coinbase

To:
Directorate-General for Financial Stability, Financial Services and Capital Markets Union
European Commission
1049 Bruxelles/Brussel
Belgium

10 June 2025

Re: Targeted consultation on integration of EU capital markets

Coinbase Global, Inc. (together with its subsidiaries, Coinbase) appreciates the opportunity to provide input into the European Commission's Directorate-General for Financial Stability, Financial Services and Capital Markets Union (the Commission) targeted consultation on integration of EU capital markets.

Coinbase started in 2012 with the idea that anyone, anywhere, should be able to send and receive Bitcoin easily and securely. Today, we bring together the most trusted and secure technology stack at global scale allowing for the development and support of an entirely new market structure.

We believe that the use of decentralized technologies and tokenisation in EU capital markets presents a pivotal opportunity to enhance the European Union's global competitiveness.

DeFi and permissionless networks are central to this evolution. By enabling secure, peer-to-peer infrastructure and reducing reliance on intermediaries, they enhance transparency, efficiency, and access. Their integration would support the European Savings and Investment Union's goals by fostering a more inclusive and resilient financial system.

Coinbase appreciates the Commission's leadership in addressing these emerging issues and welcomes the opportunity to contribute to this important consultation.

Yours sincerely,

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Introduction

Decentralized finance (DeFi) and permissionless networks offer a significant opportunity to transform European capital markets by boosting efficiency, transparency, and inclusion. By enabling peer-to-peer trading and reducing reliance on intermediaries like brokers and custodians, they lower costs and expand investor access, advancing the goals of the European Savings and Investment Union (SIU).

While the EU's current DLT Pilot Regime is an important step, its restrictions, such as thresholds and expiration dates, limit innovation. We support a phase introduction of new rules through a permanent DLT Pilot Regime without caps or instrument restrictions, providing the legal certainty needed to drive growth. We also support a principles-based approach to waivers and exemptions, like those in the UK and Singapore, allowing regulators flexibility to foster responsible innovation while maintaining safeguards and global competitiveness.

The EU has a timely chance to establish a permanent regulatory framework for DLT-based capital markets, positioning Europe at the forefront as other jurisdictions accelerate tokenisation and blockchain adoption. We envision an EU regulatory framework that:

- **Recognizes permissionless blockchains as foundational financial market infrastructure.** These systems offer resilience, security, and cost efficiency through decentralized validators and cryptographic immutability. Prudential rules should be technology-neutral, assessing actual risks rather than ledger types, avoiding arbitrary distinctions that hinder innovation.
- **Supports native digital issuance beyond mere tokenization of traditional assets.** This includes unbundling Central Securities Depositories (CSD) services and legally recognizing onchain issuance as valid book entry under the CSDR. Permissionless systems should be eligible as registrars.
- **Enables fully integrated trading, settlement, and custody within a single regulated entity.** To unlock DLT benefits like real-time settlement, reduced latency, and lower systemic risk, EU rules should permit end-to-end market infrastructure on a single DLT platform with appropriate safeguards.
- **Recognizes self-custody and blockchain-native custody solutions.** Secure blockchain custody models, including self-custody and smart contract-based approaches, can reduce reliance on intermediaries while ensuring compliance and investor protection.
- **Identifies DeFi protocols as permissionless, non-custodial technology layers, distinct from regulated financial services.** Compliance is best managed higher in the technology stack to avoid stifling innovation. It is essential to separate regulated financial activities from general blockchain tools like self-hosted wallets.

- **Authorizes the use of regulated stablecoins as settlement assets and collateral.** MiCA-authorised stablecoins, subject to strict reserve, governance, and redeemability rules, are robust on-chain money well-suited for capital markets, including as collateral in derivatives, repos, and secured lending.
- **Supports direct retail access to trading venues without intermediaries.** Proven viable in crypto markets, this model reduces costs and expands market participation. As tokenization grows, direct retail access will enhance inclusion and efficiency in EU capital markets.
- **Allows continuous 24/7 trading where there is market demand.** When underlying markets operate continuously with independent pricing mechanisms, 24/7 trading enhances price discovery, hedging, and access for a wider range of participants.

Non-regulatory barriers to liquidity aggregation and deepening

Question 23: Crypto-markets have seen the emergence of a market architecture whereby retail investors have direct access to a crypto-asset trading venue. Do you see merit in allowing or promoting the direct access of retail participants to trading venues for financial instruments, without an intermediary? Yes/No/Don't know If your response is 'yes', please explain the advantages and disadvantages of such a model, as well as the risks and how they could be mitigated. [free text]

Yes, we strongly believe there is clear merit in enabling retail investors to have direct access to trading venues without intermediaries. Crypto markets have already shown that this model is not only viable but can drive significant benefits, especially as tokenisation of traditional assets like equity becomes more widespread.

Advantages:

- Financial inclusion: Direct access empowers a broader base of retail investors to participate in capital markets, breaking down barriers traditionally posed by intermediaries and enabling more equitable access to investment opportunities.
- Cost and efficiency: Removing intermediaries reduces fees, shortens settlement times, and lowers operational friction, leading to faster, cheaper, and more transparent trading experiences.
- Real-time, 24/7 markets: Tokenisation, whether implemented on-chain or off-chain, makes continuous or near-24/7 market access more feasible. While blockchain is not the only path to extended trading hours, DLT-based systems can support always-on infrastructure that allows participants to react more flexibly to global events.
- Innovative custody solutions: Blockchain-based custody solutions, including secure self-custody or custody via regulated entities using smart contracts, offer new ways to safeguard assets. These models can mitigate some of the traditional risks and operational limitations that necessitated intermediated access, while still enabling compliance with regulatory and security standards.

Risks and mitigation:

- Investor protection: Retail investors may face risks engaging directly with complex instruments or volatile markets. This can be mitigated through enhanced disclosures, educational initiatives, and built-in technology safeguards such as trading limits and risk warnings embedded at the platform level.
- AML/KYC compliance: Shifting direct access to retail users places greater compliance responsibility on venues. Robust identity verification, ongoing

transaction monitoring, and automated compliance systems aligned with EU AML standards must be implemented to mitigate illicit activity risks.

- Infrastructure resilience: Supporting always-on retail access requires scalable, secure, and highly resilient infrastructure capable of handling high volumes and preventing outages or manipulation attempts.
- Regulatory adaptation: Existing frameworks like MiFID II and CSDR should be updated to formally permit and regulate direct retail access models, ensuring that custody, safeguarding, and venue obligations reflect the realities of blockchain and DEX environments.

Building quality liquidity for EU market participants: impact of recent trends

Question 47: On a scale from 1 to 5 (1 being "not significantly positive", 5 being "extremely positive"), how positive do you deem extended trading hours / 24-hour trading for the development and competitiveness of EU markets? Please explain your reasoning.

