

Convegno NiRvAna  
Udine 6-9 giugno 2024

# MiCA Regulation and Stablecoin

Dottorando: Michele Foderaro



# MiCA Regulation

---

REGOLAMENTO (UE) 2023/1114 DEL PARLAMENTO EUROPEO E DEL CONSIGLIO del 31 maggio 2023

- MiCA (Market in Crypto assets) regulation stems from a proposal presented in the European Commission on September 24, 2020, and is part of a larger package on digital finance
- The purpose of the regulation is to protect investors by increasing transparency and establishing a comprehensive framework for issuers and service providers that includes compliance with rules affecting anti-money laundering.
- It classifies crypto assets into three types that should be distinct from each other and subject to different requirements depending on the risks they pose:
  - ❖ E-Money Token
  - ❖ Asset-Referenced Token (tokens linked to assets)
  - ❖ Residual category (including utility tokens)

# MiCA Regulation

---

- It does not apply to crypto-assets that are fully decentralized, as Article 22 states. Ex. Bitcoin
- Does not apply to crypto assets that are unique and not fungible with other crypto assets (NFTs)
- Entities that intend to offer crypto-assets to the public or seek admission to trading in crypto-assets are required to prepare, notify the respective competent authority and publish a White Paper, which is an information document that serves the function of making potential retail holders of crypto-assets aware of the characteristics, functions and risks of the crypto-assets they intend to purchase.
- MiCA regulation will come into effect on December 30, 2024, but securities on e-money tokens and referenced-token assets as early as June 30, 2024.

# E-Money Token

---

- Crypto-assets that aim to peg their value by referring to a single official currency
- E-money tokens are considered electronic money.
- An e-money token whose reference currency is an official currency of a member state is considered to be offered to the public in the Union.
- - At the request of a holder of an electronic money token, the issuer of such electronic money token shall redeem it, at any time and at **par value**, by paying in funds other than electronic money the monetary value of the electronic money token held to the holder of the electronic money token

# E-Money Token

---

- It can only be offered by credit and e-money institutions licensed under the laws of the European Union (and their national implementations), unless the offer is made only to qualified investors and the average outstanding amount of EMTs does not exceed 5,000,000 euros.
- The funds received in exchange for the e-money tokens must be protected according to specific prudential supervisory requirements, and at least 30 percent of them must be deposited in separate accounts while the remainder can be invested in low-risk, highly liquid instruments (denominated in the same type of currency as the e-money tokens)

# Asset-Referenced Token

---

- They aim to peg their value by referencing another value or right, or a combination thereof, including one or more official currencies.
- Pegging must refer not to a single fiat currency as with e-money tokens, but to a basket of legal tender currencies (two or more fiat currencies)
- At the request of a holder of an asset-linked token, an issuer of such a token redeems by paying an amount in funds, other than e-money, equivalent to the **market value** of the linked assets to which the asset-linked token relates held or by delivering the assets to which the token is linked

# Asset-Referenced Token

---

- No issuer of asset-referenced tokens may offer them to the public in the EU or seek admission to trading activities on a crypto asset trading platform in the EU unless the issuer has received the appropriate authorization from the competent authority of its home member state
- White paper is mandatory for all, even for issuers that are exempt due to certain characteristics (e.g., assets outstanding less than €5,000,000)
- Key element is the establishment and maintenance of an asset reserve. ART issuers will be subject to requirements from own funds of at least 350,000 euros or 2 percent of the asset reserve. In addition, issuers will conduct periodic stress tests that take into account severe but plausible financial stress scenarios. At the outcome of these, the competent authority may require them to hold between 20 percent and 40 percent more funds than the previous figure.

# Algorithmic Stablecoin

---

- Algorithmic stablecoins are cryptocurrencies that maintain stable value on their own, without the need for physical reserves in fiat or crypto.
- Management of the peg is entrusted to an algorithm, which ensures a balance between destruction and generation (burn and mint) of new circulating stablecoin at the expense of circulating another token, in this case volatile.
- There is no real reserve underlying this type of stablecoin, which makes them potentially risky assets: recall the case of UST and LUNA, whose mechanism-because of a difficult market situation mixed with manipulation-failed to maintain the peg with the dollar unit.









