

XReg.Consulting

MiCA Explained ^{2nd ed.}

Understanding MiCA and what's next for Level 2?

WEBINAR 1.1

25 January 2023

What we'll cover

1. Introduction to XReg
2. Background on MiCA
3. Objectives
4. Timeline for adoption
5. What's in and out of scope?
6. Key requirements
7. Who will regulate me?
8. Application timeline for stablecoins and CASPs
9. Timeline for implementation
10. What's next for Level 2 Regulation?
11. Q&A



Who is XReg Consulting?

Public policy and regulatory affairs consultancy specialised in crypto-assets

We help...

- crypto-asset businesses thrive and follow the rules.
- governments formulate sound policy
- regulators supervise effectively
- public authorities build capacity



Your presenters



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Partner



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EU Policy Lead



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Consultant



Background

- Markets in Crypto-assets Regulation (MiCA)
 - Background and where we are now
 - Overview and Applicability
 - How is the industry affected?
 - Regulatory and supervisory responsibilities
 - There's more than just MiCA!
- Current EU legislative and regulatory landscape



Objectives

What is MiCA?

- The EU's Markets in Crypto-assets Regulation
- Rules for crypto-assets and related activities across the Union and the EEA

Main objective

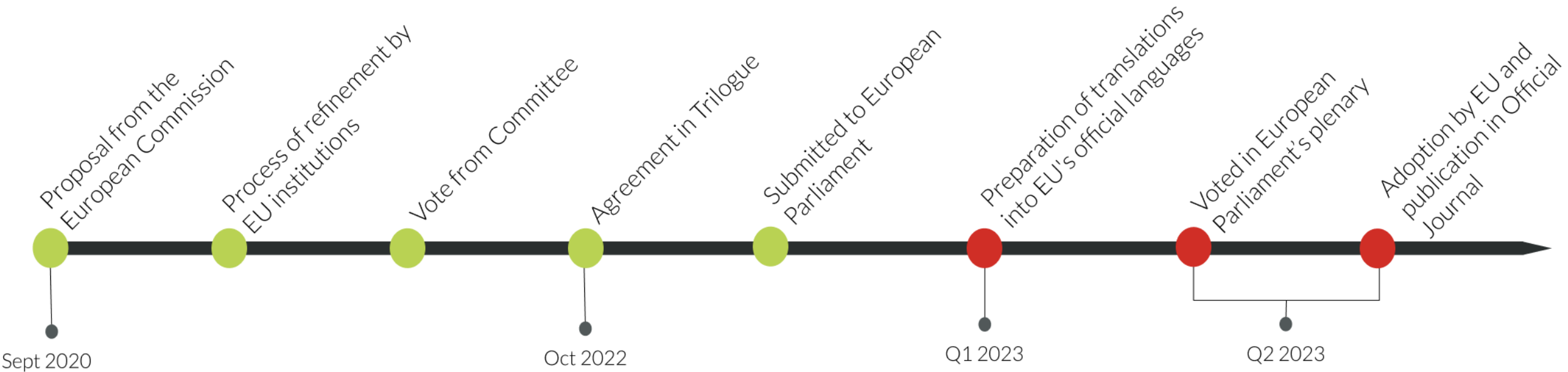
- To introduce a harmonised EU crypto-asset regime

What to look out for if you're a:

- Crypto-asset service provider
- Issuer of stablecoins (asset-referenced tokens or e-money tokens)
- Issuer of other crypto-assets



Timeline for adoption



What's IN

- issuance and offer of stablecoins
 - electronic money tokens (**EMTs**)
 - asset-referenced tokens (**ARTs**)
- issuance and offer of crypto-assets other than ARTs and EMTs
- crypto-asset service providers (**CASPs**)
- mechanisms that prevent market abuse
- supervisory architecture of the EU's crypto-asset framework



What's **OUT**

- DeFi provided in a *fully* decentralised manner
- Non-fungible Tokens (NFTs)
- Lending and borrowing of crypto-assets
- Crypto-assets under existing EU financial services legislation
- Utility tokens representing an existing good or service
- Other 'niche' tokens



Key obligations for stablecoins

- ARTs
 - Authorisation process – legal opinion
 - Reporting obligations – an issued value over €100m
- EMTs
 - Authorisation process – credit or e-money institution
- Both
 - Whitepaper
 - Reserve assets
 - Redemption rights
 - Minimum capital requirements
 - Payment of interest is prohibited
 - Recovery and redemption planning
 - 'Significant' stablecoins have enhanced requirements