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Question 48: On a scale from 1 to 5 (1 being "very advantageous", 5 being "highly risky"), how advantageous or risky do you deem extended trading hours/24-hour trading for the orderly functioning of EU capital markets? If you attribute a score pointing at a risk, please explain these risks and, where relevant, differentiate between different categories of investors (e.g. professional investors and retail investors). If you provide a score pointing at advantages, please explain those advantages.

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Question 49: In your view, do the advantages of extended / 24h trading outweigh the potential risks?

Yes. Where there is market demand, we believe the benefits of extended or 24/7 trading outweigh the risks—provided those risks are properly managed through appropriate market infrastructure.

Advantages:

- Improved market access: Around-the-clock trading supports broader global participation, especially retail and institutional investors operating across time zones. This reflects the realities of a global digital asset market.
- Better price discovery: Continuous trading can reduce the artificial volatility spikes that occur at market open or after long closures, allowing for more stable and responsive price formation.

- Risk management improvements: 24/7 markets allow participants to manage risk in real-time, especially in volatile conditions. Without weekend trading, price dislocations and pent-up risk can result in significant Monday morning volatility—something continuous trading helps avoid.
- Alignment with underlying markets: Crypto spot markets already operate 24/7 globally. Extending trading hours for derivatives and other tokenised instruments (e.g. tokenised equity, bonds) ensures futures markets can reflect real-time spot price movements and allow effective hedging, especially during weekends or global events.

Example Risk Mitigants:

- The risks of 24/7 trading may vary by market, but the key risks identified below can be properly mitigated with existing tools.
- Liquidity fragmentation: Off-peak hours may see thinner order books and wider spreads. However, this is manageable through designated liquidity providers, dynamic position limits, and robust risk controls.
- Operational and staffing demands: Continuous operations require resilient infrastructure and adequate staffing. For example, Coinbase has already implemented 24/7 support for its centralized crypto derivatives and spot markets and is well-placed to manage these operational demands through automation, redundancy, and global support models. Operational and staffing demands may be reduced in DeFI markets.Surveillance and oversight: Modern surveillance tools, including AI-driven monitoring and onchain analytics, enable effective oversight around the clock. Regulators can leverage RegTech solutions to maintain market integrity even during non-standard hours.

Barriers to the application of new technology and new market practices

Question 71: Considering the core functions of a CSD, i.e. those of notary, central maintenance and settlement, is the current legal framework appropriate to mitigate and control risks that could arise from the use of DLT?

No. The current CSD framework is built around centralised post-trade models and does not fully accommodate how DLT reshapes core CSD functions like notary, maintenance, and settlement. In a DLT-based market, these functions can be disaggregated and performed by different regulated actors operating on shared infrastructure. This breaks from the traditional CSD structure and enables more resilient, decentralised systems. To enable regulated decentralised settlement systems, individual regulated entities could be authorised to perform one or multiple of the core functions - notary, maintenance, and settlement - by running relevant nodes in a DLT-based environment.

To future-proof settlement regulation, the EU should update CSDR to allow these core functions to be regulated by role and outcome, rather than assuming they must be delivered by a single centralised entity. This would support more flexible, function-based models where different authorised entities operate nodes and share governance, while still meeting the same regulatory standards. Such a shift would reduce concentration risk, promote innovation, and align regulation with how DLT markets actually work.

Question 73: Are there any legal barriers to ensure the integrity of the issue, segregation and custody requirements also in the context of DLT-based issuance and settlement?

Yes, the current EU legal frameworks present barriers to the integrity of issuance, segregation, and custody in DLT-based securities.

- Issuance: DLT enables native issuance of financial instruments directly onchain, bypassing the need for a central notary or registrar. However, current EU law particularly under CSDR often requires centralised registration, creating legal uncertainty around the recognition and enforceability of on-chain issuances. This misalignment with the “book-entry form” requirement makes it difficult for natively issued DLT instruments to be listed or used as collateral, despite having equivalent economic features to traditional securities.
- Segregation: CSDR assumes traditional, account-based systems for asset segregation, but DLT enables this to be done directly on-chain, using transparent and tamper-resistant mechanisms such as separate wallet addresses or smart

contracts. However, in insolvency scenarios, courts rely on established legal definitions of ownership and custody, not just technical arrangements. If DLT-based segregation is not explicitly recognised under CSDR, there is a risk that these assets could be treated as part of the service provider's bankrupt estate. Therefore, legal clarification is essential to ensure that on-chain segregation is deemed valid under EU law and provides the same level of investor protection as traditional models.

- Custody: Custody rules across Member States remain fragmented and often do not accommodate the technical features of DLT-based custody solutions, such as multi-signature wallets and smart contract-based controls. This fragmentation creates barriers to scaling custodial services across EU jurisdictions, hindering the development of a unified digital asset market.

To address these challenges, the EU should consider modernising existing regulations to recognise DLT-native processes and support alternative models of post-trade infrastructure. This would promote innovation while ensuring market integrity and investor protection.

Question 74: Does the definition of cash need to be refined to take into account technological developments affecting the provision of cash, in particular the emergence of tokenised central bank money, tokenised commercial bank money and electronic money tokens? If 'yes', please specify how the use of such settlement assets can be facilitated while maintaining a high level of safety for cash settlement in DLT market infrastructures?

Yes, the definition of cash should be refined to reflect ongoing technological developments, particularly the emergence of Electronic Money Tokens (EMTs) such as MiCA-regulated stablecoins. MiCA-authorised stablecoins are subject to stringent reserve-backing, governance, and redeemability requirements. As such, they represent a robust and reliable form of on-chain money, suitable for use in DLT-based capital markets. These instruments can support atomic settlement and programmable transactions, both of which are fundamental to realising the efficiency and security benefits of distributed ledger infrastructure.

The DLT Pilot Regime currently recognises this potential by providing an exemption from Article 40 of the Central Securities Depositories Regulation (CSDR), which otherwise mandates settlement in central bank money. We recommend that the Article 40 exemption be extended to DLT-based securities transactions outside the DLT Pilot Regime, and that stablecoins be permitted for continued use on decentralised settlement systems. The success of EU DLT-based capital markets will depend on making practical use of

MiCA-compliant stablecoins (which are production-ready), alongside wholesale CBDCs and tokenised commercial bank money.

A diverse mix of settlement assets - including wholesale CBDCs, tokenised commercial bank money, and MiCA-authorised stablecoins - is critical to enhancing settlement efficiency. While central bank money remains a vital and preferred cash settlement solution in some markets, commercial bank money and stablecoins can bring significant additional value. While wholesale CBDCs may be limited to interbank use, stablecoins and tokenised bank money offer the cross-border flexibility and interoperability needed for broader market adoption.

