Multi-issuance stablecoins and MiCA's first real credibility test

Judith Arnal

In-Depth Analysis

Summary

The EU's Markets in Crypto-Assets Regulation (MiCA) is now the world's most comprehensive regulatory framework for digital assets. This ECRI In-Depth Analysis paper dives into the ongoing regulatory controversy surrounding multi-issuance stablecoins under MiCA. While MiCA provides a comprehensive framework for crypto assets, diverging institutional interpretations have created uncertainty over whether jointly issued stablecoins across EU and non-EU entities are permitted. The European Central Bank warns of prudential and sovereignty risks, whereas the European Commission has pursued a narrow administrative approach.

By analysing MiCA's legal provisions, existing safeguards and recent US developments, this In-Depth Analysis paper argues that exclusion would undermine consumer protection and competitiveness. Instead, immediate Commission clarification through Q&A guidance, followed by medium-term legal refinements, are needed to safeguard MiCA's credibility.

Introduction

The EU's Markets in Crypto-Assets Regulation (MiCA) is a potential global standard-setter in crypto-asset governance. Yet barely eight months into its implementation, the regulation faces its first major interpretive crisis. A heated institutional dispute has emerged over whether 'multi-issuance' stablecoin arrangements, where EU and non-EU entities jointly issue functionally identical tokens, are compatible with MiCA's prudential requirements.

At the heart of this controversy lies a fundamental tension between regulatory ambition and market reality. The European Central Bank (ECB), backed by key members of the European Parliament (EP), argues that multi-issuance structures could undermine the prudential safeguards that MiCA was designed to establish, potentially exposing European holders to risks from third-country issuers and weakening EU monetary sovereignty. The European Commission, meanwhile, has sought to resolve the matter through internal administrative procedures, avoiding the political debate that the ECB and EP believe is necessary.

This institutional standoff has created regulatory paralysis with far-reaching consequences. National competent authorities (NCAs), uncertain about how to correctly interpret MiCA, have become reluctant to authorise stablecoin issuers that might employ multi-issuance structures. The result is an uneven competitive landscape where some firms benefit from regulatory clarity while others remain stranded in legal limbo. More broadly, the controversy risks undermining MiCA's credibility as a coherent and globally influential regulatory framework – just as other jurisdictions, notably the US, are establishing clear and competitive alternatives.

This ECRI In-Depth Analysis paper argues that MiCA, when read through a systematic and teleological interpretation, already provides a coherent legal basis for multi-issuance arrangements. This is reflected in its cross-border provisions (Recital 54), the cross-referencing of reserve requirements between Asset-Referenced Tokens (ARTs) and Electronic Money Tokens (EMTs) (Articles 54–55), and aggregated supervision mechanisms (Article 56). The ECB's concerns about prudential risks, while legitimate, can be addressed through targeted operational measures rather than blanket prohibition. Excluding multi-issuance would paradoxically weaken consumer protection by pushing European users towards offshore alternatives beyond MiCA's reach, while creating an unlevel playing field that gives early movers an advantage over stranded applicants.

The current regulatory paralysis carries immediate competitive costs. While the EU debates institutional interpretations, the US has enacted comprehensive stablecoin legislation that provides clear pathways for global issuers. Europe risks ceding ground to more decisive jurisdictions unless it resolves the multi-issuance question through immediate Commission clarification, flexible medium-term legal solutions, and a proactive strategy for euro-denominated alternatives. MiCA's credibility as a global regulatory benchmark depends on transforming this institutional dispute into a demonstration of European regulatory leadership.

MiCA, EU's regulatory approach to cryptoassets

MiCA was adopted in May 2023, with stablecoin provisions applying from June 2024 and broader crypto-asset rules from December 2024.

MiCA has multiple interconnected objectives within the EU's digital finance strategy. It primarily seeks to create legal certainty and harmonised rules across all EU Member States for crypto-asset activities that were previously unregulated or subject to fragmented national approaches. Consumer protection is a central pillar, ensuring retail investors receive adequate information and safeguards when handling crypto assets.

The regulation also aims to preserve market integrity and financial stability while preventing the crypto-asset sector from being exploited for money laundering or for financing terrorist activities. Importantly, MiCA balances these protective measures with supporting innovation, enabling legitimate crypto-asset businesses to scale across borders while maintaining competitive markets.

