

MiCA Review

Regulation Working Group Briefing

Summary of *Europe's Next Financial Architecture: Strategic Considerations for the Review of the Markets in Crypto-assets Regulation*

CryptoUK and The Digital Chamber | September 2026

Executive summary

Our central message is that MiCA has created a valuable common regulatory foundation, but its next phase should be one of **targeted refinement rather than fundamental redesign**. The review should preserve MiCA's achievements in legal certainty, consumer protection and market integrity while making the framework more proportionate, internationally interoperable and workable in practice.

Digital assets are no longer a separate, niche policy issue. Stablecoins, tokenisation and blockchain-based market infrastructure are increasingly part of mainstream payments and capital markets. MiCA should therefore be considered within the EU's wider objectives for competitiveness, capital formation, financial-market integration and the mobilisation of private investment.

Across the paper, we argue for regulation that is **technology-neutral, activity-based, proportionate and evidence-led**. Obligations should attach to identifiable intermediaries and the risks they create, not to software or distributed-ledger technology in itself. Europe should protect users and maintain high standards without isolating its regulated market from global liquidity, infrastructure and innovation.

The paper's core proposition

MiCA has been a major European achievement. It replaced a fragmented national landscape with a common framework and gave Europe international credibility in digital-asset regulation. The question is now how to make that framework function well as digital finance becomes embedded in the wider financial system.

The paper proposes four enduring principles:

1. **Support European financial modernisation.** Digital finance should contribute to deeper capital markets, productive investment and stronger European competitiveness.
2. **Regulate by activity and risk.** Comparable activities presenting comparable risks should produce equivalent regulatory outcomes, regardless of the technology used.
3. **Make interoperability a strategic objective.** This includes interoperability between technologies, forms of digital money, market infrastructures, regulatory regimes and supervisory authorities.
4. **Keep Europe internationally connected.** The EU should retain high standards while ensuring that regulated European firms and products can participate in global markets on workable terms.

Key arguments by theme

1. Build on MiCA; do not reopen the entire framework

MiCA has only recently become fully operational. The Commission should first identify what is working, where implementation has exposed genuine gaps and where national interpretations are diverging. Broad new obligations should not be introduced without evidence that existing tools, guidance or supervisory cooperation are inadequate.

The preferred approach is therefore:

- targeted simplification and clarification;
- consistent implementation across Member States;
- removal of duplication with other EU financial-services rules;
- proportionate treatment of firms according to their activity, scale and risk; and
- legislative change only where a clearly identified problem cannot be solved through guidance or supervisory convergence.

2. Treat digital finance as part of Europe's mainstream financial architecture

The review should be aligned with the Savings and Investments Union, the Market Integration and Supervision Package, the Competitiveness Compass and the EU simplification agenda. Tokenisation and blockchain infrastructure can support more efficient issuance, trading, settlement, collateral movement and cross-border activity.

The policy objective should not be to protect a separate "crypto sector". It should be to enable safe and competitive digital financial markets that support the wider European economy. This requires coordination between MiCA, payments law, securities law, prudential rules, anti-money-laundering requirements and emerging tokenised-market infrastructure.

3. Improve classification through principles and practical examples

Classification remains difficult where legal rights, economic function and technological design point in different directions. The paper identifies hybrid tokens, wrapped assets, governance tokens, tokenised fund interests, tokenised money-market instruments, synthetic exposures, protocol reward tokens and NFTs issued in series as recurring borderline cases.

The answer is not an ever more rigid taxonomy. Regulators should provide practical examples, decision trees and common supervisory approaches based on:

- the rights conferred on holders;
- redemption and issuer obligations;
- economic exposure and incentives;
- transferability and governance;
- identifiable control; and
- the presence or absence of financial intermediation.

This would give firms a defensible basis for classification while allowing the framework to accommodate changing products and market structures.

4. Make stablecoin regulation globally workable

The stablecoin section is one of the paper's strongest themes. Regulated stablecoins can support cross-border payments, digital commerce, corporate treasury activity, programmable finance and settlement in tokenised capital markets. Euro-denominated stablecoins could also strengthen the euro's role in global digital markets.