# Tax treatment of crypto-assets in Italy

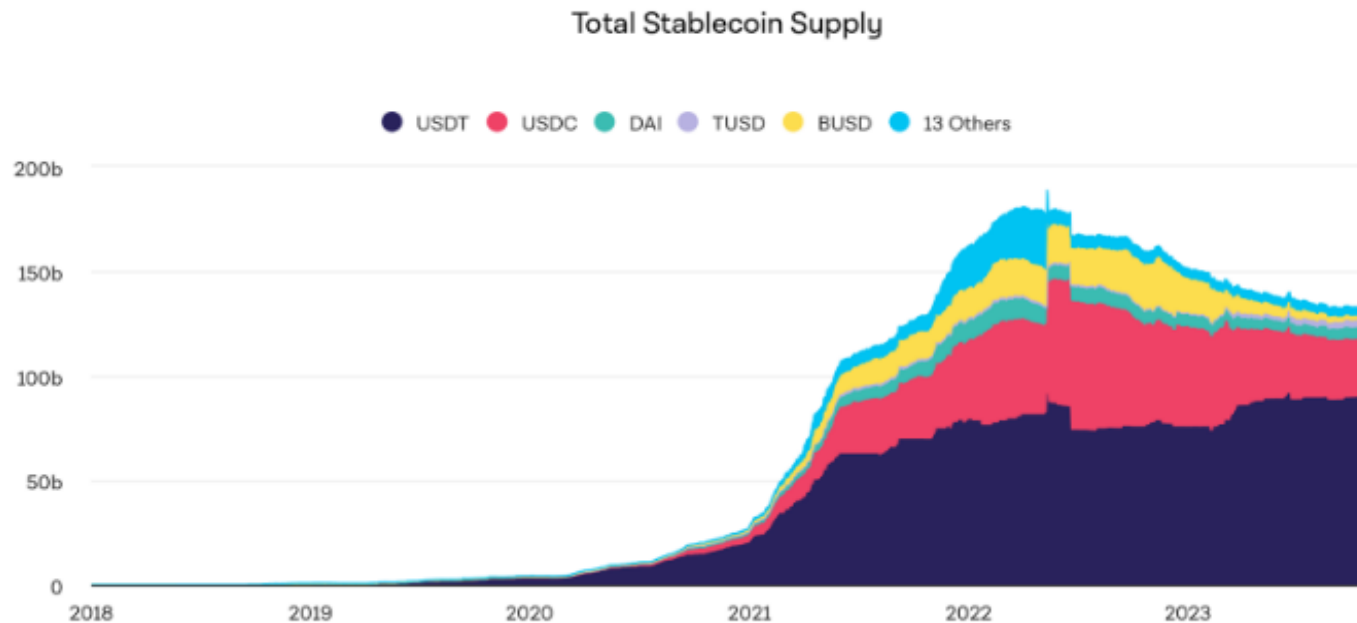
---

- The taxation rules for crypto-assets were amended by Budget Law 2023, with the aim of making the tax regulations consistent with the evolution of the different types of crypto-assets in the system. In particular, a new category of different incomes was provided for, introducing subparagraph (c-sexies) to paragraph 1 of Article 67 of Tuir.
- The exchange between crypto-assets having the same economic functionality are not tax-relevant as they are considered “having equal characteristics and functions”; (e.g., bitcoin vs. ether)
- The tax relevance of the exchange between cryptocurrencies with stablecoins was analyzed in Circular 30/E of Nov. 30, 2023 following the approach defined by MiCA that divides stablecoins into e-money tokens and asset-referenced tokens. So the exchange between cryptocurrency and e-money token is tax-relevant, while the exchange between cryptocurrency and asset-referenced token is not tax-relevant.

# Main Stablecoins by capitalization

# ▲	Nome	Prezzo	1h %	24h %	7d %	Cap. di mercato ⓘ	Volume (24h) ⓘ	Offerta circolante ⓘ
☆ 3	 Tether USDt USDT	€0.9152	▼ 0.05%	▼ 0.63%	▼ 1.51%	€93,954,216,842	€103,238,518,561 112,848,180,242 USDT	102,662,860,010 USDT
☆ 7	 USDC USDC	€0.9142	▼ 0.13%	▼ 0.72%	▼ 1.58%	€27,839,912,535	€10,778,988,676 11,790,144,610 USDC	30,451,790,197 USDC
☆ 25	 Dai DAI	€0.9147	▼ 0.14%	▼ 0.65%	▼ 1.52%	€4,891,945,409	€412,697,578 451,331,374 DAI	5,347,888,596 DAI
☆ 47	 First Digital USD FDUSD	€0.9171	▲ 0.09%	▼ 0.52%	▼ 1.45%	€2,687,368,406	€17,256,967,463 18,890,333,425 FDUSD	2,930,239,553 FDUSD
☆ 90	 TrueUSD TUSD	€0.9159	▼ 0.09%	▼ 0.66%	▼ 1.38%	€1,180,061,393	€109,660,794 119,769,777 TUSD	1,288,455,467 TUSD
☆ 132	 USDD USDD	€0.9137	▼ 0.07%	▼ 0.63%	▼ 1.64%	€670,760,971	€7,017,911 7,689,674 USDD	734,150,366 USDD

