What is MiCA?

A brief overview of what the Markets in Crypto Assets Regulation is and how it impacts EU businesses.

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MiCA: at a Glance

- EU-wide regulation which entered into force in June 2023
- Regulates most parts of centralised crypto
- Imposes strict requirements on real-world assets & stablecoins
- Harmonises regulation in relation to exchanges & CASPs
- Fully decentralised services are out of scope
- Promotes technology-neutral fair competition & innovation
- Service providers dealing with crypto-assets need to react to stay compliant



MiCA: Scope

- Stablecoins and other crypto-asset referencing a single currency
 - Known as "electronic money tokens", or EMTs
 - Examples: EUROe
- RWAs and other assets aiming to maintain a stable value with another
 - Known as "asset-referenced tokens", or ARTs
 - Examples: tokenised bonds, stock, or fractionalised copyrights
- Other crypto-assets that are not sufficiently decentralised
 - Unless offered to only a few investors and has little monetary value
- Crypto-asset service providers (CASPs), exchanges, and related services
- Excludes NFTs, fully decentralised services, SBTs, non-custodial wallets
 - Unless the item has the characteristics of a financial instrument



MiCA: Objectives

- Ensuring anti-money laundering (AML) and countering the financing of terrorism (CFT) rules are consistently applied
- Harmonising regulation & ensuring legislative cohesion within the European market
- Maintaining financial stability & market integrity on DLT enabled platforms
- Promoting technology-neutral fair competition and innovation



MiCA: Key Deadlines

6/2024

12/2024

6/2025

6/2027

EMTs & standards

EMT (stablecoin) issuers must be compliant with the regulations.

Draft regulatory technical standards published by ESMA & EBA along with various guidelines.

CASPs & guidelines

Crypto-Asset Service
Providers (exchanges)
must be compliant with
the regulations.

ESMA issues guidelines on client's knowledge assessment, financial instrument qualification criteria, and more.

State Notifications

EU member states must notify the European Commission, EBA, & ESMA on how MiCA regulation has been implemented in their jurisdictions.

Commission report

The European
Commission, together with
EBA & ESMA, shall present
a report assessing cryptoasset usage & impacts of
the regulation to the
European Parliament
together with a legislative
proposals (if applicable).



MiCA: Asset Reference Tokens (ART)

- ARTs are crypto-assets that aim to maintain a stable value relative to another value or right (or a combination of such)
 - Examples: stocks, commodities, fractionalised patents or copyrights
- Can be issued by credit institutions or issuers authorised by a national competent body
- Own funds requirements & disclosure requirements regarding backing assets
- Governance and other requirements regarding the management of the company, assets, and customer-complaints
- ARTs can be made available to the public or for trading only by the issuer or third parties with written consent
- Strict limitations to use of ARTs as a means of exchange (<€200m/day)
- Issuer or offeror may not grant interest to the holders of the ART



MiCA: Electronic Money Tokens (EMT)

- EMTs are crypto-assets that aim to maintain a stable value relative to an official currency (such as the euro or Swedish krona)
- Can be issued by electronic money institutions (EMI) or credit institutions
- Must be redeemable at par (1:1 ratio) against their reference currency with redemption terms prominently stated
- Own funds requirements (2%+) with at least 30% held in cash and investments in low-risk, highly liquid instruments denominated in the same currency as the EMT
- Significant EMTs (large, widely used, interconnected) are subject to stricter rules
 - If an EMT references a non-EU state currency its daily transaction volume must not exceed €200m or 1m transactions (issuance must be stopped if it does)
- EMTs can be made available to the public or for trading only by the issuer or third parties with written consent
- Issuer or offeror may not grant interest to the holders of the EMT



MiCA: Other Crypto-Assets

- If a crypto-asset is not an EMT, ART, and is not sufficiently decentralised, it is considered in the "other crypto-assets" category
 - Some smaller other crypto-assets are also practically out of scope, enabling e.g. hobby-projects and product testing at small scale
 - Free, automatically created, or utility tokens and limited contractually covered networks are also out of scope
- Other crypto-assets can be offered by legal persons and they must publish a white paper and clearly identify their marketing communications
- Retail holders have 14 days to withdraw from the purchase without any fees (unless the token has been admitted to trading previously)



MiCA: Crypto-Asset Service Providers

- Crypto-asset services can be offered only by authorised CASPs and a variety of other financial entities, such as EMIs, credit institutions, and AIF managers
- Service providers must have an EU office, effective management in the EU, and a director who is an EU resident
- The regulation introduces stricter guidelines and rules for systems, governance, outsourcing, trade execution, complaints handling, transfer of assets, and more
- Service providers must notify all member states in which they intend to operate
- Service providers must act honestly, fairly, and in the best interests of their clients – curbing wash trading, front-running, and other malicious activities
- Safeguarding rules are formalised with emphasis on insolvency considerations
- Offering ARTs & EMTs for trading shall require the written consent of their issuer and interest may not be granted on them



MiCA: Decentralised Exchanges

- MiCA does not have concessions for decentralised exchanges or other decentralised crypto-asset service providers
 - If a decentralised service is provided in a fully decentralised manner with no intermediaries, it falls outside of the scope of the regulation
- Many existing DeFi applications with intermediaries, such as development companies, market makers, or others, may be subject to regulatory scrutiny
- The EBA and ESMA will assess the development of decentralised finance without intermediaries and the necessity & feasibility of regulating them by December 2024



MiCA: Summary

- MiCA sets clearer rules for assets that are related to traditional financial markets by defining and regulating ARTs and EMTs
- Blockchain-native money becomes much more robustly regulated through EMTs
- Consumer protections in regards to other crypto assets are improved through requirements such as the 14-day withdrawal period
- Providing crypto-asset related services is formalised and harmonised across the EU, with the aim of improving investor protections
- Relationships between CASPs and ART/EMT issuers are made explicit through a requirement for written consents for trading
- Questions regarding treatment of decentralised finance are postponed for later, except for where they are provided through intermediaries



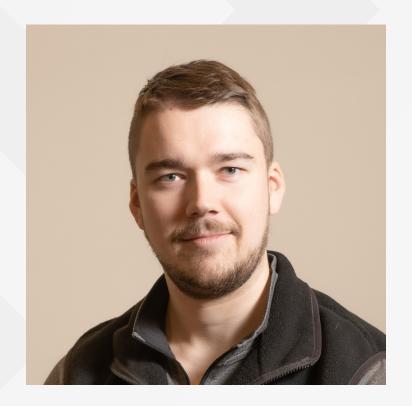
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