MiCA establishes a three-tier classification system that determines regulatory treatment based on the underlying characteristics and risks of different crypto-assets. The broadest category encompasses general crypto-assets, which includes utility tokens and other digital assets that do not attempt to maintain stable values. ARTs form the second category, representing crypto-assets designed to maintain a stable value by referencing a basket of assets, which may include multiple currencies, commodities or other reference points. EMTs constitute the third category, specifically targeting crypto-assets that reference a single official currency and function as the digital equivalents of traditional money.

The regulatory framework follows a risk-based approach with varying levels of stringency. EMTs face the most rigorous requirements, as they must be issued only by authorised credit institutions or electronic money institutions and are subject to strict reserve requirements, redemption guarantees and prudential supervision.

ARTs occupy the middle tier, requiring specific authorisation, reserve asset management, governance standards and ongoing regulatory oversight, with enhanced requirements for those classified as significant. General crypto-assets face the lightest regulatory burden, primarily involving disclosure obligations through white papers and conduct requirements for service providers – though they remain subject to market abuse rules and consumer protection measures.

The authorisation structure reflects MiCA's multi-layered approach to supervision. NCAs designated by each Member State handle most licensing decisions, including authorisations for crypto-asset service providers and most ART issuers. However, the European Banking Authority (EBA) assumes direct supervisory responsibility for significant ARTs and significant EMTs that meet specific thresholds related to user base, market capitalisation or transaction volumes. This dual approach ensures that systemically important crypto-assets receive centralised EU-level oversight while allowing national authorities to manage smaller-scale activities. Credit institutions can issue both types of tokens under streamlined procedures that leverage their existing banking licenses.

MiCA includes carefully structured transitional arrangements for balancing market stability with regulatory compliance. Existing crypto-asset service providers can continue their operations until mid-2026 under national frameworks while seeking MiCA authorisation, though Member States may opt for shorter transition periods if their current rules are less stringent.

The regulation also establishes ongoing review mechanisms, with comprehensive assessments required by 2025 and 2027 to evaluate effectiveness and to identify necessary adjustments.

Stablecoin markets

Stablecoins have become one of the most widely used types of crypto-assets, serving as a bridge between the traditional financial system and decentralised networks. Their appeal lies in their ability to combine the programmability of digital tokens with the relative stability of fiat currencies, most commonly the US dollar. In 2025, the largest stablecoins are concentrated among a small group of issuers, each with different governance structures, reserve models and regulatory exposure.

The dominant issuer is Tether Holdings Ltd, which issues USDT, the largest stablecoin by market capitalisation and trading volume. USDT is widely used on offshore exchanges and in decentralised finance (DeFi) protocols, and it is particularly dominant in emerging markets where access to US dollars is restricted. Circle Internet Financial, in partnership with Coinbase through the Centre consortium, issues USD Coin (USDC), a fully dollar-backed stablecoin with reserves held in regulated US institutions. USDC is especially popular among institutional users and is more deeply integrated with regulated financial intermediaries and payment systems.

What makes these stablecoins particularly valuable for digital commerce is their unique nature as digital bearer tokens – like physical cash, they can be transferred directly from one party to another without requiring intermediary approval or settlement delays. This bearer characteristic underpins the speed and low cost of stablecoin payments and helps explain why they are among the few widely used instruments that can settle on-chain without traditional banking rails in digital asset transactions.

Other notable US dollar stablecoins include Dai (DAI), a decentralised stablecoin governed by the MakerDAO protocol and backed by a mix of crypto collateral and tokenised real-world assets; and more recently Ripple, which has announced its own US dollar stablecoin available on Ethereum and other blockchain networks and leveraged for cross-border payments in collaboration with banks and payment providers.

The trading of stablecoins is highly concentrated on crypto exchanges, both centralised (CEXs) and decentralised (DEXs). On centralised platforms such as Binance, Coinbase and Kraken, stablecoins serve as the primary quote and settlement currency, effectively replacing fiat pairs in many markets. In the decentralised sphere, stablecoins are used extensively by automated market makers (AMMs) like Uniswap, Curve and Balancer, where they provide liquidity pools and form the base currency for trading volatile crypto-assets. Beyond exchanges, stablecoins are also used in lending protocols such as Aave and Compound, where they function as collateral or borrowing instruments.

