

MiCA's significance regime for stablecoins - a sledgehammer to crack a nut?

Patrick Hansen¹, Helmut Bauer²

January 18, 2024

Abstract

This paper examines the significance regime for fiat-backed stablecoins (e-money tokens) within the recently adopted EU Markets in Crypto-Assets Regulation (MiCA) and compares it to other existing frameworks in banking and payment regulation denoting the concepts of “systemic importance” or “significance”. The frameworks covered in this comparison include the Basel Committee on Banking Supervision (BCBS) framework for global systemically important banks (G-SIBs), the European Central Bank (ECB) oversight framework for electronic payment instruments, schemes and arrangements (PISA), and the EU Single Supervisory Mechanism (SSM) Framework for significant credit institutions in the EU.

Distinctively, MiCA's significance regime stands apart due to its dual purpose of transferring supervisory responsibility AND applying additional prudential measures. The comparison also sheds important light on the calibration of MiCA's significance thresholds. To the extent classification as significant triggers the transfer of supervisory responsibility to the EBA we believe the thresholds to be broadly aligned with the SSM framework and also the PISA exemption criteria. In contrast, regarding the concept's other purpose of filtering out stablecoins posing systemic risks that warrant application of increased prudential requirements, we believe the thresholds to be significantly too low and notably out of match with the BCBS G-SIB model that is similarly aimed at capturing systemic risks and introducing increased prudential requirements. Furthermore, MiCA's approach of a straightforward dichotomy ('yes or no') on the significance question lacks the nuanced, risk-based layers of the G-SIB model, which respond to the relative systemic risk posed by an institution.

¹ Patrick Hansen is Director, EU Strategy & Policy at Circle Internet Financial. The views in this paper are solely the responsibility of the author and should not be interpreted as reflecting the views of the author's affiliated organisations.

² Helmut Bauer is Senior Advisor at Flawless Money and the E-Money Association. The views in this paper are solely the responsibility of the author and should not be interpreted as reflecting the views of the author's affiliated organisations.

As a consequence, MiCA creates a dramatic cliff-edge effect, imposing markedly elevated regulatory requirements on issuers of significant stablecoins without providing any discretionary agility allowing a proportionate, risk-adequate adjustment of requirements for issuers that may warrant transfer of supervisory responsibility to the EBA without posing sizeable systemic risks, if any. We, therefore, argue that the dual purpose of MiCA's significance regime - transfer of supervisory responsibility and introduction of increased prudential requirements - should be disentangled. To complement our analysis and reflect some of the dynamics of the related global regulatory developments, the paper finally discusses how the EU regime for issuers of significant stablecoins diverges from other global approaches.

Keywords: Markets in Crypto-Assets Regulation, MiCA, Stablecoins, E-Money Tokens, Significance, Systemic Risks

1. Introduction	4
It's all Libra's fault	4
Comparative analysis of significance regimes	5
Analytical scope...	6
... and purpose	8
2. The concept of significance in MiCA	10
MiCA's Significance criteria	10
Additional MiCA's requirements for issuers of significant EMTs - examples and impact	11
3. The BCBS G-SIB framework	14
BCBS-methodology for assessing the systemic importance of G-SIBs	14
Comparison of BCBS's G-SIB model and MiCA's significance regime	17
4. The SSM Framework Regulation	19
The SSM Framework to assess significant credit institutions in the euro area	19
Comparison of the SSM's significance framework and MiCA's significance regime	20
5. The PISA oversight framework	23
The PISA oversight framework to assess payment infrastructure	23
Comparison of PISA's exemption thresholds and MiCA's significance regime	25
6. Stablecoin significance outside of the EU	31
Stablecoin significance considerations in international standards	31
Stablecoin significance in non-EU jurisdictions - focus UK	32
7. Conclusion	35

1. Introduction

It's all Libra's fault

Any analysis of the new EU rules for “significant” stablecoins inevitably needs to start with Facebook’s Libra project. Facebook published its Libra white paper in June 2019, which sparked a wave of hostile political reactions and instant discussions on financial stability, monetary sovereignty, and financial stability risks of stablecoins “with the potential for global reach”.

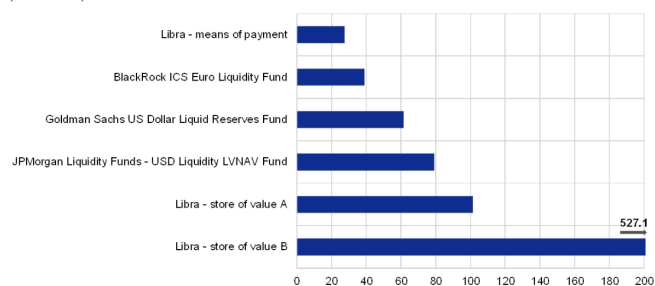
In October 2019, the G7 published their report “investigating the impact of global stablecoins”³, introducing the concept of “global stablecoins” or GSCs that could have significant adverse effects, both domestically and internationally, on the transmission of monetary policy, financial stability, efforts to combat money laundering and terrorist financing, and fair competition and antitrust policy.

In May 2020, the ECB tried to quantify the potential size of Libra, finding that Libra’s total assets under management could range from €152.7 billion in the “means of payment” scenario to around €3 trillion if the currency becomes a widely adopted store of value.⁴ The ECB concluded that Libra could become one of Europe’s largest money market funds, and an outflow shock could pose major challenges and risks to global and euro area financial markets .

Chart 1

Potential size of the Libra Reserve relative to the largest European MMFs in terms of euro-denominated assets

(EUR billions)



Sources: Fitch (2019) and ECB calculations.

Libra had become the world’s most scrutinised fintech project. The academic and institutional arguments calling for regulation were accompanied by open political opposition and hostility in the EU. French Finance Minister Bruno Le Maire stated that under “these conditions, we cannot authorise the

³ G7 Working Group on Stablecoins, Report on ‘Investigating the impact of global stablecoins’, 2019.

⁴ ECB, A regulatory and financial stability perspective on global stablecoins, May 2020.

development of libra on European soil”⁵, while Germany’s Finance Minister (and now Chancellor) Olaf Scholz reaffirmed multiple times that “we cannot accept a parallel currency, you have to reject that clearly.”⁶

It was against this backdrop of global political discussion and open hostility that the concept of “significance” was introduced for stablecoins in the Markets in Crypto-Assets Regulation (MiCA) in September 2020. It is safe to say that Libra not only contributed and accelerated the development of MiCA in 2020, but that the entire concept of significance was conceived with Libra’s project in mind.⁷ Early on, the EU Commission expressed its preference for setting specific, additional requirements for “global stablecoins” “based on their potential to achieve widespread adoption and thereby become systemic”⁸ instead of “merely” regulating stablecoins under the existing e-money rules.

Comparative analysis of significance regimes

The goal of this article is not to analyse and quantify financial stability risks from stablecoins. Such analytical work is currently being undertaken by economists around the world, including from the BIS⁹, the IMF¹⁰, or the ECB¹¹, and will surely be taken into account by the European Commission in the MiCA interim report that will consider and evaluate the “appropriateness of the thresholds” the MiCA significance assessment relies upon.¹²

Instead, this report seeks to compare and compartmentalise the significance regime for fiat-backed stablecoins or e-money tokens (EMTs)¹³ under MiCA with other existing regimes for “systemic

⁵ CNBC, [France says it ‘cannot authorize’ Facebook’s libra project on European soil](#), September 2019.

⁶ Reuters, [Germany’s Scholz: We cannot accept parallel currencies such as Facebook’s Libra](#), September 2019.

⁷ EU Commission, [MiCA impact assessment](#), 24 September 2020, chapter 2.2.5.: “Some ‘stablecoins’ could in the near future become widely used by consumers and reach a global scale. A number of stablecoin initiatives, sponsored by large technology and/or financial firms, have recently emerged (such as Facebook’s crypto-asset, Libra)”.

⁸ EU Commission, [MiCA impact assessment](#), 24 September 2020, chapter 5.2.3. “Policy options for stablecoins and global stablecoins”.

⁹ BIS, [Financial stability risks from cryptoassets in emerging market economies](#), 22 August 2023.

¹⁰ IMF, [Assessing Macrofinancial Risks from Crypto Assets](#), Burcu Hacibedel and Hector Perez-Saiz, September 2023.

¹¹ ECB, [Decrypting financial stability risks in crypto-asset markets](#), published as part of the Financial Stability Review, May 2022.

¹² See Article 140 (1) MiCA.

