development of European digital financial markets.

The benefits may become even more significant as tokenization develops. Tokenized bonds, investment funds, money market instruments, and other on-chain financial assets require settlement assets capable of operating on the same distributed ledger infrastructure. Regulated stablecoins, alongside tokenized deposits and other forms of regulated digital money, can contribute to more efficient settlement, improved collateral mobility, and reduced operational friction across increasingly digital capital markets.

These potential benefits should be considered alongside the risks associated with stablecoins, including liquidity and redemption risk, reserve management, operational resilience, financial crime, and consumer protection. MiCA has established an important framework for addressing these risks through prudential standards, governance requirements, reserve management, redemption rights, and ongoing supervision. As implementation experience develops, the focus should remain on ensuring that these safeguards continue to support confidence while enabling innovation that contributes to Europe's wider objectives for capital market integration, competitiveness, and financial modernization.

The long-term policy objective should therefore be to support the responsible development of regulated stablecoins as part of a diverse, interoperable, and internationally connected digital money ecosystem. Such an approach would strengthen Europe's digital financial infrastructure while preserving financial stability, market integrity and consumer confidence.

Question 27. What are the potential benefits of global stablecoins for different use cases? For each use case below, please indicate on a scale of 1 to 5 how beneficial global stablecoins would be for EU holders: Score 5

Global stablecoins have the potential to deliver significant benefits for EU users across a range of use cases, particularly where scale, liquidity, interoperability, and international acceptance are important. Their principal value lies in supporting cross-border payments, global commerce, digital asset market liquidity, tokenized financial markets, and programmable financial services.

The benefits of global stablecoins derive largely from network effects. Widely adopted settlement assets can facilitate more efficient movement of value across jurisdictions, reduce operational friction, and support liquidity across multiple markets and platforms. As digital financial markets become increasingly interconnected, these characteristics are likely to become more important for both financial market infrastructure and cross-border commercial activity.

For European users, the objective should not be to rely on global stablecoins in place of domestic financial infrastructure, but to ensure that regulated firms can participate safely in internationally connected digital financial markets. Access through authorized EU issuers and CASPs enables consumers and businesses to benefit from global liquidity and payment infrastructure while remaining within a robust supervisory framework.

Conversely, a framework that makes compliant access to global stablecoins commercially impracticable could contribute to market fragmentation, reduce the competitiveness of EU-regulated firms, and encourage activity to migrate towards less transparent channels beyond the Union's supervisory perimeter. Such an outcome would be difficult to reconcile with the wider objectives of the Savings and Investments Union, which seeks to strengthen Europe's capital markets while maintaining high regulatory standards.

The policy objective should therefore be to ensure that global stablecoin activity can operate within an effective European regulatory framework wherever appropriate. MiCA already provides many of the necessary safeguards through requirements relating to authorization, governance, reserve management, redemption rights, transparency, and ongoing supervision. As implementation experience develops, the framework should continue to support internationally connected markets while preserving financial stability, consumer protection and market integrity.

Question 28. How important is it for EU users (both people and businesses) to be able to access global stablecoins via EU- based and licenced issuers and CASPs? Please indicate on a scale of 1 to 5. Score : 5

It is important that EU consumers and businesses can access global stablecoins through authorized EU issuers and CASPs. Doing so enables users to benefit from internationally connected digital financial markets while remaining within a framework that supports consumer protection, financial crime controls, operational resilience, and effective supervision.

Access through regulated EU intermediaries also strengthens supervisory visibility. Where activity takes place within the European regulatory perimeter, competent authorities are better able to oversee market conduct, safeguarding arrangements, AML/CFT compliance, operational

resilience, and consumer disclosures. Where compliant access becomes commercially impracticable, users are more likely to seek access through jurisdictions or intermediaries that fall outside the scope of effective EU supervision.

The continued development of euro-denominated stablecoins remains an important strategic objective. At the same time, the global nature of digital financial markets means that some stablecoin arrangements are likely to operate across multiple jurisdictions. The regulatory framework should therefore be capable of accommodating internationally connected business models where appropriate safeguards are in place and equivalent regulatory outcomes can be achieved.

This is particularly relevant to multi-issuance structures. Where EU users are protected by MiCA requirements and effective supervisory cooperation exists between competent authorities, appropriately designed multi-jurisdictional models may support both European strategic objectives and the efficient operation of global digital financial markets. Continued consideration of equivalence, supervisory cooperation, and internationally compatible implementation may therefore contribute to a more effective and internationally connected regulatory framework over the longer term.

Question 30. MiCA does not currently prohibit multi- issuer models, nor does the EU have jurisdiction to determine how third country entities, that also have licensed entities in the EU, should be regulated in third country jurisdictions. Given your assessment of the advantages or disadvantages of global stablecoins and multi- issuance models, do you think that MiCA should continue to be open to multi- issuance models?

MiCA should continue to permit appropriately supervised multi-issuance models. The review provides an opportunity to consider how such arrangements can contribute to Europe's wider objectives for internationally connected digital financial markets while maintaining robust standards of financial stability, consumer protection, and effective supervision. Further, maintaining a pathway for multi-issuance is essential, but the Commission should identify the minimum safeguards more concretely including safeguards related to allocation of redemption liability, reserve attribution, information-sharing, crisis coordination, supervisory access, and treatment of transfers between affiliated issuers. Multi-issuance models should be permitted, but reserve assets should be legally segregated from the issuer's own assets and liabilities should be clearly attributable across issuing entities and branded stablecoins. This need not require permanent territorial segregation of reserve pools where robust reconciliation, liquidity allocation, and supervisory safeguards are in place.

Global stablecoins derive much of their utility from scale, liquidity, interoperability, and broad cross-border acceptance. These network characteristics support international payments, digital commerce, and increasingly the development of tokenized financial markets. As digital finance becomes more integrated into mainstream financial services, preserving access to internationally connected liquidity is likely to become increasingly important. Multi-issuance models can be

accommodated where effective supervisory cooperation, clear legal responsibilities, and equivalent regulatory outcomes are maintained across participating jurisdictions.

A framework that remains open to appropriately supervised multi-issuance models may also support the wider international use of euro-denominated stablecoins. Conversely, if globally interoperable issuance models become commercially impracticable, market activity may increasingly concentrate around other currency denominations with broader international circulation. Maintaining an internationally connected framework is imperative for achieving Union's wider objectives for competitiveness, market integration and the international role of the euro.

For these reasons, MiCA should continue to accommodate multi-issuance models, provided that appropriate safeguards remain in place to protect EU holders, preserve financial stability, and support effective supervisory cooperation.

Question 31. MiCA considers that all EMTs that are pegged to or denominated in an EU currency are offered to the EU and therefore fully subject to MiCA issuer requirements. Does this approach continue to be justified in view of market developments? Does it discourage the international role of the euro?

Implementation experience suggests that this aspect of the framework merits further consideration as digital financial markets become increasingly global and internationally interconnected. Denomination in an EU currency should not, by itself, bring issuance conducted wholly outside the Union within the full MiCA issuer framework. Any regulation otherwise risks creating rules which are incapable of being enforced, weakening their value and effectiveness of the regime as a whole.

The current approach appropriately seeks to ensure that euro-denominated stablecoins accessible to EU users are subject to the protections established by MiCA. That objective remains important. However, the practical operation of the framework should continue to be assessed in light of market developments and the Union's wider objectives for competitiveness, market integration, and the international role of the euro.

A euro-denominated stablecoin may be issued, transferred and used entirely outside the European Union without being actively offered or marketed to EU users. In such circumstances, treating all euro-denominated issuance as automatically subject to the full MiCA issuer framework may, in some cases, have unintended consequences for the international development of euro-denominated digital money.

A more targeted approach could continue to preserve strong protections where euro-denominated stablecoins are actively offered, marketed or distributed within the Union, while recognizing that activity taking place wholly outside the EU may warrant a different regulatory analysis. Factors such as active targeting of EU users, distribution arrangements, the location of holders, market

impact, and effective supervisory cooperation could provide a more proportionate basis for determining when the full MiCA framework should apply. The Union can look to the GENIUS Act of the United States for an exemplar of how the EU can create a class of “permitted payment stablecoins” while recognizing other forms of stablecoins can continue to exist if simply under differing regulatory standards.³⁶

Such an approach would continue to protect EU consumers and maintain the integrity of the Single Market while reducing the risk that euro-denominated digital money becomes comparatively less attractive than other major currency stablecoins solely because of jurisdictional reach. In the longer term, a framework that combines robust safeguards with international compatibility is likely to provide stronger support for the international role of the euro and the development of Europe's digital financial markets.

Question 33. To what extent do you believe that euro- denominated stablecoins can contribute to the following objectives? Score : 4

Euro-denominated stablecoins have the potential to make a meaningful contribution to several of the European Union's strategic objectives, particularly as digital financial markets continue to develop. Their contribution should be considered within the broader context of Europe's evolving digital money ecosystem, alongside central bank money, commercial bank money, and tokenized deposits, each serving complementary functions within the financial system.

Their greatest potential contribution is likely to be in wholesale payments, cross-border settlement, and tokenized capital markets. As financial instruments increasingly become capable of being issued, transferred and settled on distributed ledger infrastructure, the availability of regulated euro-denominated digital settlement assets will become increasingly important. Euro-denominated stablecoins can support more efficient settlement, improved collateral mobility, and greater interoperability across digital financial markets while reinforcing the wider objectives of the Savings and Investments Union and the Market Integration and Supervision Package.

Euro-denominated stablecoins may also contribute to the international role of the euro by enabling the currency to participate more effectively in globally connected digital financial markets. A regulatory framework that supports responsible innovation, interoperability, and internationally compatible implementation can strengthen the attractiveness of euro-denominated digital money as an international reserve currency while maintaining the high standards of financial stability, consumer protection, and market integrity established by MiCA.