Key obligations for other crypto-assets

- Crypto-assets that are not ARTs or EMTs:
 - do not need to be authorised by NCA
 - must **publish a crypto-asset white paper** and **notify the NCA** prior to offering the crypto-assets or admission to trading platform
- Crypto-assets can then be offered across the EU



Key obligations for CASPs

- Registered office in an EU country
- One director present in the EU
- Governance and management body
- Minimum capital requirements (depending on services provided)
- Safeguarding customer assets
- Environmental disclosures
- 'Significant' CASPs have enhanced requirements
- Wider ecosystem of the EU's Digital Finance Package
 - Digital Operational Resilience Act (DORA)
 - Transfer of Funds Regulation (ToFR)



Who will regulate me?

MiCA will be regulated at a national level

Significant CASPs

- Threshold – at least 15m active users in the EU
- Notify NCA within two months of meeting threshold
- NCA remains responsible

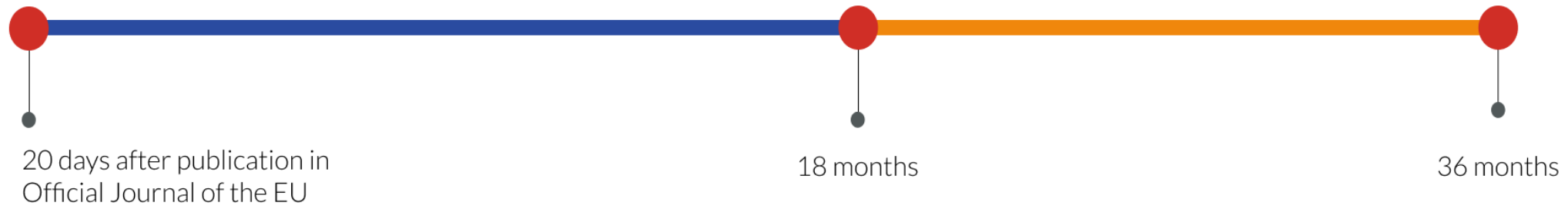
Significant ARTs/EMTs

- Supervision transferred to the EBA
- Re-assessed bi-annually
- Can be requested voluntarily by issuer