Question 75: Could the use of DLT help reduce the reporting burden?

Yes. DLT can significantly reduce the reporting burden by enabling real-time, tamper-proof, and automated transaction records. Onchain data is inherently transparent and reconciled across participants, which can streamline regulatory reporting, reduce manual reconciliation, and lower operational costs.

That said, it's important to distinguish between on-chain and off-chain data. Public, permissionless DLTs can improve access to on-chain data, but they don't automatically solve the reporting of off-chain information (e.g., KYC/AML, legal agreements, or corporate actions). These areas will still require traditional methods or hybrid models.

We also note that the growing use of zero-knowledge (zk) technologies could support privacy-preserving transparency enabling selective disclosure of verified information to regulators without exposing all transaction details. This could be a powerful tool to balance transparency and data protection in future reporting frameworks.

Question 76: Would a per-service authorisation of CSD services, with compliance requirements proportionate to the risk of the individual service, make the CSDR more technologically neutral and contribute to removing barriers to adoption of new technologies, such as DLT?

Yes. A per-service authorisation model would allow new entrants and technology providers, especially those offering DLT-based solutions, to provide CSD services without being subject to the full range of requirements designed for traditional, vertically integrated CSDs.

This approach is particularly relevant for services like the notary function, which verifies the issuance of securities. In a DLT environment, this function can be effectively and securely performed by the blockchain itself, leveraging its immutable and timestamped record to establish issuance and ownership without the need for a central intermediary. Recognising this capability within a per-service regulatory framework would allow DLT to fulfil critical market infrastructure roles while maintaining appropriate oversight and safeguards.

Question 77: Are there any legal barriers for DLT service providers in providing trading, settlement and clearing in an integrated manner, within one entity?

Yes, there are currently significant legal and regulatory barriers that prevent DLT service providers from offering fully integrated trading, settlement, and clearing services within a single entity under EU law.

Under the existing regulatory architecture—MiFID II, CSDR, and EMIR—trading venues, central counterparties (CCPs), and central securities depositories (CSDs) are required to be separate legal entities, with specific authorisations, functions, and governance structures. These frameworks were designed for traditional, siloed market infrastructures, and do not reflect the integrated capabilities made possible by DLT, where settlement finality, risk mitigation, and auditability can be achieved on-chain, without relying on multiple intermediaries.

The DLT Pilot Regime provides a useful step toward modernising this framework. It allows operators to obtain a single authorisation to operate DLT-based trading and settlement systems (DLT TSS) and grants temporary exemptions from certain CSDR and MiFID II rules. This effectively acts as a limited licensing regime for integrated DLT platforms, and it is time-limited, experimental, and narrow in scope. As such, it does not provide the legal certainty or flexibility needed for full-scale commercial deployment of integrated DLT market infrastructures.

To fully unlock the benefits of DLT—including reduced latency, real-time settlement, operational efficiency, and systemic risk reduction—EU legislation must evolve to support technology-neutral models that allow trading, settlement, to occur within a single DLT-based system, where appropriate safeguards are in place.

Question 78: Are there any other barriers that you consider relevant for the DLT based provision of CSD services?

The lack of harmonised legal recognition for DLT-based securities remains a key barrier. In many EU jurisdictions, the legal status of tokenised securities, including rules around dematerialisation, transfer of ownership, and finality, remains unclear or fragmented. This legal uncertainty makes it difficult for DLT-based CSD services to operate confidently and complicates cross-border interoperability.

Question 79: In particular in permissionless blockchains, validators have the ability to choose which transactions to prioritise for validation and decide on the order of transaction settlement. Can this feature negatively affect orderly settlement and how can it be mitigated?

We acknowledge that validators in permissionless blockchains have influence over transaction ordering, giving rise to Maximal Extractable Value (MEV).

However, MEV is not inherently abusive. It is a natural feature of blockchain architecture that reflects the economic value of transaction ordering. In fact, many MEV-related activities, such as arbitrage and DeFi liquidations, are critical to the functioning of decentralized finance (DeFi) ecosystems. These activities contribute to price discovery, market efficiency, and protocol stability, helping DeFi systems operate smoothly without centralized control.

It is important to recognize that MEV is a technical challenge, not a market abuse issue per se, and it requires protocol-level solutions rather than blanket regulatory intervention. While certain forms of MEV, such as sandwich attacks, can be harmful to users, existing mitigations are already in place. These include user-defined slippage tolerances, the use of private or encrypted mempools, and larger liquidity pools.

We recommend regulators encourage market-led solutions to manage MEV allowing market participants and protocols to address MEV in ways that align with their technology and user needs, without compromising innovation in transaction design.

Question 80: Does the emergence of DLT-based tokenised financial instruments require changes to the provision of CSD services or the requirement to use a CSD? If so, which CSD roles or requirements could be meaningfully impacted in a DLT environment?

Yes, the emergence of DLT-based tokenised financial instruments does require a re-evaluation of how CSD services are defined, delivered, and regulated. DLT fundamentally changes how key post-trade services such as safekeeping, notary, and settlement can be performed. In a DLT environment, many of these functions can be automated, embedded, and verified directly on-chain, often with greater transparency, security, and efficiency.

The requirement to interpose a traditional CSD for every issuance or settlement of financial instruments should not be assumed in a DLT-native context. Instead, regulation should focus on the outcomes of safety, transparency, and resilience, and allow for technological flexibility in how those outcomes are achieved.

Key CSD roles that are meaningfully impacted in a DLT environment include:

- Notary function: On-chain issuance and smart contract-based recording can provide clear and immutable proof of issuance and ownership, potentially reducing the need for a central notary.
- Safekeeping: In DLT systems, digital wallets and smart contract-based custody mechanisms can fulfil safekeeping functions without intermediated account structures.
- Settlement finality: DLT enables near-instantaneous and atomic settlement, reducing reliance on traditional batch processing and post-trade reconciliation handled by CSDs.
- Reconciliation and record-keeping: Immutable, shared ledgers eliminate the need for duplicative records across institutions, reducing operational risk and cost.

We therefore recommend that the CSDR framework evolve to accommodate new forms of decentralised and hybrid market infrastructures, and that DLT-based service providers be permitted to fulfil post-trade functions directly, subject to appropriate oversight and risk management.

Question 81: Can certain functions normally assigned to or reserved for a CSD be safely, securely and effectively be performed by other market participants in a DLT environment? If 'yes', please specify which functions and which market participants, and state reasons.