The potential contribution to retail payments is also significant, particularly in digital commerce, programmable payments, peer-to-peer transfers, and cross-border transactions. The extent of retail adoption will ultimately depend on factors such as usability, merchant acceptance, cost,

³⁶ Guiding and Establishing National Innovation for U.S. Stablecoins Act, Pub. L. No. 119-27, §§ 2(7)(B), 3(b), (e), (h), 18(a), 139 Stat. 419, 420, 423–25, 463 (2025), <https://www.govinfo.gov/content/pkg/PLAW-119publ27/pdf/PLAW-119publ27.pdf>; *Circle's GENIUS Act Readiness and Path Forward*, Circle (July 18, 2025), <https://www.circle.com/blog/circle-genius-act-readiness-and-path-forward>.

consumer confidence, and the availability of attractive payment services operating within the regulatory framework.

The long-term objective should therefore be to ensure that euro-denominated stablecoins are able to develop responsibly as part of a diverse and interoperable digital money ecosystem. A framework that combines robust safeguards with commercial viability and international compatibility is likely to make a stronger contribution to European competitiveness, capital market integration, and the international role of the euro than one that inadvertently limits the ability of euro-denominated digital money to participate in globally connected markets.

Question 35. MiCA requires that the reserves of the EMTs and ARTs issued, offered or held in the EU should be held in the EU. Can the tokens held in the EU be determined or estimated with sufficient accuracy and frequency?

Implementation experience suggests that holdings within the European Union can be estimated with a reasonable degree of confidence using a combination of issuer records, CASP data,

blockchain analytics, customer information, redemption activity, and other supervisory information. However, any such methodology will inevitably involve estimation rather than precise determination, particularly in decentralized and globally distributed blockchain environments.

Public distributed ledgers provide a high degree of transparency regarding transactions and wallet activity, but they do not inherently identify the beneficial owner, geographic location, or regulatory status of a wallet holder. A single wallet may represent an individual, a regulated intermediary, a market maker, a custodian, a smart contract, or an omnibus account. Equally, a single user may control multiple wallets across different platforms and jurisdictions.

These characteristics mean that any framework seeking to match reserve requirements precisely to tokens "held in the EU" should recognize the practical limitations of deterministic attribution. A regulatory framework that requires a level of precision that cannot reasonably be achieved risks creating unnecessary operational complexity without materially improving prudential outcomes.

A more proportionate approach would allow issuers to apply robust, risk-based estimation methodologies drawing upon multiple sources of information. These could include regulated CASP customer records, issuer redemption data, blockchain analytics, transactional analysis, geolocation indicators where available and periodic supervisory reconciliation. Such an approach would remain consistent with MiCA's prudential objectives while recognizing the practical characteristics of distributed ledger technology.

The treatment of unhosted wallets warrants particular consideration. Although blockchain analytics and behavioral monitoring continue to develop, complete attribution of wallet ownership is neither technically feasible nor consistent with the decentralized architecture of public

blockchain networks. The regulatory framework should therefore avoid creating obligations that depend upon information that cannot reasonably be obtained in practice.

As implementation experience develops, the Commission may wish to consider whether supervisory guidance on acceptable estimation methodologies could promote greater consistency across Member States while preserving the flexibility necessary to accommodate technological and market developments.

Question 36. Should MiCA redemption rights be explicitly limited to EU holders only?

MiCA's redemption rights are one of the Regulation's most important consumer protection measures and should continue to provide holders with confidence in regulated stablecoins. Any future refinement should therefore preserve legal certainty, market confidence, and the practical operability of the redemption framework.

In practice, stablecoins circulate across globally interconnected markets and can move rapidly between regulated intermediaries, self-hosted wallets and different jurisdictions. Limiting redemption rights solely by reference to the location of the holder may therefore create practical uncertainty, particularly where ownership changes frequently or cannot readily be verified at the point of redemption.

Implementation experience suggests that greater legal certainty may instead be achieved by focusing on the issuer responsible for the token, the contractual terms under which it was issued, and the applicable reserve arrangements. These are objective factors that remain identifiable throughout the lifecycle of the token and provide a clearer basis for allocating legal responsibility.

Where multi-issuance structures operate, additional clarification may be helpful regarding the relationship between the issuing entity, the relevant reserve pool and the applicable redemption obligations. Such clarification could strengthen legal certainty without undermining the fungibility or operational efficiency of globally circulating stablecoins.

More generally, the framework should seek to avoid situations in which economically identical tokens acquire different redemption rights solely because of changes in the location or status of successive holders. Such an outcome could create unnecessary legal complexity, reduce market confidence and diminish the fungibility that contributes to the efficiency of regulated digital money.

The continued evolution of MiCA should therefore focus on maintaining robust redemption protections while ensuring that those protections remain operationally workable within internationally connected digital financial markets. This would be consistent with the broader objectives of legal certainty, proportionality and evidence-based regulatory development that underpin the wider review.

The Commission should consider adopting similar principles with an additional requirement for reciprocity. The EU should not be expected to recognize third-country regimes where EU-authorized issuers are unable to access that jurisdiction on broadly equivalent terms. A reciprocal approach would promote regulatory cooperation, support a level playing field for EU firms, and encourage greater international alignment around stablecoin regulation.

Question 40. Do you see merit in introducing an equivalence regime for global stablecoins in the EU?

Yes. There is strong merit in exploring an appropriately designed equivalence regime for global stablecoins. As digital financial markets become increasingly international, the European regulatory framework should be capable of interacting effectively with robust third-country regimes while maintaining the high standards established by MiCA.

An equivalence framework would support the wider objectives of regulatory coherence, international compatibility and supervisory cooperation. It would recognize that stablecoin markets, like many other areas of financial services, operate across multiple jurisdictions and that effective supervision increasingly depends upon cooperation between authorities rather than purely domestic regulatory requirements. An outcomes-based equivalence regime can further be established with a transparent assessment criteria, defined review timelines, consultation with affected market participants, reliance on supervisory cooperation agreements, and transitional treatment while an equivalence assessment is pending.

An appropriately designed equivalence regime could be particularly valuable for multi-jurisdictional issuance models. Where third-country frameworks deliver regulatory outcomes comparable to MiCA, recognition could reduce unnecessary duplication, facilitate internationally connected digital financial markets, and strengthen supervisory cooperation while preserving robust protections for EU holders.

Equivalence should not be automatic. It should be based upon a comprehensive assessment of whether the third-country framework delivers outcomes comparable to MiCA in areas including prudential requirements, reserve management, redemption rights, governance, operational resilience, financial crime controls, disclosure, and supervisory effectiveness. Ongoing information sharing, supervisory cooperation and appropriate review mechanisms should remain integral elements of any equivalence determination.

Recent developments in the United States provide a useful example. The GENIUS Act³⁷ includes a framework for recognizing foreign stablecoin regimes where US authorities determine that the

³⁷ See Letter from Clifford Chance US LLP, on behalf of The Digital Chamber, to the Chief Counsel's Office, Office of the Comptroller of the Currency 2–14 (May 1, 2026), <https://digitalchamber.wpenginepowered.com/wp-content/uploads/2026/05/TDC-Response-to-OCC-Rulemaking-Proposal-%E2%80%93-GROUP-4-5.1.26.pdf>; see also *TDC GENIUS Act Rulemaking*

relevant jurisdiction has adopted a regulatory and supervisory regime that is comparable to the US framework. This reflects a broader recognition that global digital asset markets require interoperable regulatory frameworks and coordinated supervision rather than isolated national or regional approaches.

The Commission should consider adopting similar principles to the U.S.'s GENIUS Act, while calibrating any EU equivalence framework to the Union's own regulatory objectives and safeguards. Reciprocal market access should be an important objective of regulatory dialogue, and EU-authorized issuers should benefit from similarly streamlined access wherever reciprocal arrangements can be established. However, strict reciprocity should not prevent recognition where a third-country framework otherwise satisfies the EU's substantive equivalence criteria.

A well-designed equivalence framework would therefore support the Union's wider objectives of competitiveness, market integration, and open strategic autonomy while reinforcing the international influence of the European regulatory model.

Question 41. Equivalence regimes can rely on the third country's regime to various degrees. How far, in your opinion, should a possible equivalence regime go in terms of relying on third- country regime? What rights or benefits should EU issuers derive from equivalence of a third country and what rights or benefits in the EU should issuers from an equivalent jurisdiction receive in the EU?

Any future equivalence regime should be based on equivalent regulatory outcomes rather than identical legislative provisions. The objective should not be to require third-country regimes to replicate MiCA in every respect, but to determine whether they achieve comparable prudential, conduct and supervisory outcomes. Additionally, what is considered "equivalent" must remain dynamic. It should be subject to periodic review and capable of being suspended or withdrawn where the conditions underpinning the equivalence determination are no longer met.

Assessment should therefore focus on the effectiveness of the overall regulatory framework, including reserve quality, redemption arrangements, segregation of assets, governance, operational resilience, disclosure, customer protection measures, including enforceable redemption at par within an appropriate timeframe, operational resilience, AML/CFT and sanctions controls, market conduct and market integrity requirements, and effective ecosystem-wide supervision, supervisory powers, and enforcement capability. The assessment should also consider the quality of supervision in practice, including the regulator's ability to monitor compliance, take timely supervisory and enforcement action, and cooperate effectively with

Response Tracker, The Digital Chamber, <https://digitalchamber.org/genius-act-implementation/> (last visited Sept. 28, 2026).

See *TDC GENIUS Act Rulemaking Response Tracker*, The Digital Chamber, <https://digitalchamber.org/genius-act-implementation/> (last visited Sept. 28, 2026) (collecting four comment letters submitted May 1, 2026, addressing the OCC's proposed GENIUS Act implementing rule, Docket No. OCC-2025-0372).

overseas authorities. Confidence should be based on regulatory outcomes, not solely on legislative alignment. This approach is consistent with the broader principles of technology neutrality, proportionality and evidence-based regulation that underpin MiCA and European financial services legislation more generally.

Where a third-country framework is determined to deliver equivalent outcomes, the resulting benefits should be proportionate to the degree of reliance that can reasonably be placed upon that framework.

For EU issuers operating in equivalent jurisdictions, this may include greater regulatory coordination, reduced duplication of prudential or reporting requirements where appropriate, enhanced supervisory cooperation, and more streamlined cross-border operations. Where a jurisdiction has been recognized as equivalent, issuers from that jurisdiction should benefit from a streamlined recognition process allowing them to offer substantially the same stablecoin in the Union without undergoing a full MiCA authorization. Reliance should be placed on the home supervisory framework to the greatest extent possible, while ensuring that EU competent authorities retain the information, visibility and enforcement tools necessary to supervise activities affecting EU users and markets.