¹³ The same MiCA significance regime applies to asset-referenced tokens - the types of stablecoins that peg their value to commodities, crypto-assets, or a basket of fiat-currencies. However, this report focuses on e-money tokens that peg their value to

importance” or “significance” in banking regulation and payment systems oversight. Thereby, we aim to illustrate the difference these models reveal in terms of their objective, their impact in terms of the regulatory status and treatment they determine, and the appropriateness of the underlying assessment indicators and quantitative thresholds. Taking into account these differences should hopefully contribute to a better informed calibration and design of the MiCA significance concept aligning it to other similar concepts in EU financial sector regulation.

Analytical scope...

The concept of significance is not new. In the aftermath of the global financial crisis, the experience of a melt-down of the global financial system missed by only a small margin gave rise to large-scale regulatory reform of global standards for financial sector regulation. This unprecedented reform package included specific measures aimed at mitigating financial stability risks and the potential systemic impact of financial institutions at a global scale. In November 2010 the G20 Leaders endorsed a Financial Stability Board (“FSB”) report on “Reducing the moral hazard posed by systemically important financial institutions – FSB Recommendations and Time Lines”. G20 Leaders tasked the Basel Committee on Banking Supervision (“BCBS”) to develop a methodology to assess the systemic importance of global systemically important financial institutions (“G-SIFIs”). Responding to the G20 mandate and targeted more specifically at global systemically important banks (“G-SIBs”, a subset of G-SIFIs), in July 2013 the BCBS published its approach to “***Global systemically important banks: updated assessment methodology and the higher loss absorbency requirement,***” and a further update in July 2018. The MiCA concept of significance is a late derivative of the BCBS approach to G-SIBs borrowing many of its methodological elements and key criteria.

More recently, and closer to Libra’s core functionality as a payment instrument and scheme, in 2021 the ECB’s Governing Council approved “***The Eurosystem oversight framework for electronic payment instruments, schemes and arrangements (PISA)***”. PISA focuses on ‘payment schemes’¹⁴ and ‘payment arrangements’¹⁵ “which have reached a considerable level of importance for the euro area” and therefore

one single official currency, as they are by far the most common type of stablecoin in circulation. Throughout this report, we use the word “stablecoin” interchangeably with “e-money token”.

¹⁴ A payment scheme is “... a set of formal, standardised and common rules enabling the transfer of value between end users by means of electronic payment instruments. It is managed by a governance body.” Eurosystem oversight framework for electronic payment instruments, schemes and arrangements, 2021, p.4.

¹⁵ A payment arrangement is “... a set of operational functionalities which support the end users of multiple payment service providers in the use of electronic payment instruments. The arrangement is managed by a governance body which, inter alia, issues the relevant rules or terms and conditions.” *ibid*, p.5.

“bear a potential risk to the efficiency and safety of the overall payment system”. Accordingly, it includes an exemption policy based upon an assessment methodology aimed at filtering out non-significant payment schemes and arrangements that, given the existing prudential regulation of service providers, do not call for a complementary layer of central bank oversight.

Yet another significance concept was introduced to EU legislation in 2013 by the “**Council Regulation ... conferring supervisory and regulatory responsibilities for significant credit institutions on the European Central Bank**” (“SSM Regulation”)¹⁶. The assessment methodology and process are further specified in the ECB’s Single Supervisory Mechanism Framework Regulation (“SSM Framework Regulation”).¹⁷ As already indicated in the SSM Regulation’s title, the purpose of this assessment is to identify those credit institutions, for which direct supervisory and regulatory responsibilities are transferred from national competent authorities (e.g. BaFin in Germany) to the ECB. The significance concept under the SSM and SSM Framework Regulations is obviously different from the G-SIB and the PISA significance approaches. SSM significance does not entail application of increased or additional requirements addressing heightened risk. The purpose is merely to transfer responsibility to an EU supranational regulatory body. The reason for including it in our comparative analysis is related to the dual purpose of the significance concept under MiCA. It not only triggers increased prudential requirements for significant e-money tokens referred to in the Commission’s impact assessment as “global stablecoins”, but it also triggers the transfer of supervisory responsibilities from national competent authorities to the EBA as the corresponding EU regulatory body.

Differences regarding the respective purpose are of key importance for the comparison of the significance concepts included in the analysis. Three distinct purposes can be distinguished:

- Significance triggering application of increased prudential requirements (category 1).
- Significance triggering application of a distinct regime under the responsibility of a distinct regulatory body (category 2).
- Significance triggering the transfer of regulatory responsibility from national competent authorities to the corresponding EU regulatory body (category 3).

The BCBS’ G-SIB assessment is aimed at informing application of additional, increasingly stringent loss absorbing requirements for international banks posing heightened systemic risks (category 1). In contrast, the significance classification under PISA triggers the additional application of a distinct regime and

¹⁶ Council Regulation (EU) No 1024/2013 of 15 October 2013 EU legislation conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.

¹⁷ See *ibid.*

central bank oversight to ensure compliance of captured ‘payment schemes’ and ‘payment arrangements’ with all or a subset of the PISA principles (category 2). Different from both these concepts, the significance assessment under the SSM Framework Regulation is aimed purely at determining whether supervisory and regulatory responsibilities are to be transferred from national competent authorities to the ECB as the EU supranational regulatory body specifically vested for that purpose with the required supervisory and regulatory powers (category 3).

In contrast, as set out before, the significance assessment under MiCA has a dual purpose and, therefore, bears resemblance to both, the BCBS’s G-SIB assessment entailing an increase of prudential requirements addressing the heightened systemic risks they pose, and the classification of credit institutions as significant under the SSM Framework Regulation triggering the transfer of regulatory and supervisory responsibilities from national competent authorities to the corresponding EU supranational regulatory body (categories 1 and 3).

... and purpose

Why this comparative analysis and why now?

As set out before, analytical efforts to fully understand and quantify the systemic risks posed by the emergence of global stablecoins are underway. However, the starting point for this quantitative analysis is very different from what has been experienced during the financial crisis in the late 2000s giving rise to the BCBS’ G-SIB approach. The BCBS could draw on ample evidence of materialised systemic risks causing an unprecedented loss of wealth and pushing the global financial system to the brink of melt-down. The globally active banks populating the G-SIB sample became known to pose most tangible systemic risks and regulators and governments had lived through the enormous challenges and experienced and incurred the cost of managing this global financial crisis.

In contrast, Libra eventually was not launched and to date there is no global stablecoin arrangement that comes anywhere close to the ECB projections for Libra as a means of payment, let alone as a store of value. The one project that was launched, but ultimately dramatically failed, was Terra Luna and the related “so-called” stablecoin UST. Their collapse in May 2022 wiped out \$40 billion in value in a matter of days. However, this collapse did not affect broader financial markets at a global or national level.¹⁸ So far, existing evidence suggests that even sizable stablecoin arrangements do not pose financial stability risks.

¹⁸ BIS, Crypto shocks and retail losses, BIS bulletin, No 69, 20 February 2023.

That may change. Given the dynamics in crypto-asset markets and ecosystems further analysis and quantification of systemic risks posed by global stablecoins is all the more important. The rapidly evolving regulatory framework must be informed by facts, not by fiction or fears. In the absence of established facts and quantified risks, regulation must err on the side of caution. To assist and complement the ongoing analytical work and to inform the warranted regulatory caution, this purely comparative analysis is aimed in particular at assisting the review and reform of MiCA and the MiCA significance concept. Review and timely reform are needed in order to develop a significance concept that in terms of both, a well understood and articulated purpose, and commensurate criteria and quantitative indicators and thresholds is embedded in a balanced and coherent approach to the full range of significance concepts as they cut across EU financial sector regulation.

In-depth analysis and debate are critical as a matter of urgency. As mentioned before the European Commission is tasked to produce, according to Article 140 (1) MiCA¹⁹, “an assessment of the appropriateness of the thresholds to classify asset-referenced tokens and e-money tokens as significant” and “whether the thresholds should be evaluated periodically (Article 140 (2)(s) MiCA).²⁰ Article 140 (1), MiCA requires the Commission to present the report to the European Parliament and the Council by 30 June 2025. A tight deadline, especially given the Commission is required to consult EBA and ESMA prior to finalising and submitting the report. We would encourage the Commission to draw on all sources available and also engage the industry and all relevant stakeholders in the debate.

In the following chapter 2, we will briefly outline the basic assessment criteria and a high-view of the expected impact of the application of the additional requirements for issuers of significant EMTs. Chapters 3-5 follow with an overview of the BCBS G-SIB model, the SSM Framework Regulation for significant credit institutions, and the PISA oversight framework, respectively. Each chapter compares the respective assessment model and framework with MiCA’s regime for significant EMTs. Chapter 6 adds an international perspective on the regulatory treatment of “global stablecoins” by discussing the UK plans for systemic stablecoins and recent publications from international standard setting bodies. Chapter 7 concludes.