Yes. In a DLT-native environment, core functions traditionally reserved for CSDs can be securely and effectively performed by DLT service providers, custodians, and even directly by the blockchain. DLT enables automation and decentralisation of key roles, provided regulatory safeguards are met.

Most notably, the notary/issuance function can be performed directly by the blockchain, using smart contracts to create a permanent and tamper-proof record of issuance, eliminating the need for a central notary.

Similarly, safekeeping and custody can be managed through wallet-based solutions and programmable asset controls.

Jurisdictions like Luxembourg have recognised these changes by introducing a "control agent" model that supports onchain issuance and custody without a traditional central account keeper.

Question 85: Is there sufficient clarity regarding the use of tokenised assets as financial collateral in the context of financial collateral arrangements under the FCD?

No, there is currently insufficient clarity on the treatment of tokenised assets under the Financial Collateral Directive (FCD).

The FCD was drafted for a centralised, account-based financial system and does not explicitly address how digital assets, especially those issued or recorded on DLT, fit within its scope. Key legal uncertainties remain around whether tokenised instruments meet the definition of "financial collateral" and how concepts like possession, control, and enforcement apply in a DLT context.

For example, it is unclear whether control through smart contracts or multi-signature wallets qualifies as "possession or control" under the FCD, which is critical for legal certainty in collateral enforcement. This lack of clarity creates legal and operational risks for financial institutions looking to use tokenised assets as collateral, limiting adoption.

We recommend targeted guidance or clarification at the EU level to confirm that properly structured DLT-based arrangements can meet FCD requirements. This would ensure legal certainty, promote adoption, and align collateral rules with evolving market infrastructure.

Question 86: In the last FCD consultation, the addition re-insurers, alternative investment funds (AIF), institutions for occupational retirement provision (IORPs), crypto-asset service providers, all non-natural persons, non-financial market participants which regularly enter into physically or financially settled forward contracts for commodities or EU allowances (EUAs) was suggested by stakeholders. It was also asked if payment institutions, e-money institutions and CSDs should be added to the scope. Please provide any views you may have of one or several of the suggested potential additional participants.

We support expanding the scope of the Financial Collateral Directive to include MiCA-authorised crypto-asset service providers (CASPs). As regulated entities, CASPs are becoming critical infrastructure for digital asset custody, trading, and collateral management. Their inclusion would bring much-needed legal certainty to crypto-based collateral arrangements and ensure consistent treatment alongside traditional financial institutions.

In particular, this expansion would enable CASPs to manage regulated stablecoins, such as MiCA-compliant euro-denominated E-Money Tokens, as high-quality collateral in activities like onchain repos, derivatives, and secured lending. These assets meet strict reserve and redemption standards and are well-suited for use in financial collateral arrangements under EU law.

Including CASPs would support the growth of tokenised collateral markets, promote innovation, and ensure that the legal framework keeps pace with modern market practices, while upholding the same investor protections and risk management standards already embedded in the FCD.

Question 88: Do you see legal uncertainty related to the recognition of tokenised financial instruments as collateral under the FCD? If yes, please describe these uncertainties.

Yes. There is legal uncertainty around whether tokenised financial instruments meet the formal requirements for recognition under the Financial Collateral Directive (FCD), particularly regarding concepts like “possession,” “control,” and “book-entry form.” These

concepts were designed for traditional systems and may not clearly apply to DLT-based assets that are natively issued, held, or transferred onchain. Clarification is needed to confirm that tokenised instruments can qualify as financial collateral where they offer equivalent rights and protections.

Question 89: Do the definitions and concepts in the FCD, including the notion of 'possession and control', 'accounts' and 'book-entry' result in barriers or legal uncertainty, e.g. due to the change in market practices, the use of DLT?

Yes, the current definitions in the FCD present legal uncertainty and practical barriers when applied to tokenised securities and digital assets. Notably, the concept of 'possession and control' is traditionally linked to possession or control over securities accounts, whereas in a DLT context, control is cryptographically tied to private keys held by the asset holder. This fundamental difference means existing rules do not clearly capture how control is established and exercised in tokenised environments.

Similarly, the notions of 'accounts' and 'book-entry' are rooted in centralized ledger models, and do not fully encompass the decentralized, onchain record-keeping used in DLT systems. Without updated and technology-neutral definitions, market participants face ambiguity regarding the legal status and enforceability of tokenised assets under the FCD.

To foster innovation and support digital finance growth in the EU, the FCD's definitions should be modernized to explicitly recognize the unique characteristics of digital assets. This would provide clearer legal certainty, reduce fragmentation, and enable a consistent framework for custody, collateral, and settlement of tokenised securities.

Question 90: Is the list of collateral providers and collateral takers limiting the applicability of the FCD in a detrimental manner for DLT-based financial collateral arrangements?

Yes, the current list of collateral providers and takers under the FCD does limit its applicability to DLT-based financial collateral arrangements. The directive primarily reflects traditional financial institutions and entities, which may not fully capture the evolving ecosystem where regulated crypto-asset service providers (CASPs), decentralized finance platforms, and other innovative participants play an increasingly significant role.

This limited scope creates legal uncertainty and operational barriers for market participants who want to leverage tokenised assets, such as stablecoins or tokenised securities, as collateral in decentralized or hybrid settlement environments. For example, regulated CASPs facilitating custody, lending, or collateral management of digital assets often cannot fully benefit from the protections and clarity that the FCD offers to traditional players.

Expanding the FCD's scope to explicitly include these new categories of market participants would remove unnecessary friction, provide legal certainty, and promote wider adoption of compliant DLT-based collateral arrangements. This alignment is critical to fostering innovation while ensuring robust investor protection and market integrity within the EU's evolving digital finance landscape.

Question 91: Do you think that collateral other than cash, financial instruments and credit claims should be made eligible under the FCD, in particular in light of DLT based financial collateral arrangements? If yes, please list what other forms of collateral should be considered as eligible and explain why.

Yes, regulated stablecoins, such as MiCA-compliant E-Money Tokens,should be explicitly recognized as eligible collateral under the FCD. Stablecoins offer unique advantages that make them especially well-suited for DLT-based financial collateral arrangements, including:

- Near-instant, programmable settlement with automated collateral management capabilities
- 24/7 operation, eliminating time-zone constraints and enabling seamless global market participation
- Significant reduction of counterparty and settlement risk through atomic settlement processes
- Enhanced transparency, auditability, and traceability on-chain, which improve risk management and regulatory oversight
- Support for more efficient margining and liquidation mechanisms, increasing operational resilience
- Standardized valuation compared to other digital assets, promoting market stability and investor confidence

Recognizing stablecoins as eligible collateral would modernize the FCD framework, aligning it with technological innovations and the evolving realities of digital markets.