Equivalent issuers should maintain an appropriate accountability mechanism within the Union to facilitate engagement with competent authorities where necessary. They should also make available the documentation and supervisory information already maintained under their home regulatory framework.

For issuers established in equivalent third countries, equivalence could support more efficient access to EU markets, provided that appropriate EU-facing safeguards remain in place. These may include clear arrangements for supervisory cooperation, information sharing, designated points of regulatory contact, transparency towards EU holders, and mechanisms that enable competent authorities to respond effectively during periods of market stress.

Equivalence should therefore be viewed as a mechanism for strengthening supervisory cooperation rather than reducing regulatory standards and should operate on a reciprocal basis. EU-authorized issuers should receive equivalent treatment in recognized jurisdictions through streamlined market access and reduced duplicative licensing, reporting and compliance requirements. The EU should not recognize a third-country framework where EU-authorized issuers are not afforded broadly equivalent market access. Reciprocity will encourage greater international regulatory convergence and support the development of genuinely interoperable global stablecoin markets.

A framework based on comparable outcomes, mutual confidence and ongoing cooperation is likely to contribute more effectively to internationally connected digital financial markets than one based solely on duplicative regulatory requirements.

Question 42. What administrative simplification or burden reduction measures should be considered under titles III and IV and their implementing measures and technical standards? Do you believe that MiCA level 1 provisions lay down proportionate rules for issuers of EMTs and ARTs? Score:4

The Level 1 framework for issuers of asset-referenced tokens (ARTs) and e-money tokens (EMTs) provides a robust foundation for prudential supervision and has established an important level of confidence in regulated stablecoins. As implementation experience develops, the priority should be to refine the practical operation of the framework rather than fundamentally redesign its underlying architecture.

Consistent with the Commission's wider simplification agenda, future adjustments should seek to reduce unnecessary administrative burden while preserving financial stability, consumer protection and market integrity. Simplification should improve the efficiency and consistency of implementation rather than lower regulatory standards.

Implementation experience suggests that further consideration could usefully focus on five areas.

- **First**, authorization processes should be streamlined wherever possible. Information already provided during issuer authorization, CASP authorization, or related prudential assessments should not ordinarily require duplication unless there is a clear supervisory justification. Greater coordination between competent authorities would reduce administrative burden while maintaining effective oversight.
- **Secondly**, the interaction between reserve requirements and own funds requirements could be reviewed to ensure that the overall prudential framework remains proportionate. Where reserve assets are legally segregated, highly liquid and fully support redemption obligations, own funds should principally address operational, governance, business continuity, and wind-down risks rather than duplicating risks already mitigated through reserve requirements.
- **Thirdly**, supervisory reporting should become more consistent across the Union. Standardized reporting templates, common technical standards, and greater alignment between national competent authorities, the EBA and, where relevant, the ECB would reduce unnecessary compliance costs, improve data quality, and strengthen supervisory convergence.
- **Fourthly**, greater clarity would be beneficial regarding the treatment of international group structures. Many digital asset firms operate shared technology platforms, operational infrastructure, risk management, and compliance functions across multiple jurisdictions. The regulatory framework should continue to recognize appropriately governed group

arrangements where the authorized EU entity retains clear legal responsibility, effective oversight, and accountability for compliance with MiCA.

- **Finally**, proportionality should continue to remain a central feature of the supervisory framework. Regulatory obligations should reflect the nature, scale, and risk profile of the issuer. Non-significant issuers should not automatically be subject to the same reporting, governance or stress-testing expectations as significant issuers unless implementation experience demonstrates that equivalent risks are present.

Taken together, these measures would strengthen legal certainty, improve supervisory efficiency, and support more consistent implementation across the Single Market while preserving the prudential safeguards that underpin confidence in regulated stablecoins. They would also be consistent with the wider objectives of the Commission's Better Regulation agenda and the broader ambition of ensuring that Europe's regulatory framework remains both robust and internationally competitive.

Question 45. Is the list of crypto- asset services as defined in Article 3(16) of MiCA adequate to effectively cover crypto- asset markets and provide sufficient legal clarity for businesses?

The list of crypto-asset services in Article 3(16) provides a sound and proportionate foundation for the regulation of centralized crypto-asset service providers. It captures the principal activities that give rise to custody, execution, conduct, governance, and client protection risks, while establishing a common framework across the Single Market. However, it does not provide sufficient legal clarity as to how activities carried out by firms acting as principal. In particular, wholesale liquidity provision, proprietary trading, and market making activities in relation to digital asset markets deserve specific guidance.

While many of these activities may already fall within existing MiCA service categories, the current framework provides limited clarity regarding the regulatory expectations applicable to these business models, particularly where firms trade on own account, provide liquidity across multiple venues, or perform multiple functions within the crypto ecosystem.

As an example, definitions of crypto-asset services under MiCA draw substantially on the investment services framework in Annex I to MiFID II. However, the MiCA framework does not include an equivalent to the MiFID II service of "dealing on own account," which most closely reflects wholesale liquidity provision by firms acting as principal. Under MiFID II, a firm that provides two-way prices to counterparties and executes transactions against its own book is authorized for dealing on own account.

MiCA does not contain an equivalent category. As a result, a principal liquidity provider may need to map its activities onto one or more of the services of "exchange of crypto-assets for funds," "exchange of crypto-assets for other crypto-assets" or "execution of orders for crypto-assets on

behalf of clients." Greater legal clarity would therefore be beneficial as to the appropriate classification of principal liquidity provision under MiCA, in particular where a firm provides continuous or regular two-way prices and transacts against its own inventory or balance sheet. Clarification in this respect would support a clear and consistent application of the MiCA framework to wholesale market-making activities, without changing the substantive scope of crypto-asset services.

As implementation experience develops, the priority should be to refine the practical application of the existing framework rather than materially expand the list of regulated services. MiCA has only recently become fully applicable to CASPs, and firms and competent authorities are continuing to develop supervisory practice and operational experience. The review should therefore be approached as an exercise in regulatory evolution rather than regulatory redesign.

At present, implementation experience does not demonstrate a compelling need to expand the Article 3(16) service list. Premature expansion could reduce legal certainty, increase authorization complexity and unintentionally capture activities that are more appropriately addressed through supervisory guidance, regulatory clarification or the Commission's broader review of areas such as decentralized finance, staking, lending and borrowing, and tokenization.

Where further clarification would be beneficial, this can largely be achieved through supervisory convergence, ESMA guidance, and practical examples rather than legislative amendment. In particular, additional clarity would assist market participants in understanding the boundaries between:

- custody and the provision of technology or software infrastructure;
- transfer services and payment services involving regulated e-money tokens;
- investment advice and general educational or informational services;
- placing activities and token launch or distribution services; and
- regulated intermediary activity and decentralized or self-custodial arrangements where no identifiable person controls client assets or transaction execution.

Further supervisory clarification is also needed on the application of MiCA's custody requirements in execution models where a CASP temporarily transfers client crypto-assets to a third-party trading venue to execute a client order, including models requiring pre-funding. ESMA should clarify how safeguarding and segregation obligations apply to transfers that are strictly necessary for execution and distinguish those transfers from ongoing custody arrangements. A consistent supervisory approach across Member States would reduce operational uncertainty and divergent market practices while preserving MiCA's client-asset protection objectives.

More generally, the CASP perimeter should continue to remain functional and activity-based. Regulatory obligations should be calibrated according to the nature of the activity performed and the risks created, rather than the technology through which the activity is delivered. This approach is consistent with the principles of technology neutrality, proportionality, and equivalent regulatory outcomes that underpin MiCA and European financial services legislation more broadly.

The continuing development of tokenized financial markets may, over time, give rise to broader questions regarding the future market structure framework for digital financial assets. Those questions merit separate consideration and should not be addressed through incremental expansion of the Article 3(16) service list. Maintaining a clear distinction between the CASP perimeter and any future evolution of Europe's digital market structure framework will promote greater legal certainty and support the coherent development of the Union's wider digital financial architecture.

Question 46. If additional services should be added, what should those be and what requirements should be applied to these services and service providers? If you believe that certain services should be removed, please specify which ones and why.

We do not recommend removing any of the existing crypto-asset services listed in Article 3(16). The current categories capture the principal functions performed by centralized intermediaries and provide a sound basis for authorization, supervision and consumer protection across the Single Market.

Nor do we consider that implementation experience currently demonstrates the need for broad new categories of regulated crypto-asset services. MiCA has only recently become fully applicable, and firms and competent authorities are continuing to develop supervisory practice. The priority should therefore be to consolidate implementation, strengthen supervisory convergence and clarify the application of the existing framework before considering material expansion of the regulatory perimeter.

Where new business models emerge, they should be assessed using a functional and activity-based approach rather than by reference to technology alone. The key considerations should be whether an identifiable person or entity undertakes regulated financial intermediation, exercises discretion on behalf of users, controls client assets, manages client instructions or otherwise assumes responsibility for risks that are appropriately subject to regulatory oversight.

This principle has implications for a number of emerging activities. Custodial or intermediary-led staking may justify tailored regulatory requirements where a service provider takes custody of client assets, arranges delegation, selects validators, exercises discretion, manages client instructions or otherwise intermediates the client's participation in the protocol. By contrast, self-staking, genuinely non-custodial staking and protocol-level validation should not, in themselves, constitute regulated crypto-asset services solely because protocol rewards are generated.

Similarly, intermediated lending and borrowing may warrant a dedicated regulatory framework where a provider pools client assets, undertakes credit intermediation, rehypothecates assets, guarantees returns or otherwise assumes responsibilities comparable to those of regulated financial intermediaries. Purely bilateral arrangements or genuinely self-executing protocol interactions should not ordinarily fall within the CASP perimeter unless an identifiable intermediary exercises sufficient control over the activity.

The same principle should apply to software and technical infrastructure. Open-source software, public blockchain infrastructure, non-custodial wallets and other technology providers should not be brought within the CASP regime solely because they enable users to interact with digital assets. Regulatory obligations should arise where identifiable persons perform regulated intermediary functions or create material risks for users, rather than from the provision of technology itself.

