

## Regulatory News Alert

### Digital Finance: European Parliament adopts MiCA Regulation, paving the way for an innovation-friendly crypto regulation

17 March 2022

[Markets in Crypto-assets \(MiCA\) Regulation](#), introduced in 2020, provides a sound legal framework for crypto-asset markets to develop within the EU by clearly defining the regulatory treatment of crypto-assets that are not covered by existing financial services legislation.

MiCA will therefore support innovation and fair competition by creating a framework for the issuance, and provision of services related to crypto-assets. In addition, it aims to ensure a high level of consumer and investor protection and market integrity in the crypto-asset markets, as well as address financial stability and monetary policy risks that could arise from a wide use of crypto-assets and Distributed Ledger Technology (DLT) based solutions in financial markets. Finally, MiCA includes measures against market manipulation and to prevent money laundering, terrorist financing and other criminal activities.

### Parliament Adoption

On 14th of March, the European Parliament adopted its negotiating position on MiCA.

In this latest iteration of the legislative text, Parliament **left-out explicit language that would have banned Proof-of-Work (PoW)** based digital currencies due to their energy consumption concerns. This would also potentially mark a tacit adoption of Bitcoin, as the best-known application of the PoW consensus mechanism.

This approach marks a relief for the crypto-industry, as many raised an alarm that otherwise initial provisions would have been impractical and detrimental to the crypto market in the EU.

However, crypto-proponents remain wary, as the draft text provides an alternative in a way that crypto-assets still have to be **subject to minimum environmental sustainability standards**. Hence, the question of, is the door open or has the appearance of being open, will remain until the conclusion of the trilogue later this year.

Indeed, considerable environmental concerns, particularly in connection to PoW mechanisms, should be handled by the EU environmental legislation and more specifically, [EU Taxonomy](#) Regulation. Therefore, by setting-out a classification system for sustainable activities, **Taxonomy should include crypto-asset mining activities** that contribute substantially to climate change, **by 1 January 2025**.

Finally, 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. Recently adopted text now establishes the European Securities and Markets Authority (ESMA) **to supervise the issuance of ARTs**, whereas the European Banking Authority (EBA) will be in charge of **supervising electronic money tokens**.

## Next steps

After the Parliament vote, the MiCA draft is now shifting to a "trilogue", a formal round of negotiations between the European Commission, Council and Parliament.

***Deloitte can help you navigate this new environment, from understanding and defining your digital strategy to enabling the tokenization of assets for financial or other purposes.***

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