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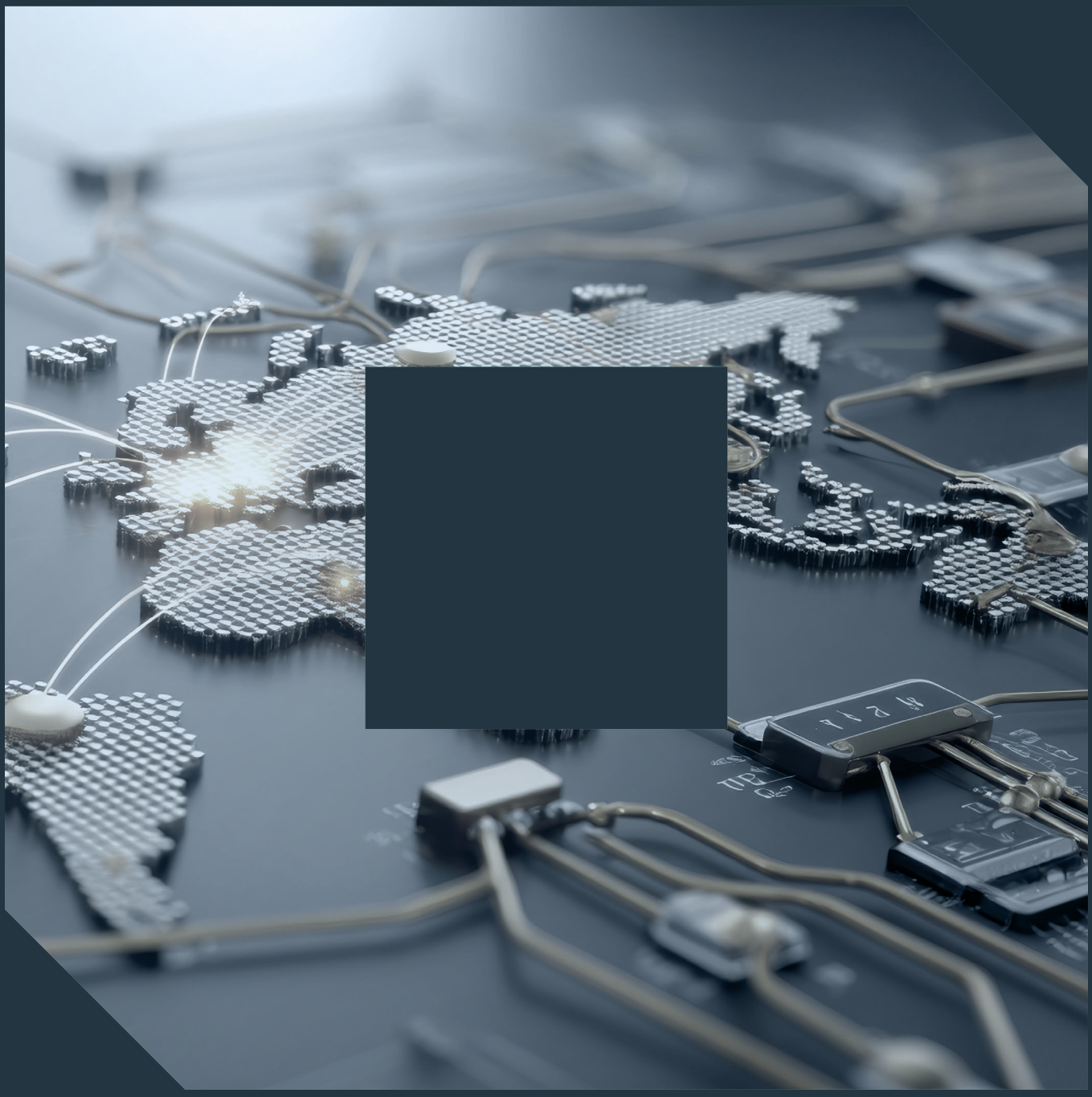
Reforming MiCA for Euro Stablecoins

A Status Report



Reforming MiCA for Euro Stablecoins

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1 Introduction

The Laffer curve illustrates the idea that tax revenue depends on the tax rate in a non-linear manner. At a 0% tax rate, government revenue is zero; at a 100% tax rate, revenue would also be zero, because no one would work or report income. Between these two extremes, there exists a tax rate that maximises revenue. Something similar arises in regulation. In the absence of regulation, nothing is achieved in addressing market failures or protecting consumers. Conversely, if regulation is excessively demanding – it may have little effects because the targeted economic activity will no longer happen at all, or migrate to a different, less regulated alternative environment. This puts a tight constraint on how demanding regulation can be. This is especially the case when regulating footloose institutions, innovators and entrepreneurs who can locate their projects in other jurisdictions. If compliant projects do not ultimately locate domestically, then regulation fails to achieve its objectives. Again, between extreme poles lies an optimal degree of intensity – in terms of regulatory burden, rather than taxes. The aim is for local industries to be regulated but strong. These considerations are particularly important when regulation targets products operating in a global and highly competitive market – an obvious characteristic of services available on public blockchains, including stablecoins.

The Markets in Crypto Asset Regulation (MiCAR) was a ground-breaking and comprehensive piece of legislation and yet, the thesis of this paper is that it has put Europe on the downward sloping part of the regulatory Laffer curve. Euro-denominated stablecoins account for less than 1% of global stablecoin volume. This is far below the level that the euro's broader role in global markets would imply, and broad scepticism prevails amongst European policymakers and commentators on the trajectory of euro-denominated stablecoins.

Assuming that one of MiCAR's aims is a thriving regulated European stablecoin industry, we seek to identify adjustments that could maximise MiCAR's positive impact for the industry, for the Savings and Investment Union, and, ultimately, for European citizens and businesses. To this end, we propose the following reforms:

- → **Permit remuneration of euro-denominated EMTs:** While regulation should remain strict to ensure liquidity and capital adequacy of stablecoins, there is no convincing economic justification for prohibiting the remuneration of stablecoins.

- → **Remove or reduce the minimum bank deposit requirement:** Replace the rigid 30% and 60% thresholds with a principe-based approach to reserve composition, allowing issuers to allocate across high-quality liquid assets without forcing concentrated exposure to bank deposits.

- **Broaden and diversify the eligible reserve asset universe:** Align MiCA more closely with the Liquidity Coverage Ratio framework by permitting a wider set of euro-denominated HQLA, including limited Level 2A assets, to reduce concentration risk and improve market functioning.

- **Introduce a more proportionate and risk-based transparency regime for EMTs:** Extend elements of the ART disclosure framework to significant EMTs, such as more frequent and standardised public reporting, while maintaining lighter requirements for non-significant issuers to avoid raising barriers to entry.

- **Embed diversification, stress testing, and liquidity management more explicitly in the framework:** Require issuers to demonstrate resilience under severe redemption scenarios, introduce simple concentration limits, and formalise liquidity tranching and buffer mechanisms without over-prescribing asset allocation.

- **Enable calibrated access to central bank infrastructure:** Allow EMT issuers limited access to central bank settlement accounts for liquidity and risk management purposes, potentially combined with capped and tiered remuneration, while preserving monetary policy control.

- **Provide urgent clarity and a workable framework for cross-border stablecoin usage:** Issue Commission-level guidance and develop a coherent approach to cross border stablecoin usage, balancing territorial supervision with global market realities and supporting the international role of the euro.