For the same reason, the introduction of broad new service categories such as "DeFi access", "protocol interface" or "wallet services" would be premature without a clearly defined and evidence-based functional test. Such concepts encompass a wide range of materially different activities and business models. A more durable approach is to continue applying the established principles of technology neutrality, proportionality and regulation based on legal and economic substance.

More broadly, the continued evolution of tokenized financial markets may, over time, give rise to new questions regarding the market structure framework applicable to digital financial assets. Those issues merit separate consideration and should not be addressed through incremental expansion of the Article 3(16) CASP service list. Maintaining a clear distinction between the regulation of crypto-asset service providers and the future evolution of Europe's digital financial architecture will provide greater legal certainty while allowing both frameworks to develop coherently.

Question 47. Would introducing an appropriateness test for the crypto-asset services of reception and transmission, execution, and placing of crypto-assets increase the protection for CASP clients, especially retail clients?

No. The response reflects the way the proposed measure is framed rather than an opposition to retail investor protection. Appropriately targeted measures can play an important role in addressing risks arising in retail distribution channels.

The main concern is that MiCA does not currently provide for client categorization. An appropriateness assessment introduced into Title V would therefore apply broadly to clients of CASPs providing the relevant services, including regulated financial institutions, funds and large corporates. This differs from MiFID II, where the framework is calibrated according to the nature and status of the client, including through the execution-only regime, the professional client framework under Annex II, and the eligible counterparty regime.

Applying an appropriateness assessment across wholesale relationships could therefore create a significant compliance burden, including where clients have the expertise and resources to assess the relevant products and risks themselves.

Given that the policy objective appears primarily focused on retail distribution, consideration should be given to introducing client categorization into MiCA and limiting any appropriateness requirement to retail clients or other relevant categories where the investor protection risks are most pronounced.

If an appropriateness assessment is introduced without client categorization, clients that would qualify as professional clients or eligible counterparties under MiFID II should be excluded. The framework should also clarify the treatment of transactions where a CASP acts as principal at the client's request.

Question 48. Do you have evidence of non-EU authorised crypto-asset service providers continuing to offer services in the EU? How do they promote their services? What tools should supervisors and enforcement authorities have to stop unauthorised providers?

We have not received any firm-level evidence from our member companies to submit in response to this question. However, there are indications that certain third-country firms may continue to provide or actively promote crypto-asset services to EU clients without holding the relevant MiCA authorization. This creates a risk that EU clients may receive services outside the EU regulatory and supervisory framework, with less oversight of the firm's governance, conduct, risk management, and client protection arrangements. Effective enforcement of the MiCA perimeter is therefore important to ensure that EU clients are not exposed to providers operating outside the intended supervisory framework.

Channels that may be relevant include onboarding EU-domiciled clients through non-EU affiliates, reliance on broad interpretations of reverse solicitation, sponsorship and conference activity in the EU, targeted digital and social media advertising, referral arrangements, and making applications available to EU users through mainstream app stores.

We would support for following enforcement tools:

- A clear and consistent application of reverse solicitation, ensuring that it remains available where a client genuinely initiates the relationship but does not become a de facto exemption for ongoing marketing or solicitation into the EU.
- A public EU-level warning list of entities identified as providing crypto-asset services in the EU without authorization, maintained by ESMA, and drawing on information from national authorities. This could also support firms' counterparty due diligence.

- Effective measures against digital distribution channels, including powers to require the removal of applications, websites, and online advertising where appropriate, as well as action against entities that systematically target EU users without authorization.
- Enhanced EU-level coordination, including information-sharing, coordinated investigations, and consistent enforcement approaches across Member States. This is particularly important for online services operating across multiple jurisdictions and can help ensure that risks to EU clients are identified and addressed consistently.

Enforcement should also take account of the effectiveness of geofencing and other customer access restrictions used by third-country firms.

Any tightening of reverse solicitation should be accompanied by continued efforts to ensure that the MiCA framework is fully operational across Member States. During transitional periods, reverse solicitation may remain necessary to avoid unnecessary disruption to legitimate client relationships where EU authorization or passporting is not yet operational in a particular jurisdiction.

Finally, enforcement measures should distinguish between unauthorized third-country firms providing or soliciting services to EU clients and authorized EU CASPs accessing non-EU venues or counterparties for legitimate liquidity and risk-management purposes. In the latter case, the EU client remains served by an authorized and supervised EU CASP. Measures targeting unauthorized access to the EU market should therefore not inadvertently restrict legitimate access to global liquidity or risk-management infrastructure.

Question 49. Is the prudential regime for crypto- asset service providers appropriate to capture the risks associated with the provision of crypto- asset services, or would it be warranted to adjust the prudential stance, e.g. by aligning it with the requirements for own funds applicable to investment firms (including K- factors) that provide services that are broadly similar?

The current MiCA prudential framework provides an appropriate foundation for the supervision of crypto-asset service providers. As implementation experience develops, refinements may become appropriate, but the overall framework should continue to reflect the specific risks associated with crypto-asset services rather than simply replicating prudential models developed for investment firms.

CASPs undertake activities that differ in important respects from traditional investment firms. Their principal prudential risks frequently arise from safeguarding arrangements, custody of client assets, operational resilience, cyber security, technology governance, business continuity, wallet management, and market integrity rather than from balance sheet or trading exposures alone. The prudential framework should continue to reflect those characteristics.

The existing approach, based primarily on minimum capital and fixed overhead requirements, provides a proportionate and transparent baseline. It supports legal certainty, facilitates implementation, and remains accessible for smaller and specialized firms while maintaining appropriate prudential safeguards.

As implementation experience accumulates, targeted refinement may be appropriate for higher-risk activities. Additional prudential expectations could be considered where firms undertake large-scale custody, operate systemically important trading platforms, safeguard substantial volumes of client assets, or exhibit material operational interdependencies. Any such refinements should remain activity-based, proportionate and evidence-based rather than representing a general alignment with investment firm prudential requirements.

The long-term objective should be to ensure that prudential requirements continue to reflect the nature of the risks being supervised while supporting innovation, competition and internationally competitive digital financial markets.

Question 50. Is the amount of minimum capital provided for each class of CASP listed in Annex IV of MiCA adequate or should it be recalibrated? Score: 3

The minimum capital requirements set out in Annex IV provide an appropriate baseline for the current stage of MiCA implementation. They recognize differences between categories of crypto-asset service providers while maintaining a prudential framework that is proportionate, transparent and relatively straightforward to implement.

Implementation experience does not currently demonstrate the need for broad recalibration of minimum capital requirements. As firms and supervisors continue to gain operational experience, future adjustments should be informed by evidence rather than by assumptions that higher capital requirements necessarily produce better prudential outcomes.

Capital is only one component of an effective prudential framework. For many CASPs, the principal safeguards for clients arise from robust governance, effective safeguarding arrangements, segregation of client assets, operational resilience, cyber security, wallet controls, incident response capability, and market integrity systems. Capital should complement these measures rather than substitute for them.

Should future recalibration become appropriate, it should be linked to demonstrable risk indicators. Relevant considerations may include the scale of client assets safeguarded, operational complexity, concentration of critical functions, the significance of trading platform activities, and the nature of operational dependencies. Such an approach would allow prudential requirements to evolve alongside the market while preserving proportionality.

Any future review should also take account of the potential cumulative impact of prudential changes on innovation, competition, and the attractiveness of the regulated EU market, particularly for smaller firms and new entrants that operate within the supervisory perimeter.

Question 51. Should the current approach be maintained or should there be enhanced oversight and coordination in relation to entities that in addition to providing crypto- asset services, offer (1) other unregulated services or (2) other types of regulated services, (3) a combination of crypto- asset services?

The current approach should broadly be maintained while continuing to strengthen supervisory coordination where implementation experience demonstrates that additional oversight is justified. Multi-function business models are a common feature of digital financial markets and do not, in themselves, create regulatory concern.

Many groups combine custody, exchange services, execution, transfer services, staking, payment-related activities, technology services, and other regulated or unregulated functions. Such integration can generate operational efficiencies, improve liquidity, enhance customer experience, and support innovation within a regulated environment.

The regulatory focus should therefore remain on the risks arising from those arrangements rather than on organizational structure itself. Particular attention should continue to be given to conflicts of interest, safeguarding of client assets, governance, operational resilience, intra-group dependencies, and the effective allocation of legal responsibility.

Enhanced supervisory coordination between national competent authorities, ESMA, NCAs, the EBA and, where appropriate, other European authorities may assist in addressing these risks. Supervisory colleges or enhanced coordination mechanisms may be appropriate for larger, more interconnected cross-border groups where activities are sufficiently significant to justify additional supervisory engagement.

Supervisory cooperation is a fundamental component of effective financial regulation across all sectors. It is particularly important in digital asset markets given their inherently cross-border, digital and highly interconnected nature. Crypto-asset groups frequently operate across multiple jurisdictions, combine regulated and unregulated activities and provide services globally. Effective supervision therefore requires close cooperation between competent authorities, including timely information sharing, coordinated supervisory approaches and, where appropriate, coordinated supervisory and enforcement action.

At the same time, consolidated supervision should not become the default approach for all multi-function groups. Many internationally active firms operate shared technology platforms, operational infrastructure, custody arrangements, and compliance functions across multiple jurisdictions. Such structures can be compatible with effective supervision provided that the

authorized EU entity maintains clear legal responsibility, effective governance, appropriate oversight and timely access to the information necessary to meet its regulatory obligations.

Additionally, MiCA has only recently become applicable. The immediate priority should be ensuring its consistent implementation and robust supervision across the Union. Before introducing additional supervisory structures, policymakers should assess how the existing framework operates in practice and whether practical supervisory experience demonstrates genuine gaps that cannot be addressed through enhanced cooperation.

Any potential enhanced supervisory cooperation should focus on ensuring that competent authorities have timely access to the information necessary to understand the activities and risk profile of crypto-asset groups operating across borders. This should include coordinated supervisory approaches, effective information sharing and common supervisory expectations across Member States.

A proportionate, risk-based approach will strengthen supervisory effectiveness while supporting internationally connected digital financial markets and encouraging firms to establish and expand regulated operations within the European Union. This is consistent with the broader objectives of MiCA, the Savings and Investments Union and the Commission's wider agenda for competitiveness and financial market integration.