Question 92: Do you see the need to change the current approach that only financial collateral arrangements should be protected where at least one of the parties is a public authority, central bank or financial institution? Please explain

Yes, we believe the current limitation, restricting protection to collateral arrangements involving at least one public authority, central bank, or financial institution, should be reconsidered and expanded.

As digital assets and DLT-based financial services evolve, a broader set of market participants, including regulated crypto-asset service providers (CASPs), play critical roles in the financial ecosystem. Limiting legal protections to traditional counterparties excludes many innovative and compliant entities that facilitate efficient collateral arrangements using tokenized assets.

Expanding protection to include regulated CASPs and other authorised non-bank financial institutions would:

- Reflect the changing landscape of financial markets where digital assets and DLT enable new, secure forms of collateralisation
- Promote market confidence by providing legal certainty and protection to a wider range of participants
- Support innovation and the growth of tokenised collateral markets, enhancing liquidity and capital efficiency
- Foster inclusion of emerging digital finance actors without compromising regulatory standards or investor protection

Question 98: Are there any other issues you would like to address regarding FCD financial collateral in a DLT environment?

Yes. Under current Eurosystem rules, DLT-based securities are often ineligible as collateral because they aren't held in a recognised Securities Settlement System (SSS) or recorded in traditional book-entry form. This excludes onchain assets from being used as collateral, despite meeting the same functional and legal standards as traditional instruments.

To address this, we recommend updating eligibility criteria to recognise DLT infrastructures that offer equivalent safeguards. A technology-neutral approach would ensure DLT-based securities and regulated stablecoins can be used as financial collateral, improving efficiency and supporting the growth of DLT-based capital markets in the EU.

Innovation - DLT Pilot Regime and asset tokenisation

Question 23: Do you believe that the DLTPR limit on the value of financial instruments traded or recorded by a DLT market infrastructure should be increased?

Yes, we believe the current limits on the value of financial instruments traded or recorded under the EU DLT Pilot Regime (DLTPR) should be increased substantially and preferably removed. The existing thresholds such as the €1 billion issuance limit for tokenized money market funds and the €6 billion aggregate market value cap for DLT-traded instruments significantly constrain the scalability and economic feasibility of projects under the regime. These limits do not align with the transaction volumes seen in traditional markets, discouraging institutional investors and asset managers from fully participating and testing the regime.

Removing or raising these thresholds better aligns with the DLTPR's primary goal of fostering large-scale innovation within European financial markets. The designation of DLT Trading and Settlement Systems (DLT TSS) reflects high technical complexity and rigorous standards, with regulatory costs comparable to CSDs and exceeding those of MTFs. Restrictive thresholds hinder the business models and competitiveness of DLT infrastructures.

Eliminating these limits would enhance the regime's attractiveness and enable DLT-based solutions to compete on equal footing with traditional market infrastructures. A phased approach to the introduction of the new regime would help to ensure a smooth transition process, if considered necessary. Given the projected tokenization market growth to $16 trillion by 2030, according to Boston Consulting Group, adjusting these thresholds is critical for the EU to maintain its international competitiveness especially as other jurisdictions, like the US, have no pilot regime and allow direct market entry.

Question 24: Do you believe that the scope of assets eligible within the DLTPR should be extended?

Yes, we support extending the scope of eligible assets under the DLTPR.

Currently, the regime is limited to traditional equities, bonds, and units in collective investment schemes, which significantly restricts its utility and appeal.

Expanding eligibility to include structured bonds and certain standardized, low-complexity derivatives would unlock valuable use cases for DLT in financial markets. This broader scope would enable more comprehensive experimentation with tokenized instruments,

allowing market participants to test DLT's benefits such as improved efficiency, transparency, and resilience in more complex asset classes.

Tailoring the expansion for wholesale and retail markets alike would foster innovation while ensuring investor protection. Such an approach would better align the DLTPR with the evolving needs of digital finance, accelerating adoption of DLT-based infrastructures across diverse market segments.

Question 25: Do you believe that the DLTPR should be extended to cover other types of systems, such as clearing systems?

No. The main advantage of the DLTPR and the DLT Trading and Settlement Systems (TSS) designation is integrated settlement—enabling instant delivery-versus-payment and removing counterparty risk. This makes separate clearing systems unnecessary.

For complex products like derivatives, which are currently outside the Pilot Regime, clearing may still be needed for margin calls and access to off-chain collateral sources. However, the integrated design of DLT TSS and direct participant connections can manage these processes more efficiently than standalone clearinghouses.

So, it is important to contemplate these functions within the DLT TSS framework to fully benefit from its efficiencies, rather than extending DLTPR to cover external clearing systems.

Question 26: Should the DLT trading and settlement system (DLT TSS), allowing for trading and settlement activities within a single entity, become embedded into the regular framework (CSDR, MIFID)?

Yes. We believe the DLT Trading and Settlement System (DLT TSS) framework should be integrated into the regular EU regulatory regimes, including CSDR and MiFID. Doing so would provide legal certainty for DLT platforms operating beyond the Pilot Regime, enabling them to scale sustainably within the EU and contribute to a more competitive and innovative financial market infrastructure. The integrated model of DLT TSS combining trading and settlement within a single entity offers significant efficiencies that are well-suited to blockchain-native systems.

Additionally, embedding the DLT TSS model into the standard regulatory framework could lower entry barriers for issuers particularly SMEs and help diversify the issuer base. At a time when public issuance is declining due to cumulative regulatory and operational

burdens, this shift could revitalize EU capital markets and counterbalance the growing trend toward private markets.

Question 27: What other changes to the DLTPR are needed to ensure that it remains a framework that is fit for the purpose of allowing new entrants and established financial companies to deploy pioneering innovation with DLT in the EU, while also ensuring appropriate risk mitigation?

We support updates to the DLTPR that make the regime more inclusive and adaptable for both new entrants and established firms using DLT technologies.

One key improvement would be to permit Organized Trading Facilities (OTFs) under the DLT Pilot Regime. The current restriction to Multilateral Trading Facilities (MTFs) limits the range of trading models and participants. Allowing OTFs would better accommodate fixed income and derivatives markets, where bilateral trading is the norm.

DLT is leading to the emergence of new trading methods and operational practices that are better aligned with the capabilities of this new technology.

While DLT enables onchain custody via smart contracts and self-custody wallets, institutional investors often continue to depend on regulated custodians for compliance, risk management, and operational continuity. The DLTPR lacks clear guidance on the roles and responsibilities of custodians in DLT-based and hybrid systems, introducing uncertainty which may hinder broader institutional adoption. Recognizing and clarifying the role of custodians particularly in managing private keys or servicing tokenised securities would help integrate traditional financial infrastructure with DLT and support scalable, regulated market participation.