2 The Case for Interest-Bearing Euro Stablecoins

Under the MiCA Regulation, issuers of euro-denominated electronic money tokens (EMTs) are prohibited from granting interest to token holders. Recital 68 provides that electronic money tokens should not be used as a store of value and should therefore not bear interest, while Article 50 operationalises this objective by prohibiting the granting of interest or any other benefit related to the length of time a holder retains the token.[1] The Union co-legislators sought to prevent stablecoins from functioning as deposit substitutes outside the prudential perimeter of credit institutions and to avoid destabilising effects on bank funding and monetary transmission. Conversely in the United States, the Genius Act also prohibits issuers of payment stablecoins from paying interest on yield, but it remains a contested question as to whether it permits indirect reward mechanisms with payments made by other parties.[2]

Taken together, non-remuneration must be assessed in light of prevailing macroeconomic conditions. Since MiCAR's introduction, the euro area has experienced a monetary tightening cycle. Between mid 2022 and late 2023 the European Central Bank increased the deposit facility rate from negative territory to levels above four percent.[3] ECB Economic Bulletin data suggests that retail deposit pass through, measured as the beta of deposit rates relative to policy rates, rose materially compared to the pre-tightening period.[4] This indicates that households and firms are responsive to interest rate differentials in their asset allocation. In such an environment, a non-remunerated stablecoin is placed at a particular disadvantage relative to both bank deposits and foreign currency stablecoins that embed or distribute yield through alternative mechanisms. Fluctuations in the broader rates environment will lead to "cyclical" variation in relative rates, with unintended consequences for financial stability and the business models of private money-issuing entities, along with inefficient portfolio rebalancing.[5]

1 Regulation on Markets in Crypto-Assets (MiCA), https://eur-lex.europa.eu/eli/reg/2023/1114/oj/eng

2 At time of writing this still largely depends on structuring and how GENIUS rule making and ongoing deliberations around the Clarity Act and any such compromises on yield going forward.

3 Key ECB Interest Rates, https://data.ecb.europa.eu/main-figures/ecb-interest-rates-and-exchange-rates/key-ecb-interest-rates

4 European Central Bank Financial Stability Review, 2025, https://www.ecb.europa.eu/press/financial-stability-publications/fsr/html/ecb.fsr202511~263b5810d4.en.html

5 Ulrich Bindseil, *Regulatory Responses to the Financial Stability Implications of Stablecoins*, SAFE Working Paper No. 470 (February 2026), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5710762

From the standpoint of monetary transmission, prohibiting interest on euro stablecoins creates a wedge between the policy rate and the effective return on a likely increasingly relevant form of digital liquidity. In standard interest rate channel models, central bank policy rates influence savings and portfolio allocation through adjustments in short-term risk-free returns, which then ripple through term rates and other asset prices.[6]

As explicitly modeled in New Monetarist frameworks, agents choose between different media of exchange based not only on explicit returns, but also on liquidity services.[7] If stablecoins become widely held due to such services, and their explicit remuneration rates are legally fixed at zero, the responsiveness of aggregate liquidity demand to policy signals is distorted. The behaviour of remunerated stablecoin spreads are not yet fully understood. However, it is plausible that they would pass through monetary policy relatively directly if the market is competitive and backing assets are safe and relatively short maturity, and whose yields thus track policy rates closely. This could apply in the case where stablecoins are backed by high quality sovereign debt, or deposits at well-regulated banks.

Empirical evidence from the stablecoin market further supports the argument that the prohibition on remuneration does not eliminate the demand for yield. Instead, it displaces it into less transparent channels.[8] Multiple crypto asset platforms have offered forms of rewards or staking mechanisms linked to stablecoin balances that economically replicate interest, often funded through rehypothecation or unsecured lending arrangements. These structures fall outside the direct perimeter of MiCAR's prudential safeguards and may involve leverage or credit risk not immediately visible to retail users. In contrast, a framework that permits remuneration would bring the economic reality of yield distribution within the regulated perimeter.

Yield prohibition may also distort issuer incentives and the margins on which they can compete. Where remuneration is prohibited, competition cannot occur through the yield offered to token holders, as reserve income necessarily accrues entirely to the issuer.

6 *See, for example, European Central Bank, "Interest rate control and the transmission of monetary policy,"* ECB Working Paper Series No. 3048 (2019), https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp3048~8b0580a80d.en.pdf

7 See Stephen Williamson and Randall Wright, "New Monetarist Economics: Methods" (March 18, 2010), especially the sections developing a Lagos and Wright style benchmark with multiple circulating assets and liquidity premia, including the discussion that equity can carry a liquidity premium when it circulates in decentralized trade and that equilibrium allocations can feature assets that are dominated in rate of return due to trading and information frictions, https://www.eief.it/files/2010/04/randall-wright-1.pdf

8 U. Bindseil, *Stablecoin Regulation Revisited: Is Prohibiting Remuneration the Solution?*, SUERF Policy Notes and Briefs, 2025, https://www.suerf.org/publications/suerf-policy-notes-and-briefs/stablecoin-regulation-revisited-is-prohibiting-remuneration-the-solution/

Instead, issuers may compete through alternative channels. Some of these may be ostensibly desirable, including signaling superior soundness by concentrating reserves in a narrow subset of permitted highly rated instruments or developing superior interfaces and auxiliary products.[9] However, in the absence of a clear reason why there is a market failure or egregious financial stability risks from allowing yield, any constraint on firms' flexibility is likely to distort. For example, there might be systemic risks from excessive reliance on a limited pool of backing assets, such as deposits at European banks, even if in isolation an individual issuer backing itself with these assets is safer in a microprudential sense.

Anticompetitive behaviour or market power might also be harder to detect and regulate when they manifest in less transparent "non-yield" dimensions of a stablecoin's activities. Money market funds are a competitive industry in part because of the transparency of what they offer their investors, relative to the underlying returns on the assets they hold. Business models that trade off yield against other aspects of a stablecoin could be attractive to a particular cohort of users and preventing this may constrain the choice set of such users.

Financial instability arising from a "search for yield" has also been raised as a reason not to permit remunerated stablecoins. Many regulators still recall debacles like Icesave where apparently desirable deposit rates were underpinned (for a time) by excessive risk taking on the asset side of bank balance sheets. However, e-money issuers (EMIs), issuing electronic money tokens (EMTs) are required to maintain full backing of outstanding tokens with segregated reserve assets and are prohibited from engaging in credit intermediation. This should constrain the ability of EMIs to engage in dangerous search for yield by investing in risky backing assets, to underpin excessive remuneration rates to chase market share – assuming that the banks holding the backing deposits remain well regulated, and that regulators maintain demanding requirements on the other HQLA with which the EMT is backed. Relying excessively on bank deposits for backing brings an element of fractional backing to EMI-issued EMTs which in times of financial stress could lead to fragility, even with banking regulation and liquidity support for banks.

Perhaps the most common argument heard against remunerated stablecoins is that they may lead to undesirable effects on banks by making deposit funding more expensive through additional competition, and perhaps then leading to less credit creation.

9 In its *Proposed regulatory regime for sterling-denominated systemic stablecoins*, the Bank of England wrote: "We encourage focusing stablecoin business models on the generation of revenue by payments-related activities and building new use cases that drive efficiency, reduce cost, and enhance functionality."