Question 52. Should CASPs report their activities regularly? What kind of reporting would be useful, and how often? The Commission lists four candidate areas: direct holdings of crypto-assets by CASPs; large exposures to derivatives with crypto-assets as underlying; volumes of leveraged contracts and extent of leverage use; counterparty risk information.

We support a proportionate and harmonized reporting framework at EU level. A clear and consistent regime would provide supervisors with more comparable and useful market data while avoiding unnecessary duplication across Member States.

The case for harmonization: MiCA currently does not establish a general reporting obligation for CASPs beyond requirements relating to suspicious transactions and orders. In the absence of a harmonized framework, NCAs may request information on an ad hoc basis, using different formats and reporting frequencies. For firms operating cross-border, this can result in fragmented reporting requirements and limit the ability of ESMA and the ESRB to obtain a consistent view of the EU market.

Key design principles:

- **Clear and uniform taxonomy, definitions, and reporting schemas.** ESMA should establish common definitions, data fields and reporting schemas to ensure that the same information is understood and reported consistently across CASPs and Member States.

This would be important both for firms implementing the requirements and for supervisors aggregating and comparing the data.

- **One format and one submission point.** Reporting should, where possible, be submitted to the home NCA using an ESMA-standardized format, with information shared between NCAs as appropriate. Passported CASPs should not be required to submit separate reports to each host authority.
- **Avoid duplication.** Where crypto-asset derivatives or other activities are already subject to reporting under EMIR or MiFIR, MiCA reporting should avoid requiring the same information to be reported again. The MiCA framework should complement, rather than duplicate, existing reporting obligations.
- **Proportionate frequency.** Periodic reporting should generally be preferred over real-time or daily reporting, unless a specific supervisory need justifies a higher frequency. A six-monthly reporting cycle could provide an appropriate balance between supervisory needs and proportionality.
- **Aggregate reporting where appropriate.** Reporting should generally focus on positions, exposures and counterparty concentrations rather than transaction-level data, unless transaction reporting is specifically introduced for a defined supervisory purpose.
- **Proportionality by size and activity.** Consideration should be given to simplified reporting requirements or de minimis thresholds for smaller CASPs and firms with limited relevant activity.
- **Transaction reporting.** If the Commission is considering a MiFIR Article 26-style transaction reporting framework for crypto-assets, this could provide valuable data for market abuse surveillance and broader market monitoring. Any such regime should build, where appropriate, on existing MiFIR concepts, identifiers and reporting infrastructure rather than creating a separate framework from scratch.

A sufficiently long implementation period would also be important to allow firms and supervisors to establish the necessary systems and processes.

Question 53. How do you assess the current environmental and sustainability disclosure regime under MiCA, including the Level 2 RTS?

We support transparency on the environmental impact of crypto-asset consensus mechanisms. The main considerations are how the obligation is allocated, how the data is sourced, and how the requirements are calibrated to ensure that the information provided is reliable, comparable, and useful.

The obligation should sit primarily with the source of the information: Under Article 66(5), CASPs must make sustainability information available for each crypto-asset in respect of which they provide services. In practice, CASPs may have limited access to primary data on the underlying consensus mechanism and may not be in a position to verify third-party estimates. This can result in multiple CASPs reproducing the same data using different sources or methodologies. The primary reporting obligation should therefore, where possible, sit with the issuer or another appropriate source, with CASPs providing access to the relevant information rather than independently reproducing it.

A centralized source would improve consistency: Sustainability indicators could be maintained in a central ESMA register, based on information provided through white papers or, where no issuer exists, an agreed methodology. CASPs could then meet their disclosure obligation by linking to the relevant information. This would improve consistency and comparability while avoiding duplicated calculations across CASPs.

Clear and uniform definitions and methodologies are important: The framework should provide clear definitions, reporting periods, data sources, and calculation methodologies to ensure that information is comparable across crypto-assets and CASPs. In particular, clarification would be helpful on:

- the applicable reporting period and whether figures should be based on the previous calendar year, the preceding 12 months, or the latest available data;
- the attribution of network-level energy consumption to individual transactions or holdings;
- the treatment of proof-of-stake and Layer 2 networks;
- assets deployed across multiple networks; and
- the source, age and reliability of third-party data that CASPs may rely on.

The role and purpose of the optional indicators could also be clarified, given the limited cause of these indicators in current market practice.

The requirements should be proportionate to the client base: Where a CASP provides services exclusively to professional clients and eligible counterparties, the investor protection rationale for prominent public disclosure is less clear, as these clients are generally better positioned to assess sustainability information independently. Consideration should therefore be given to applying a proportionate approach in such cases, for example by allowing the information to be provided on request rather than requiring the same public disclosure as for retail-facing services.

Question 54. Given that CASPs are subject to DORA, are there any additional cybersecurity issues or challenges that need to be addressed?

We do not consider that additional binding cybersecurity requirements under MiCA are necessary. DORA, together with the governance and operational resilience requirements under MiCA Article 68 and the relevant Level 2 measures, already provides a comprehensive framework for

managing ICT and cybersecurity risks. Additional MiCA-specific requirements could create unnecessary overlap or inconsistencies between the two regimes.

There are, however, certain crypto-asset-specific risks for which DORA's technology-neutral framework may not provide sufficiently detailed guidance. Rather than introducing additional legislative requirements, these areas could be addressed through proportionate guidance from ESMA and EBA, providing a common reference point for both CASPs and supervisors.

Clear and consistent expectations would be particularly useful in areas such as the security of blockchain infrastructure, wallet management, smart contracts, and interactions with decentralized protocols. Guidance in these areas could help promote consistent supervisory expectations without creating a separate set of cybersecurity requirements under MiCA.

Finally, consideration should be given to the indirect costs associated with DORA implementation, including additional contractual requirements imposed by ICT third-party providers. Greater clarity and consistency in supervisory expectations could help limit unnecessary duplication and ensure that implementation remains proportionate, particularly for smaller CASPs.

Question 55. Do the PSD3/PSR changes bring sufficient clarity on the interplay between MiCA and the payment services framework, or do other issues remain?

The clarifications introduced through PSD3/PSR are a welcome development and address some of the uncertainty around transfer services involving e-money tokens (EMTs). However, a number of material questions remain, particularly where EMTs are used as a settlement or funding leg of crypto-asset services.

1. Dual authorization for overlapping activities.

PSD3/PSR confirms that certain activities involving EMTs may fall within both the scope of crypto-asset services and payment services, potentially requiring two authorizations for activities that are closely connected from an economic and operational perspective. This raises proportionality concerns and could increase the complexity and cost of providing services involving EMTs in the EU. A clearer allocation of regulatory responsibilities would help avoid unnecessary duplication while maintaining appropriate supervisory oversight.

2. Scope of the simplified authorization process.

The simplified authorization process contemplated under PSD3 for MiCA-authorized CASPs is a positive step, but it primarily streamlines administrative requirements and processing times. It does not fully address potential duplication in substantive prudential requirements, including own funds requirements that may apply under both frameworks. There is therefore a case for a more reciprocal approach, consistent with the rationale underlying MiCA Article 60. As set out in the

response to Question 46, consideration should be given to introducing an equivalent pathway for CASPs providing services that fall within the PSD3/PSR framework.

3. EMT transfers ancillary to crypto-asset services.

Where EMTs are transferred as consideration or settlement for a crypto-asset transaction, the transfer is economically ancillary to the underlying crypto-asset service rather than a standalone payment service. An express exclusion or clarification would help ensure that such transfers do not trigger a separate payment services authorization where the CASP is not providing a payment service in its own right. This would also reduce the risk of inconsistent interpretation across Member States.

4. Boundary between “exchange of crypto-assets for funds” and money remittance.

Further clarification would be useful regarding the distinction between the exchange of crypto-assets for funds and money remittance. Both activities may involve receiving funds from a client and subsequently transferring funds. The key distinction is that, in an exchange transaction, the funds constitute consideration for the crypto-assets delivered by the provider. A clear and consistently applied interpretation at EU level would help avoid divergent approaches between Member States.

5. Safeguarding requirements.

MiCA Article 70 and the PSD3 safeguarding framework contain overlapping, but not identical, requirements for client funds held by CASPs. Where the same client funds are subject to both regimes, a harmonized safeguarding standard would provide greater clarity and reduce unnecessary operational complexity. The framework should avoid requiring firms to apply two separate safeguarding regimes to the same funds where the underlying risk is the same.

6. Related classification and compliance questions.

The dual nature of EMTs as both electronic money and crypto-assets also creates a number of consequential questions, including their treatment for accounting and tax purposes and the application of AML customer due diligence requirements in secondary-market transactions. Greater clarity at Level 1 or through coordinated Level 2 guidance would help ensure a consistent approach across the EU. More generally, it would be useful to clarify the treatment of ancillary services and activities where the MiCA framework interacts with PSD3/PSR and, where relevant, MiFID.

7. Sequencing and regulatory coherence.

Finally, the interaction between the MiCA review and the PSD3/PSR legislative process should be considered carefully. As both frameworks are evolving, it would be preferable for the two

regimes to be reconciled deliberately once the final PSD3/PSR text is established, rather than relying on cross-references that may become outdated. This would support a more coherent and predictable regulatory framework for services involving EMTs.

Question 56. Do MiCA provisions governing crypto asset service providers sufficiently allow, or unduly restrict, access for EU consumers and investors to non- EU and global crypto asset trading and liquidity pools? What are the advantages and disadvantages of focusing on EU liquidity or full access to global liquidity?

As digital asset markets continue to develop, the regulatory objective should be to ensure that EU consumers and investors are able to participate safely in internationally connected markets through authorized and appropriately supervised intermediaries. MiCA should therefore continue to enable EU-authorized CASPs to access global trading venues and liquidity pools where appropriate safeguards are in place.

Crypto-asset markets are inherently global, operate continuously, and depend upon liquidity distributed across multiple jurisdictions. Access to deeper and more diverse liquidity pools can improve execution quality, reduce transaction costs, enhance price formation and strengthen market resilience. These outcomes are consistent with the broader objectives of promoting competitive and efficient financial markets.