# Main Stablecoins by capitalization



Since Tether was also among the first stablecoins created, it had a very high capitalization from the very beginning. Note how in 2022, the collapse of Terra-Luna created a strong disinvestment of all stablecoins except Tether and Dai.

# Tether (USDT)

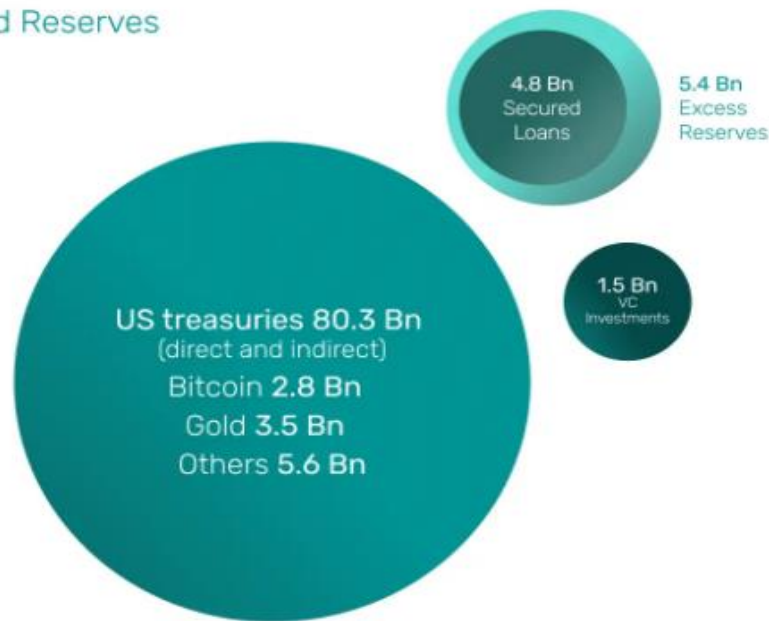
---

- Pegged to the U.S. dollar
- Issued by Tether
- First stablecoin by capitalization
- In years past it has been the focus of attention for lack of transparency regarding its reserves, in recent years instead it shows on its site with reports the total amount of reserves held
- Blockchain supported: Ethereum, Tron, Polygon, Tron, Algorand, Solana, EOS, OMG Network, SLP on Bitcoin Cash

# Tether Reserves

Consolidated Reserves  
Q4, 2023

Tether  
Tokens  
91.6 Bn



Total Tether Group AUM: **98.47 Bn**

USDT, from the reports produced, has very liquid and low-risk reserves, most in fact corresponding to U.S. government bonds, debt securities, trust deposits, etc. A hedging percentage is given by Bitcoin and Gold reserves

# USD Coin (USDC)

---

- Created by a consortium called Centre, a joint venture between Circle and Coinbase
- Pegged to the U.S. dollar
- It has proven to be among the most transparent stablecoin about its own reserves, periodically showing its reserves through reports underwritten by auditing firms.
- The second-largest stablecoin by capitalization, it lost \$21 billion in 2023, at the expense of USDT, which grew by \$16 billion instead
- Blockchain supported: Ethereum, Polygon, Algorand, Avalanche, Flow, Hedera, Solana, Stellar, TRON

# USDC Reserves

---

<b>TOTAL U.S. TREASURY SECURITIES</b>	<b>6,912,713,860</b>
U.S. Treasury Repurchase Agreements <sup>2</sup>	14,558,000,000
Cash held in Circle Reserve Fund	999,513,080
Cash due to/(owed by) Circle Reserve Fund due to timing and settlement differences, net <sup>3</sup>	(32,196,201)
<b>TOTAL CIRCLE RESERVE FUND ASSETS</b>	<b>22,438,030,739</b>
<b>OTHER USDC RESERVE ASSETS AS OF JANUARY 11, 2024</b>	
Cash held at regulated financial institutions	2,806,677,757
Cash due to/(owed by) the Company due to timing and settlement differences, net <sup>3</sup>	(25,755,991)
<b>TOTAL OTHER USDC RESERVE ASSETS</b>	<b>2,780,921,766</b>
<b>TOTAL USDC RESERVE ASSETS AS OF JANUARY 11, 2024</b>	<b>25,218,952,505</b>

USDC, from the reports produced, has very liquid and low-risk reserves, most in fact corresponding to U.S. government bonds and Cash.