Empirical research on money market funds and narrow banking proposals shows that shifts from retail deposits to alternative liquid instruments are typically gradual and interest rate sensitive rather than abrupt and destabilising.[10]

In the euro area, household overnight deposits are roughly 5.4 trillion euros.[11] Even a substantial expansion of euro stablecoin adoption would represent a limited share of aggregate liquidity in the medium term. Moreover, funds allocated to stablecoins do not absorb deposits as long as stablecoins do not hold considerable amounts of funds with the central bank or rely on off-shore backing assets. Either the funds flow back to banks in the form of stablecoin deposits, or they re-appear in that form when the stablecoin issuer purchases securities, paying with commercial bank money.

It is useful to relate this debate to similar discussions around the remuneration of CBDCs. A key insight from research on CBDCs was that in contexts where the traditional banking system exhibits flaws arising from market power or financial fragility, competition with a remunerated CBDC, even if it disadvantages banks, can improve welfare and even conceivably increase bank lending.[12] Relatedly, other research suggests that some of the more extreme predictions of the effects on banks are unlikely to apply uniformly due to banks' access to alternative funding sources beyond simply deposits.[13] To the extent that narrow-backed stablecoins act as synthetic CBDCs, it may be plausible to expect some of these results to carry over into the stablecoin context.

Others studies have shown that welfare-theoretic comparisons between stablecoins (or narrow banking) and traditional banking often remain ambiguous, i.e. policy conclusions depend on context.[14] Of course, there remains some uncertainty over the impact of remunerated stablecoins on the banking and broader financial systems, but it is vital to move away from knee-jerk claims about stablecoins' impacts on banks.

10 See: James Tobin, "On the Efficiency of the Financial System," Lloyds Bank Review, no. 153 (1984), https://economicsociology.org/wp-content/uploads/2014/12/tobin-on-the-efficiency-of-the-financial-system.pdf

11 Overnight deposits from euro area households reported by MFIs excluding Eurosystem, Stocks, Euro area, Monthly, https://data.ecb.europa.eu/data/datasets/BSI/BSI.M.U2.N.A.L21.A.1.U2.2250.Z01.E

12 See for example: Jonathan Chiu, Seyed Mohammadreza Davoodalhosseini, Janet Jiang, and Yu Zhu, *Bank Market Power and Central Bank Digital Currency: Theory and Quantitative Assessment*, Journal of Political Economy 131, no. 5 (2023): 1213–1248 https://www.journals.uchicago.edu/doi/abs/10.1086/722517; Rhys Bidder, Timothy Jackson, and Matthias Rottner, CBDC and Banks: Disintermediating Fast and Slow (2024) https://matthias-rottner.github.io/Files/BJR_CBDC_Disintermediation.pdf; and Pascal Paul, Mauricio Ulate, and Jing Cynthia Wu, *A Macroeconomic Model of Central Bank Digital Currency*, NBER Working Paper No. 33968 (June 2025) https://www.nber.org/papers/w33968

13 See: Toni M. Whited, Yufeng Wu, and Kairong Xiao, *Will Central Bank Digital Currency Disintermediate Banks?*, IHS Working Paper Series No. 47 (2023), https://ideas.repec.org/p/ihs/ihswps/47.html

14 Yujin Huang and Todd Keister, *Stablecoins vs. Tokenized Deposits: The Narrow Banking Debate Revisited*, Federal Reserve Bank of New York Staff Reports No. 1179 (February 2026), https://www.newyorkfed.org/research/staff_reports/sr1179

Furthermore, while there are long-held beliefs that there are synergies between banks' deposit franchises and their lending (particularly contingent lending[15]), these synergies may provide a competitive advantage[16] over stablecoins rather than positive externalities – as do the broader business models that banks operate, providing higher returns through fees, leverage and (judicious) risk taking that narrow-backed regulated stablecoins cannot replicate. If stablecoins are constrained to pass through, effectively, risk-free rates, they will not present an existential threat to banks and the incentive for stablecoins to compete on other margins (quality of payment experience to capture a "liquidity premium") remains powerful.

Indeed, remunerated stablecoins would not be expected to offer yields as high as those of short-term, high-quality debt instruments that back them. Rather, their remuneration would likely be lower due to their superiority as moneys – a convenience yield (which mirrors their need to hold only assets of highest liquidity and credit quality). A comparable pattern can be observed with instant-access deposit accounts at online banks, which, although not subject to regulatory caps on interest rates, typically offer returns below those available on short-term market instruments.

Even if a "Pigouvian tax" on stablecoin issuance would be justified to protect the assumed positive externalities of banking, such a tax should not depend on the prevailing level of short term interest rates as it does now. This will lead to unintended cyclical inflows (outflows) into (from) stablecoins, and opposite flows affecting its competitors who are not interest rate constrained, which could cause financial instability. One could even envisage tokenised MMFs increasingly being used as money, without regulation designed specifically for that role.

More fundamentally, the competitive relationship between banks and remunerated stablecoins should be understood in equilibrium terms rather than as a direct displacement risk. Banks intermediate deposits into relatively illiquid and risk-bearing assets, supported by maturity transformation, leverage, informational advantages in credit allocation, and diversified revenue streams including fees and cross-selling. These features enable them, on average, to generate higher returns and therefore to offer higher remuneration on deposits. By contrast, EMT issuers under MiCAR operate under a narrow-banking model, with fully backed reserves constrained to low-risk, HQLAs and without engaging in credit intermediation.

15 Anil K. Kashyap, Raghuram G. Rajan, and Jeremy C. Stein, *Banks as Liquidity Providers: An Explanation for the Coexistence of Lending and Deposit-Taking*, Journal of Finance 57, no. 1 (2002): 33–73, https://onlinelibrary.wiley.com/doi/abs/10.1111/1540-6261.00415

16 Ulrich Bindseil, *Regulatory Responses to the Financial Stability Implications of Stablecoins*, SAFE Working Paper No. 470 (February 2026), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5710762

From a broader competitiveness standpoint, the global stablecoin supply remains dominated by US dollar denominated instruments, with total market capitalisation exceeding 300 billion US dollars.[17] Many of the most prominent stablecoins derive substantial revenue from short term US Treasury yields held as backing assets. While GENIUS prevents explicit remuneration, there are partnerships and investment opportunities that help users obtain a return on their stablecoin holdings. USDC's arrangement with Coinbase and PayPal's rewards would be examples of the former, and which seem set to continue under the CLARITY act. USD denominated stablecoins also benefit significantly from deep liquidity in DeFi lending pools and other yield generating protocols, reflecting in part a first mover advantage over stablecoins denominated in other currencies. The ability to earn a yield by depositing in vaults/pools adds to the attractiveness of stablecoins, and their implicit premium that makes them attractive even in the absence of explicit remuneration. While euro-denominated do not (yet) have such liquidity, it would be especially important to allow them to compete on a dimension where US stablecoins are constrained (on yield) promoting monetary sovereignty. In a sense, the US framework has left the door open for competition on this margin.

In highly mobile on-chain environments, users can shift between settlement assets at negligible cost (both across currencies and between remunerated and unremunerated alternatives). Yield differentials therefore matter both for the currency and instrument allocation of digital transactional balances.

As long as euro-denominated stablecoins are structurally prevented from offering comparable economic returns to USD-denominated coins, digital liquidity allocation will tend to favour dollar instruments or at least delay the emergence of convenience yield and the formation of network effects from euro stablecoin adoption at scale.

17 https://defillama.com/stablecoins

This delay could be especially damaging as growing demand for tokenisation in the short run, and a suitable cash leg to enable it, could soon set market location precedents that will be hard to overturn in the future.

