

Markets in Crypto-Assets Act

(MiCA)

Mechanics, Key Concepts and Context

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01

Introductory Remarks & Key Concepts

Introductory Remarks & Key Concepts

Regulatory Transformation

MiCA replaces a fragmented crypto-regulatory landscape and opens up opportunities for new and existing crypto-providers as well as traditional finance.

The regulation pioneers a clear and fair taxonomy of crypto-assets and establishes standards for investor protection.

Core Principles

Crypto-assets have a dual economic nature and are subject to both existing and bespoke regulation.

A MiFID-like approach applies because business models are comparable, yet differences (e.g. client categorisation) exist.

MiCA only captures crypto-assets with a financial use; none of the covered crypto-assets qualifies as money.

Additional Concepts & Level 2/3 Measures



Equivalence Regime

The equivalence regime for traditional financial entities is justified (banks benefit, but must comply with MiCA). MiCA applies auxiliary to other regimes; classification is mandatory and technologically neutral—technology does not disrupt compliance fundamentals.



White Paper Requirements

Distinguish between exclusions and exemptions; producing a white paper voluntarily brings the offeror within the regulatory perimeter. Responsible persons must consent to the white paper; different roles apply under Titles II, III and IV.



Level 2 & 3 Measures

For details of the Level 2 and Level 3 measures, see the ESMA Level 2 & 3 table.

Scope Issues – Exclusions by Reason of Persons



Intra-group transactions

Transactions within the same corporate group are excluded from MiCA requirements.



Public bodies acting in the public interest

Government entities and public bodies are excluded when acting in their official capacity.



Liquidators

Liquidators are excluded except in the context of Article 47 proceedings.

Scope Issues – Exclusions by Reason of Matter

Excluded Crypto-assets

-  Financial instruments
-  Deposits and funds (excluding EMTs)
-  Securitisation positions
-  Social security, insurance and pension products
-  Non-transferable & non-fungible crypto-assets

Exempted Crypto-assets

-  Partial or full exemption possible
-  Exemption may be disappplied in specific cases
-  CASP authorisation applies

Tokenisation does not alter the original categorisation of assets.

02

Scope issues & mechanics

Implications of Inaccurate Classifications



Passporting Rights

May affect an entity's right to passport its services across the EU.



CASP Licence Scope

Determines the scope of a CASP licence and applicable business rules.



Compensation Schemes

Compensation schemes do not apply to crypto-assets that fall under MiCA.