By contrast, an approach that relies predominantly on geographically localized liquidity may simplify certain aspects of supervision but could also increase market fragmentation, reduce liquidity, widen spreads, and diminish execution quality. It may also reduce the competitiveness of EU-authorized firms and create incentives for some market participants to seek access through less transparent channels outside the Union's regulatory perimeter. Such outcomes would be difficult to reconcile with the wider objectives of the Savings and Investments Union, which seeks to strengthen European capital markets while maintaining high regulatory standards.

The key regulatory objective should therefore be to ensure that access to global liquidity takes place within an effective supervisory framework. Where EU-authorized CASPs provide access to international markets, they should remain fully responsible for their client-facing obligations under MiCA, including governance, safeguarding, conflicts of interest, market abuse monitoring, operational resilience, transparency, and consumer protection. Responsibility for compliance should continue to rest with the regulated intermediary rather than depending upon the geographic location of liquidity.

This is particularly important because many EU-authorized CASPs already access global liquidity indirectly. Under broker-dealer models, firms frequently execute client orders by entering into back-to-back transactions with liquidity providers, market makers or affiliated entities, many of which are located outside the European Union. Restricting shared order books would therefore not eliminate access to global liquidity but may simply favor execution models that provide supervisors with less visibility over the complete execution chain.

The regulatory challenge is therefore not whether access to global liquidity should be permitted, but how it should be organized. In our view, a well-designed shared order book framework can improve execution quality while preserving customer protection, market integrity, and effective supervisory oversight.

The same principles are likely to become increasingly relevant as tokenized financial markets develop. Efficient tokenized markets will depend not only upon trusted regulatory frameworks but also upon access to sufficiently deep, interoperable and internationally connected sources of liquidity. Artificial fragmentation of liquidity may reduce many of the efficiencies that tokenization has the potential to deliver and could limit the development of integrated European digital capital markets.

The framework recently introduced by the Hong Kong Securities and Futures Commission provides a useful example of this approach. It permits shared order books within the same group where appropriate regulatory safeguards are in place, while ensuring that the Hong Kong licensed entity remains fully accountable to both its customers and the SFC. The framework combines access to global liquidity with robust requirements relating to pre-funding, settlement, operational resilience, market surveillance, and regulatory accountability.

Should the Commission consider introducing a similar framework in the future, we believe it should remain principles-based and include, at a minimum:

- access only through an EU-authorized CASP that remains fully responsible for compliance with MiCA and accountable to its competent authority;
- participation limited to affiliated entities established in jurisdictions delivering comparable regulatory outcomes through an appropriate equivalence or regulatory interoperability framework;
- robust governance, custody, settlement, operational resilience, pre-funding, and conflict of interest controls;
- unified market surveillance across the shared order book, together with effective supervisory access to the information necessary to supervise trading activity across the entire execution chain; and
- effective supervisory cooperation and information sharing between the relevant authorities.

Rather than focusing on the geographic location of liquidity itself, the regulatory framework should continue to emphasize effective governance, transparency, supervisory cooperation, and clear accountability for regulated intermediaries.

Ultimately, the objective should be global liquidity with local accountability. The EU should seek to ensure that consumers benefit from the deepest available liquidity and best available execution

while maintaining robust customer protection, market integrity, and effective supervisory oversight.

Question 57. Do you believe that the below specified groups of MiCA level 1 provisions lay down proportionate and simple- to- apply rules for CASPs, taking into account their different size, scope of activity and risk profile? Score : 4

The Level 1 framework for crypto-asset service providers provides a robust and broadly proportionate foundation for the regulation of crypto-asset markets across the European Union. It has established greater legal certainty, supported supervisory convergence and created a harmonized framework that is capable of accommodating a diverse range of crypto-asset services.

As implementation experience develops, there is nevertheless opportunity to improve the practical operation of the framework through greater proportionality, simplification, and consistency of supervisory practice. These refinements should build upon MiCA's existing architecture rather than fundamentally altering it.

Authorization requirements should continue to reflect the nature, scale, and risk profile of the services being provided. Firms undertaking materially different activities, such as custody, trading platform operation, execution, transfer services, or investment advice, should be subject to information requirements that are appropriately calibrated to the risks associated with those activities. A more modular approach to applications and supervisory assessment would improve efficiency while maintaining effective oversight.

Greater clarity would also be beneficial regarding the operation of internationally active group structures. Many CASPs rely upon shared technology platforms, operational infrastructure, cyber security capabilities, compliance functions, and custody arrangements across multiple jurisdictions. The authorized EU entity should continue to retain full legal responsibility for compliance with MiCA. At the same time, the framework should continue to recognize appropriately governed group arrangements where effective oversight, access to information, and supervisory accountability can be clearly demonstrated.

Further simplification should also be considered across the wider European regulatory framework. As MiCA increasingly operates alongside DORA, the EU AML/CFT framework, PSD3, the PSR and other financial services legislation, continued efforts to align reporting, operational resilience, safeguarding, and incident notification requirements would reduce unnecessary duplication while strengthening regulatory coherence.

Finally, proportionality should remain a defining feature of supervisory practice as well as legislation. The application of supervisory expectations should reflect the scale, complexity, and risk profile of individual firms. Smaller or more specialized CASPs should be able to comply through proportionate governance, reporting and control arrangements, while larger or more

interconnected firms may appropriately be subject to more extensive supervisory expectations where this is justified by the nature of the risks involved.

Overall, implementation experience suggests that MiCA's Level 1 framework is fundamentally sound. The priority should therefore be to continue improving consistency, proportionality and supervisory convergence rather than materially expanding regulatory requirements. Such an approach is consistent with the Commission's Better Regulation agenda and with the broader objective of supporting competitive, innovative and well-supervised digital financial markets across the Single Market.

Question 59. In case you are aware or make use of DeFi currently beyond the regulatory perimeter of MiCA, what are the main services you (would) use and for which of them do you consider they bring benefits compared to similar intermediated digital assets services?

Decentralized finance encompasses a wide range of technologies, governance arrangements, and economic activities. It should not be regarded as a single product or business model. Consequently, the potential benefits and risks vary significantly according to the activity being undertaken.

Current applications demonstrate potential benefits in areas including decentralized exchange, liquidity provision, automated settlement, token transfers, and other forms of programmable financial services. These activities may improve transparency, enable continuous market operation, facilitate interoperability between protocols, and support innovation through automated execution and composable financial infrastructure. In some cases, they may also improve access to global liquidity and reduce operational friction within digital asset markets.

At the same time, implementation experience demonstrates that these activities present materially different risk profiles. Decentralized exchanges and automated market makers may improve market access and settlement efficiency but also introduce risks associated with smart contract vulnerabilities, oracle dependencies, market manipulation, maximal extractable value (MEV), liquidity concentration, and operational resilience. Lending and borrowing protocols raise additional questions relating to collateral management, liquidation mechanisms, governance arrangements, and user understanding. Other applications remain at an earlier stage of development and require further practical experience before their benefits and risks can be assessed fully.

These differences reinforce the importance of avoiding a single regulatory approach to all forms of decentralized finance. The appropriate policy response should continue to distinguish between activities that involve identifiable financial intermediation and those that are genuinely decentralized technological arrangements. Where identifiable persons exercise material control over client-facing services, custody arrangements, governance, transaction execution, or other intermediary functions, proportionate regulatory obligations may be appropriate. Conversely,

software development, open-source protocols, and genuinely decentralized technical infrastructure should not be brought within scope solely because they facilitate interaction with digital assets.

The principles established by MiCA remain an appropriate starting point. Rather than extending regulation mechanically to all DeFi activity, future policy development should continue to be guided by implementation experience, evidence-based assessment and the principle that comparable intermediary activities presenting comparable risks should achieve equivalent regulatory outcomes. This approach will better support innovation, legal certainty and effective supervision as decentralized technologies continue to evolve.

Question 61. In case you consider the criteria for establishing whether a DeFi application is not fully decentralised not sufficiently clear, which of them should do you consider should be used to assess the degree of decentralisation? Score:5

The central regulatory question should be whether an activity involves identifiable financial intermediation. This should be assessed by determining whether an identifiable person or coordinated group exercises material influence over the provision of a client-facing financial service.

This approach is consistent with the principles of technology neutrality and activity-based regulation that underpin MiCA and European financial services legislation more broadly. Regulatory obligations should attach to persons who undertake financial intermediation or exercise material influence over regulated activities, rather than to software, distributed ledger infrastructure or open-source code in themselves.

Relevant indicators of material influence may include control over administrative keys, protocol upgrades, governance arrangements, fee structures, asset listing decisions, liquidation mechanisms, oracle selection, user access, treasury management, or emergency intervention powers. Concentrated governance rights may also be relevant where an identifiable person or coordinated group is capable of determining material operational or economic outcomes.

The treatment of custody requires particular care. Smart contracts frequently lock or escrow assets without creating the type of unilateral control normally associated with custodial services. This differs fundamentally from traditional custody. However, where an identifiable person can move, freeze, redirect, or otherwise exercise discretionary control over client assets, this is likely to represent a strong indicator of identifiable financial intermediation.

Other factors should be considered in context rather than treated as determinative. Closed-source software may increase operational or transparency risks but does not, by itself, demonstrate the existence of regulated financial intermediation. Similarly, marketing directed at EU users may be relevant when assessing commercial activity but should not alone determine regulatory status in the absence of material influence or intermediary functions.

A multi-factor assessment based upon material influence and identifiable financial intermediation would provide greater legal certainty while avoiding the unintended inclusion of software developers, validators, node operators, passive governance participants, or other persons who do not themselves provide regulated financial services.

Question 62. Do you believe that risks to users of fully decentralised DeFi protocols should be indirectly accounted for by MiCA, e.g. by requiring CASPs to conduct due diligence over DeFi protocols they connect their clients with, or in any other way?

MiCA can appropriately address certain risks arising from genuinely decentralized technological arrangements where a regulated CASP actively facilitates client access. However, any obligations should remain proportionate and linked to matters that the CASP can reasonably assess or control.

Particular attention should be given to conflicts of interest. CASPs should assess whether they, their shareholders, founders, senior management, or affiliated entities have any financial, governance or commercial interest in the protocol, participate in its governance, or derive any direct or indirect economic benefit from directing customers to it. Appropriate governance arrangements should be implemented to identify, manage, mitigate and, where appropriate, disclose such conflicts.