For such a large currency and economic zone, with distinct monetary policy requirements (in the optimal currency area sense) dollarisation is not a realistic concern. But without promoting euro-denominated stablecoins, the euro will continue to underperform relative to the role it could play in international finance. The world increasingly seeks programmable, on-chain money – not least to support tokenisation and the emerging agentic and micro-payment paradigm.[18] In parallel, the emergence of AI-driven or agentic payment systems introduces a structurally new demand dynamic. Autonomous agents executing transactions programmatically will optimise toward available yield and capital efficiency, with the result that a non-remunerated euro-denominated stablecoin may not register as a viable settlement asset within such systems, directly constraining its role in Europe's emerging AI-driven economy. While the digital euro appears not to be pursuing programmability[19] there can be complementary interactions between stablecoins, tokenised deposits, central bank reserves and CBDCs.[20] Strengthening stablecoins in Europe can strengthen the euro and help project it across borders.

A potential reform could involve amending Article 50 of MiCAR to permit remuneration strictly limited to income generated by reserve assets, subject to transparent disclosure and supervisory approval. Recital 68 could be clarified to reflect that remuneration which constitutes a pass-through of net reserve income does not transform an electronic money token into a deposit or transferable security, provided that no additional risk taking, leverage, or profit sharing beyond such income is involved.

18 See the emerging technical stack for machine mediated payments and agent discovery. The x402 initiative revives HTTP status code 402 as a standardised request and settlement pattern for programmatic stablecoin payments over HTTP, explicitly framed as enabling "agentic payments at scale" and monetisation of APIs and digital resources through automatic on-chain settlement (x402 Foundation overview and specification materials, including Coinbase developer documentation and x402.org, https://www.x402.org). Additionally, The ERC-8004 proposal, published as an Ethereum standard, defines a trust layer for "trustless agents" through on-chain registries for identity, reputation and validation, with the stated aim of enabling discovery, selection and interaction with agents across organisational boundaries without pre-existing trust (https://eips.ethereum.org/EIPS/eip-8004). Developments such as the x402 protocol, which enables programmatic on-chain payment requests at the application layer of the internet, and ERC-8004, which proposes standardised trust and identity registries for autonomous agents, illustrate the technical foundations of an emerging agentic economy in which software agents can discover, negotiate and settle transactions independently. In such an environment, continuously available, machine-readable settlement instruments such as stablecoins are well suited to support automated and micro-transactional commerce across digital infrastructures.

19 https://www.ecb.europa.eu/euro/digital_euro/how-it-works/html/index.en.html

20 For example, the ECB's Pontes-Appia schemes https://www.ecb.europa.eu/press/intro/events/html/fs_20251107.en.html, Bank for International Settlements' Project Aurum https://www.bis.org/about/bisih/topics/cbdc/rcbdc.htm, and the Bank of England's aim of a 'multi-moneyverse,' https://www.bankofengland.co.uk/speech/2025/september/sarah-breeden-keynote-speech-at-the-boe-and-warwick-business-school

In operational terms, remuneration should be determined according to a formulaic pass-through mechanism, under which distributions to token holders are funded exclusively from realised net yield on a prescribed pool of high quality, short-duration reserve assets, after deduction of operational costs, liquidity requirements, prudential buffers and profit margin retained by the issuer.

Such a framework would anchor remuneration within a prudentially constrained and transparent structure. At the same time, however, it is important to acknowledge that concerns remain within parts of the European banking sector regarding the potential impact of remunerated stablecoins on deposit funding.

In particular, the risk of deposit outflows, and the associated implications for bank funding costs and credit provision, is viewed by some as a non-negligible. While the analysis set out here suggests that such effects are likely to be gradual, limited in scale, and mitigated by the structural features of both stablecoins and bank balance sheets, these concerns should be taken seriously in the calibration of any reform.

3 Broadening the Reserve Asset Framework under MiCAR

MiCAR establishes a prudential architecture for electronic money tokens that is explicitly centered on full backing, liquidity, and redeemability at par. Article 36 requires issuers to establish and maintain a reserve of assets that is prudently managed, while segregation and safeguarding obligations for EMTs are derived from the framework applicable to EMIs under the E-Money Directive (EMD). Article 54 provides that, at least thirty percent of the funds received must be placed in deposits with credit institutions, with the remainder invested in secure, low risk assets qualifying as highly liquid financial instruments. For significant stablecoins (according to Article 43(1)), this minimum share of deposits reaches sixty percent. Recital 70 further requires that reserve assets be denominated in the same currency as the token to eliminate foreign exchange risk. If all euro denominated EMT issuers allocate reserves predominantly to a narrow subset of euro area sovereign bonds and to a limited number of commercial bank deposits, the aggregate effect may be the emergence of a highly correlated reserve structure across the sector.

Empirical developments in global stablecoin markets illustrate this dynamic. Public disclosures and supervisory assessments indicate that large dollar denominated stablecoins collectively hold tens of billions in short term sovereign debt and related instruments. According to the United States Department of the Treasury, stablecoin issuer Tether currently holds more short-dated Treasury bills than Germany.[21] While such assets are high quality and liquid, concentration at scale implies that a coordinated redemption event could exert measurable pressure on a single segment of the sovereign debt market. The European Systemic Risk Board has highlighted in its 2025 crypto asset monitoring work that homogeneous reserve allocation combined with high market concentration may amplify systemic spillovers if a dominant issuer experiences stress.[22]

21 US Department of the Treasury, Top 5 Foreign Holders of Treasury Securities, https://ticdata.treasury.gov/resource-center/data-chart-center/tic/Documents/slt_table5.html. See also, Tether International S.A., Assurance Report, 2025. https://assets.ctfassets.net/vyse88cgwfbl/20d2BoOAd28ZfkiQPYPjGN/4ed12f5939e1e06ee5acec-cad4effbe4/ISAE_3000R_-_Opinion_Tether_International_Financial_Figure_31-12-2025.pdf

22 European Systemic Risk Board, Cryptoassets and Decentralised Finance, 2025. https://www.esrb.europa.eu/pub/pdf/reports/esrb.report202510_cryptoassets.en.pdf?347510c016928b8c2f74825965cd20a9

3.1 Removing the minimum share of deposits with banks

Only MiCAR appears to impose a binding minimum share of reserves to be allocated to bank deposits, a feature not observed in other major stablecoin regulatory frameworks. In particular, the requirement for significant EMTs to hold up to sixty percent of reserves in deposits is unusually high and raises important questions from both a prudential and macro-financial perspective. While such deposits are often assumed to "remain within the banking system", this characterisation overlooks their regulatory treatment that stablecoin-related deposits are likely to be classified as high outflow under bank liquidity rules, requiring them to be backed by substantial holdings of HQLAs.