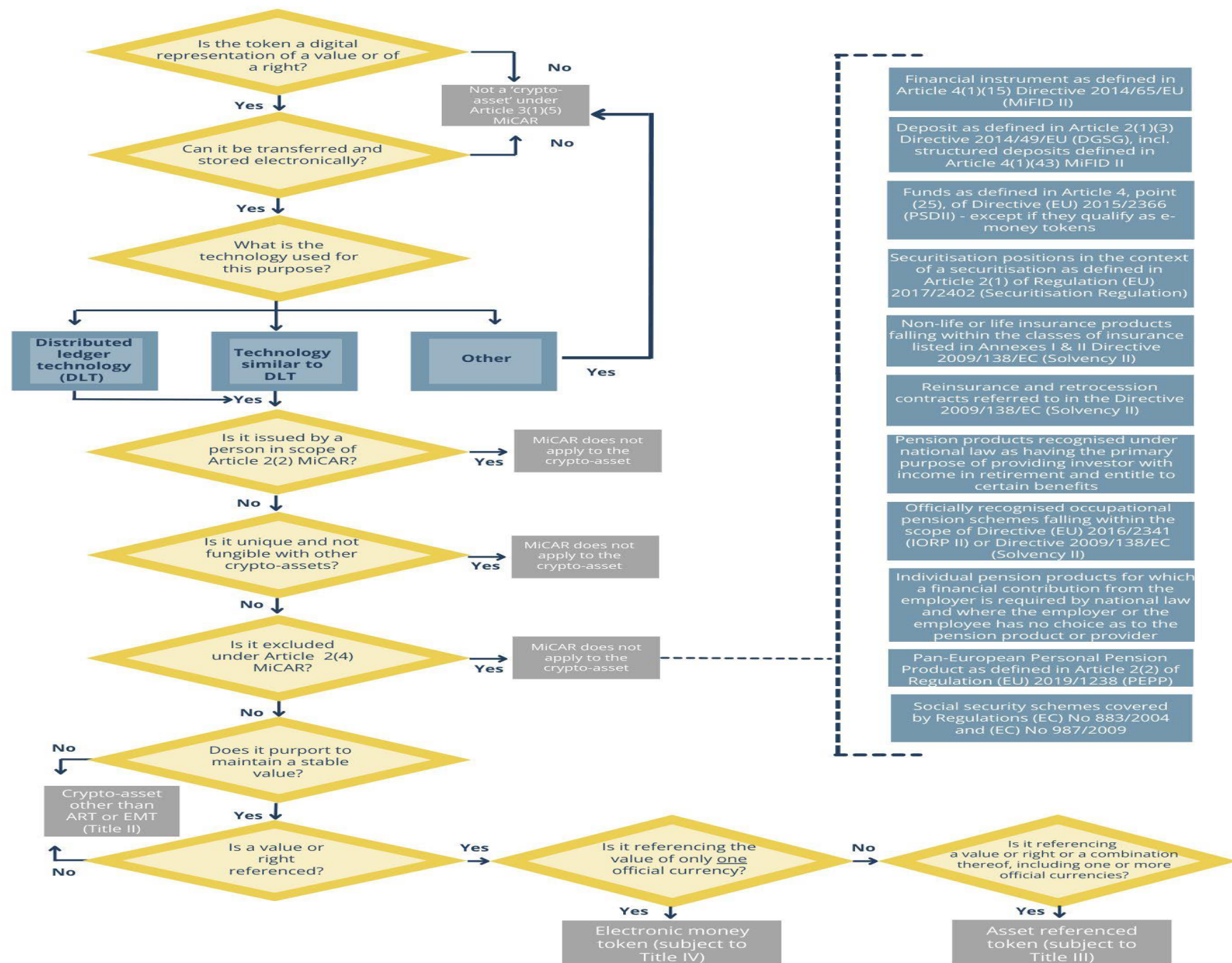


MiCA Qualification

Influences whether an asset qualifies as a crypto-asset under MiCA.

Proper classification is critical for regulatory compliance and market access.

Classification Roadmap



ESAs

Functional Classification & Hybrid Cases

Core Functional Categories

-  Utility tokens: Provide access to goods or services
-  Payment tokens: Serve as means of exchange
-  Investment tokens: tokenized securities (MiFID)
-  Stablecoins: PURPORT to maintain a stable value

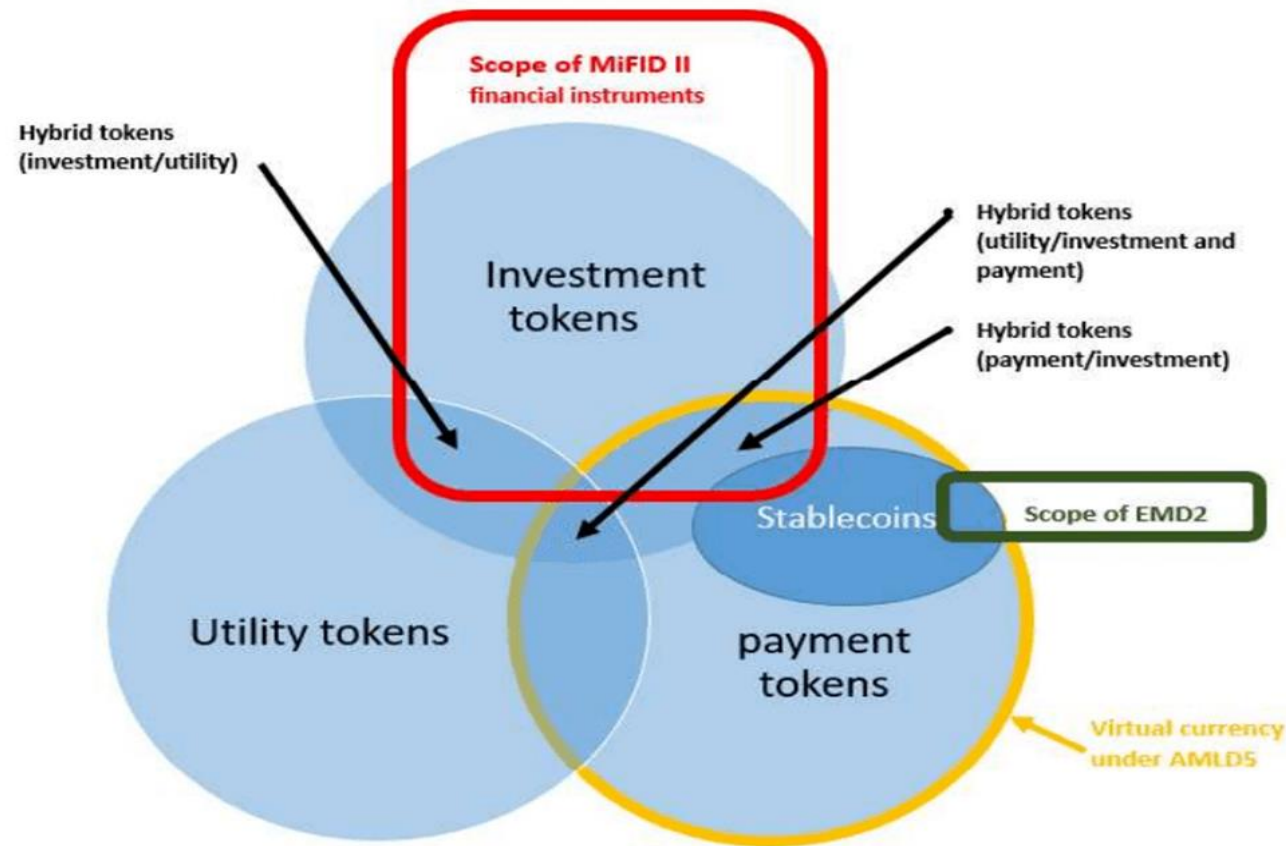


Hybrid Tokens

Combine multiple features, hierarchical classification and periodic reassessment.