¹⁹ Throughout this report, Articles cited without further specification are those of MiCA.

²⁰ Regarding the MiCA significance concept, the EU Commission report will also have to cover “the number of issuers of significant e-money tokens and an analysis of the official currencies referenced by the significant e-money tokens and, for electronic money institutions issuing significant e-money tokens, an analysis of the categories of reserve assets, the size of the reserves of assets, and the volume of payments made in significant e-money tokens (Article 140 (2) (j)) and “the number of significant crypto-asset service providers” (Article 140 (2) (k)).

2. The concept of significance in MiCA

MiCA's Significance criteria

When MiCA was first proposed in September 2020, it included the concepts of significant asset-referenced tokens (ARTs)²¹, and significant EMTs²² being subject to significantly more demanding prudential requirements and a move of regulatory responsibility from national competent authorities to the EBA ("dual purpose"). Like in the final text that was approved and published in 2023, the concept was based on various classification criteria, and where three of these criteria were met, a token would be deemed significant.

However, the first draft criteria for classification were slightly different and overall lower than the ones that have been adopted in 2023. For example, the threshold for the market cap was increased from EUR 1 billion to EUR 5 billion, and the threshold for the customer base was adapted from capturing natural or legal persons to capturing holders of the token.

The final classification criteria are the following:

- a) the number of holders of the asset-referenced token is larger than 10 million;
- (b) the value of the asset-referenced token issued, its market capitalisation or the size of the reserve of assets of the issuer of the asset-referenced token is higher than EUR 5 000 000 000;
- (c) the average number and average aggregate value of transactions in that asset-referenced token per day during the relevant period, is higher than 2,5 million transactions and EUR 500 000 000 respectively;
- (d) the issuer of the asset-referenced token is a provider of core platform services designated as a gatekeeper in accordance with Regulation (EU) 2022/1925 of the European Parliament and of the Council (43);
- (e) the significance of the activities of the issuer of the asset-referenced token on an international scale, including the use of the asset-referenced token for payments and remittances;
- (f) the interconnectedness of the asset-referenced token or its issuers with the financial system;²³

²¹ Defined as "a type of crypto-asset that is not an electronic money token and that purports to maintain a stable value by referencing another value or right or a combination thereof, including one or more official currencies;"

²² Defined as "a type of crypto-asset that purports to maintain a stable value by referencing the value of one official currency;"

²³ For the two qualitative criteria e (international scale) and f (interconnectedness with the financial system), the EU Commission has recently published a drafted delegated regulation (Draft delegated regulation, November 2023) specifying the assessment of

(g) the fact that the same issuer issues at least one additional asset-referenced token or e-money token, and provides at least one crypto-asset service.

Additional MiCA's requirements for issuers of significant EMTs - examples and impact

This report focuses on the nature and suitability of MiCA's significance criteria, mainly by comparing them to existing regulatory concepts of systemic relevance in banking and payment systems.

However, this comparison and the critical assessment of the suitability of MiCA's significance criteria has to take into account the ultimate objective of the classification of EMTs as significant, in particular the risks, systemic or other, it is meant to mitigate as evidenced by the increase in regulatory requirements applicable to their issuers but also the move of regulatory responsibility from national competent authorities to the EBA it entails.

This section won't outline the entirety of additional requirements, but highlights some examples with respect to issuers of significant EMTs versus "non-significant" EMTs.

Article 58 references the specific additional obligations for electronic money institutions (EMIs) issuing significant EMTs. We would like to highlight three examples:

Reserve requirements

EMIs issuing significant EMTs need to follow stricter liquidity requirements developed for issuers of ARTs, and stricter custody policies and requirements such as the prevention of custody concentration (Article 37). Most importantly, however, they are subject to additional liquidity management requirements from Article 45 (1) to (4), which requires that the minimum amount of deposits in each official currency mentioned shall not be less than 60% of the amount mentioned in each official currency (Article 45 (7)).

This means that these issuers of significant EMTs may not use less than 60% of the reserve amount of their significant EMT as bank deposits. This represents a doubling of the minimum amount that must be

these criteria, taking into consideration the advice from the European Banking Authority (EBA) for suitable indicators ([EBA's Technical Advice in response to the European Commission's December 2022 Call for Advice on two delegated acts under MiCAR concerning certain criteria for the classification of ARTs and EMTs as significant and the fees that are to be charged by EBA to issuers of significant ARTs and EMTs](#), 22 September 2023).

deposited with credit institutions, a drastic increase that can severely threaten the business model of issuers of significant e-money tokens who generate revenue primarily by investing the reserve in low risk financial instruments.

As an aside and to make matters worse, this significantly more restrictive requirement runs counter to the very objective of MiCA and the MiCA significance concept. As set out in the EBA's recently published consultation on the RTS further specifying the liquidity requirements of the reserve of assets, the jump from 30 to 60% minimum investment in bank deposits results in an increase of issuers' liquidity risks, credit risks, and interconnectedness, hence, in combination in an increase in financial stability risks.²⁴ A formidable regulatory own goal that should be fixed as a matter of urgency.

Own fund requirements

EMIs issuing significant EMTs need to comply with own funds requirements for issuers of significant ARTs instead of the requirements from Article 5 of the E-Money Directive 2009/110/EC. On top of minimum own funds of 2% of the token supply, plus a relative increase of up to 20% of that minimum amount, based upon the respective National Competent Authority's (NCA) discretion, EMIs issuing significant EMTs need to conduct regular stress tests, the results of which can serve as a basis for an increase in the own funds requirements by the NCA by another 20-40%.

Finally, Article 45(5) increases the minimum percentage of own funds requirements from 2% to 3% of the average amount of reserve assets. These drastically increased own funds requirements mean that, in the

²⁴ EBA Consultation Paper on Draft Regulatory Technical Standards to further specify the liquidity requirements of the reserve of assets under Article 36(4) of Regulation (EU) 2023/1114: "22. Point (d) of Article 36(4), together with Article 58(1) and (2), of MiCAR establishes that the amount of deposits with credit institutions cannot be lower than 30% of the amount referenced in each official currency, in the case of issuers of ARTs that are not significant or e-money institutions issuing EMTs that are not significant if required by the relevant competent authority. This percentage is 60% for the cases of issuers of ARTs or EMTs that are significant.

The EBA considers that an amount of bank deposits in the reserve of assets higher than those percentages of the amount of assets referenced in tokens might trigger concerns from the perspective of the liquidity of the reserve assets overall and their exposure to credit risk. The EBA considers that it is key to keep a relevant amount of the reserve of assets as susceptible to be liquidated in the market and not just with specific counterparties. Furthermore, the interconnectedness between the banking system and crypto-asset sector should be well controlled to avoid reciprocal contagion effects in case of distress of one of them. Therefore, the EBA considers that the minimum amount of bank deposits in the reserve assets should not be set at a higher default level than those percentages of the amount referenced in each official currency."

most extreme cases, EMIs issuing significant EMTs will have to hold up to 4.8%²⁵ of reserve assets as own funds consisting of common equity tier 1 capital through the application of Article 45(5), Article 35(3), and Article 35(5). This is more than double the own funds requirements issuers of traditional e-money have to comply with.

This would represent a higher mandatory tier one own capital requirement for issuers of significant EMTs than for banks that must meet a tier one capital ratio of at least 4.5%. The major difference being, however, that issuers of significant EMTs have 100% of their assets already backed by a reserve that will consist of a minimum of 60% deposits and up to 40% of high quality liquid assets (HQLAs), while bank deposits are hypothecated, lent out, and unreserved besides the minimum regulatory own funds requirements.

This appears to be a disproportionate capital requirement for these issuers in light of their unhypothecated, fully backed reserve composed by only cash and HQLAs exposing minimal credit and market risk. It could jeopardise the scalability of the business model of issuing significant e-money tokens.

Audit requirements

EMIs issuing significant e-money tokens are obliged according to Article 36 (9) to conduct an independent audit of the reserve of assets every six months. This MiCA requirement goes significantly further than existing provisions for payment institutions, which require annual financial statements and consolidated financial statements to be audited by statutory auditors or by audit firms as defined in Directive 2006/43/EC.

Doubling the frequency of independent audits will also result in a significant resource burden on the part of EMIs issuing significant EMTs, which, in addition to the challenges already mentioned in this chapter, could call into question the viability of their business model.