As a result, these deposits do not meaningfully support credit intermediation or lending to the real economy but instead tend to be recycled into low-risk, liquid buffers on bank balance sheets. This weakens the argument that deposit requirements reinforce the productive role of banks, while simultaneously creating concentrated liquidity linkages between stablecoin issuers and the banking sector. Against this backdrop, a number of arguments can be developed against both the level of the deposit requirement and the use of minimum thresholds more generally:

- It does not protect the individual bank from outflows, as stablecoin deposits are concentrated wholesale deposits, not granular, cheap, stable well-distributed household deposits;
- It may not necessarily support funding stability for banks, as stablecoins can be expected to manage their depositing rather aggressively in terms of "shopping" for the best conditions amongst banks and transferring the deposits in case of the slightest doubt of the credit quality of a bank (including just a rumor), or in case of better remuneration offers from other banks;
- In case of large outflows from stablecoins, also deposits with banks will be withdrawn first by the stablecoin issuers;[23]
- There are various other destinations of deposit outflows from the perspective of retail banks, and constraining one amongst many destinations should not really make a difference;

23 In the event of large-scale redemption outflows, electronic money token issuers are likely to liquidate the most immediately accessible components of their reserve, notably deposits held with credit institutions, before disposing of other reserve assets. This creates a direct transmission channel between stablecoin redemption dynamics and bank funding conditions, as deposit withdrawals by issuers may amplify liquidity pressures within the banking system during periods of stress. In this context, the higher deposit share requirement applicable to significant EMTs under MiCAR, which may reach 60%, can further concentrate this channel, increasing the likelihood that liquidity shocks are transmitted to bank balance sheets and effectively shifting financial stability risks into tail scenarios rather than mitigating them.

- When stablecoins purchase securities as reserve assets, they also create deposits again. As long as stablecoins do not hold large reserves with central banks, no aggregate liquidity is taken away from banks. The minimum required deposit share of stablecoin reserves under MiCAR appears to be not only a symptom of the influence of banks on MiCAR, but also of a collective failure to understand flow of funds dynamic which led to the wrong conclusion that stablecoins absorb deposits if they invest their reserves into securities, while they do not if they hold deposits with banks.
- In case of a run on a stablecoin, MiCAR does not grant flexibility to rely first on the liquidation of deposits (and thereby to breach the minimum share of deposits), as deposits might be more liquid in some circumstances than securities. In other words, the minimum requirement simply sets an additional constraint on stablecoin issuers subject to outflows and prevents the issuer to apply flexibility in its decision which assets to liquidate first in a certain situation.

The requirement in Article 54 that at least thirty percent of the reserve be held in deposits at credit institutions introduces a more prescriptive calibration than the framework under the EMD, which does not impose a minimum share of deposits but instead relies on a technology-neutral safeguarding regime based on segregation of funds or investment in secure, low risk assets. In that sense, MiCAR retains the underlying objective of protecting token holders while shifting towards a more standardised and bank-intermediated reserve structure.

For example the European Systemic Risk Board warns that requiring stablecoin issuers to place a large share of reserves as bank deposits can create an expanding stock of uninsured deposits (above deposit guarantee limits), which becomes a financial stability vulnerability as the market grows.[24] Others have shown that deposits from stablecoin issuers are volatile funding for banks and can weaken liquidity metrics (e.g., Liquidity Coverage Ratio), implying that forcing reserves into deposits can increase bank liquidity risk and interconnectedness.[25] The International Monetary Fund has also highlighted that stablecoin run dynamics can generate spillovers via fire sales and liquidity shocks involving reserve assets, explicitly including bank cash deposits, supporting the view that deposit-heavy reserves can transmit stress to the banking system.[26]

24 https://www.esrb.europa.eu/pub/pdf/reports/esrb.report202510_cryptoassets.en.pdf

25 Charles-Enguerrand Coste, *Toss a Stablecoin to Your Banker: Stablecoins' Impact on Banks' Balance Sheets and Prudential Ratios*, European Central Bank Occasional Paper Series No. 353 (2024), https://ideas.repec.org/p/ecb/ecbops/2024353.html

26 https://www.imf.org/-/media/files/publications/gfsr/2025/october/english/text.pdf

It would appear preferable to remove the minimum requirement for stablecoin reserves to be invested into bank deposits, granting additional flexibility to stablecoins and removing a regulatory intervention which lacks an objective justification and that is not found in stablecoin regulations in other major jurisdictions.

Alternatively, MiCAR could allow temporary and well-governed breaches of the minimum deposit share during severe redemption events, subject to remediation timelines and supervisory notification. This would enhance liquidity management without weakening the structural safeguards of the framework. This logic is already embedded in the prudential treatment of banks under the LCR, where institutions are expected to draw down liquidity buffers in periods of stress and subsequently restore them in an orderly manner under supervisory oversight. Extending a similar principle to EMT reserve management would align MiCAR with established financial stability practice, ensuring that resilience is achieved not through static constraints but through controlled flexibility combined with credible recovery mechanisms.

3.2 Transparency of the reserve

MiCAR does not impose a monthly public reserve-composition report for EMTs, although it does subject asset-referenced tokens to regular and standardised public disclosure of reserve composition and value. While ART issuers are required under Article 22 of MiCAR to make such information publicly available on a recurring basis, with the frequency and format further specified through regulatory technical standards developed by the European Banking Authority, it does not, strictly speaking, prescribe a single fixed monthly reporting obligation in Level I.

By contrast, EMTs are not subject to an equivalent ongoing public disclosure regime. Instead, enhanced reserve governance and transparency for EMTs enters through the "significant EMT" framework. Electronic money institutions issuing significant EMTs are subject to the reserve framework in Articles 36, 37 and 38, instead of Article 7 of the Second E-Money Directive pursuant to Article 58(1)(a), and MiCAR accelerates reserve auditing to every six months under Article 58(1). Because Article 58 cross-applies Article 36's audit-publication rule, significant EMT issuers must also publish the result of the audit within two weeks of notification to the competent authority under Article 36(10).

Under MiCA, ARTs are subject to materially stronger ongoing transparency and reporting obligations than EMTs, although these are structured differently from a simple regime of recurring public disclosure. Article 22 establishes a quarterly reporting obligation to the competent authority for issuers of ARTs whose tokens exceed EUR 100 million in issue value. This reporting covers, inter alia, the number of holders, the value of the token issued, the size of the reserve of assets, and transaction-related metrics. It is supervisory in nature and is not framed as a public disclosure obligation. Public transparency of the reserve is instead primarily achieved through Article 36, which requires that the reserve of assets be subject to an independent audit at least every six months, and that the result of that audit be notified to the competent authority and made public. In addition, Article 36 imposes detailed requirements on reserve governance, including custody, segregation, valuation and investment rules, which together ensure that the reserve remains fully backed and prudently managed.

Taken together, these provisions establish a regime combining periodic supervisory reporting and audit-based public disclosure, rather than continuous public reporting of reserve composition. This framework nonetheless provides a structured and recurring transparency mechanism for ART reserve management that goes beyond the baseline disclosure obligations applicable to non-significant EMTs. Under MiCAR, the transparency regime for significant EMTs is stricter than for ordinary EMTs but remains more limited and institution-based than the regime applicable to ARTs. Article 58 provides that issuers of significant EMTs are subject to enhanced requirements, including the application of Articles 36, 37 and 38 instead of Article 7 of the second Electronic Money Directive.

As a result, significant EMT issuers are also subject to the reserve governance framework and the six-monthly independent audit with public disclosure of results.

However, unlike ART issuers, significant EMT issuers are not subject to Article 22 reporting obligations, except in the specific case of EMTs denominated in a currency that is not an official currency of a Member State, for which Article 58(3) extends the Article 22 framework. More generally, EMT transparency under MiCA remains anchored in safeguarding, audit and supervisory oversight, rather than an equivalent regime of periodic public reporting on reserve composition.

As a result, significant EMT issuers must comply with the reserve governance, segregation and custody requirements set out for ARTs, including the obligation that the reserve be subject to an independent audit and that "the result of the audit shall be notified to the competent authority and made public" (art. 36(10), as cross-applied by art. 58). Moreover, for significant EMTs the audit frequency is increased where Article 58 specifies that the audit of the reserve must occur "at least every six months," thereby introducing a recurring public verification requirement beyond the baseline EMT framework.

