Markets in crypto-assets (MiCA)

The European Parliament is due to vote in April on adopting a regulation on markets in crypto-assets (MiCA), following a provisional agreement on the proposal in trilogue negotiations. The regulation would establish harmonised rules for crypto-assets at EU level, thereby providing legal certainty for those crypto-assets not covered by existing EU legislation. By enhancing consumer and investor protection and financial stability, the regulation seeks to promote innovation and the use of crypto-assets.

Background

In recent years, there has been a considerable surge in crypto-assets, particularly 'stablecoins', which incorporate stabilising mechanisms against major currencies such as the euro and the US dollar. Although the stablecoin market is still modest in size (under US$150 billion) and is unlikely to pose systemic threats in its current state, it may expand substantially in the future. The EU Directive on Markets in Financial Instruments does not cover all crypto-assets, and its application varies across the EU Member States.

European Commission proposal

The regulation proposed by the Commission aims to provide legal certainty for crypto-assets not covered by the above-mentioned EU directive. It establishes obligations for crypto-asset service providers and issuers, as well as introducing uniform requirements for transparency and disclosure. It also sets out consumer protection rules and measures to prevent market abuse.

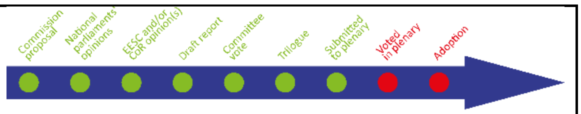
European Parliament position

The report by the Economic and Monetary Affairs Committee (ECON) makes a series of amendments to the proposed regulation. For instance, it inserts the term 'offeror of crypto-assets', defining it as a legal person who offers any type of crypto-asset to the public or seeks the admission of a crypto-asset to a trading platform for crypto-assets. Offerors would be subject to legal obligations. Moreover, the report introduces enhanced information provisions and supervision, suggesting the establishment of a single EU supervisor. It furthermore strengthens the powers of the European Banking Authority (EBA) for requesting specific information for some assets. Finally, the report introduces considerations regarding the environmental impact of crypto-assets, and stresses that relevant information should be published.

Trilogue agreement

The main feature of the provisional agreement resulting from negotiations with the Council, to be voted in plenary in April, is the reinforcement of safety measures for crypto-assets. These include the allocation of key reserves, so that the assets are backed by an equal value in reference currencies (1:1 rule), with seniority on the reserves given to crypto-asset holders. The issuer of crypto-assets must also provide a redemption plan in case of distress, so that crypto-asset holders are guaranteed to receive equivalent currencies. Redemption is also set without delay, to avoid liquidity issues. The text reaffirms the EBA as the lead regulator and supervisor, while relevant information would be transmitted to the European Securities and Markets Authority (ESMA). The issuer's presence in the EU is a precondition for issuance. The text also widens the regulation to offerors and service providers of crypto-assets, rather than to issuers alone.

First-reading report: 2020/0265(COD); Committee responsible: ECON; Rapporteur: Stefan Berger (EPP, Germany). For further information, see the EPRS EU Legislation in progress briefing.



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