Due diligence should not end once a protocol has been onboarded. DeFi protocols evolve continuously through governance decisions, smart contract upgrades, changes in liquidity, ownership structures, and market behavior. CASPs should therefore periodically review their assessments and conduct ongoing, risk-based monitoring, or the protocols to which they provide access. Appropriate risk parameters and escalation procedures should be established to identify governance changes, smart contract vulnerabilities, abnormal trading activity, liquidity concentration, suspicious activity within liquidity or lending pools, governance anomalies, and other indicators of elevated operational or market integrity risk.

Technology, including blockchain analytics, smart-contract security tools, and protocol-risk monitoring solutions, can significantly enhance this process. Firms can use readily available tools to establish risk parameters and automated alerts to identify suspicious trading behavior, wash trading, liquidity manipulation, unusual concentration within liquidity or lending pools, governance anomalies, and other market integrity risks requiring enhanced review or escalation.

Where a CASP curates protocol access, provides user interfaces, integrates wallets, routes transactions, or otherwise facilitates access to genuinely decentralized technological arrangements, it is reasonable to expect appropriate due diligence, risk assessment, and transparent disclosure to clients. Such assessments may include consideration of smart contract audits, governance arrangements, administrative controls, oracle dependencies, operational

maturity, previous security incidents, liquidity characteristics, and relevant financial crime indicators.

Customer transparency should form a core component of this framework. Before facilitating access to a DeFi protocol, CASPs should clearly inform customers when the service they are accessing falls outside the protections afforded by the MiCA framework. All customers should receive clear information identifying the legal entity providing the service and the regulatory framework applicable to that service. In addition, retail customers should receive clear, fair, and non-misleading disclosures explaining which regulatory protections no longer apply, together with the principal technological, operational, governance, liquidity, market integrity, and conflict of interest risks associated with interacting with the protocol. These disclosures should enable retail customers to make informed decisions based on meaningful information rather than relying solely on generic risk warnings. For professional and institutional clients, the level of risk disclosure may be applied on a proportionate basis, recognizing their greater expertise and ability to assess the associated risks.

These transparency requirements, however, should not convert regulated firms into guarantors of technological arrangements over which they exercise no material influence. Responsibility should remain linked to matters within the CASP's own sphere of responsibility, including appropriate due diligence, accurate disclosure, fair presentation of risks, and adherence to its own governance and operational procedures.

Implementation experience suggests that a risk-based framework is likely to provide more effective outcomes than rigid liability rules. CASPs should therefore be expected to apply proportionate due diligence, maintain appropriate escalation procedures, and discourage access to technological arrangements presenting clearly elevated risks, including those associated with sanctions evasion, financial crime, or repeated security failures. Such an approach is more consistent with the principles of proportionality and effective risk management than imposing universal certification requirements or blanket restrictions on protocol access, while preserving the potential for certification to provide an alternative assurance framework for autonomous technological arrangements where entity-level authorization is not appropriate.

Question 63. Do you support introducing certification schemes for DeFi protocols and smart contracts?

Certification schemes have the potential to provide an important regulatory assurance mechanism for DeFi protocols and smart contracts, particularly where functions that would otherwise be performed by a regulated intermediary are instead performed autonomously by software according to transparent and predetermined rules. In appropriate circumstances, certification should be capable of operating not merely as an additional transparency requirement, but as an alternative means of regulatory assurance where there is no identifiable person exercising the control, discretion, or intermediation to which conventional authorization requirements could meaningfully attach.

This distinction is important. Where an identifiable person exercises material influence over governance, administrative functions, client assets, or transaction execution, applicable MiCA, MiFID II or other authorization requirements should continue to apply according to the substance of the activity performed. Certification should not permit a person performing a regulated function to avoid otherwise applicable authorization requirements. Where, however, a function is performed autonomously by software according to published rules and no identifiable person is capable of altering, directing, or exercising discretion over that function, entity-level authorization may provide a poor fit. In those circumstances, certification could provide users and regulated intermediaries with independent assurance concerning matters such as smart contract security, governance characteristics, operational resilience, administrative controls, and adherence to recognized technical standards.

A proportionate framework should therefore distinguish between certification that complements the regulation of an identifiable intermediary and certification that provides an alternative assurance mechanism for genuinely autonomous infrastructure for which entity-level authorization is neither appropriate nor practicable. This means certification should remain one element within a broader framework of due diligence, transparency, and risk-based supervision rather than becoming a precondition for lawful operation.

Question 64. Which of the following statements about potential certification schemes of DeFi protocols do you agree with? Score:4

Certification should be capable of serving different regulatory functions depending on the nature of the relevant protocol or smart contract. Where an identifiable person performs a regulated activity or exercises material control over the provision of a financial service, certification may appropriately complement authorization by providing additional assurance concerning smart contract security, governance, operational resilience, and other technical characteristics. Certification should not displace regulatory obligations that properly attach to such an identifiable person.

A different approach may be appropriate where financial functionality is performed autonomously by software according to published and verifiable rules and no identifiable person exercises the control or discretion that would ordinarily provide the basis for entity-level authorization. In those circumstances, certification could serve as a genuine alternative mechanism for regulatory assurance rather than an additional layer imposed alongside an authorization requirement that has no appropriate person to whom it can attach.

Such a framework could draw upon established approaches to cybersecurity and technology assurance. Technical standards could be developed and applied by appropriately qualified private-sector bodies operating within a framework subject to public recognition or oversight. Certification could assess objectively verifiable characteristics such as code integrity, security controls, governance architecture, upgrade mechanisms, administrative privileges, operational resilience, and conformity with recognized standards.

Where identifiable persons exercise material influence, it may also be appropriate for certification frameworks to consider whether reasonable compliance capabilities have been incorporated into protocol design. Such capabilities could include governance controls, auditability, operational resilience measures and, where proportionate, mechanisms that assist regulated firms in meeting their legal obligations relating to financial crime, sanctions compliance, and consumer protection. However, certification should remain outcomes-based and technology-neutral rather than prescribing particular technical solutions.

Importantly, certification of a protocol should not transfer responsibility away from regulated firms that choose to rely upon or provide access to it. A regulated firm integrating a certified protocol into its services should remain responsible for determining whether that protocol is appropriate for its particular use, conducting proportionate due diligence and complying with the regulatory obligations applicable to the firm's own activities. Certification would provide a recognized source of independent technical assurance, not a safe harbor from those obligations.

The appropriate regulatory treatment should therefore depend upon where control and responsibility reside. Where an identifiable intermediary performs the regulated function, authorization requirements should attach to that intermediary. Where the relevant functionality is instead performed by genuinely autonomous software without an identifiable person exercising material control, a properly designed certification framework could provide a more proportionate means of assurance than attempting to impose an entity-based authorization regime on decentralized technological infrastructure.

Question 65. Which of the following statements about potential certification schemes of DeFi protocols or smart contracts do you agree with? Score: 4

Certification schemes are likely to be most effective where technical assessment is undertaken by appropriately qualified independent organizations operating against recognized standards. This could draw upon established models of cybersecurity and technology assurance in which technical standards and conformity assessments are principally developed and applied by qualified private-sector bodies, while public authorities establish the regulatory framework, recognize appropriate standards or certification bodies, and oversee the integrity of the certification system.

Specialist cybersecurity firms, smart contract auditors, and technical assurance providers possess the expertise necessary to evaluate protocol design, code quality, governance arrangements, upgrade mechanisms, administrative privileges, and operational resilience. Public authorities are more appropriately placed to establish supervisory expectations, recognize appropriate standards, and oversee the integrity of the certification framework than to undertake detailed technical assessments themselves.

This allocation of responsibilities would also permit certification to operate effectively where no identifiable protocol operator exists. Certification could be sought by any party with a legitimate

interest, including developers, foundations, regulated intermediaries or other ecosystem participants, and could attach to the relevant software, protocol or version rather than necessarily to a legal entity.

Where no identifiable protocol operator exists, certification should remain available to any interested party with a legitimate interest in obtaining independent assurance, including regulated intermediaries, foundations, developers, or other participants within the ecosystem. This would enable certification to support market transparency without requiring the existence of a central governing entity.

Whether certification should be required should depend upon the regulatory significance and use of the relevant software rather than merely whether a centralized operator exists. Certification need not be a universal prerequisite for the development or operation of open-source software. It could, however, provide a recognized route for autonomous protocols or smart contracts to demonstrate compliance with applicable technical and operational standards where certification is relied upon as an alternative to an entity-level authorization framework.

A regulated CASP's reliance on certification should not eliminate its own responsibilities. Consistent with the allocation of responsibility applicable to regulated firms' use of third-party technology, a CASP should remain responsible for assessing whether a certified protocol is fit for the particular purpose for which the CASP uses or integrates it, taking account of the nature of its services, clients and associated risks. Certification should facilitate that assessment by providing reliable independent assurance, rather than substitute for the CASP's own compliance obligations.³⁸

Question 66. Do you think the current approach whereby staking services are not separately regulated is adequate? If not, what specific requirements should be applied to staking service providers?

The current approach provides an appropriate foundation and should broadly be maintained. Staking encompasses a range of materially different activities, and implementation experience does not currently demonstrate the need for a separate comprehensive regulatory regime. Rather than creating a new category of regulated activity, future policy should continue to distinguish between activities involving identifiable financial intermediation and arrangements where users participate directly in protocol validation without intermediary involvement.

Where a regulated intermediary provides staking services on behalf of clients, proportionate regulatory requirements may be appropriate. This is particularly the case where the intermediary takes custody of client assets, exercises discretion over validator selection, manages client

³⁸ For additional perspectives on how the EU should approach certification schemes for DeFi protocols and smart contracts, see *Hyperliquid Policy Center, Comment Letter on the Targeted Consultation on the Review of Regulation (EU) 2023/1114 on Markets in Crypto-Assets (MiCA)* (Sept. 30, 2026).

instructions, aggregates staking positions, receives rewards on behalf of clients, or otherwise assumes responsibility for the provision of a client-facing financial service.