Question 28: What type of below-specified changes to the DLTPR would improve business certainty and planning for businesses that are considering to join the DLTPR? Please rank each set of changes on a scale of 1-5 (1 denoting 'least important').

- **Remove the references in the DLTPR to the limited duration of licenses**
- **Size-proportional requirements within the DLTPR, whereby the greater the size of the business of the DLTPR participant (e.g. measured in terms of volume of transactions traded/settled), the greater the compliance obligations**
- **Clearer regulatory pathways to 'graduate' into the 'regular' CSDR framework**
- **Other.**

Remove license duration limits - 5

The current time limits on DLTPR licenses create uncertainty and discourage long-term investments in technology and infrastructure. Eliminating these limits would provide much-needed regulatory stability, encouraging sustained innovation and aligning the EU with global approaches like the UK's Digital Securities Sandbox.

Keep robust requirements but adjust thresholds - 2

While compliance standards for DLT Trading and Settlement Systems (TSS) must remain strong to protect market integrity, current transaction volume thresholds are too low and restrict growth. Instead of lowering standards, thresholds should be raised to allow scaling and commercial viability without compromising safety.

Clarify transition to full CSDR - 2

Clear and easy-to-follow steps for moving from the pilot regime to the full CSDR rules would make it easier for new companies to join and grow. This would build confidence but is less urgent than fixing license limits and expanding which assets are allowed.

Expand eligible assets and relax limits - 5

Broadening the range of allowed financial instruments and removing restrictive transaction limits are critical to unlocking the commercial potential of DLT markets. More inclusive rules would drive innovation, attract diverse participants, and enhance EU competitiveness mirroring success seen in Switzerland and Singapore.

Question 29: Does the DLTPR create a sufficiently clear and flexible framework for the use of EMTs as a settlement asset, bearing in mind the overarching need to ensure high level of safety for cash settlement in DLT market infrastructures? [YES/NO] Please explain your reply.

No, the DLTPR is not clear or flexible enough on using E-Money Tokens (EMTs) for settlement. The rules say only EMTs issued by credit institutions can be used, but most EMTs today come from Electronic Money Institutions (EMIs), which are not credit institutions. This limits how EMTs can be used and goes against the Pilot Regime's goal of encouraging innovation. What matters is the regulation and quality of the settlement asset itself, rather than the specific regulatory classification of the issuer. The rules should be updated to clearly allow EMTs from EMIs, which would make the framework more practical and open up more opportunities.

Question 30: Do you think that in addition to, or instead of the current derogations-based approach (allowing switching off of certain MIFID and CSDR provisions), the DLTPR should take a principles-based approach whereby high-level provisions govern trading and settlement services, with the purported aim of creating more flexibility for deploying innovative DLT-based projects? [YES/NO] Please explain your reply

What would be the advantages and disadvantages of such an approach and how can the disadvantages be mitigated? Please provide examples of principles-based standards or regulation (EU or non-EU), in the financial or non-financial domain, that may serve as a useful model or inspiration for a principles based DLTPR, and why you think these examples are insightful.

Yes, we support shifting to a principles-based framework instead of relying on fixed derogations that "switch off" specific MiFID II and CSDR rules. A principles-based approach gives regulators more flexibility to evaluate DLT projects case-by-case while still ensuring key regulatory goals are met. This reduces legal constraints and uncertainty, allowing innovation to flourish and helping the rules keep pace with evolving technology.

By focusing on high-level principles rather than detailed rules, the regime can adapt faster and encourage new market practices without sacrificing safety. Under this scenario, firms can request waivers from ESMA or national regulators based on the merits of their projects, rather than being limited to what is explicitly allowed today. This kind of flexible, merit-based system would better support the growth of digital assets and integration with traditional finance.

Looking globally, several jurisdictions have shown that principles-based regulation can drive innovation without compromising oversight. Singapore's MAS sandbox applies clear regulatory objectives while tailoring requirements to each project's risk profile. The UK's FCA sandbox supports flexible experimentation within strong consumer protection and market integrity safeguards. Switzerland's FINMA offers adaptable, high-level guidelines that accommodate a range of digital asset models.

The EU should draw from these approaches by embedding a principles-based framework into the DLTPR backed by interpretive guidance and close coordination with ESMA and NCAs to enable more flexible, case-by-case waivers and support scalable innovation across DLT-based market infrastructures.

Question 31: Do you believe that DLT is a useful technology to support trading services in financial instruments? Please explain your response.

Yes, we believe DLT is a highly useful technology to support trading services in financial instruments. DLT enables more transparent, efficient, and resilient market infrastructure by allowing for near real-time settlement, improved auditability, and reduced reliance on intermediaries. This can lower costs, reduce counterparty risk, and streamline post-trade processes. It also opens the door for new market models, such as 24/7 trading and programmable compliance, which are particularly valuable in tokenized and global markets.

We have seen these benefits firsthand in crypto markets and believe similar efficiencies can be realized in traditional financial instruments through thoughtful integration of DLT.

Question 33: For a financial entity using DLT to deploy its services, the distributed ledger is often an external platform on which services are run, and this platform may have a very distributed governance structure. What are the benefits and risks of deploying financial services, including post-trading services, on distributed ledgers external to the financial service provider, and therefore outside its direct control?

Regulation should remain technology-neutral, allowing firms to choose between permissionless and permissioned systems based on their needs. Permissionless systems can offer major benefits such as greater resilience, security, cost efficiency, and interoperability by leveraging decentralised validators, cryptographic immutability, and shared infrastructure.

That said, using a permissionless ledger outside the provider's direct control introduces governance and operational risks, including exposure to forks, protocol changes, and network fee volatility. These risks can be managed with tools like permissioned smart contracts, strong governance frameworks, and cost-hedging strategies.

With the right safeguards, permissionless DLTs can serve as robust infrastructure for financial services, including post-trade. Regulation should support this flexibility, not default to private or permissioned networks.

Question 34: How should the regulatory perimeter between a technological service provider and a financial service provider, especially a CSD, be drawn in the above described DLT context?

The line between financial and technology service providers in a DLT context should remain clear. Existing frameworks like the DLTPR and DORA already define this well. Technology providers shouldn't fall within the scope of financial regulation. Instead, responsibility should rest with the regulated financial entity—such as a CSD—to ensure compliance, manage operational risks, and oversee any tech partners it relies on.

This approach keeps accountability where it belongs, while giving market infrastructures the flexibility to work with innovative tech providers without dragging them into a financial regulatory perimeter unnecessarily. It avoids regulatory overreach and supports a more efficient, innovation-friendly ecosystem.