This functional approach ensures comprehensive coverage of different crypto-asset use cases.

Functional Classification and Hybrid Cases



EU Commission

Regulatory Classification Framework

E-money Tokens (EMTs)

Maintain a stable value by referencing one official currency.

Asset-Referenced Tokens (ARTs)

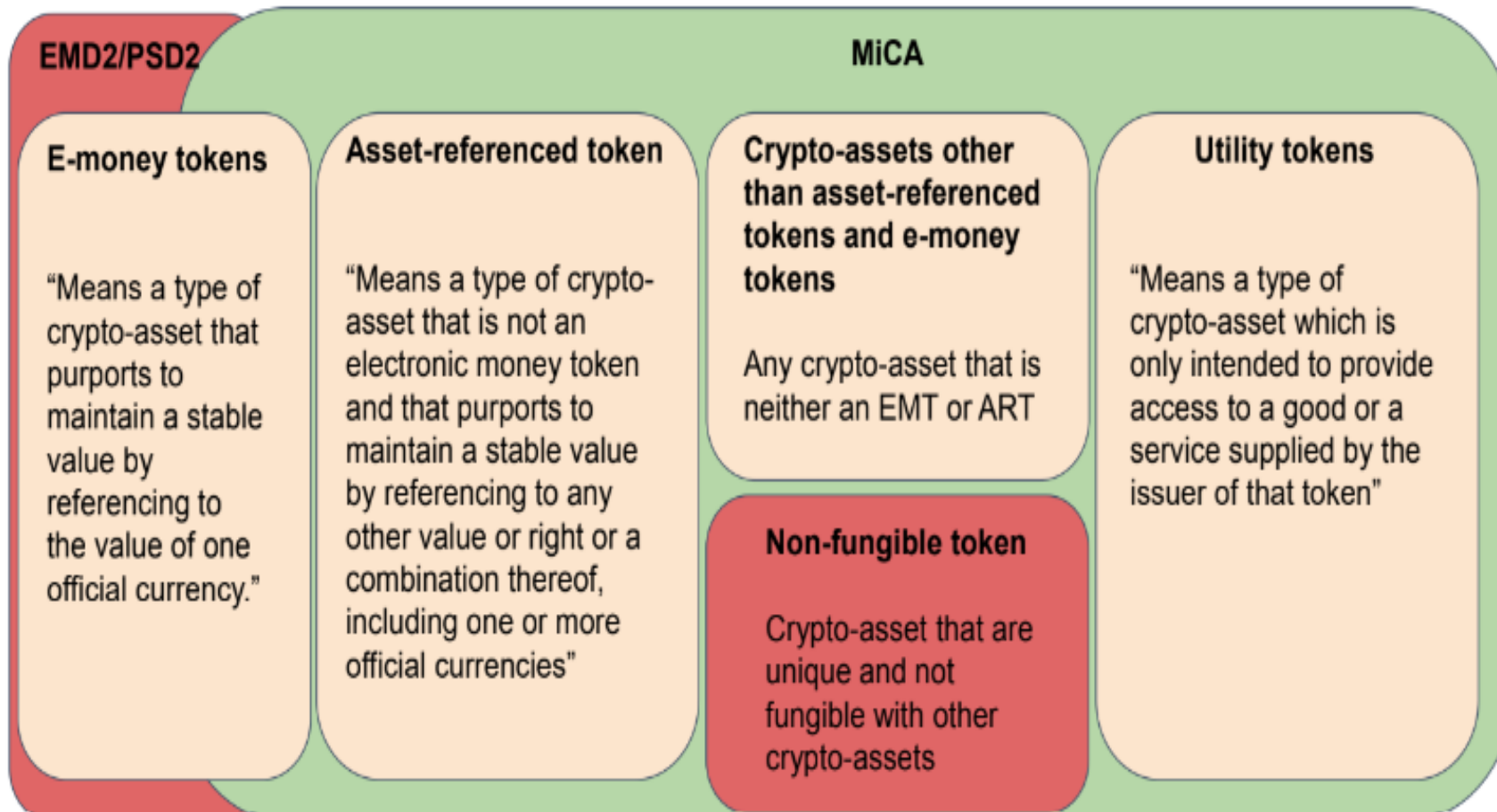
Not e-money tokens and maintain a stable value by referencing basket of assets, currencies, commodities or combinations thereof.

Other Crypto-assets

Any crypto-asset that is neither an EMT nor an ART.
(e.g. Utility Tokens)

This classification determines which regulatory requirements apply.