Summary - a significant cliff-edge effect

These were merely examples of additional requirements that will hit EMIs issuing significant EMTs versus those issuing “non-significant” EMTs. And yet, the doubling of the reserve funds to be held at credit institutions, the massive increase in capital buffer requirements, and the doubling in frequency of

²⁵ $(4.8\% = 3\% + 0.4 * 3\% + 0.2 * 3\%)$.

mandatory financial audits already exhibit the heavy cliff-edge effect that EMIs could face when their tokens are deemed significant. Undeniably, these additional requirements will threaten the economic viability of most EMT issuers.

3. The BCBS G-SIB framework

Too-big-to-fail (“TBTF”) was the buzz-word and in the 2018 revision of the G-SIB assessment methodology²⁶, the BCBS describes its rationale as countering the “negative externalities associated with institutions that are perceived as not being allowed to fail due to their size, interconnectedness, complexity, lack of substitutability or global scope”²⁷. The objective is to eliminate the “moral hazard ... associated with implicit guarantees derived from the perceived expectation of government support”. To that end the BCBS’ G-SIB assessment of systemic importance of the individual banks is coupled with a “bucketing approach” informing additional loss absorbency requirements. Commensurate with their respective systemic importance, G-SIBs are allocated to buckets with staggered levels of loss absorbency requirements applied to banks assigned to the respective bucket.

The significance assessment under MiCA, as inspired by Libra and the ECB projections of the potential size of the Libra reserve, is in its basic structure and for the key assessment criteria, similar. As the G-SIB assessment, the classification of an EMT as significant triggers the application of significantly increased capital requirements aimed at mitigating the perceived heightened risk. There are, however, important differences, which we will discuss in more detail further below after providing a brief description of the G-SIB assessment methodology.

BCBS-methodology for assessing the systemic importance of G-SIBs

The BCBS-methodology relies upon an *indicator-based measurement approach* informing the scoring of individual banks in the sample²⁸. It combines quantitative and qualitative indicators reflecting the different aspects of what generates negative externalities and makes a bank critical for the stability of the financial

²⁶ Basel Committee on Banking Supervision, Global systemically important banks: revised assessment methodology and the higher loss absorbency requirement, July 2018.

²⁷ BCBS, July 2018, p.2.

²⁸ BCBS, July 2018, p.4-7.

system. The reference system is the global economy and the systemic importance of each bank in the sample is assessed based on data for the consolidated banking group. The score assigned to individual banks in the sample merely reflects that bank's contribution to the overall exposure to systemic risks.

The BCBS acknowledges that “no approach perfectly measures global systemic importance across all banks”.²⁹ It, therefore, focuses on a scoring of individual banks' relative contribution to systemic risks and, moreover, sets a framework for supplementary supervisory discretion incorporating also qualitative information.

The assessment does not take into account probability, but is targeted only at the potential impact. In the words of the BCBS, the approach “can be thought of as a global, system-wide, loss-given-default (LGD) concept rather than a probability of default (PD) concept.”³⁰ The individual indicators driving the scoring are split across 5 categories reflecting size, interconnectedness, lack of readily available substitutes or financial institution infrastructure for the provided services, global (cross-jurisdictional) activity and complexity. For the overall assessment the different categories and the individual indicators (between 1 and 4 per category) are given fixed weights as set out in the table below.

BCBS indicator-based measurement approach³¹

²⁹ BCBS, July 2018, p.4.

³⁰ BCBS, July 2018, p.4.

³¹ BCBS July 2018, p.5.

Indicator-based measurement approach

Category (and weighting)	Individual indicator	Indicator weighting
Cross-jurisdictional activity (20%)	Cross-jurisdictional claims	10%
	Cross-jurisdictional liabilities	10%
Size (20%)	Total exposures as defined for use in the Basel III leverage ratio*	20%
Interconnectedness (20%)	Intra-financial system assets*	6.67%
	Intra-financial system liabilities*	6.67%
	Securities outstanding*	6.67%
Substitutability/financial institution infrastructure (20%)	Assets under custody	6.67%
	Payments activity	6.67%
	Underwritten transactions in debt and equity markets	3.33%
	Trading volume	3.33%
Complexity (20%)	Notional amount of over-the-counter (OTC) derivatives*	6.67%
	Level 3 assets*	6.67%
	Trading and available-for-sale securities	6.67%

* Extended scope of consolidation to include insurance activities.

The different categories capture:

- **Cross-jurisdictional activity:** the bank's global footprint in terms of its activities outside its home jurisdiction relative to the overall activity of other banks in the sample (as measured by its cross-jurisdictional claims and liabilities);
- **Size:** the potential for the bank's failure to damage the global economy, cause disruption to financial markets and damage confidence in the financial system (as measured by its total exposures);
- **Interconnectedness:** the potential for the bank's failure to have contagious effects and affect other financial institutions via its network of contractual obligations (as measured by its intra-financial system assets and liabilities and its outstanding securities);
- **Substitutability/financial institution infrastructure:** the degree to which the bank as market participant, client service provider and provider of financial institution infrastructure can or cannot be substituted by other financial institutions (as measured by assets under custody, its payments activity, its underwriting of transactions in debt and equity markets; and its trading volume); and
- **Complexity:** the potential of the bank's business, structural and operational complexity to increase costs and time needed to resolve the bank (as measured by the notional amount of its

OTC derivatives; its level 3 assets; and its trading and available-for-sale securities).

The methodology for the calculation of an individual bank's score is to ensure proper reflection of its relative contribution to systemic risk as posed by all banks in the sample.³² Banks with a score exceeding a cutoff level set by the BCBS are classified as G-SIBs. Supervisory judgement can be used to add banks to the list of G-SIBs with scores below the cutoff.

The BCBS **bucketing approach** applies only to the banks classified as G-SIBs. Based upon the score resulting from the BCBS' annually performed assessment these G-SIBs fall into one of the 5 buckets and are subject to the corresponding additional loss absorbing requirements (see diagram below).

BCBS bucketing approach³³

Bucket	Score range*	Higher loss absorbency requirement (Common Equity Tier 1 as a percentage of risk-weighted assets)
5	530–629	3.5%
4	430–529	2.5%
3	330–429	2.0%
2	230–329	1.5%
1	130–229	1.0%

* All score ranges are equal in size.

The bucket thresholds are set such that bucket 5 is currently empty. Should it become populated in the future, a new bucket will be added to maintain incentives for banks to avoid becoming more systemically important. The minimum additional loss absorbing requirements for the new and any further buckets will increase in increments of 1% of risk-weighted assets.

Comparison of BCBS's G-SIB model and MiCA's significance regime

As mentioned before, the BCBS's G-SIB and MiCA's significance assessment broadly share the same key criteria. However, the G-SIB assessment is fundamentally different in that the scores assigned to individual banks reflect that bank's relative contribution to systemic risks all globally active banks in the

³² For further details see BCBS July 2018, p.4 and 5.

³³ BCBS July 2018, p.11.

sample are assumed to pose at the global level. In addition, regulators participating in the assessment and scoring of banks in the sample, for which they assume supervisory responsibility, are given some discretion subject to a specifically set decision framework. A similar approach to the significance assessment under MiCA is not conceivable, at least not for the time being, simply because so far there is no evidence that currently circulating stablecoins present, individually or jointly, systemic risks at the national or global level. Instead, the MiCA significance assessment is based mainly upon set quantitative thresholds automatically triggering classification of EMTs as significant. Limited supervisory discretion applies only for the qualitative criteria.

Moreover, issuers of EMTs classified as significant are uniformly subject to the full range and impact of the significantly increased prudential requirements set out before regardless of how many more than the minimum of three significance thresholds they meet and regardless of the amount by which the thresholds have been exceeded. A layering as under the G-SIB approach, with assignment of individual banks to buckets of gradually increasing loss absorption requirements commensurate with their relative contribution to the overall systemic risk posed by all banks in the sample, does not apply.

The automated, digital YES/NO decision the MiCA significance concept generates does not reflect in any way some absolute or relative measure of systemic risk nor a given issuer's relative contribution to the systemic risks posed by global stablecoin activities. Whether an issuer issues 2 or 20 significant EMTs, also by how much one or several of the issued EMTs exceed the significance cut-off in terms of their size, complexity or interconnectedness, does not make any difference. Thus, irrespective of the issuer's contribution to systemic risks, the increased prudential requirements apply uniformly. Any risk-adjusted increase of own funds requirements can only be applied as a further add-on subject to case-by-case supervisory discretion.

