

# What is MiCA?

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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

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- 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

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- **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

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- 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

## EMTs & standards

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

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

12/2024

## 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.

6/2025

## State Notifications

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

6/2027

## Commission report

The European Commission, together with EBA & ESMA, shall present a report assessing crypto-asset 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

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- 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

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- Crypto-asset services can be offered only by authorised CASPs and a variety of other financial entities, such as EMLs, 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

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- 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

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- 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



# What next?

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