However, unlike ART issuers, significant EMT issuers are not subject to a general obligation to publish a regular public report on the composition and value of the reserve under Article 22. That reporting requirement applies specifically to ARTs (Article 22(1)–(2)) and obliges issuers to disclose detailed information on the composition, market value, and coverage of the reserve relative to tokens in circulation on a frequent and standardised basis. In contrast, significant EMT transparency is structured primarily around periodic independent audits and supervisory reporting rather than an equivalent ongoing public disclosure of reserve composition. One reason for the differentiated transparency framework applied to ARTs compared to even significant EMTs would seem to have been that ARTs may reference multiple currencies, commodities, or other crypto-assets, including mixed baskets. This diversity of reserve assets introduces valuation complexity, asset allocation risk, and potential opacity. The disclosure requirements under Article 22 are therefore designed to provide market participants with sufficiently granular and frequent information to assess the composition and value of the reserve. EMTs, by contrast, are backed by funds denominated in a single official currency (Article 54(b)), in the form of secure, highly liquid, low-risk instruments in that same currency. The asset structure and valuation are therefore more standardised and, in principle, less exposed to asset-mix opacity.

In sum, any extension of public reserve-composition reporting should follow MiCAR's proportionality framework. Detailed monthly public reporting may be appropriate for significant EMTs, while non-significant EMTs should not be subject to ART-like disclosure burdens.

For non-significant EMTs, standardised high-level public indicators combined with robust supervisory reporting may achieve transparency objectives without unduly increasing barriers to entry for euro-denominated EMT issuers.

3.3 Impose diversification across securities issuers?

In a scenario where euro stablecoins expand materially and issuers converge on a small set of core euro area sovereign issuers or on a limited number of large banking groups for deposit placements, the system could become vulnerable to common shocks. A deterioration in market liquidity for a particular sovereign segment, or stress at a large deposit taking institution heavily used for reserve placement, could simultaneously affect multiple stablecoin arrangements. The design objective of minimising individual credit risk could inadvertently increase collective concentration risk.

Monetary transmission theory and portfolio rebalancing models provide a further perspective to assess this issue. When regulatory requirements channel large volumes of private liquidity into a narrow class of safe assets, yields may become compressed beyond fundamentals. This can alter the transmission of policy rate changes to broader financial conditions.[27] If stablecoin reserves grow to significant levels and are predominantly invested in very short dated sovereign securities, shifts in redemptions could induce volatility in that segment, complicating the conduct of monetary policy.

Moreover, the mandated thirty/sixty percent allocation to bank deposits creates structural interdependence between stablecoin issuers and a limited set of credit institutions, forming a two-way transmission channel between the crypto asset ecosystem and traditional finance. Large scale redemptions could require withdrawal of wholesale deposits, potentially increasing funding volatility for the banks concerned. Conversely, stress at a bank holding a substantial portion of reserves could impair a stablecoin's liquidity position, even if the underlying sovereign assets remain sound.[28]

From an overarching perspective, MiCAR anticipates some of these risks. Recital 71 provides that significant EMTs should be subject to enhanced liquidity and reserve requirements. Article 45 empowers competent authorities to impose additional own funds and governance obligations. The European Banking Authority (EBA) is tasked under Article 36(4) and Article 38(5) with developing regulatory technical standards specifying liquidity management, concentration limits, and the composition of reserve assets. These mechanisms provide a basis for reform without undermining the core objective of par redemption.

27 Massimo Ferrari Minesso and Daniele Siena, *Private Money and Public Debt. U.S. Stablecoins and the Global Safe Asset Channel*, ECB Working Paper Series No. 3174, 2026, https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp3174~d4cc1da5a8.en.pdf

28 The structural interdependence between stablecoin reserve deposits and credit institutions may also be viewed in light of the Basel III output floor framework implemented through CRR3. The output floor was introduced to limit excessive variability in risk-weighted assets arising from internal model approaches and to reduce cross-bank dispersion in capital requirements. Where significant volumes of stablecoin reserves are concentrated in a limited number of institutions, funding volatility or stress affecting those banks could interact with capital recalibration dynamics under the output floor regime, amplifying procyclical pressures. This reinforces the case for diversification of reserve deposits across institutions to mitigate correlated balance sheet effects

To enhance systemic resilience, the reserve asset framework should be broadened in a calibrated and precise manner. As an initial step, the definition of highly liquid financial instruments for the purposes of Article 54 should be aligned more explicitly with the high-quality liquid asset taxonomy set out in the Liquidity Coverage Ratio framework under the Capital Requirements Regulation (CRR) as amended by CRR III, subject to adaptations necessary to preserve full backing and redemption at par under MiCAR.

Rather than restricting eligible instruments de facto to Level 1 assets with zero haircut, the regulatory technical standards should permit a diversified basket of euro-denominated Level 1 assets and a limited proportion of Level 2A assets. This would preserve high credit quality while reducing mechanical concentration in a narrow subset of sovereign issuers.

Eligible non-Level 1 exposures could include high quality covered bonds, supranational debt issued by Union institutions, and short-term securities issued by highly rated public sector entities, provided they meet strict liquidity, credit and market depth criteria. A sub-limit, for example not exceeding twenty percent of total reserves, could be imposed on Level 2 exposures.

Rather than introducing highly granular concentration caps through additional regulatory technical standards, MiCAR could also rely on enhanced, standardised and high-frequency disclosure of reserve composition, including, when going beyond a certain threshold, issuer-level exposures to individual sovereigns, supranationals and credit institutions. Publication of a harmonised concentration metric, such as the share of reserves held with the largest three counterparties, would allow markets and token holders to price diversification risk directly. A small number of simple statutory safeguards, for example a broad maximum exposure to any single counterparty, could complement this transparency without over-constraining asset allocation. Such an approach would preserve flexibility for issuers while allowing competitive and reputational forces to discipline excessive concentration.

Moreover, liquidity stratification within the reserve could be formalised. A defined tranche of reserves should consist of assets that can be converted into central bank money within one business day without material price impact. The regulatory technical standards under Article 36 on liquidity management and stress testing should require issuers to demonstrate, through severe but plausible redemption scenarios, that reserves can absorb peak outflows without breaching liquidity thresholds or triggering disorderly asset sales. These scenarios should include correlated redemptions across issuers to reflect systemic rather than purely idiosyncratic shocks.

Finally, while MiCAR requires that reserve assets match the value of outstanding tokens, market fluctuations and transaction costs may generate temporary valuation mismatches under stress. Requiring that the market value of reserve assets exceed outstanding liabilities by a defined margin absorbs minor mark-to-market losses and transaction costs without impairing redemption at par. Such a buffer would be consistent with the prudential logic applied to money market funds under Union law and would reinforce confidence in the stablecoin model without transforming issuers into credit intermediaries. Stablecoins should therefore demonstrate that their capital buffers are sufficient to sustain these risks also in stressed circumstances.[29]

These reforms would require a targeted amendment of Article 54 to replace the rigid thirty/sixty percent deposit allocation with a principle-based requirement that reserve assets be invested in diversified, high quality liquid assets denominated in the reference currency. Rather than relying on detailed calibration through additional regulatory technical standards, MiCA could introduce a limited number of simple statutory diversification rules, such as a broad cap on exposure to any single counterparty or sovereign issuer, expressed as a percentage of total reserves. Article 36 and Article 38 could be clarified to require public disclosure of reserve composition and periodic stress testing under severe but plausible redemption scenarios, without prescribing granular asset-by-asset thresholds. Recital 70 could acknowledge that diversification and transparency together enhance systemic resilience while preserving flexibility for issuers to allocate within clearly defined prudential boundaries.