In addition, the option under Article 5(5) of the Electronic Money Directive to reduce own funds requirements by up to 20% has been removed. Hence, issuers of significant EMTs will inevitably be subject to a uniform 50% increase in own funds requirements, which is clearly of a different order of magnitude than the risk-sensitive 0.5% steps (buckets 1 to 4) up to the current maximum of 3.5% (in the not yet populated bucket 5) of increased CET 1 requirements under the BCBS's much more risk-sensitive G-SIB bucketing approach.

In addition, and in order to provide at least some indication of how the size of G-SIBs classified as such compares to the MiCA size threshold of €5 billion (of total value of issued tokens, or market

capitalisation or total value of reserve of assets), it should be noted that the smallest G-SIB in terms of its size score assigned to G-SIB bucket 1 is Standard Chartered with a total value of assets of GBP 682 billions (end-2022)³⁴

Whatever risk the significance concept under MiCA is meant to capture on the basis of e.g. the €5 billion size threshold (triggering application of the significantly increased prudential requirements), it appears highly unlikely that evidence can be provided, now or in the future, of a systemic threat to EU, let alone global, financial stability emanating from an EMT of that size.

4. The SSM Framework Regulation

The SSM Framework to assess significant credit institutions in the euro area

The financial and subsequent sovereign debt crisis in the late 2000s not only triggered a concerted response at the G20 level to counter TBTF, including the additional loss absorbing requirements for G-SIBs discussed above. It also gave rise at the European level to the creation of the so-called Banking Union in 2014 aimed at setting an end to a still scattered regulatory and supervisory landscape and the resulting ineffective crisis management efforts mainly pursued in national silos. Euro area countries decided to pursue a deeper integration of their banking systems based upon a “Single Rulebook”, and three distinct but integrated pillars combining the establishment of a new European architecture for supervision and resolution of credit institutions (pillars 1 and 2) and a European deposit insurance scheme (pillar 3, not yet realised).

Pillar 1 of the Banking Union, the so-called “Single Supervisory Mechanism”, combines the transfer of direct supervisory responsibilities for significant banks from Euro area and participating non-Euro area national competent authorities to the ECB and close cooperation between the ECB and the national authorities.³⁵

The table below published on the ECB website provides a high-level summary of the criteria for determining significant credit institutions subject to direct ECB supervision.³⁶

³⁴ Disregarding the asset managers in G-SIB bucket 1 (i.e. State Street and BNY Mellon).

³⁵ For further background see website of the European Council Council of the European Union, [Banking Union](#).

³⁶ see ECB website, [What makes a bank significant](#).

Significance criteria	
Size	the total value of its assets exceeds €30 billion
Economic importance	for the specific country or the EU economy as a whole
Cross-border activities	the total value of its assets exceeds €5 billion and the ratio of its cross-border assets/liabilities in more than one other participating Member State to its total assets/liabilities is above 20%
Direct public financial assistance	it has requested or received funding from the European Stability Mechanism or the European Financial Stability Facility
A supervised bank can also be considered significant if it is one of the three most significant banks established in a particular country.	

Similar to the other significance concepts the ECB significance assessment is based upon a ‘size criterion’, an ‘economic importance criterion’ and a ‘cross-border activities criterion’. In addition, reflecting the genesis of the SSM, ECB direct supervisory responsibility is also triggered for credit institutions in a crisis situation requesting or receiving public direct financial assistance from the European Stability Mechanism.

Quantitative thresholds are set for all three criteria in the SSM Regulation and further specified in the ECB’s SSM Framework Regulation. However, for the economic importance criterion the provisions allow for ECB discretion based upon additional qualitative criteria specified in Article 57 of the SSM Framework Regulation (see summary below).

Comparison of the SSM’s significance framework and MiCA’s significance regime

	SSM significance	MiCA equivalent
Size criterion:		
<ul style="list-style-type: none"> Total value of assets vs value of tokens 	<ul style="list-style-type: none"> Total value of assets > €30 billion 	<ul style="list-style-type: none"> Total value of issued tokens, market capitalisation or size of the issuer’s reserve of assets > €5 billion

<ul style="list-style-type: none"> • Client base 	NA	<ul style="list-style-type: none"> • 10 million token holders (tbd: EU or global)
<ul style="list-style-type: none"> • Number of transactions 	NA	<ul style="list-style-type: none"> • ~912 million transactions a year (aggregated from daily number. Tbd: EU or global)
<ul style="list-style-type: none"> • Value of transactions 	NA	<ul style="list-style-type: none"> • ~182 billion transaction value a year (aggregated from daily number. Tbd: EU or global)
Economic importance criterion:		
<ul style="list-style-type: none"> • National economic importance threshold 	<ul style="list-style-type: none"> • Ratio of total assets over GDP of participating Member State of establishment > 20 %, plus total value of assets \geq €5 billion (cumulative conditions) 	NA
<ul style="list-style-type: none"> • Importance for the economy of the Union or any participating Member State 	<ul style="list-style-type: none"> • Significance of supervised entity or group for specific economic sectors in EU or participating Member State; • interconnectedness of supervised entity or group with economy of EU or participating 	<ul style="list-style-type: none"> • significance of the issuer's activities on an international scale, including the use of the issued token for payments and remittances; • the interconnectedness of the token or its issuer with the financial

	Member State; <ul style="list-style-type: none"> • Substitutability of supervised entity or group as both market participant and client service provider; • Business, structural and operational complexity of supervised entity or group. 	system;
Cross-border activities criterion:	<ul style="list-style-type: none"> • Ratio of cross-border assets to total assets > 20 %, or • Ratio of cross-border liabilities to total liabilities > 20 % and • Total value of assets > €5 billion. 	<ul style="list-style-type: none"> • Significance of the issuer's activities on an international scale (incl. use of the token for payments and remittances)

The quantitative SSM and MiCA significance thresholds as applicable to comparable significance criteria are broadly in the same order of magnitude. Exceeding the anchor value of €5 billion in terms of total assets (SSM significance - as de minimis threshold for the cross-border activities criterion) or in terms of value of issued tokens, market capitalisation or value of reserve of assets (MiCA significance) triggers the transfer of direct supervisory responsibilities to the respective EU regulatory body (ECB or EBA) if other quantitative or qualitative criteria are met. It has to be noted, however, that, in contrast to the MiCA significance concept, the SSM significance assessment provides quite some leeway for ECB discretion to classify as significant and, therefore, subject to direct ECB supervision, credit institutions that do not meet the quantitative thresholds.³⁷

Overall, the SSM and MiCA significance criteria and the associated quantitative thresholds can be viewed

³⁷ MiCA does allow for national discretion to apply the increased prudential requirements in cases of non-significant EMTs, however, without triggering transfer of supervisory responsibility to the EBA.

as broadly aligned. Accordingly, the MiCA significance concept, to the extent it triggers transfer of supervisory responsibilities from national competent authorities to the EBA, does not appear, at this stage, to be in need of review and reform.

5. The PISA oversight framework

The PISA oversight framework to assess payment infrastructure

It is important to acknowledge that PISA and MiCA pursue inherently different objectives. The focus of PISA is on financial stability risks posed by potentially important aspects of payment infrastructures or elements thereof provided by privately owned ‘payment schemes’ and ‘payment arrangements’. In contrast, MiCA, similar to prudential banking regulation, is concerned with a much broader spectrum of risks holders of crypto-assets and users of crypto-asset services and markets are exposed to even without there being any financial stability risks at stake. Within this prudential context the MiCA significance concept, much like the BCBS’s G-SIB assessment methodology, is aimed at filtering out EMTs that pose financial stability risks and, therefore, warrant application of higher prudential requirements to issuers across the full spectrum of their risk profile.

Accordingly, comparing the two frameworks should be treated with some caution. Financial stability risks potentially calling for classification of an EMT as significant can be entirely unrelated to the role that crypto-asset may or may not play for the workings of payment infrastructures potentially triggering the application of PISA. In contrast, capture under PISA of an EMT and the underlying ecosystem as a ‘payment scheme’ or ‘payment arrangement’ may well suggest that that crypto-asset warrants classification as significant under MiCA.

Well in line with the differences set out before, the impact of the potential application of these two frameworks is very different. While the application of PISA requires in the first place compliance of the underlying technology infrastructure with Principles for Financial Market Infrastructure (PFMI) including related governance standards, MiCA subjects issuers of significant EMTs to the much increased prudential requirements outlined above covering a broad spectrum of key aspects of their business and operations. The much increased requirements triggered by the classification of an EMT as significant would suggest a considerably tighter set of criteria subject to much higher thresholds such as to filter out issuers exposed to and posing risks of a magnitude warranting mitigation based upon these much increased requirements.