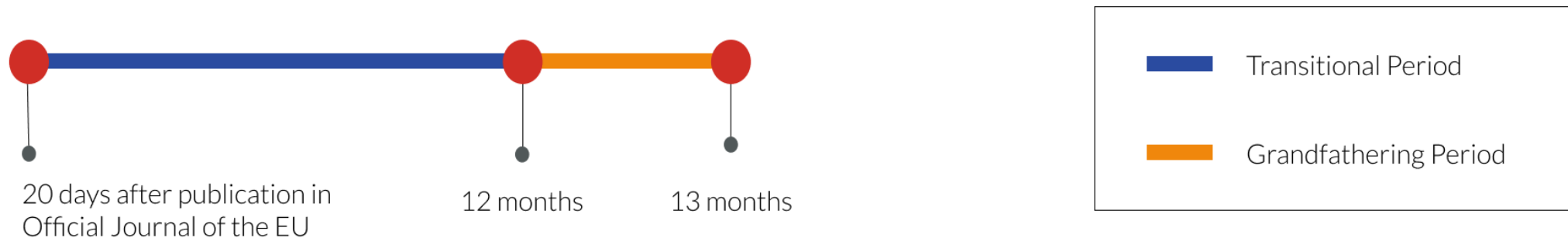


Timeline for implementation

For CASPs



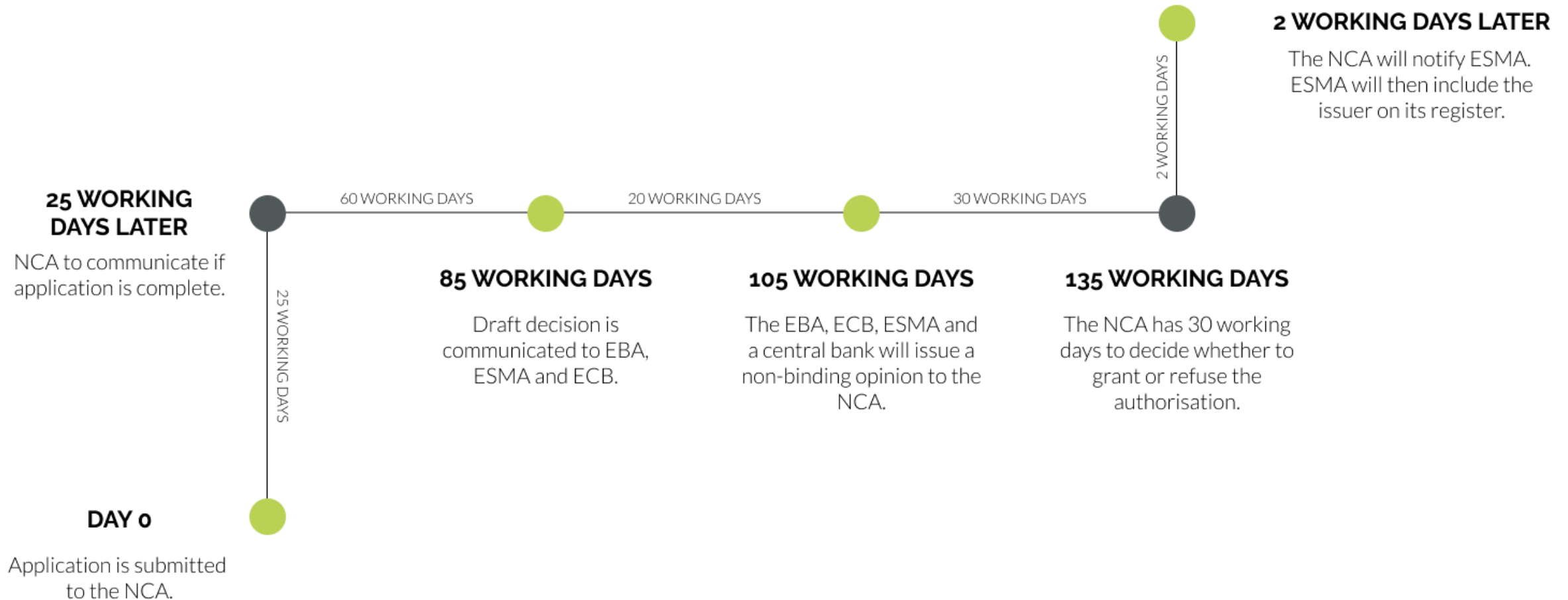
For Issuers of ARTs & EMTs



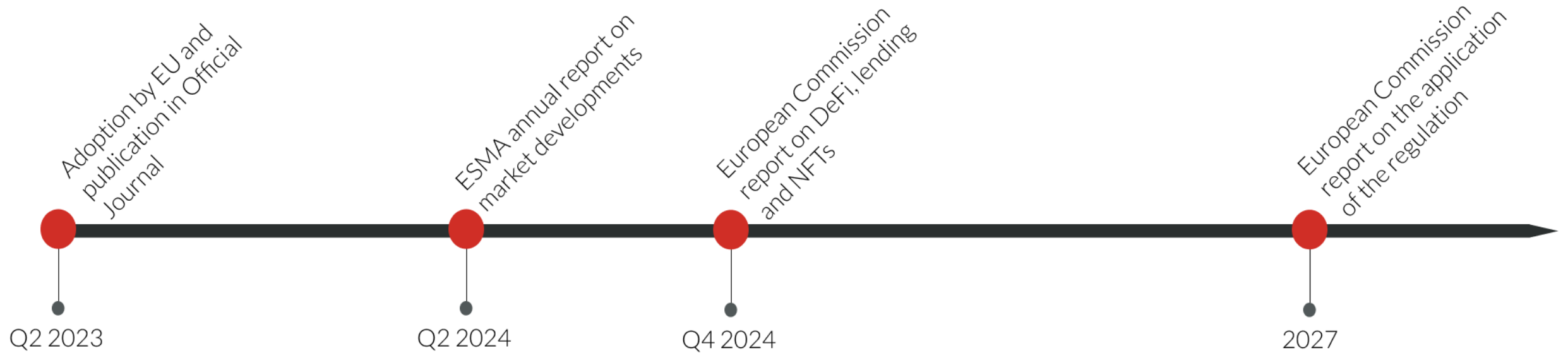
Application timeline for CASPs



Application timeline for stablecoins



Future developments



Level 2 – What's next?

Delegated acts, regulatory technical standards, implementing standards:

- MiCA definitions
- Criteria for significant stablecoins
- Obligations for CASPs to ensure liquidity of ARTs
- Standard forms for reporting



Level 2 – What's next?

Guidelines:

- Criteria and conditions for qualification of crypto-assets as financial instruments
- Services for transfer of EMTs
- Minimum content of governance arrangements for ARTs issuers
- Portfolio management by CASPs





Questions?

Connect with us.

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