In these circumstances, additional clarification could usefully address matters such as client consent, disclosure of protocol risks, validator selection, slashing risk, lock-up and unbonding periods, fee arrangements, reward distribution, safeguarding of client assets, operational resilience, incident management, and periodic reporting. Such measures would strengthen legal certainty and supervisory consistency while building upon MiCA's existing framework.

By contrast, users who stake directly using self-hosted wallets or other genuinely decentralized technological arrangements should not ordinarily fall within the regulatory perimeter solely because they participate in protocol validation. Likewise, protocol-generated staking rewards should not, in themselves, determine the regulatory classification of an activity. The relevant consideration should remain whether an identifiable intermediary exercises material influence over the client-facing service.

Similarly, staking should not automatically be characterized as a collective investment arrangement where clients retain beneficial ownership of individually attributable assets and rewards arise directly from protocol operation rather than from discretionary investment management. Maintaining a functional and activity-based approach will provide greater legal certainty while supporting continued innovation in digital financial markets.

Question 67. Do you think that lending and borrowing of crypto- assets should be regulated?

Crypto-asset lending and borrowing can present significant risks to consumers and financial markets where activities involving identifiable financial intermediation are present. A proportionate regulatory framework should therefore focus on intermediary-led business models rather than attempting to regulate all forms of lending conducted using distributed ledger technology.

Regulatory requirements are most likely to be appropriate where an identifiable intermediary takes custody of client assets, pools assets, undertakes credit intermediation, rehypothecates assets, manages collateral, guarantees returns, determines lending terms, or otherwise assumes responsibility for providing a client-facing financial service. These activities may give rise to risks relating to counterparty exposure, collateral management, liquidity, conflicts of interest, maturity transformation, rehypothecation, operational resilience and insolvency.

By contrast, regulation should not automatically extend to bilateral transactions between users or to genuinely decentralized technological arrangements where no identifiable intermediary exercises material influence over the activity. As elsewhere in the MiCA review, the regulatory perimeter should continue to be determined by the existence of identifiable financial intermediation rather than by the use of distributed ledger technology itself.

Should a dedicated framework be developed, it should build upon established principles of European financial regulation. Appropriate requirements may include clear client disclosures, governance standards, safeguarding of client assets where intermediaries take custody, transparent collateral management, disclosure or limitation of rehypothecation practices, effective management of conflicts of interest, proportionate prudential expectations, operational resilience, wind-down planning, and clear disclosure of fees, yields and associated risks.

Implementation experience should continue to inform the evolution of any future framework. A proportionate and activity-based approach would strengthen consumer protection, improve legal certainty, and enable responsible lending and borrowing services to develop within the regulated perimeter while remaining consistent with the broader objectives of MiCA, the Commission's Better Regulation agenda and the wider development of Europe's digital financial architecture.

Question 80. Is there legal uncertainty as to the private law treatment of issuance, holding and transfers of tokens, under national law?

There remains material legal uncertainty across the European Union regarding the private law treatment of the issuance, holding, and transfer of tokens. While MiCA establishes a harmonized regulatory framework for issuers and crypto-asset service providers, it does not harmonize the underlying private law questions relating to ownership, transfer of title, custody relationships, security interests, insolvency treatment, or the legal effects of distributed ledger records.

Greater legal certainty in these areas will become increasingly important as tokenization expands beyond crypto-native markets into securities, investment funds, deposits, collateral arrangements, and other financial instruments. Market participants require confidence that rights represented or recorded on distributed ledger technology will be recognized and enforced consistently across Member States.

The absence of greater legal certainty is particularly relevant where tokens represent rights or assets that exist outside the distributed ledger itself. Questions may arise regarding the relationship between the token and the underlying right, the legal effect of transfers, the enforceability of security interests and the treatment of token holders in insolvency. Divergent national approaches may increase legal complexity and reduce confidence in cross-border digital financial markets.

The review therefore presents an opportunity to consider whether greater convergence of private law principles would support the wider objectives of the Savings and Investments Union, market integration and the development of European tokenized financial markets.

Question 81. Would you recommend increasing the legal certainty in the treatment of tokens through EU law?

Legal certainty regarding the private law treatment of tokens will become increasingly important as distributed ledger technology is adopted more widely across financial markets. While MiCA has established a harmonized regulatory framework for market participants, uncertainty regarding ownership, transfer, custody, collateral arrangements, and insolvency may continue to create legal and operational friction for cross-border activity.

Any future initiative should seek to improve legal certainty while respecting the diversity of Member State private law traditions. Rather than replacing national property law, the objective should be to establish common principles capable of supporting consistent legal outcomes for tokenized assets throughout the Union.

Particular attention should be given to three areas.

- **First**, greater clarity regarding the legal recognition of tokenized rights and distributed ledger records.
- **Secondly**, greater certainty regarding the legal effect of transfers, including the protection of good-faith acquirers and the enforceability of rights against third parties.
- **Thirdly**, clearer treatment of custody arrangements, client asset protection, security interests and insolvency, particularly where tokenized assets are held through intermediaries or used as collateral within financial markets.

Improving legal certainty in these areas would support market confidence, facilitate cross-border activity and strengthen the development of integrated European digital financial markets.

Question 82. There are different “ownership models” that could be used to increase legal certainty over tokens. Please indicate maximum two models listed below that you think EU law could apply if it were to improve the legal certainty of tokens in the EU

Rather than prescribing a single ownership model for every category of token, EU law should adopt a flexible, functional approach capable of accommodating the diversity of digital assets that now exist within European financial markets.

A functional entitlement model provides the greatest flexibility because it focuses upon the legal rights associated with a token rather than imposing a single concept of ownership across all Member States. This approach would be capable of supporting both native crypto-assets and tokenized representations of existing legal rights while remaining compatible with different national private law systems.

Similarly, recognizing tokens as legal carriers of rights is likely to be particularly appropriate where tokens represent existing legal claims or financial instruments, including securities, fund interests, deposits, or other real-world assets. In these circumstances, greater legal certainty regarding the

relationship between the token and the underlying legal right would facilitate issuance, transfer, collateralization, and settlement.

The legal framework should nevertheless remain sufficiently flexible to recognize that different categories of tokens may require different legal treatment. Native crypto-assets, financial instruments, stablecoins, tokenized deposits, and tokenized real-world assets do not necessarily raise identical private law questions, and the legislative framework should avoid imposing a single model where different legal relationships exist.

Question 84. Should EU law introduce a conflict of law rule for tokens?

A targeted conflict-of-law framework would materially improve legal certainty for cross-border tokenized markets. Existing connecting factors were developed for traditional financial assets and do not always provide clear or predictable outcomes where rights are recorded and transferred using distributed ledger technology.

Tokenized assets may involve issuers, intermediaries, custodians, users, and distributed ledger networks located across multiple jurisdictions simultaneously. Greater clarity regarding the applicable law governing ownership, transfers, security interests and insolvency would therefore strengthen confidence in cross-border activity and reduce legal uncertainty.

Any future framework should seek to provide clear and predictable connecting factors while remaining sufficiently flexible to accommodate different categories of tokenized assets and different market structures. The objective should be legal certainty and consistent outcomes rather than reliance upon technological characteristics that may change over time.

The framework should also distinguish appropriately between proprietary rights in relation to tokens, contractual relationships involving issuers or intermediaries, and regulatory obligations arising under public law. Different legal questions may properly be governed by different legal regimes, and future legislation should preserve this distinction while promoting coherent and predictable cross-border outcomes.

Question 86. Interested parties that wish to bring other relevant issues, not raised in this consultation, to the Commission's attention, should feel free to communicate them here

We welcome the Commission's decision to undertake a comprehensive review of MiCA at an early stage in its implementation. The consultation appropriately recognizes that digital finance continues to evolve rapidly and that the regulatory framework should be capable of evolving alongside markets while preserving legal certainty and confidence.

More broadly, we encourage the Commission to consider the review within the wider context of Europe's evolving financial architecture. Since MiCA was adopted, the policy landscape has developed significantly through the Savings and Investments Union, the Market Integration and

Supervision Package, the Competitiveness Compass, and the Commission's wider simplification agenda. Collectively, these initiatives reflect a broader objective of strengthening European competitiveness through deeper capital markets, more efficient financial infrastructure, and greater mobilization of private investment.

Several overarching principles should guide the next phase of MiCA.

- **First**, implementation should remain evidence-based. MiCA has only recently become fully operational, and firms, supervisors and market participants are still gaining practical experience. Future legislative change should therefore be informed by implementation experience and clearly identified regulatory needs rather than by assumptions that broader regulation necessarily produces better outcomes.
- **Secondly**, proportionality and simplification should remain central to future reforms. Wherever possible, duplication between MiCA and other elements of the European financial services framework should be minimized, supervisory expectations should continue to converge across Member States, and regulatory requirements should remain proportionate to the risks presented by different activities and business models.
- **Thirdly**, regulation should continue to focus on activities involving identifiable financial intermediation rather than on technology itself. This principle provides a durable basis for addressing emerging areas such as decentralized finance, staking, lending, tokenization, and future technological developments while preserving technology neutrality and legal certainty.
- **Finally**, the continued success of MiCA will depend not only upon the quality of its rules but also upon the competitiveness of the markets operating within them. Europe has established itself as the leading jurisdiction for comprehensive digital asset regulation. The next phase should reinforce that position by supporting internationally connected markets, encouraging responsible innovation and maintaining frameworks that remain practical, proportionate and internationally interoperable.

Overall, we believe that MiCA has established a strong foundation for Europe's digital financial future. The next phase should build upon that foundation through targeted refinement rather than fundamental redesign. By preserving legal certainty, supporting supervisory convergence, and aligning digital finance with the Union's wider objectives for competitiveness, capital formation, and market integration, the review presents an opportunity to strengthen both Europe's financial system and its international leadership in digital finance.

A handwritten signature in blue ink, appearing to read "J. Schmalfeld".

Jonathan Schmalfeld
Policy Director
The Digital Chamber

A handwritten signature in blue ink, appearing to read "N. Brooks".

Nick Brooks
Policy Director
CryptoUK

CC: Cody Carbone, Chief Executive Officer, The Digital Chamber
Zunera Mazhar, Vice President of Policy and Government Affairs, The Digital Chamber
Duaa Najam, Policy Associate, The Digital Chamber