With these important differences in mind the following comparison between the approach under PISA and the significance criteria under MiCA does shed light on the latter and the adequacy of the calibration of the associated thresholds.

The Eurosystem oversight framework for electronic payment instruments, schemes and arrangements (PISA) was approved by the ECB's Governing Council in November 2021. The framework was designed to make the current and future payments ecosystem safer and more efficient, as part of the ECB's statutory task to promote the smooth operation of payment systems.³⁸ The PISA framework replaced the previous Eurosystem oversight approach and oversees companies enabling or supporting the use of payment cards, credit transfers, direct debits, e-money transfers and digital payment tokens, including electronic wallets. It also explicitly covers crypto-asset-related services, and was introduced as a complement to the forthcoming MiCA regulation and international standards for global stablecoins.

The PISA Eurosystem oversight “concentrates its activities on those schemes/arrangements which have reached a considerable level of importance for the euro area, and which therefore also bear a potential risk to the efficiency and safety of the overall payment system.”³⁹ An exemption policy was published alongside the PISA framework that lists several criteria that might exempt payment schemes and arrangements from being overseen under PISA.

The exemption policy is based on a points system that assesses a scheme/arrangement against the following criteria⁴⁰

- Criterion 1: the size of the end user or payment service provider base;
- Criterion 2: the degree of market penetration in terms of volume;
- Criterion 3: the degree of market penetration in terms of value;
- Criterion 4: geographic relevance.

For each criterion, a scheme/arrangement can receive from 0 to 2 points - depending on certain thresholds per criterion. The overall score is calculated by summing the number of points for the four criteria. All payment schemes and arrangements with a total score of 5 points or more are subject to Eurosystem oversight. For cases where the total score is 3-4 points, the lead overseer (central bank) has some limited discretion whether to oversee or “merely” monitor the scheme/arrangements (e.g. via physical or virtual

³⁸ ECB, Eurosystem publishes new framework for overseeing electronic payments, 22. November 2021.

³⁹ ECB, <https://www.ecb.europa.eu/press/pr/date/2021/html/ecb.pr211122~381857cdf.en.html>, November 2021.

⁴⁰ ECB, Exemption policy for the Eurosystem oversight framework for electronic payment instruments, schemes and arrangements, November 2021.

meetings and basic statistics). For cases where the score is 1-2 points, the lead overseer can either decide to monitor or exempt the scheme/arrangement.⁴¹

As such, the exemption thresholds defined in the Eurosystem policy are intended to capture the “importance” and potential risk of a payments system for the euro area, and are a good measure of comparison to the MiCA criteria that are designed to capture “significance” of EMTs. As PISA is explicitly complementary to MiCA in its oversight of stablecoins, it would be unusual if the criteria for “importance” or “significance” varied widely.

Comparison of PISA’s exemption thresholds and MiCA’s significance regime

In this analysis, we only consider the “pan-European” thresholds from the PISA exemption policy, as stablecoin transactions and services are by default not limited to single EU countries.

Criterion 1: the size of the end user or payment service provider base

For this indicator either (A) the number of end users or (B) the number of payment service providers is considered, depending on which of these is more representative for a scheme/arrangement.

Table 1
Size of end-user base

Schemes/ arrangements	The number of (i) registered end users or (ii) issued electronic payment instruments/user accounts within the euro area at the end of the year (in thousands) preceding the identification exercise equals or exceeds a given threshold	1 point	2 points
Pan-European	(i) as a percentage of the population of the euro area (ii) as a percentage of payment accounts within the euro area	1%	15%

Table 2
Size of payment service provider base

Schemes/ arrangements	The number of adhering payment service providers at the end of the year (single units) preceding the identification exercise equals or exceeds a given threshold	1 point	2 points
Pan-European	as a percentage of the payment service providers of the euro area	1%	25%

⁴¹ See *ibid.*

The current population of the euro area is approximately 350 million⁴². 1% of that would be 3.5 million users while 15% would be 53.5 million users.

There are currently 5242 payment service providers in the euro area⁴³. 1% of that would be 54.42, 25% would be 1310.

It is safe to say that currently no global stablecoin has >50 million users in the euro area, or >1000 EU payment service providers using the stablecoin. Even breaching the thresholds for 1 point under the exemption criteria seems far-fetched at this point in time, as only euro area users are taken into consideration.

MiCA's threshold for significance is the number of holders (10 million). We understand only EU holders are counted, which would make the significance criterion comparable to the PISA exemption threshold, sitting in between the two thresholds. However, if the global number of holders was taken into account, MiCA's threshold would set massively lower standards for stablecoin significance as PISA sets for payment system importance.

Criterion 2: the degree of market penetration in terms of volume;

For this criterion, PISA looks at the number of transfers of value of a scheme/arrangement as a percentage of the total number of transfers of value in the euro area.

Table 3
Degree of market penetration – volume

Schemes/ arrangements	The number of transfers of value during the year (in millions) preceding the identification exercise equals or exceeds a given threshold	1 point	2 points
Pan-European	as a percentage of the total number of transfers of value in the euro area	0.5%	4.5%

The total number of transfers of value in the euro area is 114 178 000 000⁴⁴. 0.5% of this would be 570 890 000 transfers. 4.5% would be 5 138 010 000 transfers.

⁴² See Payment statistics: methodological notes, Table 1.1.

⁴³ See Payment statistics: methodological notes, Table 4.

⁴⁴ See Payment statistics: methodological notes, Table 6.

For comparison, MiCA sets the significance threshold for the average number and average aggregate value of transactions in that token per day during the relevant period, which is higher than 2,5 million transactions and €500 000 000 respectively.

2.5 million transactions per day aggregated per year would amount to 912.5 million transactions, a number that would again sit between the two PISA thresholds (570 million and 5.1 billion). Again, our understanding is that MiCA's criterion only captures EU transactions. Looking at global numbers would put MiCA's significance criteria at a fraction of the thresholds defined by PISA.

Criterion 3: the degree of market penetration in terms of value;

For this criterion, PISA looks at the total value of transfers of value during a year.

Table 4
Degree of market penetration – value

Schemes/ arrangements	The total value of transfers of value or euro equivalent during the year preceding the identification exercise equals or exceeds a given threshold (in EUR billions)	1 point	2 points
National and pan-European		10	200

Source: ECB.

The first threshold sits at €10 billion. The second threshold is €200 billion.

If we compare that with the MiCA criterion set out above (€500 million per day = €182 billion per year), MiCA's number sits again between the two PISA thresholds, while it depends on the validity of our interpretation that only EU transactions are counted.

Criterion 4: geographic relevance

For this criterion, PISA looks at the number of countries in which a payment scheme/arrangement is actively offered to end users or payment service providers.

Countries are only counted if the number of end users exceeds 1% of its population or if the number of payment service providers exceeds 10% of its overall payment service providers.

Table 5
Geographic relevance

Schemes/ arrangements	The number of countries in which a payment scheme/arrangement is actively offered to end users (payers and payees) at the end of the year preceding the identification exercise	1 point	2 points
National and pan-European	or the number of countries in which a payment scheme/arrangement is actively offered to payment service providers for transfer of value at the end of the year preceding the identification exercise	3	10

Source: ECB.

Notes: "Actively offered" means that the payment scheme/arrangement allows transfers of value from a payer in one euro area country to a payee in another euro area country or within the same euro area country. A country is only counted if the number of end users as defined under criterion 1(A) exceeds at least 1% of its population or if the number of payment service providers as defined under criterion 1(B) exceeds at least 10% of the its payment service providers.

For comparison, MiCA already assumes that a stablecoin can be offered throughout the EU, and its significance criteria only try to capture the international scale outside of the EU of any stablecoin. As such, this criterion is hard to compare.

Summary of the PISA importance/MiCA significance comparison

	PISA	MiCA equivalent
PISA criterion 1: size of user base	<ul style="list-style-type: none"> First threshold at ~ 3.5 million users or ~55 PSPs Second threshold at ~53 million users or ~1300 PSPs 	<ul style="list-style-type: none"> 10 million stablecoin holders (our understanding: in the EU)
PISA criterion 2: degree of market penetration in terms of volume	<ul style="list-style-type: none"> First threshold at ~570 million transfers a year Second threshold at 5.1 billion transfers a year 	<ul style="list-style-type: none"> ~912 million transactions a year (aggregated from daily number. Our

		understanding: in the EU)
PISA criterion 3: degree of market penetration in terms of value	<ul style="list-style-type: none"> • First threshold at €10 billion transfer value a year • Second threshold at €200 billion transfer value a year 	<ul style="list-style-type: none"> • ~182 billion transaction value a year (aggregated from daily number. Our understanding: in the EU)
PISA criterion 4: geographic relevance	<ul style="list-style-type: none"> • First threshold at 3 countries where the number of end users exceeds 1% of the population or if the number of payment service providers exceeds 10% of its overall payment service providers • Second threshold at 10 countries “” “” 	<ul style="list-style-type: none"> • No equivalent for euro area/EU relevance. International scale outside of the EU will be measured through cross-border transactions

PISA’s exemption thresholds cannot be perfectly compared to MiCA’s criteria for significant stablecoins, as most of the seven criteria outlined by MiCA have no suitable equivalent in the PISA framework (e.g. the designation as gatekeeper in the Digital Markets Act, or the issuance of another stablecoin). Also, as mentioned above, the two frameworks do not address exactly the same risks and aspects of a stablecoin.