The user base for stablecoins is diverse and spans both retail and institutional actors. Retail users use stablecoins for cross-border payments, remittances, and as a store of value in countries with volatile local currencies or capital controls. In many developing economies, USDT circulates informally as a substitute for scarce dollars, sometimes facilitated through messaging apps or peer-to-peer marketplaces. Institutional users, including hedge funds, trading firms and fintech companies, rely on stablecoins for efficiently settling crypto trades, arbitrage strategies, and integration into payment rails. More recently, traditional financial institutions have begun exploring stablecoins to improve settlement speed in securities trading and cross-border payments.

The functional use cases of stablecoins therefore extend well beyond trading. They are employed as liquidity instruments, hedging tools and transactional media in a growing number of contexts, blurring the boundary between payments, investment and monetary policy.

Dollar dominance and US regulatory developments

The stablecoin ecosystem is overwhelmingly dominated by US dollar-denominated tokens, which collectively represent over 95% of total stablecoin market capitalisation. This dollar's hegemony extends the US' monetary influence into the digital asset space, effectively creating a new channel for global dollar circulation that operates 24/7 across decentralised networks. The Trump administration's pro-cryptocurrency policies, including executive orders aimed at making the US the 'crypto capital of the world' and the appointment of crypto-friendly regulators, have created a favourable environment for stablecoin development. This supportive approach culminated in the recent passage of comprehensive stablecoin legislation that provides the regulatory clarity the industry had long sought.

The Guiding and Establishing National Innovation for US Stablecoins (Genius) Act, signed into law by President Trump on 18 July 2025, has crystallised the US' approach to stablecoin regulation while reinforcing dollar dominance in digital assets. The Act specifically applies to 'payment stablecoins' – digital assets designed to be used as a means of payment or settlement that issuers are obligated to convert, redeem or repurchase for a fixed monetary value and that maintain a stable value. The legislation excludes other types of stablecoins that are not designed for payment purposes.

The Act restricts stablecoin issuance to 'permitted payment stablecoin issuers,' which include: (1) the subsidiaries of insured depository institutions (banks and credit unions), (2) federally qualified nonbank payment stablecoin issuers approved by the Office of the Comptroller of the Currency (OCC), and (3) state-qualified payment stablecoin issuers authorised by state regulators under 'substantially similar' regulatory regimes. Public companies not predominantly engaged in financial activities are prohibited from issuing payment stablecoins unless they obtain clearance from the Stablecoin Certification Review Committee.

The legislation mandates that permitted issuers maintain identifiable reserves backing outstanding payment stablecoins on at least a one-to-one basis, with reserves limited to cash, cash equivalents and other low-risk assets approved by regulators. The Act establishes a tiered regulatory structure: state-qualified issuers with less than USD 10 billion in outstanding stablecoins may opt for state-level regulation if their state's regime is deemed 'substantially similar' to federal requirements but must transition to federal oversight within 360 days if they exceed the USD 10 billion threshold. This creates a clear escalation path that ensures systemically important stablecoin issuers fall under direct federal supervision.

The Act explicitly excludes payment stablecoins from securities and commodities regulation, ensuring that the SEC and CFTC will not generally regulate payment stablecoin activities. Instead, oversight falls to banking regulators – the Federal Reserve for bank subsidiaries, the OCC for federal nonbank issuers and the NCUA for credit union subsidiaries.

The Act creates a competitive advantage for US-regulated stablecoin issuers by establishing stringent transparency and reserve requirements that enhance credibility while potentially raising barriers for offshore competitors. Regular attestations of reserves and clear redemption mechanisms are required, standards that favour established financial institutions and well-capitalised entities. The tiered regulatory structure addresses systemic risk concerns while providing a pathway for smaller issuers to operate under state oversight before transitioning to federal supervision as they grow.

Notably, the framework also permits overseas-issued stablecoins to operate in the US market provided they maintain adequate local reserves to back their US circulation – an approach that mirrors the multi-issuance model being debated in the EU. This demonstrates that major jurisdictions can accommodate cross-border stablecoin structures while preserving prudential safeguards.

The regulatory framework establishes clear enforcement mechanisms, with civil penalties of up to USD 100 000 per day for unauthorised stablecoin issuance and up to USD 200 000 per day for knowing violations. The Act also provides for comprehensive supervision and examination authority, including detailed capital, liquidity and operational risk management standards tailored to the stablecoin business model.