Regulatory Classification



EU SDFA
(SAMIR KIUHAN-VASQUEZ)

Perimeter Guidance – NFTs



Non-fungible Tokens (NFTs)

- Unique and tradable
- May be fractionalised
- Subject to interdependent value test

This guidance helps market participants understand how MiCA applies to emerging crypto-asset types that don't fit neatly into traditional categories.

Within-Scope Exemptions Summary

1

Partial Documentation Exemption (Art. 4(2))

For Prospectus-like offerings of Title II tokens where the number of investors or offering size is small or investors are sophisticated.

3

Conditional CASP Exemption (Art. 4(5))

For crypto-transfer and custody services relating to serially exempted ICOs.

5

ART Exemptions (Art. 16(2))

Partial exemptions where Prospectus-like value or sophistication thresholds apply.

2

Full Conditional Exemption (Art. 4(3))

For offerings of crypto-assets provided totally free, for network maintenance/operations, completed utility tokens or limited network offerings.

4

Subsequent Admission Exemption

Exemption from publishing a new white paper for subsequent admissions to trading of already admitted crypto-assets (subject to prior consent).

6

EMT Exemptions (Art. 9(1))

Optional exemptions including limited network exemptions and mobile-network-operator billing.

03

Title II Tokens (CAs other than ARTs & EMTs)

Key aspects of regulating ICOs and admission to trading

Initial Coin Offerings (ICOs)

- Responsible person must be a legal person
- Offers must be transparent
- Safeguarding arrangements depend on offer duration
- Retail investors have withdrawal rights

Subsequent Offers

- Treated as new offers (de novo)
- Exception: compliant white paper already on file
- Conduct-of-business rules apply
- Side-letters are possible

Explanation documents is required under EBA guidelines.

White Paper Requirements

Pre-contractual Document

- Various authors possible
- No prior approval required
- Regulatory and standardised document
- Explains regulatory perimeter

Notification Requirements

- Notifiable 20 working days before publication
- Notification deadlines apply
- Material modifications must be notified
- Strict liability may arise under EU law

Burden of proof issues exist; exceptional liability for the summary.

Marketing Communications



No Prior Notification Required

For marketing communications relating to exempted crypto-assets.

Publication Requirements

Must be published after the white paper and are not subject to approval.

Subject to scrutiny by the host Member State and material amendments are notifiable.

04

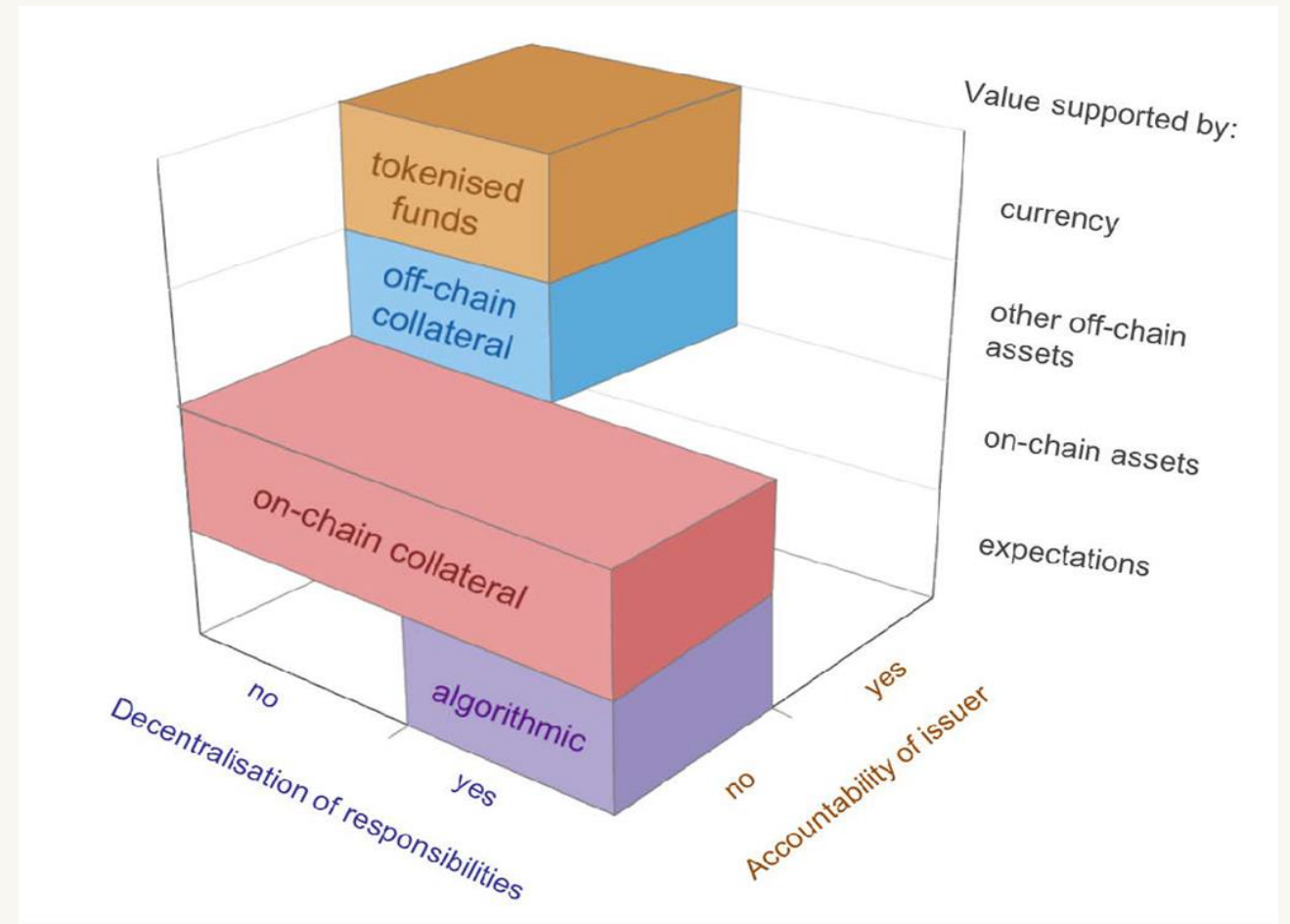
Title III Tokens (Asset-Referenced Tokens)

