Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

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Will the EU become the global model for controlling digital tokens?

The Markets in Crypto-Assets Regulation (MiCA) sets uniform standards for the operation of crypto exchanges and services regulating digital assets across the European Union. The first national bodies only began issuing licences after the end of the transition period, which lasted from the entry into force on 30 December 2024.

On 13 June, Malta's Financial Services Authority issued licences for the Gemini and OKX platforms, marking the end of this transition period. This move confirms that the crypto market is entering a phase of full institutional regulation and that the key players need to adapt to the new capital and operational stability requirements.

Shortly afterwards, Crypto.com was also granted a licence, while the Luxembourg financial sector supervisory authority is expected to confirm Coinbase. This moment confirms that the European crypto-asset market is about to enter a new phase of institutional regulation.

The Markets in Crypto Assets Regulation (MiCA) was adopted on 31 May 2023 and entered into force on 30 December 2024. The regulation covers all legal frameworks for issuers of stable electronic money tokens and providers of services for trading, exchanging, and storing digital assets in the territory of all 27 member states of the European Union.

Its role is to protect users and ensure transparency as the sector moves from an early stage of development to a phase of serious inspection.

Different approaches

The first phase of regulation focused on issuers of stable tokens and electronic money that utilise blockchain technology. These companies had to fulfil the minimum capital requirements and set up mechanisms to protect users' reserves.

The second phase covered all providers of trading, exchange, and custody of crypto assets. From the end of 2024, the national regulatory authorities have committed to issuing licences to those who meet strict criteria in terms of equity, operational risk, and user protection.

> The granting of the first licences confirmed the different approaches of the national authorities

The minimum equity capital is set at two million euros for foreign exchange transactions and five million euros for the safekeeping of user funds.

Providers must divide customer funds from their balance sheet and report any operational incident or security threat within 24 hours. Failure to comply with these conditions could result in fines of up to 10% of annual turnover or the suspension of the licence.

The granting of the first licences confirmed the different approaches of the national authorities. Malta was the quickest to introduce relaxed controls, while France and Germany introduced detailed checks of balance sheets and technical security.

The European Securities and Markets Authority has warned of a possible race to lower standards if smaller jurisdictions fail to standardise conditions.

Considering MiCA amendments

The right to a single application allows licensed platforms to operate across the entire European Union market, following a single authorisation process with a national body. This means that users in Spain, Italy, or Greece can use the same trading conditions and interface without additional authorisations.

However, market consolidation is an expected phenomenon. Smaller providers that do not fulfil the capital or procedural requirements will be forced to merge with larger groups or cease operations in the EU.

This may lead to a loss of innovation in specialised segments, but at the same time, the position of the largest platforms that survive will be qualitatively stronger.

Imposing restrictions on the advertising of crypto services and tightening the rules for verifying the identity of users

The European Securities and Markets Authority plans to establish a common incident and risk reporting database by the end of 2025. This surveillance system will enable a rapid exchange of information between national regulators and prevent money laundering using digital tools.

In July, the European Parliament is expected to consider amendments to the MiCA Regulation that provide for restrictions on the advertising of crypto services on digital platforms, especially those used by minors, and tighten the rules for verifying the identity of users. It is expected that these changes will further improve the protection of end users.

Long-term impact of crypto regulation

Beyond the structural changes and technical details, the coming months will be crucial to assess the long-term impact of crypto-asset market regulation on the global cryptocurrency market.

Initially, institutional investors expect a period of risk adjustment. Analysts estimate that stricter reporting procedures and capital requirements will reduce the price volatility of leading tokens by at least 15% in the long term, as trading will shift from decentralised platforms to verified licensed providers.

Within the G20, the EU will propose the introduction of compatible standards for the supervision of cryptocurrencies and the exchange of information

This could encourage pension funds and insurance companies to enter the market, as they will be able to fulfil internal regulatory standards.

Secondly, by the end of 2026, the number of active pension and investment funds, including digital assets in their portfolio, could double compared to 2024.

The right to a single licence will facilitate border crossing and remove barriers for investors from countries such as Italy and Poland, which were previously less attractive due to bureaucracy. Such an incentive for institutional flows could increase market liquidity by more than thirty billion euros per year.

Thirdly, international regulatory co-operation will become imperative. Within the G20, the European Union will propose the introduction of compatible standards for the supervision of cryptocurrencies and the exchange of information, with the model of the transatlantic agreement on the digital assets code with the United States of America.

If negotiations are finalised for the adoption of such a code by the end of 2025, the basis for global supervision of money laundering and financing terrorism in this area will be established.

Otherwise, countries with relaxed regulations are expected to attract a significant portion of the market, particularly in the Southeast Asia and Latin America regions.

> Further development of the payment system would increase the efficiency of cross-border payments and reduce transaction costs

Fourthly, the development of technologies for the decentralised management of tokens such as Decentralised Autonomous Organisations will face new challenges.

The new legal framework will not tolerate management without registration or accountability, so the developers and founders of these models will have to establish legal entities with a licence or face pressure from the courts. This may lead to the creation of legal zones for experimentation with stricter risk monitoring within the Union.

Finally, if the framework for crypto-asset markets is successfully implemented, the European Union may take the lead in the tokenised asset economy and develop its own digital instruments.

Central banks could integrate tokenised bonds and securities into the TARGET2 (Trans-European Automated Real-time Gross Settlement Express Transfer System) payment system. This is a system for the settlement of large payments in euros in real time (real-time gross settlement - RTGS), which is managed by the Eurosystem, i.e., the European Central Bank together with the central banks of the member states, and enables immediate settlement between banks.

Such a further development of the payment system would increase the efficiency of cross-border payments and reduce transaction costs by hundreds of millions of euros per year. However, if non-compliance is proven and significant incidents occur, there is a risk that user confidence will be lost and the market will migrate to countries with lower regulatory requirements.