Multi-issuance stablecoins

Multi-issuance stablecoins are digital tokens that are jointly issued by entities located in different countries, where the tokens from both issuers are designed to be functionally identical and interchangeable. This arrangement allows companies to offer stablecoin services across multiple jurisdictions whilst maintaining compliance with local regulations in each territory.

The basic structure involves two separate legal entities – for example, one based in the US and another in the EU – that coordinate to issue what is essentially the same stablecoin. Both entities maintain their own reserves and operate under their respective national regulatory frameworks but the tokens they issue are designed to be fungible, meaning users can treat them as identical regardless of which entity originally issued them.

Each issuing entity holds reserves to back the tokens it has issued. However, under a multi-issuance arrangement, token holders can potentially seek to cash out from either entity. When one entity faces such a redemption request that exceeds its available reserves, the system relies on a rebalancing mechanism whereby the other entity can transfer assets to ensure adequate backing across the entire token supply.

This structure serves several practical purposes. It allows stablecoin providers to offer their services in multiple regulatory jurisdictions without having to choose between different regulatory requirements. It can also provide users with greater accessibility and potentially improved liquidity, as the same token can be used across different markets and regulatory environments.

The arrangement essentially creates a single global stablecoin that operates through coordinated entities in different jurisdictions, each maintaining local regulatory compliance whilst providing what appears to users as a unified service.

Multi-issuance arrangements represent one approach to addressing the challenge of offering digital asset services across borders in an increasingly regulated environment, where different jurisdictions may have varying requirements for stablecoin issuers.

Legal controversy over multi-issuance stablecoins in the EU

A controversy has emerged in the EU around the legal interpretation of multi-issuance arrangements for stablecoins. These schemes involve an EU entity jointly issuing a token with a non-EU entity, typically based in the US, resulting in tokens which are fungible and indistinguishable, regardless of where they were issued.

The ECB has consistently expressed strong reservations about this model. Its main concern is that permitting multi-issuance could weaken the prudential safeguards built into MiCA. This could mean that EU issuers might face redemption requests not only from EU holders but also from holders of tokens originally issued abroad. If EU-based reserves are insufficient, the arrangement relies on rebalancing transfers from the third-country issuer. The ECB warns that such reliance exposes EU holders to shortfall risks, particularly if foreign supervisors restrict or ring-fence transfers during times of stress.

The ECB's non-paper circulated to the Council of the EU in April 2025 highlights several additional risks. First, multi-issuance could effectively dilute MiCA's safeguards: EU reserves, designed to protect European token holders, might also be used to cover claims from non-EU investors. Second, the regime could allow restrictions to be circumvented on large-scale issuance of foreign currency stablecoins, undermining monetary sovereignty and financial stability objectives. Third, EU supervisors would *de facto* become responsible for the liabilities of third-country issuers, creating an unprecedented accountability gap.

The ECB also stresses that MiCA's recitals cannot create new legal rights or obligations. It disputes interpretations that extend Recital 54 – which refers to ARTs – to EMTs. In the ECB's view, legislators intentionally designed distinct regimes for ARTs and EMTs, reflecting their different purposes and redemption mechanisms. Extending multi-issuance to EMTs, particularly when involving non-EU entities, would therefore lack a clear legal basis.

Beyond prudential concerns, the ECB frames the issue as one of strategic autonomy. Allowing the multi-issuance of US dollar stablecoins could reinforce the dominance of non-EU issuers, divert EU savings into US assets such as Treasuries and weaken the prospects for euro-denominated stablecoins. In the ECB's analysis, this outcome would run counter to the objectives of the EU's Savings and Investment Union and could leave the European market dependent on foreign infrastructures and liquidity.

The Commission has so far refrained from adopting a definitive position on multi-issuance. Rather than proposing legislative clarification, the matter has been channelled into a closed technical process: a Question-and-Answer procedure to be prepared by lawyers from the Commission and the EP's services. By relying on this administrative route, the Commission has tried to avoid a broader political debate, a choice that has attracted criticism from both the ECB and MEPs. For the ECB, such a systemically relevant issue should not be settled through an internal Q&A but through the ordinary legislative process.