Nonetheless, PISA tries to capture the importance of a payments system for the euro area based on various quantitative measures, for example the size of the user base or the overall transaction volume and value, measures that have an equivalent indicator in MiCA’s significance assessment.

When comparing these quantitative sets of measures, MiCA's significance criteria mostly end up between the two exemption threshold values in PISA, reflecting an overall comparability of the two framework's indicators. However, this takeaway is only true as long as our understanding that MiCA's criteria capture EU numbers only, is correct.

In this regard, the recently published EU Commission draft delegated Regulation⁴⁵ specifying certain criteria for classifying ARTs and EMTs as significant clarifies that the "market capitalisation on an international scale of a token should be understood to include the same token issued outside the Union in order to distinguish that capitalisation from the market capitalisation referred to in Article 43(1), point (b), of Regulation (EU) 2023/1114." This confirms that the quantitative market capitalisation indicator in Article 43(1), point (b), refers to the market capitalisation in the European Union. Based on this clarification and on MiCA's original goal to capture systemic risk for the EU financial system, we deduce that the two other quantitative indicators referred to in Article 43 (1) point (a and c) (i.e. the number of holders and the average number and the average aggregate value of transaction per day) used for the above comparison refer to EU numbers only, too.

If, however, MiCA was referring to global numbers, its thresholds would be significantly lower than PISA's thresholds. As such, many more EMTs could end up in MiCA's significance regime without even being close to being in scope of PISA oversight. As PISA and MiCA effectively complement each other, the former targeting more specifically risks related to EU payment infrastructures, this potentially massive discrepancy would result in a striking and most unhelpful inconsistency of the overall regulatory approach.

6. Stablecoin significance outside of the EU

Stablecoin significance considerations in international standards

Beyond the early G7 report from October 2019 on the "impact of global stablecoins" referenced in the introduction, several international standard setting bodies have published recommendations and guidance on the treatment of global stablecoins.

In July 2022, the Committee on Payments and Market Infrastructures and the Board of the International Organization of Securities Commission (CPMI-IOSCO), issued guidance on the application of Principles

⁴⁵ EU Commission, [draft delegated Regulation specifying certain criteria for classifying asset-referenced tokens and emoney tokens as significant](#), November 2023.

for Financial Market Infrastructures (PFMI) to systemic payment systems using stablecoins.⁴⁶ The work on this contributed to the explicit inclusion of crypto-assets and stablecoins to the PISA Eurosystem oversight framework discussed above.

More recently in May 2023, the International Organization of Securities Commissions (IOSCO) published a consultation report on “Policy Recommendations for Crypto and Digital Asset Markets” where they presented 18 recommendations to address concerns related to market integrity and investor protection, including for stablecoins.⁴⁷ However, these recommendations do not target “significant” or “systemic” stablecoins specifically.

Most importantly, it is the Financial Stability Board (FSB) in July 2023 that first specified indicators that distinguish “global stablecoins” with a global reach and adoption from other stablecoins.

In its high-level recommendations for the regulation, supervision and oversight of global stablecoin arrangements (GSA), the FSB identifies the “potential reach and adoption across multiple jurisdictions” as the key characteristic that differentiates “global stablecoin arrangements” from other stablecoins.

As potential elements that could be used to determine whether a stablecoin qualifies as GSA, the FSB cites the following⁴⁸:

- Number and type of stablecoin users
- Number and value of transactions
- Size of reserve assets
- Value of stablecoins in circulation
- Market share in cross-border use in payments and remittances
- Number of jurisdictions with stablecoin users
- Market share in payments in each jurisdiction
- Redemption linked to a foreign currency or multiple currencies
- Interconnectedness with financial institutions and the broader economy
- Interconnectedness with the wider crypto-assets ecosystem, other crypto-asset services and decentralised finance
- Integration with digital services or platforms (e.g. social networks, messaging applications)
- Available alternatives to using the GSC as a means of payment at short notice
- Business, structural and operational complexity

⁴⁶ CPMI-IOSCO, Application of the Principles for Financial Market Infrastructures to stablecoin arrangements, July 2022.

⁴⁷ IOSCO, Policy Recommendations for Crypto and Digital Asset Markets, Consultatio Report, May 2023.

⁴⁸ FSB, High-level recommendations for the regulation, supervision and oversight of global stablecoin arrangements, July 2023.

Quite evidently, these elements build on both the criteria that are considered in determining the need for regulation, supervision, and oversight of Financial Market Infrastructure (FMIs) (e.g. the PISA framework in the euro area) and global systemically important banks.

While the FSB refrains from providing any quantitative measures, it makes clear that the global systemic importance should be “measured in terms of the impact that a stablecoin arrangement’s financial or operational disruptions, or failure, can have on crypto-asset markets, the global financial system and the wider economy.”⁴⁹

Depending on the interpretation and enforcement of MiCA’s significance criteria for EMTs, we should monitor closely whether the tokens in its future scope exhibit this importance for the global financial system and the wider economy, or if it fails to exempt tokens that are light years away from being compared to global systemically important banks or payment systems.

Stablecoin significance in non-EU jurisdictions - focus UK

Stablecoin regulation is progressing rapidly around the world. Besides MiCA in the EU, for example Singapore and Japan have recently adopted rules, and both the UK and the US have far-advanced proposals being discussed and negotiated.

⁴⁹ See Ibid.

Table 2 – State of regulation on stablecoins in the world

Jurisdiction	State of regulation
United States*	Final legislation pending
United Kingdom**	Final legislation pending
Australia	Process initiated/plans communicated
Bahamas	Stablecoin regulation in place
Canada	Final legislation pending
Cayman Islands	Stablecoin regulation in place
European Union***	Stablecoin regulation in place
China (mainland)	Prohibition/ban
Gibraltar	Stablecoin regulation in place
Hong Kong	Final legislation pending
Japan	Stablecoin regulation in place
Mauritius	Stablecoin regulation in place
Qatar	Prohibition/ban
Saudi Arabia	Prohibition/ban
Singapore	Final legislation pending
South Africa	Final legislation pending
Switzerland	Stablecoin regulation in place
United Arab Emirates	Final legislation pending

* Draft bills introduced in Congress, but no progress made in committee as of yet. ** Adopted in June 2023; ***MICA adopted, to enter into force in 2024.

Source: Bank for International Settlements, [Crypto, tokens and DeFi: navigating the regulatory landscape](#), 2023.

50

However, at this point, Dubai and the UK seem to be the only other jurisdictions that are opting for a specific regime for “systemic” or “significant” stablecoins.

When designating a VASP (virtual asset service provider) a Significant FRVA (fiat-referenced virtual asset) issuer, the Virtual Asset Regulatory Authority (VARA) in Dubai considers similar criteria to the FSB elements outlined above, namely⁵¹:

- The number of holders;
- The value of circulating and/or outstanding supply;
- The value of the reserve assets;
- The number and value of transactions;
- whether the VASP and/or its affiliates carry out any other VA Activity[ies] and/or financial services in the Emirate, or provide services similar to VA Activities and/or financial services in other jurisdictions;
- Interconnectedness with licensed financial institutions and/or VASPs; and/or;

⁵⁰ EU Parliament, [Non-EU countries' regulations on crypto-assets and their potential implications for the EU](#), September 2023.

⁵¹ VARA, [virtual asset issuance rulebook](#).

- The business, structural and operational complexity of the VASP in relation to the FRVA issued by it.

However, VARA has refrained from establishing quantitative thresholds and measures for these criteria, maintaining a larger degree of flexibility and discretion in its significance assessment. Moreover, the application of increased regulatory requirements and hence the regulatory impact of being designated a significant FRVA is also subject to ample regulatory discretion. VARA “may impose” additional rules on company structure and governance, reserve assets, audits, reporting, or any other matter⁵². Thus, the major cliff-edge effect triggered by the strictly digital yes/no decision under the EU’s MiCA is avoided. Instead, there is ample supervisory flexibility and discretion built into the concept, similar to the BSBS G-SIB assessment.