Asset-Referenced Tokens (ARTs)

Regulated Payment Tokens

Value Support Mechanisms

- Currency combinations
- Off-chain assets
- On-chain assets
- Algorithmic stablecoins no longer allowed



ECB

Pre-MiCA Stablecoin Types: Innovation vs Volatility

Tokenised Currency

Low innovation

Resembles e-money; volatility risk arises from fraud or operational accidents.

Off-chain Collateralised

Low innovation

Relies on traditional accountable party and eligible off-chain collateral; volatility depends on collateral quality.

On-chain Collateralised

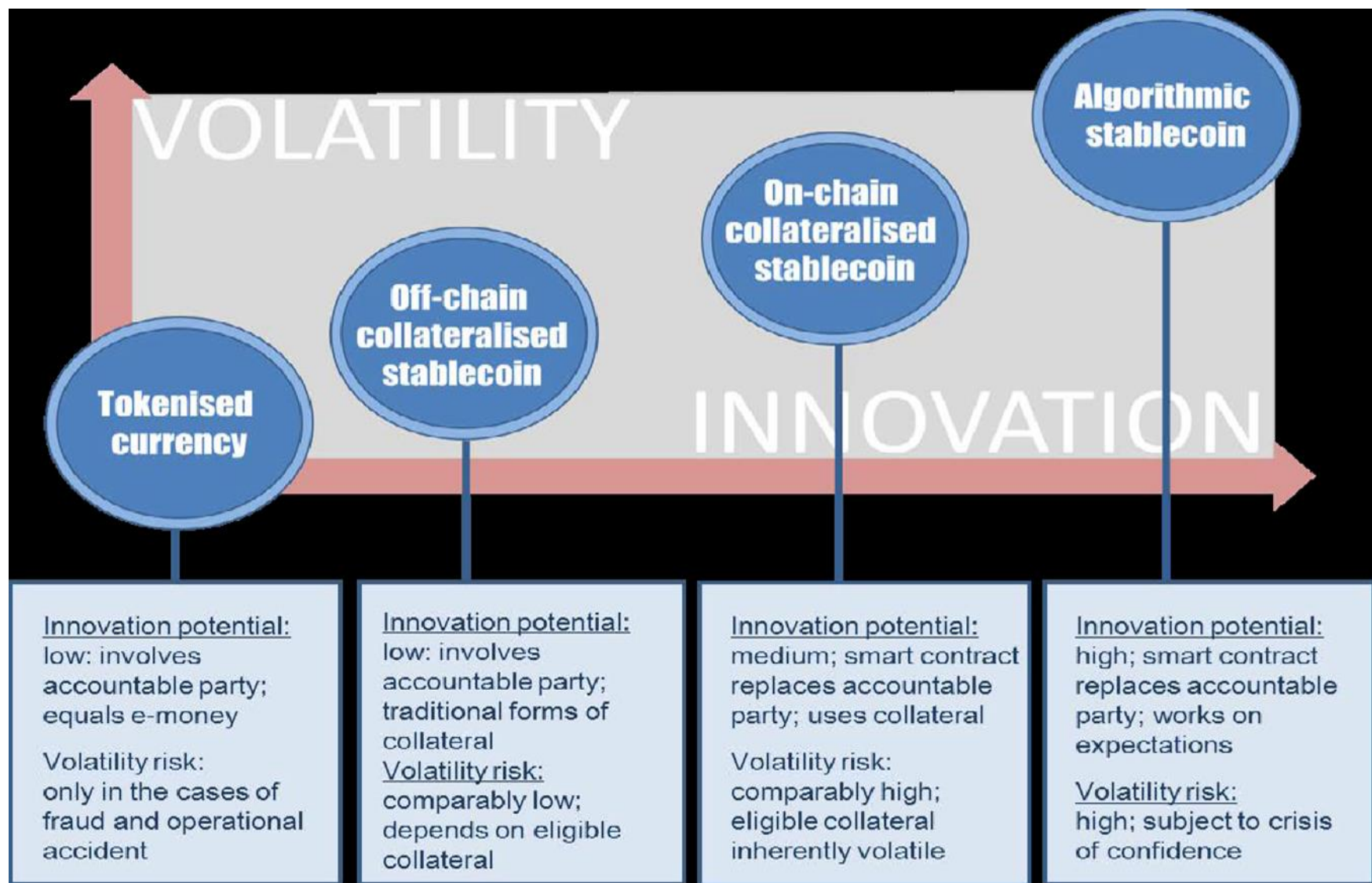
Medium innovation

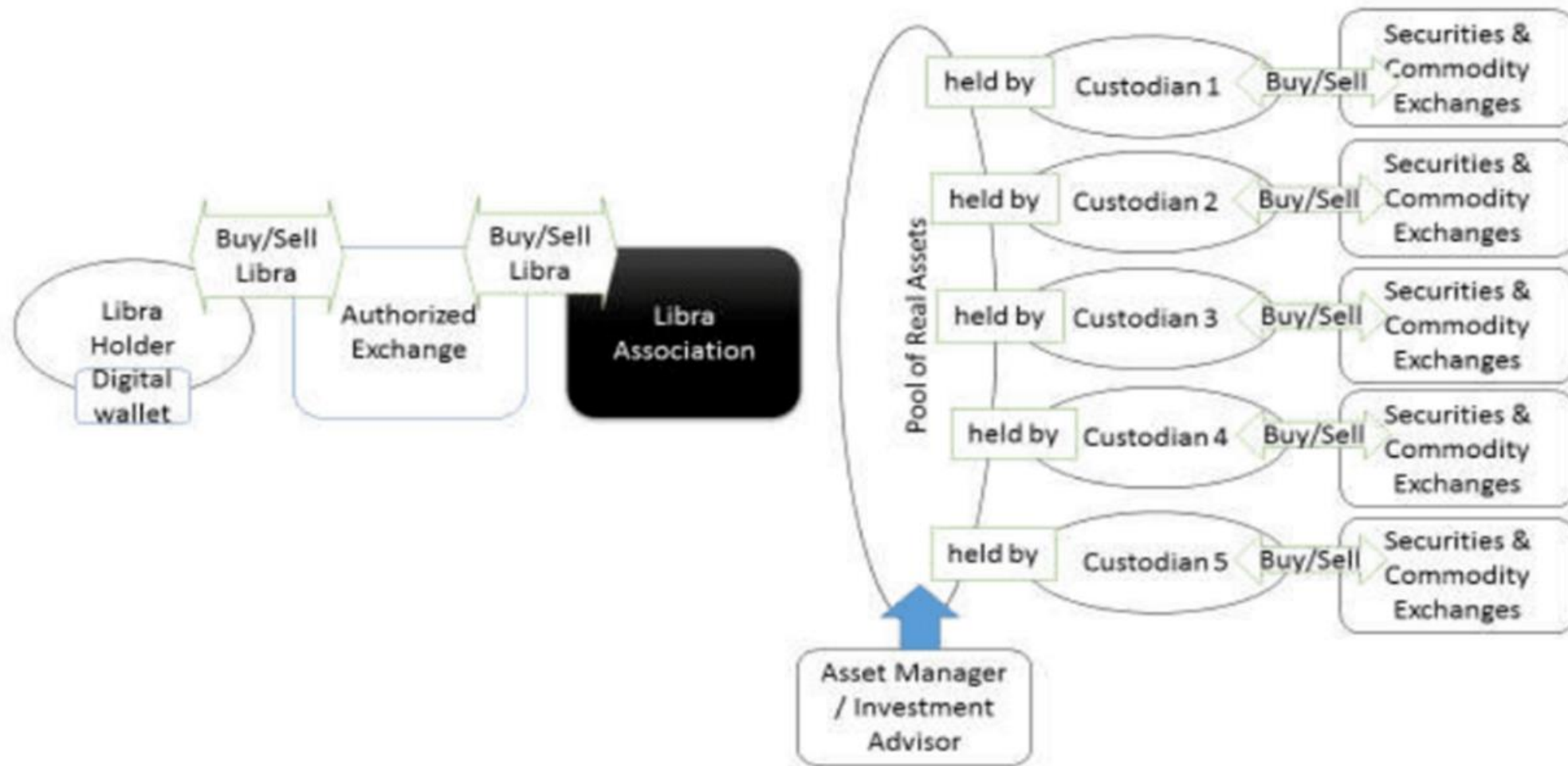
Smart contracts replace accountable party; collateral held on-chain; higher volatility risk.

Algorithmic Stablecoin

High innovation

Relies on expectations rather than collateral; high volatility risk and subject to crises of confidence.





