



Overview of the latest EU regulatory developments on DLTs

**THE HYBRID
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Markets in Crypto Assets (MiCA) regulation

- **Markets in Crypto Assets (MiCA) regulation.** Published in EU Official Journal on 9 June 2023. MiCA will apply from December 2024 (save for Titles III and IV on the frameworks for stablecoins (e-money and asset-referenced tokens → from June 2024).
- Comprehensive framework for the supervision and regulation of crypto-assets operating on Distributed Ledger Technologies (DLTs).
- MiCA regulates:
 - all crypto-assets currently outside regulatory remit.
 - specific categories of crypto-assets: asset-referenced tokens, e-money tokens, and other crypto-assets.
 - issuers and providers of services related to crypto-assets.

Markets in Crypto Assets (MiCA) regulation: Development from AMLD5

- AMLD5 regulated crypto-assets for AML purposes – broadly covers payment tokens
- MiCA scope:
 - payment tokens, including stablecoins (backed tokens) and utility tokens
 - NFTs outside the scope (save for exceptions)
 - Financial instruments and funds (unless they qualify as e-money tokens) outside the scope
- MiCA goes beyond the AMLD5 scope and regulates crypto-assets and crypto-asset service providers more comprehensively

EU AML Package

AML package comprises of legislative proposals on EU AML framework.

- 1) **EU single rulebook - AML Regulation; provision on due diligence, transparency of beneficial owners, and the use of anonymous instruments such as crypto-assets**
 - a. Greater degree of harmonisation (as a regulation).
 - b. Regulation of crypto-assets in accordance with MiCA
- 2) **proposal for the recast of Regulation (EU) 2015/847 expanding traceability requirements to crypto-assets (TFR) [travel rule regulation]. Published in EU Official Journal on 9 June 2023.**
 - **Wire transfer rule in payments extends to crypto-asset transfers for transmission of information together with the transfer.**
- 1) **proposal for a Directive establishing the mechanisms that Member States should put in place to prevent the use of the financial system for ML/TF purposes, and repealing Directive (EU) 2015/849 (AMLD6)**
- 2) **proposal for a Regulation creating an EU Authority for anti-money laundering and countering the financing of terrorism ('AMLA')**

DLT Pilot Regime

- **DLT Pilot Regime** adopted in June 2022, applying from March 2023
- Sandbox-like framework
- DLT market infrastructures (DLT Multi-Trading Facilities, DLT settlement systems, and DLT settlement and trading systems) given specific permissions or granted exemptions from specific regulatory requirements provided they offer suitable mitigating measures that address the unique attributes of DLT
- Opens the door for secondary trading of DLT-based assets that qualify as financial instruments.

EU Blockchain Sandbox

- European Commission launched a regulatory sandbox for DLT innovative use cases (EU Blockchain Sandbox) from 2023 to 2026
- Objective:
 1. trigger regulatory dialogue for new DLT use cases and solutions,
 2. enhance regulators' understanding of technology's implications, risks, and challenges before formulating rules, guidelines, and regulatory frameworks,
 3. encourage collaboration and engagement between regulators, industry stakeholders, and technology providers,
 4. facilitate knowledge sharing, industry feedback and cooperation to address technical, legal, and operational aspects related to DLT adoption.

Closing Remarks: EU regulatory developments

- ✓ EU commitment to encouraging innovation and blockchain adoption.
- ✓ Balance between promoting innovation and safeguarding consumer and investor interests.
- ✓ Protection of financial stability and resilience.
- ✓ Enhancing legal certainty, and providing a solid framework for businesses in blockchain.

Thank you!



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