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Impact of jurisdictional regulatory frameworks on decisions of crypto-asset issuers and service providers (including stablecoin arrangements) to locate and structure their business.

A well-defined regulatory framework plays a crucial role in shaping where crypto-asset issuers and service providers choose to operate. Clear and predictable rules provide businesses with legal certainty and foster an environment conducive to long-term investment and innovation. In the EU, the introduction of the Markets in Crypto-Assets (MiCA) regulation has already influenced market positioning, with companies actively working to align their operations with the new framework. Similarly, jurisdictions such as the UAE have attracted industry participants by establishing dedicated regulatory structures for digital assets.

Conversely, regulatory uncertainty discourages investment and innovation, leading companies to seek more predictable jurisdictions. The lack of clear guidance, combined with inconsistent enforcement practices, creates significant operational risks. This has been particularly evident in jurisdictions where unclear rules or overlapping regulatory mandates have contributed to uncertainty, hindering business development.
However, the mere existence of a licensing or regulatory framework is not sufficient on its own—businesses also prioritize ease of compliance. The complexity of overlapping regulations, particularly in areas such as anti-money laundering (AML), counter-terrorist financing (CTF), and financial promotion requirements, can create compliance challenges and regulatory redundancies. Within the EU, MiCA provides a harmonized framework, but the interplay with existing rules such as the Transfer of Funds Regulation (TFR), the Payment Services Directive (PSD) and national-level requirements can result in operational complexities for crypto-asset service providers (CASPs).

Another critical factor influencing business decisions is access to banking and financial services. In several jurisdictions, restrictive policies regarding banks' exposure to digital assets have limited businesses' ability to obtain bank accounts, adding further friction to operations. Additionally, a lack of legal clarity around digital asset ownership and custody frameworks can slow institutional adoption and market development.

While regulatory clarity is a necessary condition for industry growth, it does not, by itself, drive adoption. Market demand remains a key determinant of adoption rates, and overly restrictive regulatory approaches may simply push activity to other jurisdictions rather than eliminating it entirely. This dynamic underscores the need for a balanced approach that enables responsible innovation while ensuring financial stability and consumer protection.

Experiences and challenges faced by crypto-asset market participants to meet the relevant regulatory and supervisory requirements.

Despite international efforts to provide regulatory guidance, the global regulatory landscape for crypto-assets remains highly fragmented. Advanced economies such as the EU, UK, Hong Kong, Japan, and parts of APAC have taken steps to implement comprehensive frameworks, whereas many other jurisdictions have lagged behind or opted for outright bans.
Even within jurisdictions that have introduced dedicated regulatory regimes, approaches vary significantly. Some, like the EU and UAE, have developed bespoke frameworks tailored to the digital asset industry, while others, such as Hong Kong, Singapore, and Thailand, have integrated crypto-assets into traditional financial regulatory structures. In jurisdictions where authorities lack the legal mandate to regulate the sector comprehensively, such as Australia, reliance on non-binding guidance has resulted in additional uncertainty for market participants.

These differences create significant challenges for businesses operating across multiple jurisdictions. Key aspects of regulatory divergence include the scope of activities covered, definitions of digital assets, and approaches to decentralized finance (DeFi). For example, while MiCA explicitly excludes DeFi from its regulatory perimeter, some jurisdictions have suggested that decentralized protocols may fall under their existing financial regulations, creating uncertainty for developers and service providers.

Within the EU, the phased implementation of MiCA presents additional compliance challenges. The divergence in how member states implement licensing and supervision requirements has resulted in operational uncertainties, particularly for companies that established operations before the new rules were finalized. Moreover, the interaction between MiCA and other existing regulatory frameworks, such as AML rules, the Travel Rule, the Payment Services framework and financial promotion requirements, introduces additional complexity.

On a global level, inconsistencies in the implementation of standards further complicate compliance efforts. For instance, despite the Financial Action Task Force (FATF) recommending the application of the Travel Rule to CASPs in 2019, as of 2023, a significant number of jurisdictions remain only partially compliant or non-compliant. This regulatory misalignment makes it difficult for businesses to ensure compliance across multiple jurisdictions, increasing operational costs and legal risks.

