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Client Update: End of the 'Wild West' Era? Agreement Reached on European Crypto-Assets Regulation

Client Updates

End of the 'Wild West' Era?

Agreement Reached on European Crypto-Assets Regulation

On 30 June 2022, The Council presidency and European Parliament reached a [provisional agreement on the markets in crypto-assets](#) ("**MiCA**" or "**Regulation**"). For the first time, the EU has created a regulatory framework for crypto-assets as well as for issuers and crypto-assets service providers ("**CASPs**").

Under the framework, CAPs wishing to operate within the EU are required to obtain authorization from national authorities. Initial coin offerings (ICOs), will also require a prior publication of an information document.

MiCA also sets several rules in connection to stablecoins, which gained a lot of attention recently in view of the TerraUSD crash, requiring stablecoins issuers to maintain ample reserves to meet redemption requests in a mass withdrawal scenario. In addition, stablecoins might face a limitation of 200 million euros in transactions per day.

For the time being, Non-fungible tokens (NFTs), are excluded from the scope except if a specific NFT falls under existing crypto-asset categories.

The Regulation is expected to come into force as early as 2024, however, for the moment, it is still subject to approval by the Council and the European Parliament before going through the formal adoption procedure.

Another major development in the regulatory framework within the European crypto market is the [provisional agreement reached on 29 June 2022 concerning the transparency of crypto assets transfers](#).

The agreement extends the scope of Anti-Money Laundering ("**AML**") rules to transfers of crypto assets.

Following the recommendations of the Financial Action Task Force (FATF), the new agreement obliges crypto assets service providers to collect and make accessible information regarding the originator and the beneficiary of the transfers of crypto assets they operate (The "Travel Rule").

The legislators chose to align the timetable for application of the extended AML rules with the MiCA framework.

These major two developments are expected to affect significantly companies operating within the crypto field in the EU. It is therefore important for such companies to start preparing for taking appropriate steps to comply with the expected regulatory framework.

Please feel free to contact us with any questions that you have on this matter.

This client update is designed to provide general information only, is not a full or complete analysis of the matters presented, and may not be relied upon as legal advice

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