The paper argues that MiCA should:

- **continue to permit multi-issuance models**, subject to clear safeguards covering redemption liability, reserve attribution, information-sharing, crisis coordination, supervisory access and transfers between affiliated issuers;
- prohibit the commingling of the funds backing assets issued through multi-issuer structures;
- avoid treating denomination in an EU currency, by itself, as sufficient to bring activity conducted wholly outside the EU within the full MiCA issuer regime;
- focus territorial application on factors such as active targeting, marketing or distribution to EU users, holder location, market impact and effective supervisory cooperation;
- allow robust, risk-based estimation of EU stablecoin holdings rather than requiring technically impossible precision, particularly for unhosted wallets; and
- frame redemption obligations around the responsible issuer, contractual terms and reserve arrangements rather than the changing location of successive holders.

The paper supports an **outcomes-based equivalence regime** for stablecoins. A third-country regime would not need to reproduce MiCA word for word, but it should deliver comparable outcomes for reserves, redemption, governance, operational resilience, financial crime controls, disclosure, market conduct and supervision. Recognition should be transparent, reviewable and capable of suspension or withdrawal. It should also be reciprocal: EU-authorised issuers should receive broadly equivalent market access in the recognised jurisdiction.

5. Preserve access to global liquidity with local accountability

Crypto-asset markets are global, continuous and dependent on liquidity spread across jurisdictions. EU-authorised CASPs should be able to use non-EU venues, counterparties and liquidity pools where appropriate safeguards are in place. Access to deeper liquidity can improve price formation, execution quality, spreads and resilience; forced localisation could fragment liquidity, increase costs and make the EU market less competitive.

The governing principle should be **global liquidity with local accountability**. The authorised EU entity must remain legally responsible for MiCA compliance, governance, risk management, safeguarding and supervisory access, even where it uses shared group infrastructure or accesses overseas liquidity.

At the same time, authorities should act consistently against non-EU firms that actively provide or market services to EU clients without authorisation. The paper supports clearer treatment of reverse solicitation, an EU-level warning list, action through app stores and online distribution channels, and coordinated cross-border enforcement. That enforcement should not inadvertently prevent authorised EU CASPs from using legitimate global liquidity and risk-management infrastructure.

6. Clarify the CASP perimeter instead of expanding it prematurely

The existing list of crypto-asset services is broadly sound, but several boundaries need clarification. In particular, MiCA lacks a direct equivalent to the MiFID II category of “dealing on own account”. This creates uncertainty for firms engaged in proprietary trading, principal liquidity provision and wholesale market making. Guidance should explain how these activities map to exchange or execution services when firms quote two-way prices and trade against their own inventory.

The paper also calls for clearer distinctions between:

- custody and technology or software provision;
- crypto-asset transfers and payment services involving e-money tokens;
- investment advice and general information or education;
- placing and token-launch or distribution services; and
- regulated intermediation and genuinely decentralised or self-custodial activity.

It specifically requests consistent guidance on execution models in which a CASP temporarily transfers client assets to a third-party venue, including pre-funded venues. Transfers strictly necessary to execute an order should be distinguished from continuing custody, while preserving safeguarding and segregation protections.

The paper does not support a broad expansion of the CASP service list at this stage. Staking, lending, wallet services and protocol interfaces should be assessed by function: regulation may be justified when an identifiable provider takes custody, exercises discretion, controls client instructions, pools assets, manages collateral or otherwise intermediates a client-facing service. Software, open-source infrastructure, self-staking and genuinely non-custodial activity should not be regulated merely because they involve digital assets.

7. Keep conduct, prudential and reporting rules proportionate

Retail protection measures should be targeted at retail risk. An appropriateness test should not automatically apply to institutional clients, funds and large corporates. If such a test is introduced, MiCA should include client categorisation or exclude clients equivalent to MiFID professional clients and eligible counterparties.

The existing CASP capital framework is a reasonable starting point. Crypto firms’ most important risks often arise from custody, safeguarding, cyber security, wallet controls, operational resilience and governance rather than the balance-sheet exposures addressed by investment-firm capital rules. Any higher requirements should be tied to evidence and higher-risk activities, not imposed through wholesale transplantation of the MiFID prudential regime.

Regular CASP reporting could improve supervision, but it should use common EU definitions and schemas, one submission route, proportionate frequency and de minimis thresholds. It should avoid duplicating EMIR, MiFIR or other reporting. Six-monthly, aggregate reporting is suggested as a reasonable default unless a specific supervisory need justifies more granular or frequent data.

