Cryptocurrencies in the EU: new rules to boost benefits and curb threats

- Uniform legal framework for crypto-assets in the EU
- Consumer protection and safeguards against market manipulation and financial crime
- Include crypto-assets mining in EU taxonomy for sustainable activities by 2025 to reduce carbon footprint

MEPs agreed on draft rules on supervision, consumer protection and environmental sustainability of crypto-assets, including cryptocurrencies such as bitcoins.

On Monday evening, the Economic and Monetary Affairs Committee adopted, with 31 votes to 4 and 23 abstentions, its negotiating position on new rules on crypto-assets. They aim to boost users’ confidence and support the development of digital services and alternative payment instruments.

Key provisions agreed by MEPs for those issuing and trading crypto-assets (including asset-referenced tokens and e-money tokens) cover transparency, disclosure, authorisation and supervision of transactions. Consumers would be better informed about risks, costs and charges. In addition, the legal framework supports market integrity and financial stability by regulating public offers of crypto-assets. Finally, the agreed text includes measures against market manipulation and to prevent money laundering, terrorist financing and other criminal activities.

Environmental threats

To reduce the high carbon footprint of crypto-currencies, particularly of the mechanisms used to validate transactions, MEPs ask the Commission to present MEPs with a legislative proposal to include in the EU taxonomy (a classification system) for sustainable activities any crypto-asset mining activities that contribute substantially to climate change, by 1 January 2025.

MEPs stress that other industries (e.g. the video games and entertainment industry, data centres) also consume energy resources that are not climate-friendly. They call for the Commission to work on legislation addressing these issues across different sectors.

Supervision
MEPs want the European Securities and Markets Authority (ESMA) to supervise the issuance of asset-referenced tokens, whereas the European Banking Authority (EBA) will be in charge of supervising electronic money tokens.

**Quote**

Stefan Berger (EPP, DE), the lead MEP, said: "By adopting the MiCA report, the European Parliament has paved the way for an innovation-friendly crypto-regulation that can set standards worldwide. The regulation being created is pioneering in terms of innovation, consumer protection, legal certainty and the establishment of reliable supervisory structures in the field of crypto-assets. Many countries around the world will now take a close look at MiCA."

**Next steps**

A decision to enter into negotiations with EU governments on the final shape of the bill was adopted with 33 votes to 25.

**Background**

Crypto-assets, including cryptocurrencies, are neither issued nor guaranteed by a central bank or a public authority. They are currently out of the scope of EU legislation. This creates risks for consumer protection and financial stability, and could lead to market manipulation and financial crime. The draft legislation differentiates between crypto assets in general, asset referenced tokens (ARTs), also called “stable coins”, and e-money tokens primarily used for payments.

Mechanisms used to validate transactions in crypto-assets have a substantial environmental impact, particularly for proof-of-work mechanisms, requiring a lot of energy and resulting in a high carbon footprint and generating electronic waste. According to most estimates, the energy consumption of Bitcoin equals that of entire small countries.

**Further information**

Steps of the procedure
Committee on Economic and Monetary Affairs
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