In addition, the presence of duplicative or conflicting regulations in areas such as consumer protection, operational resilience, and banking access creates further barriers to entry. These inconsistencies highlight the need for greater international coordination to ensure that regulatory frameworks facilitate innovation while maintaining financial stability.

Finally, some challenges stem from insufficient clarity or at times, recognition that in order to achieve policy outcomes comparable to those in traditional finance, policies should consider the technological risk associated with crypto-asset activities more explicitly i.e. identify when new risks require new rules. In particular, it should be recognized more explicitly that the cybersecurity and operational resilience of the custody function in the context of digital assets is fundamentally different from the operational resilience of the

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custody function in traditional finance. Various degrees of absence of this recognition can be traced back to custody and cybersecurity vulnerabilities which materialised on the market in 2023-2025. Therefore, it should be encouraged that a technology-specific framework is applied to the custody function, clearly stating that this function can be provided alongside other regulated services, or as a stand-alone, including delivered by a third-party technology provider. Market evidence shows that whether the function is hosted within a bank, asset manager, or a crypto-asset service provider, or a regulated custodian is not a proxy for effective risk management.

How financial stability vulnerabilities of crypto asset activities, including stablecoins, differ across jurisdictions (e.g. based on the scale and materiality of the adoption of services) and how vulnerabilities are evolving (e.g. in type or magnitude) as jurisdictions implement relevant regulatory and supervisory frameworks.

Approaches to stablecoin regulation vary significantly across jurisdictions, creating potential financial stability risks and market inefficiencies. The EU has taken a relatively strict approach under MiCA, classifying electronic money tokens (EMTs) as e-money and requiring issuers to obtain an e-money license. This classification provides a degree of consumer protection but also raises questions about how EMTs will interact with broader financial stability measures, such as deposit insurance frameworks. These questions remain unresolved, adding an element of uncertainty for issuers and users alike.

By contrast, other jurisdictions, such as the UK, have opted not to regulate stablecoins as e-money, leaving open questions regarding consumer protections and the potential for deposit insurance. In the U.S., policymakers are considering approaches that would impose banking-like regulatory requirements on stablecoin issuers, further diverging from the EU's framework.

These regulatory differences create challenges for cross-border stablecoin issuance and usage, as well as for financial institutions that engage with stablecoin providers. The fragmentation in consumer protection rules and counterparty risk frameworks raises concerns about the interoperability and fungibility of stablecoins across jurisdictions. Moreover, as regulatory frameworks evolve, new risks and vulnerabilities may emerge. For example, the increasing institutionalization of stablecoins—particularly in payment and settlement systems—could introduce systemic risks if not properly integrated into existing financial stability measures. At the same time, overly restrictive or inconsistent approaches may push stablecoin activity into unregulated markets, reducing transparency and increasing financial stability risks rather than mitigating them.

A more coordinated approach to stablecoin regulation, which also revives the discussions around equivalence of the regulatory approaches introduced by key jurisdictions, would help address these risks while ensuring that stablecoins can serve as reliable and widely accepted means of payment. Regulatory clarity, combined with international alignment on core principles such as consumer protection, reserve management, and redemption rights, is essential to fostering a stable and sustainable market for digital assets.

Finally, there is a specific concern that BC4EU wishes to highlight to the FSB coming from the discussions in Europe around the multi-issuance model of global stablecoins issuers. While this business model is clearly allowed by MiCA, as confirmed in several occasions by the European Commission, there is currently a debate being pushed by the ECB which aims at questioning the legality of this business model and how two separate entities could be issuing a fungible token. However, this is clearly a political push that does not find any ground in the relevant legislative acts nor in the FSB recommendations on global stablecoins arrangements. Global stablecoins operators cannot be required by each and every jurisdiction they operate in to hold a full reserve of assets corresponding to the total value of the stablecoin issued globally, as that would make the business completely unviable. While this is clearly understood by regulators and policymakers such as the European Commission, the push by the ECB signals a political attempt at precluding access to the European market to global operators of stablecoins.