The paper also argues against creating a second MiCA-specific cybersecurity regime on top of DORA. Crypto-specific risks-such as wallet management, smart contracts and interaction with decentralised protocols-are better addressed through coordinated guidance.

8. Resolve overlaps between MiCA and payments regulation

PSD3 and the Payment Services Regulation improve clarity but do not eliminate duplication where e-money tokens are used in crypto-asset transactions. Outstanding issues include dual authorisation, overlapping own-funds requirements, the treatment of token transfers that are ancillary to a crypto transaction, the boundary between crypto exchange and money remittance, and overlapping safeguarding regimes.

The desired outcome is one coherent treatment of the same underlying activity and risk. Transfers of e-money tokens used solely as the settlement leg of a crypto transaction should not automatically require a separate payment-services authorisation, and the same client funds should not be subject to two conflicting safeguarding systems.

9. Draw the DeFi boundary around identifiable intermediation and control

The paper rejects a single regulatory treatment for all DeFi. The central test should be whether an identifiable person or coordinated group exercises material influence over a client-facing financial service. Relevant indicators include control of administrative keys, upgrades, governance, fees, asset listings, liquidation mechanisms, oracles, user access, treasury assets or emergency powers.

Where a CASP actively facilitates access to a genuinely decentralised protocol, proportionate obligations may include:

- initial and ongoing due diligence;
- assessment and management of conflicts of interest;
- monitoring of governance, liquidity, security and market-integrity risks;
- escalation procedures for elevated risk; and
- clear customer disclosure that the activity falls outside MiCA protections, with more detailed warnings for retail customers.

These duties should not make the CASP a guarantor of code or infrastructure it does not control. Certification of protocols or smart contracts may be useful as one risk indicator, especially where identifiable persons exercise material influence, but it should not be a universal condition for lawful operation. Independent specialist auditors are better placed to perform technical assessments, with public authorities setting expectations and recognising standards.

10. Apply the same activity-based logic to staking and lending

The paper does not support a separate comprehensive staking regime at this stage. Tailored rules may be appropriate where an intermediary takes custody, selects validators, aggregates positions, manages instructions or distributes rewards. Relevant protections include client consent, disclosure of slashing and lock-up risks, safeguarding, fee transparency and operational resilience. Direct staking and protocol-generated rewards should not themselves trigger regulation.

Crypto lending and borrowing should be regulated where identifiable intermediaries pool or custody assets, undertake credit intermediation, rehypothecate assets, manage collateral, set terms or guarantee returns. Requirements could cover governance, client disclosures, safeguarding, collateral management, rehypothecation, conflicts, prudential safeguards, resilience and wind-down. Bilateral transactions and genuinely decentralised arrangements should not be brought into scope solely because they use distributed-ledger technology.

11. Strengthen private-law certainty for tokens

MiCA regulates firms and activities but does not harmonise underlying questions of ownership, transfer, custody, security interests, collateral and insolvency. Those uncertainties will become more important as tokenisation extends into securities, funds, deposits and other mainstream assets.

The paper supports common EU principles without attempting to replace Member States' private-law systems. It favours a flexible functional-entitlement approach and recognition of tokens as carriers of legal rights where they represent an underlying claim or asset. A targeted conflict-of-law framework is also needed so parties can determine which law governs ownership, transfers, security interests and insolvency in cross-border token arrangements.

Important boundaries in the paper's position

The paper is **not** arguing for deregulation. It consistently supports safeguarding, segregation, redemption rights, governance, operational resilience, consumer disclosure, market integrity and effective supervision.

Nor is it arguing that every crypto activity should remain outside regulation. Its distinction is between:

- **identifiable financial intermediation**, where proportionate obligations should apply; and
- **software, infrastructure or genuinely decentralised activity**, which should not be regulated merely because it enables digital-asset transactions.

The recurring concern is that poorly targeted rules may create duplication, fragmentation or unenforceable obligations without improving outcomes for users.

Closing message

The paper presents MiCA as a strong foundation, not a finished system. Europe can preserve the confidence created by comprehensive regulation while making the framework simpler, more proportionate and better connected to global markets. The desired outcome is a regime that protects users and financial stability, gives firms and supervisors clearer rules, and allows European digital finance to contribute fully to the EU's wider economic and capital-market objectives.