A broadened reserve framework should preserve MiCA's prudential core while reducing correlated exposures and macroprudential spillovers. Simple, proportionate concentration caps on exposures to any single credit institution, banking group, sovereign or supranational issuer, expressed as a percentage of total reserves, would mitigate excessive concentration without distorting portfolio construction.

Regulatory technical standards under Article 36 should require issuers to demonstrate, through severe but plausible and system-wide redemption scenarios, that reserves and capital buffers can absorb peak outflows and associated losses without triggering disorderly asset sales.

The framework should explicitly permit the use of secured short term liquidity operations, including repurchase transactions backed by eligible collateral, to support orderly reserve management under stress. Such tools expand the issuer's liquidity buffer without altering the fully reserved nature of the balance sheet.

29 The MMF Regulation illustrates the Union's prudential logic for near-cash instruments, namely that liquidity and valuation buffers are used to preserve orderly redemption dynamics under stress without converting the vehicle into a credit intermediary. A modest over-collateralisation or valuation margin for fully reserved stablecoins is conceptually analogous, as it absorbs small mark-to-market and transaction cost effects while supporting redemption at par.
See: https://eur-lex.europa.eu/eli/reg/2017/1131/oj/eng

4 Access of euro stablecoin issuers to central bank deposits and the LOLR

Access of stablecoin issuers to central bank facilities can take two principal forms: access to deposit facilities and access to central bank credit. Each is considered in turn.

4.1 Access of MiCAR compliant e-money tokens to central bank deposits

Central bank deposits can fall into different categories, have different functions and conditions, and are accessible to different parties. For example, they can:

- Be classified as “monetary” or “non-monetary[30]” deposits;
- Be remunerated or not, and if so at different rates (including tiered, threshold-dependent remuneration);
- Include access to the RTGS system, and possibly an instant payment system, or not;
- Allowing for safeguarding client funds or not;
- Being limited or unlimited.

The Eurosystem has various specific frameworks for different types of depositors including banks, local and central governments, foreign central banks and sovereign wealth funds, Central Counterparties (CCPs), other financial market infrastructures, non-bank payment services provider and others, which specify the respective access rights to depositing and related conditions.

30 https://www.ecb.europa.eu/press/pr/date/2024/html/ecb.pr240417~1f4431a9d4.en.html

In some cases, access is quasi-automatically granted based on legal status (being a bank or the relevant central government), while in others, this is insufficient and additional one-by-one checks are made before the party is accepted (e.g. ancillary systems, non-bank Payment Service Providers).

Having access to central bank accounts can have various advantages, depending on the business of the entity seeking access, and includes for example:

- Direct access to the most senior and secure ledger of the monetary system for payment purposes allows for direct wholesale settlement without being dependent on intermediary layers which will levy additional charges and may impose unfavorable conditions;
- Having access to a genuinely risk free and liquid asset as store of value;
- Prestige, visibility, access to central bank officials, and gain of credibility towards markets and customers from being admitted by the central bank to the most senior ledger, instead of being relegated to indirect access.[31]

What about the access of MiCAR compliant e-money token issuers to Eurosystem accounts? From a legal and regulatory perspective, the treatment of EMT issuers under MiCAR should be understood as a continuation of the existing European electronic money framework rather than a departure from it. Because MiCAR explicitly provides that EMTs qualify as electronic money, issuers remain anchored within the safeguarding regime of the EMD, under which funds must be held with a credit institution or, subject to central bank discretion, in an account with a central bank. In this context, Article 54 of MiCAR does not create a new right of access but specifies the composition of EMT reserves, requiring a portion to be held in deposits with credit institutions while recognising central bank accounts, where available, as eligible payment reserve accounts and central bank liabilities as permissible reserve assets. Recital 82 further confirms that central bank accounts constitute an appropriate safeguarding location where accessible.

Taken together, these provisions establish a coherent legal continuum in which access to central bank accounts for EMT issuers lis not a novel entitlement but an operational extension of an already recognised safeguarding mechanism, the availability of which ultimately depends on the access policies of the European Central Bank and the relevant national central banks.

31 In analogy to the much sought after “Reichsunmittelbarkeit”, i.e. imperial immediacy, in the Holy Roman Empire.

The ECB, in its independence, has however defined several policies that would put some hurdles or limit the reliance of EMT issuers on central bank deposits. In January 2022, the ECB published a "prefunding" policy towards non-bank ancillary systems[32] in view of the prefunding of payment systems and other ancillary systems accessing the Eurosystem RTGS TARGET2.[33] The policy also explicitly addresses stablecoins stating that the purpose of granting access to TARGET2 would not be "for the custody of assets that back the issuance of means of payment or other assets to the public".

Accordingly, access to TARGET2 will not be granted to ancillary systems to back stablecoins (or any other means of payment or assets) issued to the public." In July 2024 the ECB published its "Policy on access by non-bank payment service providers to central bank-operated payment systems and to central bank accounts".[34]

This harmonised Eurosystem-wide policy stipulates that access may be granted to non-bank PSPs subject to compliance with risk-mitigation requirements set out in the TARGET Guideline and the terms of national retail systems operated by national central banks (NCBs). The policy would aim at preserving financial stability, safeguard market integrity, and enhance competition and innovation in retail payments. Non-bank PSPs are explicitly excluded from intraday credit facilities. Settlement accounts are restricted to holding only funds necessary for settlement and prefunding, with quantitative limits based on anticipated retail transaction volumes, including historical data. Remuneration of such accounts is capped at zero percent or the euro short-term rate (€STR) minus 20 basis points, whichever is lower. The ECB clarifies that it does not consider providing safeguarding services a core central bank function and accordingly, Eurosystem central banks would not offer safeguarding accounts to non-bank PSPs. While acknowledging potential benefits for non-bank PSPs, such as risk-free asset holding, diversification, and reduced concentration risk, the ECB emphasizes concerns regarding financial stability, institutional roles, and systemic soundness. The ECB policy also refers specifically to non-bank PSPs issuing e-money tokens. It acknowledges that MiCAR allows the safeguarding of client funds with a central bank where available, any such access remains at the discretion of the ECB and NCBs. The ECB specifies that safeguarding options at central banks will not be extended to crypto-asset service providers (CASPs), thereby maintaining a level playing field within payment markets.

32 https://www.ecb.europa.eu/paym/target/target2/shared/pdf/Policy_prefunding_ancillary_systems.pdf

33 Real-Time Gross Settlement Trans-European Automated Real-time Gross Settlement Express Transfer system (second generation).

34 https://www.ecb.europa.eu/paym/target/target-professional-use-documents-links/tips/shared/pdf/Eurosys_pol_on_access_to_central_bank_operated_payment_systems_by_NBPSPs.pdf

4.2 Access of MiCAR compliant e-money tokens to central bank credit

As mentioned above, the Bank for International Settlements (BIS) argues that not only access to central bank deposits but also access to central bank credit would be a precondition for making stablecoins sound money and to preserve the singleness of money in a world in which stablecoins would co-exist with central bank and commercial bank money. In the case of the Eurosystem, four forms of access of financial firms to central bank credit can be distinguished:

1. Access to intrada-day-credit, which spills over into overnight credit if not repaid before the closing time of the RTGS system
2. Access to Eurosystem monetary policy credit operations (including such open market operations and the marginal lending facility)
3. Access to special lending facilities in stress situations for certain types of institutions, such as CCPs, within a predefined framework to allow for quasi automaticity.[35]
4. Access to emergency liquidity assistance (ELA), whereby no commitment of the Eurosystem is given that such will be granted and the decision is context dependent, including what social benefits can be expected from a central bank intervention.[36] ELA is defined as "the provision by a national central bank of central bank money ... to a solvent financial institution ... with temporary liquidity problems."