Obligations of Issuers & Significant ARTs

Issuer Requirements

- Must be EU-based and authorised
- Consent does not replace authorisation
- White paper approval required
- Stabilisation mechanism mandatory
- Redemption plans required

Significant ARTs

- Quantitative, but also qualitative criteria (3/7 have to be fulfilled)
- Transfer of supervision to the EBA
- EBA (de)classification post consultation with opt-in based on projections possible

Additional obligations of per issuer of significant ARTs

- Remuneration policy and liquidity management policy and requirements including holistic stress testing
- Diversified and independent crypto-custodians for the significant ARTs
- Higher own fund requirements as regards percentage of reserve assets

Credit institutions are exempt from authorisation but subject to oversight; negative opinions from ECB or national central banks may lead to rejection.

ART White Paper & Conduct of Business Rules

White Paper Requirements

- Pre-contractual regulatory document
- Material amendments indicate business model changes
- Liability mirrors Title II tokens
- Fund-like prospectus required

Ongoing Obligations

- Monthly disclosures to investors
- Minimum own funds (fixed or variable)
- Conflict of interest management
- Compliance audits published

Must describe redemption rights, service provider ecosystem, reserve composition and associated risks.

Interest Prohibition

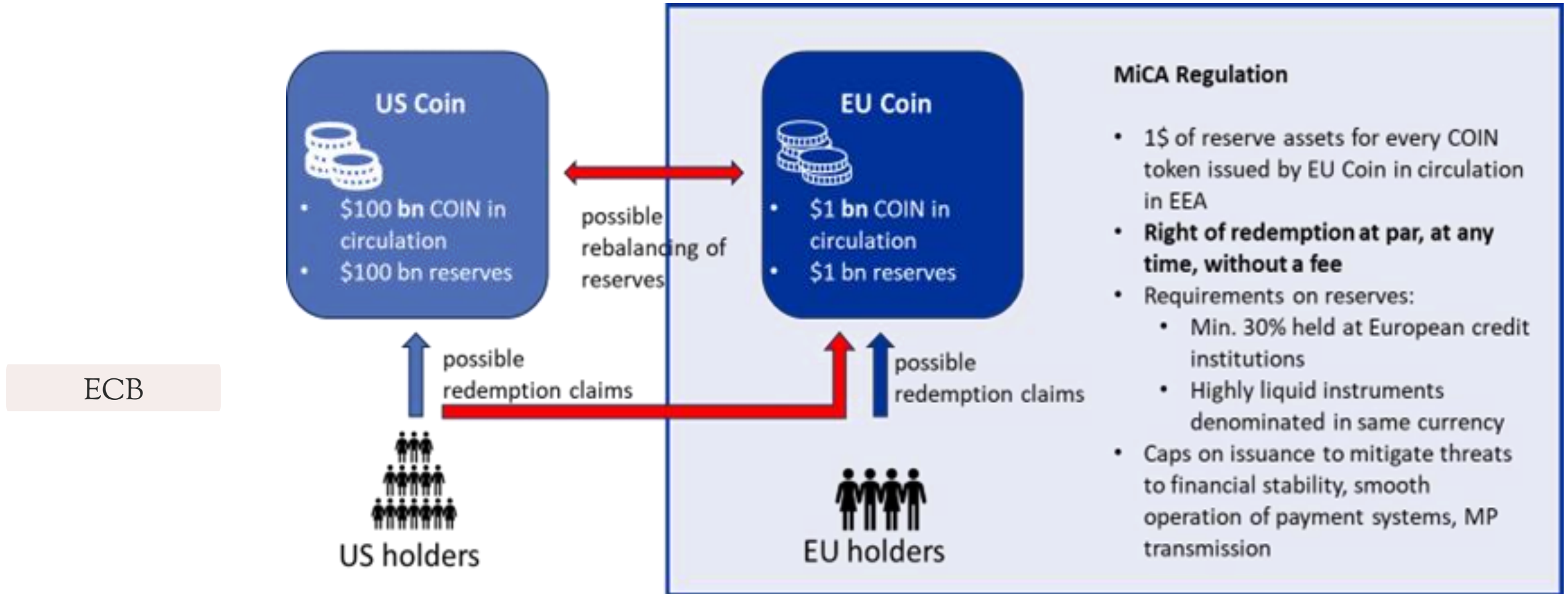


Prohibition of Interest

Interest is prohibited for ART issuers and CASPs providing services related to ARTs. This aligns with the E-money Directive.

These rules support monetary policy transmission and protect the financial system.

Multi-issuance stablecoins



05

EMTs: Key features

Electronic Money Tokens (EMTs)



Redeemability

Applies at any time, AT PAR, no redemption fee



Interest Prohibition

Interest is prohibited for EMT issuers



Liability

White paper liability provisions apply as under Titles II and III

Significant EMTs

For significant EMTs, MiCA provisions largely supersede the EMD and supervision of electronic money institutions will be split.

