

## Insideview

# “MiCA” – Regulating the European Markets in Crypto-Assets

INTERVIEW WITH STEFAN BERGER

**The new Markets in Crypto-assets Regulation (MiCA) will massively affect European users of distributed ledger technology (DLT) and investors in digital assets. From your perspective as the rapporteur of the European Parliament on MiCA, what are the main targets?**

The financial world is facing a development as groundbreaking as the introduction of the joint-stock company in the 17<sup>th</sup> century – the tokenization. What is tradable today could be tokenized on the blockchain tomorrow. The World Economic Forum predicts that 10% of global gross domestic product (GDP) will be tokenized by 2029; an estimated USD 10 trillion. For Europe, the challenge is to create a regulatory framework with reliable authorization and supervisory structures for tokens, while balancing consumer protection and innovation-friendliness.

**What changes will MiCA bring for institutions and firms (e.g., crypto exchanges) on the one hand – and for the end users and investors on the other hand?**

The different frameworks and regulations that exist across the European Union regarding crypto-assets limit the possibilities for service providers to expand their activities at EU level. As a result, providers of cross-border products and services are obliged to deal with the laws of several Member States, obtain different national authorizations or registrations, and comply with often divergent national laws. This may lead to high costs, legal complexity, and uncertainty for crypto service providers, limiting the development and expansion of crypto-asset-related activities in the European Union. We see locational inequalities for crypto service providers, which may hinder the smooth functioning of the internal market. The introduction of a common EU framework aims to create



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uniform operating conditions for companies within the EU. On the other hand, MiCA is also setting high standards for consumer and investor protection.

**Bitcoin was established in the year 2009. Why did the proposal for this substantial regulation come up in the year 2020 – and not much earlier?**

First of all, it should be mentioned that bitcoin does not fall under MiCA and enjoys so-called “grandfathering”. The urgency of the approval and supervision of new tokens has become evident when Meta (formerly Facebook) announced that it planned to release its own stablecoin named “Diem”. With around 2.5 billion users of Meta’s apps, by Diem, Mark Zuckerberg could have become a central bank overnight. I believe this kind of power should not be in the hand of a private company. This is why we need MiCA.

**What have been the most critical discussion points in the European Parliament and how did you manage to solve them?**

Within the parliament, the political groups have intensively discussed the environment and energy consumption of bitcoin. For me as rapporteur, it has always been clear that a ban on proof-of-work is out of the question if we want to create a European innovation hub. On June 30<sup>th</sup>, MiCA’s last trilogue took place. On behalf of the Parliament, I was in negotiation with the Commission and Council, among other topics, on environmental aspects of crypto-assets. In the end, we took the path of technology openness together, instead of the path of ban. We have agreed that crypto-asset providers should in future disclose the energy consumption and environmental impact of assets. The basis for this will be regulatory technical standards (RTS).

**Thank you for this interesting conversation.**