The first two types of central bank credit are typically reserved for banks and it seems unlikely that such access could be granted to EMT issuers (with the exception that a bank is the issuer of an EMT, which would seem to be possible). Also, the third and fourth types would currently not be available. If EUR MiCAR compliant EMTs would however one day reach a significant scale, such that a run on the token and implied massive fire sales of reserve assets could trigger significant contagion and negative externalities, it should be reconsidered if significant EMT issuers, as money issuers, could not also qualify for some variant of type 3 or 4 central bank emergency credit. Indeed, the central bank lender of last resort (LOLR) does not aim specifically at protecting financial institutions which might have contributed themselves to the run that ultimately challenges their existence but should help avoiding fire sales that are associated with negative externalities and contagion and thereby harm the rest of society.

35 https://www.ecb.europa.eu/paym/target/ccp-credit-facility-within-target/html/index.de.html

36 https://www.ecb.europa.eu/pub/pdf/other/ecb.agreementemergencyliquidityassistance202410~b8b78cd4f5.en.pdf

Thanks to the unique properties of the modern central bank to (a) never be liquidity constrained and (b) to be considered risk free from the perspective of borrowers having to provide collateral, the central bank can make a significant difference in available liquidity in crisis situations without taking material risks for the tax-payer.[37] For a facility of type 3 a public framework would need to be prepared setting clear ex ante conditions for recourse and operational rules (including collateral eligibility and haircuts). For type 4, the preparation would be Eurosystem internal, and the exact conditions would not necessarily be published.

37 See: Ulrich Bindseil and Alessio Fotia, Introduction to Central Banking, Springer Briefs in Quantitative Finance (Springer, 2021), https://d-nb.info/1239115229/34

5 The global role of euro stablecoins and multi-issuance

Stablecoins are increasingly understood also as infrastructure for cross-border payments, where their efficiency gains are most pronounced. Fragmenting liquidity or unduly constraining fungibility across jurisdictions risks undermining these efficiencies, with direct economic consequences for payment costs, settlement speed and the global competitiveness of European financial markets. In a reciprocal international environment, an overly restrictive stance toward cross-border usage and distribution also invites similar measures in third countries, potentially limiting the circulation and usability of euro-denominated stablecoins abroad. The strategic objective should therefore be to regulate global stablecoin activity within the Union's framework in a manner that preserves openness, while ensuring that core prudential safeguards remain credible. A well-calibrated approach could position the Union as a first mover in defining workable standards for global circulation, strengthening its influence in shaping global market practice while supporting the international role of the euro in digital finance.

Against this broader backdrop, it is important to recall that MiCA was conceived in response to global stablecoins and explicitly contemplated tokens marketed both within and outside the Union. Recital 54, together with Level II reporting and reserve allocation standards, presupposes international circulation. Where EMTs are issued under MiCAR, the issuer remains responsible for the full set of requirements, including reserve backing, redemption at par and risk management, for the token as a whole.

Multi-issuance models, where equivalent tokens referencing the same unit of value are issued across jurisdictions, expose a tension between territorial regulation and borderless circulation. While they support scale, they may function as a single economic instrument while remaining legally fragmented, complicating the allocation of redemption obligations, reserve backing and supervisory responsibility. The key risk emerges under stress, where fungibility enables rapid shifts in redemption demand toward the entity perceived as most credible. Such dynamics can materialise quickly as market frictions compress, placing emphasis on the capacity of EU-authorised issuers to manage severe but plausible outflows.

A proportionate response should therefore prioritise enforceable safeguards within the Union rather than attempting to extend prudential requirements to the global supply of tokens. Supervisory focus should centre on clear redemption rights, robust reserve segregation and credible liquidity and governance arrangements at the level of the EU issuer. In multi-entity structures, this should be complemented by transparency on reserves and clarity of intra-group commitments. At the same time, reliance solely on third-country recognition is unlikely to address risks of fragmentation.

A balanced approach would combine full application of MiCA within its scope with targeted equivalence mechanisms, supported by supervisory cooperation and preserving the ability of Union authorities to impose conditions or restrict distribution where necessary.

Against this background, a balanced policy approach should acknowledge both the risks and the potential benefits of multi-issuance structures. It should ensure that MiCA's core safeguards remain effective within the Union while enabling responsible cross-border activity supported by international cooperation.

In the near term, urgently published supervisory guidance from the European Commission, including through the awaited Q&A on multi-issuance, would provide much-needed clarity and help avoid early fragmentation. Closer coordination between national competent authorities and the European Banking Authority can further support consistent application across Member States. Looking ahead, a targeted consultation may be warranted as the market scales.

More broadly, the Union should continue to promote international cooperation, leveraging its framework to shape common standards and supervisory practices. If carefully calibrated, this can reconcile stability and openness while supporting the international role of the euro in digital finance.

6 Conclusion

Taken together, the remuneration ban, the narrow reserve perimeter, and the absence of a pathway to central bank infrastructure and the lack of clarity around global stablecoins function as competitiveness constraints on euro-denominated stablecoins. It is yet undecided if the euro can become a credible settlement asset in a possible future economy organised around on-chain balance sheets, tokenised assets, and automated execution. While also relevant, the real contest is not retail payments, but which currency becomes the default unit of account and settlement rail for tokenised securities, real-economy claims, cross-border treasury flows, and machine-mediated commerce.

If euro stablecoins are structurally non-remunerated in a positive rate environment, they embed a persistent carry cost that pushes sophisticated users toward foreign-currency tokens or synthetic yield structures outside the regulated perimeter. On public blockchains, where switching costs are minimal, this directly constrains demand for euro-denominated liquidity. Limited remuneration aligned with prudent reserve income preserves monetary coherence while supporting adoption.

Network effects mean currency dominance in digital settlement can become entrenched early. The first currency to anchor tokenised collateral, automated margining, and on-chain cash management gains a structural advantage that is difficult to reverse.

A coherent competitiveness strategy therefore treats remuneration, reserves, and ultimately also central bank connectivity as complementary policy components. Implemented together alongside a calibrated “positive list” approach to third-country regimes that preserves MiCA compliance and supervisory authority – these reforms position euro stablecoins as a regulated, resilient settlement instrument for a future European on-chain economy and for strengthening the euro’s role in global digital finance.

Disclaimer

This paper has been prepared in collaboration with the Advisory Council of Blockchain for Europe, with input and feedback from its members and the wider industry. It reflects the majority view of the association on the policy considerations discussed.

In line with Blockchain for Europe's governance framework, which allows members to opt out of endorsing specific positions where these may not align with their core business models or regulatory perspectives, certain elements of this analysis do not reflect the position of all individual members. In this context, Qivalis has chosen not to endorse the position set out in this paper regarding the remuneration of euro-denominated stablecoins.

This diversity of perspectives reflects the evolving nature of the market and supports a constructive and balanced policy dialogue.

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