

# OBSERVATIONS REGARDING STABLECOINS AS A THREAT TO THE EUROZONE

## 1. RISK OF STABLECOINS THREAT AND DIGITAL EURO AS STRATEGIC COUNTERBALANCE

- We understand the concern of dollarisation via USD denominated stablecoins threatening EU monetary sovereignty. This is reflected in MiCA's strict and over-demanding standards for issuers (reserves, redemption, transaction limits), negatively impacting innovation, competition and market entry. However, US issued financial instruments (bonds, cash, stocks) already have a strong and established presence also thanks to technology. Accordingly, any US financial instrument or US financial culture (risk-on) should be then limited since it jeopardises EU sovereignty.
- Digital Euro (D€), advertised as the public payment alternative and counterbalance to stablecoins, is not innovative. Given its limitations: technical restriction (non-programmable, non-blockchain), Eurozone limited, privacy issues, competition with banks, low holding limits, low citizen interest, or implementing cost (according to PwC 2-18bn€), the use-case and competing abilities are limited. A more innovative E-Money Token from EU private firms, could better secure the objective pursued.
- The cost of stopping private innovation will be detrimental. Digital payment is borderless facing global competition. Stablecoins grew from 5-230bn\$ in 5 years, and the use-case is being recognised in various jurisdictions. To strengthen and promote EUR, EU international position and foster growth, we should focus on enabling stablecoin innovation and supporting competitive solutions from EU-based firms.

## 2. MULTI-ISSUANCE AND FUNGIBILITY AS THE BACKDOOR FOR NON-AUTHORISED ISSUERS

- Multi-issuance (MI) under MiCA's recital 54 is in our view allowed, based on the wording and global nature of firms - however, some question this. Circle USDC is here the key example (\$ issued in the US and in the EU). Fungibility is an inherent feature of any payment medium and MI, meaning \$ or € are interchangeable (same status and value everywhere). The concern is about redemption rights acting as a backdoor for US issued coins (non-authorized) and thus reserves depletion. This is because MiCA offers them free of charge unlike the GENIUS act.
- We do not share such concerns here. MiCA recital 54 states that the MI issuers "should ensure that their reserve of assets is available to cover the issuers' liability towards Union holders." In other words, the redemption rights should be reserved to EU holders and not the US. Depletion of reserves cannot thus occur and, even if, the rebalancing of reserves should take place to remain compliant.
- Neither, non-authorized firms can operate within the EU. MiCA imposes reporting obligations for issuers. Any sudden increase in volume or supply can be verified. Therefore, "smuggling" US equivalents and violating the licence will not bring any gains. We think that a good and analogical example to follow is the Multifunction Crypto-asset Intermediaries and broker-dealer model that can use non-EU venues. As per ESMA's guidance, it is allowed but under very strict conditions and scrutiny.