06
Title V

Crypto-asset
Service Providers
CASPs

Crypto-asset Service Providers (CASPs)

Key Concepts & Regulation

Authorisation Requirements

- Only EU-based entities may be authorised
- Authorisation vs notification regimes differ
- Legal persons or 'other undertakings'

Regulatory Principles

- Equivalence regime emphasises MiFID prevalence
- Crypto-assets' dual nature justifies the service of crypto-transfers
- Exchange services replace DoA under MiFID

The framework highlights the gravity of crypto-custody and merges initial offering-related services into one (placing).

CASP Services Overview

CASP Services

-  Custody and administration
-  Trading platform operation
-  Exchange for funds
-  Exchange for other crypto-assets
-  Order execution
-  Placing of crypto-assets
-  Reception and transmission
-  Advice on crypto-assets
-  Portfolio management
-  Transfer services

All services must be provided in accordance with MiCA requirements and ESMA guidance.

Notifying Entities & Third-Country Firms

Notifying Entities

- Banks (favoured under CASP regime)
- Investment firms (CIFs)
- Fund managers (limited scope)
- Electronic money institutions + EMDs
- Central securities depositories
- Market operators (trading platforms)

Third-Country Firms (Reverse solicitation)

- Exception to obligation, not a right
- No branch or private placement
- EU-centric regime
- Article 61(2) prohibits soliciting
- Broad interpretation of solicitation

Full compliance still applies for notifying entities.

Authorisation & Notification Process



Legacy Providers

Simplified procedures may be available



Multi-task CASPs

Face higher regulatory risk by default



Services vs Activities

Certain CASP services might amount to an offering of a non-MiCA compliant ART/EMT.

Service-Specific Obligations: Crypto-custody

Definition & Scope

Custody and administration entails safekeeping or controlling clients' crypto-assets or the means of access (private keys).

Wallet Types

- Custodial and non-custodial
- Hardware and software
- Hot/cold wallets (omnibus, not commingled)
- Single- or multi-signature

Private keys are critical and their management is central to custody services. Custody is often a prerequisite for staking services.

Custody: Liability & Operational Requirements

Liability Framework

- Limitation of liability for system failures beyond provider's control
- Unauthorised use policies may protect clients

Operational Requirements

- Must adopt custody policy and agreement
- Ensure legal and operational segregation
- Outsource only to authorised CASPs
- Facilitate exercise of client rights (e.g. staking)

Add 7.1 Pre4-MiCA terms

Operation of Trading Platform

Definition

Managing one or more multilateral systems that bring together multiple third-party buying and selling interests in crypto-assets in a way that results in a contract.

Key Requirements

- Compliant white paper imperative
- Anonymity-enhanced tokens raise issues
- Only matched principal dealing allowed
- Market abuse obligations apply
- Different time limits for settlement

Distinction must be made between full anonymity and pseudo-anonymity (inbuilt anonymisation functions).

Exchange & Execution Services

Exchange for Funds

Concluding purchase or sale contracts with clients using the service provider's proprietary capital.

Exchange for Crypto-assets

Concluding purchase or sale contracts with clients for other crypto-assets using proprietary capital.

Order Execution

Concluding agreements, on behalf of clients, to purchase or sell crypto-assets. CASPs act as agents, not mere messengers.

Exchange Requirements

- May also be carried out by issuers or offerors
- Non-discriminatory commercial policy
- Firm price or method for determining price

MiFID-like Approach

- Almost fully addresses MiFID best execution
- DeFi acts as execution venue for executing brokers

Placing & Reception/Transmission

Placing of Crypto-assets

Marketing, on behalf of or for the account of the offeror or a related party, of crypto-assets to purchasers.

- Primary-market service
- Only fundraising service under MiCAR
- Key questions around 'marketing'

Reception & Transmission

Receiving an order to buy, sell or subscribe for crypto-assets and transmitting it to a third party for execution.

- Prohibition on order routing
- Affects execution arrangements
- No best execution policy required

Advice, Portfolio Management & Transfers

Crypto-advice

Offering or giving personalised recommendations to clients regarding transactions or use of crypto-asset services.

Portfolio Management

Managing portfolios on a discretionary client-by-client basis where portfolios include crypto-assets; draws on MiFID principles.

Transfer Services

Moving crypto-assets, on behalf of a client, from one distributed ledger address or account to another.

Transfer Service Characteristics

Resemblances

Resemble payment service provider activities; CASPs must define essential features and conditions of transfers.

Key Considerations

Consider supported DLT networks, gas fees, and estimates of time/confirmations needed for irreversibility.

Sources & Regulatory Framework

This presentation summarises provisions of the Markets in Crypto-Assets Regulation (MiCA) and related EU guidance.

The European Securities and Markets Authority notes that MiCA introduces uniform rules for crypto-assets that are not currently covered by existing financial services legislation, establishing transparency, disclosure, authorisation and supervision requirements for issuers and service providers and supporting market integrity and financial stability.



Transparency



Disclosure



Authorisation



Supervision