Question 35: The Commission recently published a study on the use of permissionless blockchains for enhancing financial services, which set out operational robustness criteria for assessing permissionless blockchains. Do you believe that beyond the Digital Operational Resilience Act (DORA), additional legislative or non-legislative action is needed to ensure appropriate mitigation of risk stemming from decentralised IT systems such as permissionless blockchains? [YES/NO.] Please explain your reply.

Yes, additional action is needed but this should take the form of regulatory guidance, not new legislation. DORA was not designed with permissionless systems in mind, and there's currently a lack of clarity for regulated entities interacting with public blockchains. As the EBA-ESMA joint survey found, most NCAs believe further attention is needed to understand this interaction. Without clearer guidance, financial institutions may hesitate to explore DeFi or permissionless infrastructure.

We propose that DORA compliance obligations for regulated entities should apply only to their own IT systems and service providers, not to the public blockchains they interact with, which lack identifiable legal entities. That said, financial entities should be required to maintain clear policies for managing resilience risks when using such infrastructure. Importantly, DeFi protocols should be encouraged—not penalized—for building in safeguards like circuit breakers or oracle switching. These resilience features don't constitute centralized control and shouldn't trigger regulatory classification as a financial service.

Industry-led best practices such as pre-deployment audits, bug bounties, and emerging AI-based tools—already enhance protocol robustness. Smart contract certification can further support DORA objectives, but it should remain voluntary and be part of a broader, flexible security framework. This approach balances innovation, operational resilience, and regulatory clarity as the sector matures.

Question 36: Basel prudential standards on crypto exposures applicable to credit institutions assign group 2 status to tokenised assets, including tokenised financial instruments, that are issued and recorded on permissionless distributed ledgers. The transitional prudential treatment of exposures to tokenised assets in the Capital Requirements Regulation currently applicable does not make a distinction based on the type of underlying distributed ledger. Do you believe that prudential rules should differentiate between permissioned and permissionless distributed ledgers? [YES/NO.] Please explain your reply

No. Prudential rules should remain technology-neutral and focus on the actual risks of the asset and infrastructure, not on whether a permissioned or permissionless ledger is used. Applying stricter capital treatment solely based on the type of DLT risks distorting technology choices and discouraging innovation, without improving risk outcomes.

Tokenised financial instruments can offer comparable levels of transparency, resilience, and auditability across both permissioned and permissionless networks provided they are properly designed and governed. The prudential framework should reflect the risk profile of the asset and the robustness of the control environment, not make assumptions based on the underlying ledger architecture. Differentiating based on ledger type would be both arbitrary and counterproductive.

Question 37: Do you believe that risks from permissionless blockchains, in particular operational risks and other risks set out in the BIS Working paper on novel risks, mitigants and uncertainties with permissionless distributed ledger technologies, can be mitigated? [YES/NO] Please explain your reply

Yes. Operational and other risks linked to permissionless blockchains can be effectively mitigated through sound technological design, governance, and regulatory oversight. The focus should be on how the system is built and operated, not the type of underlying ledger.

Permissionless networks can incorporate strong risk controls, including smart contract whitelisting, Layer 2 compliance tooling, and privacy-preserving technologies like zero-knowledge proofs. During the authorisation process, financial institutions should be responsible for demonstrating how these tools meet core regulatory objectives such as resilience, transparency, and security.

Rather than applying blunt instruments like the 1250% capital weighting, regulators should adopt a more nuanced, risk-sensitive approach. This would better reflect the actual risk profile of permissionless systems and support responsible innovation in financial infrastructure.

Question 38: Asset tokenisation concerns the use of new technologies, such as distributed ledger 51 technology (DLT), to issue or represent assets in digital forms known as tokens. Where do you see most barriers to asset tokenisation in Europe? Please rank each of the potential barriers on a scale of 1-5 (1 denoting 'least barriers').

- **Member State securities and corporate law**
- **Member State laws other than securities and corporate law**
- **EU laws that relate to trading and post-trading**
- **EU laws other than laws that relate to trading and post-trading**
- **Please explain your reply, pointing to concrete examples in areas beyond the SFD, FCD and CSDR.**

Member State securities and corporate law – 5

This remains the most significant barrier. The considerable divergence in national securities and corporate laws across EU Member States creates substantial complexity, limiting the capacity of infrastructures to seamlessly offer tokenisation services throughout Europe. Harmonisation of rules governing the issuance, ownership, and

transfer of digital securities remains essential to enable scalable and effective pan-European tokenisation.

Member State laws other than securities and corporate law – 1
Outside of securities and corporate laws, no significant additional national legal barriers have been identified as specifically impeding asset tokenisation. Other aspects of national legislation generally do not pose substantial obstacles for tokenised assets.

EU Laws relating to trading and post-trading – 5
EU-level regulations directly governing trading and post-trading (notably MiFID II, MiFIR, and aspects of CSDR beyond the Pilot Regime) present major barriers. These regulations were designed for traditional market infrastructures and often lack the flexibility needed for innovative, token-based models. Adjustments to EU trading and post-trading laws are critical to fully enable the potential of DLT-based market infrastructures.

EU laws other than laws relating to trading and post-trading - 3
There may be additional EU-level barriers outside the scope of trading and post-trading regulations, although these are generally indirect rather than specific to asset tokenisation. One illustrative example is the potential extension of the European Company (Societas Europaea - SE) status to include specific provisions harmonising securities and corporate laws at the EU level. Such an approach could provide a unified legal framework for issuers across Member States, mitigating the complexity arising from national variations and facilitating greater adoption of tokenisation throughout Europe.

Question 39: Should public policy intervene to support interoperability between non-DLT systems and DLT systems? If reply is 'yes': Please explain how this can be done in a manner that is cost-efficient for the industry. If reply is 'no': Please explain your response.

No. Interoperability with traditional systems like MTFs or CSDs is not necessarily needed for a DLT Trading and Settlement System (DLT TSS). That is because one of the main benefits of a DLT TSS is its ability to settle trades instantly and automatically within its own system. But interoperability between DLT- and non-DLT systems can help to ensure that the benefits of DLT TSSs are broadly available to the financial community.

Therefore, interoperability should be considered from a broader market perspective. The main policy goal should be to enable simple, seamless access for both retail and institutional investors to a full range of financial instruments across the EU - regardless whether DLT or non-DLT systems are used. In this context, the responsibility for ensuring interoperability is more relevant for custodians and depositaries, who connect to multiple infrastructures to provide smooth investor access. Public policy intervention may be

necessary to enforce existing requirements that such institutions permit fair access to their facilities without discrimination based on the types of assets or technologies used.