In the UK, if HM Treasury recognizes a “digital settlement asset” (DSA) payment system or DSA service provider (e.g. a DSA issuer, custodian) as systemically important, it will be subject to regulation and supervision by the Bank of England (BoE), in addition to being in the Financial Conduct Authorities (FCA) perimeter for conduct purposes, as well as the Payment System Regulator’s (PSR) remit for competition questions.

HM Treasury may only recognise a DSA payment system or service provider as “systemic” if it is satisfied that “any deficiencies in the design of the system, or any disruption of its operation, would be likely to: (a) threaten the stability of, or confidence in, the UK financial system; or (b) have serious consequences for business or other interests throughout the UK”.⁵³

In considering whether an entity meets the above criteria, HM Treasury must have regard at a list of factors that include

- The number and value of the transactions that the system presently processes or is likely to process in the future (incl. The number of stablecoin users, the value of stablecoins in circulation, etc.);
- The nature of the transactions (i.e nature and risk profile of entity’s activity, the type of stablecoin users, etc.);
- Whether the transaction or their equivalent could be handled by other systems, and whether those systems are readily available;

⁵² See Ibid.

⁵³ Bank of England, Regulatory regime for systemic payment systems using stablecoins and related service providers, Discussion Paper, November 2023.

- The relationship between the systems and other systems (i.e. interconnectedness with other systemically important financial market infrastructures, institutions and governments);
- Whether the system is used by the Bank of England in the course of its role as a monetary authority.

While these factors are not further quantified, the Bank of England’s current “assessment is that, at present, existing stablecoins (e.g. USDC or Tether), or any new sterling referenced stablecoins similarly focused on transactions in cryptoassets or DeFi, would not be brought under the Bank’s remit, and would not be subject to the proposed regulatory framework set out”.⁵⁴

HM Treasury had already confirmed this view in early 2023: “There are currently no systemic DSA systems, and this would only be triggered were the system or service provider to meet the relevant criteria and thresholds, and where recognised and/or designated by HM Treasury.”⁵⁵

In comparison to the UK’s approach, MiCA’s significance criteria and assessment could very well capture existing stablecoins, particularly if the quantitative thresholds refer to global numbers and are not limited to EU adoption data only.

Bottom line: As of today, the EU is the only global jurisdiction to have finalised a specific regime for “significant” stablecoins with quantitative thresholds in place, and they offer less flexibility compared to other stablecoin significance frameworks such as the one in Dubai, and could apply much earlier than the framework for “systemic stablecoins” in the UK, for example.

If the status quo is maintained, stablecoin providers will face the cliff-edge effect of being considered significant in the EU, which in turn could significantly impact their business model. For issuers of global stablecoins, non EU jurisdictions lacking a similar framework, or jurisdictions with a more flexible, discretionary and conservative set of indicators and thresholds, could look much more attractive from a supervisory perspective.

⁵⁴ See *ibid.*

⁵⁵ HM Treasury, Future financial services regulatory regime for cryptoassets. Consultation and call for evidence. Paragraph 3.15. February 2023.

7. Conclusion

Today, MiCA is the only adopted regulatory framework in the world that features a specific regime for so-called significant stablecoins with a clear set of significance criteria and a fixed set of increased requirements. As we have seen in chapter 2, this regime comes with a heavily increased set of regulatory requirements, thereby creating a cliff-edge effect that will lead to issuers being very anxious of not meeting the significance assessment thresholds due to the associated additional obligations that could put their business model at risk.

MiCA's significance regime is also unique due to its dual purpose of transferring supervisory responsibility AND applying additional prudential measures. Other significance concepts in banking trigger the application of increased prudential requirements (category 1, e.g. BCBS G-SIB), trigger application of a distinct regime under the responsibility of a distinct regulatory body (category 2, e.g. PISA), or trigger the transfer of regulatory responsibility from national competent authorities to the corresponding EU regulatory body (category 3, e.g. SSM). MiCA's dual-purpose significance concept combines the categories 1 & 3, resulting in potentially conflicting considerations and interests when assessing and classifying EMTs as significant. Transfer of supervisory responsibility to the EBA may be regarded as useful and justified (e.g. to ensure an EU-wide uniform supervisory approach) well before systemic risks may call for the application of much increased prudential requirements.

However, a deeper comparison of these different regimes shed some important light on key issues with the calibration of MiCA's significance thresholds as they relate to this dual purpose nature of the significance concept. For triggering the transfer of supervisory responsibility to the EBA the MiCA thresholds seem broadly aligned with the thresholds in the SSM Framework Regulation (i.e. category 3) and the PISA exemption criteria (i.e. category 2). In contrast, for the purpose of triggering increased prudential requirements to respond, much alike the BCBS G-SIB approach, to systemic risks (i.e. category 1) the thresholds are entirely out of match with the G-SIB assessment methodology and the applicable quantitative and qualitative criteria/indicators .

As one example, MiCA's market capitalisation threshold sits at €5 billion, while the smallest G-SIB in terms of its size score assigned to G-SIB bucket 1 is Standard Chartered with a total value of assets of GBP 682 billions (end-2022)⁵⁶. Moreover, the BCBS G-SIB approach is more granular and layered by assigning individual banks to buckets of gradually increasing capital requirements relative to their

⁵⁶ Disregarding the asset managers in G-SIB bucket 1 (i.e. State Street and BNY Mellon).

contribution to the overall systemic risk posed by all banks in the sample. MiCA, on the other hand, establishes a simple yes/no question on the topic of significance, not reflecting in any way the relative measure of systemic risk nor a given issuer's relative contribution to the systemic risks posed by global stablecoin activities. This reinforces the aforementioned cliff-edge effect MiCA creates for stablecoin issuers.

Overall, this comparison with other existing regimes for significance strongly suggests that the dual purpose of MiCA's significance regime should be disentangled in order to be able to appropriately meet the respective distinct objectives. The current thresholds seem broadly aligned with the SSM criteria and could be maintained to trigger the transfer of supervision to the EBA. This would prevent any form of regulatory fragmentation in the EU for these new businesses, and ensure a uniform supervisory approach to those tokens that exhibit some **potential** to become systemically important later. The EBA would be in an excellent position to exercise the "border control" and ensure a proper, proportionate and fully risk-adjusted move of EMTs classified as significant into the applicable layer of much more demanding prudential requirements. On top of that, a new or derived second set of much higher thresholds and, if deemed necessary, criteria should be set to trigger the application of increased prudential and governance requirements, for better and risk-adequate capture of the actual risks a given issuer of EMTs poses to financial stability, monetary policy transmission, and monetary sovereignty. As MiCA stands it provides ample room for supervisory discretion allowing for case-by-case application of risk-adequate additional prudential requirements even if the issued EMT is not classified as significant.

More economic and regulatory research is needed on the assessment of financial stability risks of these new businesses, but overall they should be more closely aligned, including through a risk-relative bucketing approach, as well as a more discretionary evaluation, with the BCBS G-SIB framework.

MiCA's interim report in June 2025 represents a promising opportunity to re-evaluate the current significance concept and suggest changes, incl. the re-calibration of the thresholds, which, as our analysis shows, should be combined with a proper separation of its dual-purpose as outlined here.

Otherwise, MiCA's cliff-edge effect become overly restrictive for stablecoin issuers, which could lead to less issuers being willing to licence and issue their stablecoins out of the EU, which in turn would harm the EU's goal to bring large parts of this market under its regulatory remit in order to protect consumers. As shown in chapter 6, no other jurisdiction has currently adopted a similar approach for "global stablecoins", and the UK has made clear in its conception of its regime that no existing stablecoin would meet its criteria for significance today.

Plus, although not being the focus of this report, the adjacent technology neutrality and competition

concerns of this significance concept should not be ignored.

EU e-money issued in non-token form, even if issued and circulating at double or triple the amount than the largest significant e-money token under MiCA, will not face any increased regime and requirements.

What justifies the different treatment of e-money tokens versus other forms of e-money?

Additionally, only e-money institutions issuing e-money tokens will be subject to the additional obligations under MiCA's significance regime. This includes not only the increased prudential and governance requirements, but also the need to cover the EBA's supervisory fees for issuers of significant EMTs. Credit institutions issuing significant EMTs are explicitly exempted, raising level playing field and competition concerns.

We would encourage and welcome further research with respect to these critical aspects of MiCA's significance regime as well.