# Dai

---

- Algorithmic Stablecoin
- Pegged to the U.S. dollar
- Issued against the block of other cryptocurrencies within a highly evolved DeFi circuit
- Turns out to be over-collateralized by other crypto assets (for every token issued there is more than 100% coverage in crypto assets)
- It is managed through Dao, a decentralized organization
- Uses an open-source DAO Maker system that allows for no intermediaries in issuing stablecoins
- Supported blockchains: Ethereum, Tron, BSC, Polygon, Fantom, Avalanche, Heco, Arbitrum, Crono











# Paxos Gold (PAXG)

---

- Issued by Paxos
- Pegged to the price of gold
- Backed by real gold reserves, each PAXG token is pegged at a 1:1 ratio to one troy ounce (t oz) of a 400-ounce London Good Delivery gold bar
- PAXG undergoes monthly audits conducted by an independent auditing firm to ensure that its gold holdings are in line with the amount of PAXG tokens in circulation.
- Supported blockchain: Ethereum

# Stablecoins pegged to EUR

#	Moneta	Prezzo	1h	24h	7g	Volume in 24 ore	Cap. di M.
☆ 376	 <b>STASIS EURO</b> EURS	1,07 USD	-0.2%	-1.1%	-1.9%	141.591 USD	132.325.491 USD ↗
☆ 698	 <b>EURC</b> EURC	1,06 USD	0.1%	-0.2%	-1.8%	2.559.683 USD	46.714.592 USD ↗
☆ 784	 <b>Euro Tether</b> EURT	1,05 USD	-0.3%	-0.5%	-2.4%	9.265.271 USD	38.153.738 USD ↗
☆ 1130	 <b>EURA</b> EURA	1,06 USD	0.7%	0.1%	-2.0%	2.218.601 USD	17.928.059 USD ↗
☆ 1413	 <b>Celo Euro</b> CEUR	1,05 USD	0.5%	-1.1%	-3.9%	3.100.406 USD	9.956.672 USD ↗
☆ 2154	 <b>VNX EURO</b> VEUR	1,07 USD	0.5%	0.3%	-0.8%	230.054 USD	2.388.067 USD ↗
☆ 2199	 <b>Parallel</b> PAR	1,00 USD	0.3%	-1.2%	2.3%	13.868 USD	2.244.249 USD ↘
☆ 2217	 <b>EUROe Stablecoin</b> EUROE	1,08 USD	1.6%	1.3%	-1.9%	59.769 USD	2.178.261 USD ↗

# Stablecoins pegged to EUR

---

- They currently have a low capitalization compared to stablecoins pegged to the U.S. dollar
- EURS is the largest by capitalization and is issued by Stasis.
  - Blockchains supported are Ethereum, Polygon, Algorand, XRPL, XDC
- Several major issuers such as Tether and Circle have shown interest in also issuing EUR-pegged stablecoin, in addition to the main USD-pegged one
- MiCA regulation could bring, at least in the European Union, their increased use as a payment system if they were to be considered e-money tokens

# Adaptations to MiCA

---

- To date, Circle has proven to be among the most active issuers for MiCA compliance; in fact, in December 2023 it applied for authorization from the French authority to become an Electronic Money Institution so it can issue e-money-token in the EU.
- Tether stated that it has had interlocations with the authorities, but no specifics are available. In March 2024 it had delisting from the OKX exchange for EU-based users,
- Issuer companies that fail to comply with Mica will be at risk of delisting from trading platforms as of June 30, 2024
- The exchange Binance stated that as of June 30 it will restrict for users in the European Economic Area will place limitations on transactions with unregulated stablecoins under MiCA avoiding market disruption and incentivizing users to switch to regulated stablecoins ((e.g., conversion with unregulated stablecoins will be available in “sale only” mode

---

Thank you for your attention!