Once broad-based investor access is well-established across DLT- and non-DLT systems, existing infrastructure-to-infrastructure connections either directly or via intermediaries can naturally evolve to support functions like collateral management, repos, or liquidity optimization across both technologies. But the market should have the flexibility and time to figure out the best approach to this, so the transition to the new more inclusive environment is cost effective.

Question 40: Should public policy intervene to support interoperability between distributed ledgers? If reply is 'yes': Please explain how this can be done in a manner that is cost-efficient for the industry. If reply is 'no': Please explain your response

No. Establishing technical standards for interoperability between DLT infrastructures is not a priority at this time. The technologies and market practices continue to develop rapidly and organically. Market participants should be given adequate time to explore and develop optimal solutions naturally. Premature standardisation may impose unnecessary constraints and limit innovation.

Question 41: Lack of standardisation acts as a hindrance to interoperability. This is especially the case with a relatively new technology such as DLT. Where is the greatest need for standardisation in the area of DLT? Multiple replies are possible. Please rank each of your reply from 1-5, with 1 denoting 'least important'

- **Business standards applicable to digital assets (for example data taxonomy to describe digital assets)**
- **Technical standards applicable to digital assets and smart contract-based applications**
- **Technical standards applicable to links (bridges) between DLTs**
- **Other**

Please explain your reply.

Business standards applicable to digital assets: 3/5
While not critical, establishing clear business standards such as data taxonomy could enhance clarity. However, existing classifications for eligible financial instruments under the Pilot Regime are generally sufficient. Explicit clarification could reassure investors that holding a listed equity through a traditional CSD or a DLT-based system is legally equivalent.

Technical standards applicable to digital assets and smart contract-based applications: 1/5
Technical standards should evolve organically through market participants. Premature standardisation may impose unnecessary constraints and limit innovation.

Technical standards applicable to links (bridges) between DLTs: 1/5
Establishing technical standards for bridges between DLT infrastructures is not a priority. The market should have adequate time to explore and develop optimal solutions naturally.

Other—Standards for connections between intermediaries (custodians and depositaries) and DLT TSS: 5/5
The most critical area for standardisation is the connections between intermediaries and DLT-based market infrastructures. Standardised interfaces or connectivity protocols would significantly enhance interoperability, facilitate broader market participation, and simplify investor access. Given the current immaturity of these connections, standards should ideally be developed collaboratively by the industry to ensure they are practical, effective, and widely adopted.

Question 42: Given how you foresee DLT-based financial market infrastructure to develop, what do you think is the best way of providing interoperability between distributed ledgers? Please rank each of your reply from 1-5, with 1 denoting 'least important'

- **Regulated financial entities, such as a CSD, that are present on multiple ledgers, acting as a distributed ledger hub for clients**
- **Pure technology companies that focus on sending messages securely across distributed ledgers for clients that are regulated financial companies**
- **Regulated financial entities that focus on sending messages securely across distributed ledgers for clients that are regulated financial companies**
- **Some other model**

Please explain your reply.

The best way to enable interoperability in DLT-based financial market infrastructure is by focusing on intermediaries, such as custodians and depositaries, that connect to multiple ledgers. Rather than forcing direct technical interoperability between DLT systems, the priority should be enabling smooth investor access to core financial services like custody, settlement, collateral, and liquidity management across different platforms. These intermediaries act as access hubs, translating between systems where needed, while maintaining compliance and investor protections. Fair access to their facilities without discrimination based on the types of assets or technologies helps to enable innovation and market development.

To support this, standardised connectivity protocols between intermediaries and DLT infrastructures should be industry-led and market-driven. This model is more flexible, scalable, and cost-effective than prematurely imposing one-size-fits-all technical standards or infrastructure mandates. It allows innovation to continue while ensuring practical interoperability in the areas that matter most—investor access, operational efficiency, and regulatory oversight.

Supervision of CASPs

Question 55: Do you consider that centralised EU supervision could also produce negative side-effects?

Yes, centralized EU supervision could potentially produce negative side effects, especially in the context of rapidly evolving and innovative industries like crypto-asset services.

CASPs have invested significant resources in establishing local setups, which enable close dialogue with regulators and the development of best practices at the EU level. The existing system allows for proximity to local regulators, which is beneficial for understanding the unique dynamics of the crypto sector and adapting quickly to new developments. Centralizing supervision at the EU level could slow down regulatory responses.

Question 56: Do you consider significant crypto-asset service providers to be subject to different risks than smaller crypto-asset service providers? If yes, what are these risks?

Yes, we believe that effective and proportionate supervision is critical, and that this can best be achieved through a two-tier system: close supervision by National Competent Authorities (NCAs), supported by coordination and harmonisation efforts led by ESMA. This structure reflects a deliberate decision by the co-legislators and is designed to ensure consistent oversight while allowing for flexibility and responsiveness at the national level.

At this stage, however, we have no practical experience of NCA supervision under MiCA, as the framework is not yet fully operational. It is therefore premature to draw conclusions or consider changes to the supervisory arrangements before they have been tested in practice.

While we acknowledge that significant CASPs may face certain distinct challenges due to their scale, such as broader user exposure or higher transaction volumes, these firms also typically have greater capacity to manage these risks. They often benefit from more sophisticated infrastructure, dedicated compliance teams, and robust internal controls, elements that can enhance resilience and mitigate risk more effectively than in smaller firms.

Though the scale of operations may alter the risk profile, it does not automatically necessitate centralised supervision. We believe that the current framework, once

implemented, will provide a strong basis for oversight and should be allowed to prove itself before any reassessment is undertaken.

Question 58: Do you have other comments?

NCAs will have to build up the expertise on MiCA relevant issues (e.g. custody, market integrity) given that they will be relevant for capital markets more broadly once tokenization and use of DLT takes off. Even if ESMA supervises 'systemic' CASPs, Member States would still need to build capacity for other firms seeking MiCAR authorisation. Supervising larger players in the market can help develop this expertise.

CASPs non-MiCA related activities (e.g. EMI/PSD license or MiFID related activities) would still be dealt with by NCAs, hence there will not be a single EU supervisor per se.

Question 62: Do you consider the threshold for significant CASPs in Article 85(1) of MiCA adequate, high, or too low? (the threshold is currently 15 million active users on average in one calendar year)

The number of active users alone is not a comprehensive indicator of the scale or risk associated with a CASP. Larger, more established platforms with significant financial transactions, liquidity, or institutional participation may have a far more impactful role in market stability, regardless of the number of users.

We recommend reassessing the criteria for significant CASPs, considering factors such as trading volume, market share, and exposure to financial markets. A more nuanced approach would better reflect the potential risks posed by a CASP, ensuring that regulatory resources are focused on entities that have the most substantial impact on market integrity and financial stability.