Within the EP, the Economic and Monetary Affairs (ECON) Committee has largely sided with the ECB[1]. Several MEPs, notably ECON's chair, Aurore Lalucq, have demanded a transparent dialogue with the Commission and voiced concerns that multi-issuance could undermine monetary sovereignty and consumer protection. Frustration has grown at the Commission's perceived reluctance to engage, with some MEPs accusing it of bypassing the EP. Although the EP has not taken a formal legislative stance, its political pressure reflects its broad alignment with the ECB's restrictive interpretation of MiCA.

In its non-paper, the ECB also explicitly rejects a series of policy options that have been floated as potential ways to lower the risks from multi-issuance. Segregating EU holders' funds in European credit institutions has been dismissed as insufficient, as MiCA already requires this and a run by non-EU holders could still deplete EU reserves.

Restricting redemption rights to EU residents has been ruled out as legally untenable, given MiCA's unconditional redemption requirement. Private law rebalancing agreements between issuers are unreliable under stress, as foreign supervisors could ring-fence assets. Additional capital or liquidity buffers for EU issuers are incapable of addressing the core risks, while national or *ad hoc* safeguards have been rejected for fragmenting the single market and undermining supervisory consistency.

The ECB thus concludes that the EU should not adopt a permissive interpretation of MiCA that would allow multi-issuance with third-country issuers. At most, it acknowledges that a highly restrictive framework could be envisaged, centred on an EU-level equivalence regime. This would require formal verification that the third country's regulatory system is equivalent to MiCA, reciprocity agreements ensuring equal treatment for euro-denominated stablecoins in the partner jurisdiction, and legally binding guarantees that reserves could be transferred across borders, even in recovery or resolution scenarios.

Crucially, the ECB insists that any such framework must be enshrined in EU legislation, decided by the co-legislators, and not improvised through administrative instruments such as Q&As.

Analytical assessment

MiCA's comprehensive approach

MiCA was not designed to leave gaps: Recitals 4 to 6 explain that, without Union rules, services relating to unregulated crypto-assets leave holders exposed to consumer protection and market integrity risks and result in divergent national approaches; they warn that crypto-assets aiming to stabilise their value could be widely adopted, with implications for financial stability, payment systems and monetary sovereignty; and they therefore establish a dedicated, harmonised Union framework to provide specific rules for crypto-assets and related services not yet covered by EU financial law. This would support innovation and fair competition while ensuring high retail protection and market integrity,

[1] MLex, (2025), *Lawmakers increase pressure on EU Commission over stablecoins*, 22 August.

proportionate treatment, cross-border scaling and access to banking. It would also avoid unnecessary burdens on underlying technology.

Consistently, the 2020 impact assessment evaluated three regulatory options and explicitly rejected a ban, cautioning that such an approach would drive EU users towards unregulated offshore platforms, contradict the EU's pro-innovation agenda and even risk financial instability if EU citizens were to rely on non-EU offerings.

Multi-issuance stablecoins within MiCA's legal perimeter

MiCA's Recital 54 shows that the Regulation was drafted with cross-border issuance firmly in mind. It explicitly addresses the situation in which an asset-referenced token is marketed both inside the EU and in third countries, requiring reserve assets to always correspond to at least the amount of liabilities towards Union holders, regardless of any obligations to non-EU holders. This demonstrates the legislators' intention to ensure that global stablecoin structures are brought under the EU framework, while at the same time ring-fencing European holders against external shocks. This analysis therefore applies a systematic and teleological reading of MiCA, interpreting Recital 54 not in isolation but in conjunction with the operative provisions that extend its prudential logic across the Regulation. While Recital 54 addresses tokens marketed both inside the EU and in third countries, the operational distinction between marketing and issuance does not negate the prudential logic it articulates; when read together with the operative provisions of cross-referencing ART and EMT safeguards, such logic guides how cross-border structures are treated.

While the ART and EMT regimes differ in their overall philosophy – ARTs being designed to accommodate multiple reference assets with somewhat more flexible prudential standards, while EMTs replicate a single currency and are anchored in the stricter logic of e-money regulation – the legislator deliberately created points of convergence between the two. In areas critical for financial stability, MiCA cross-references the two regimes to ensure consistency and to prevent regulatory arbitrage. Multi-issuance is one of those areas – the safeguards initially framed for ARTs extend to EMTs through targeted incorporation mechanisms. This does not weaken the more stringent baseline applicable to EMTs but rather confirms that the prudential logic developed for ARTs also applies to EMTs whenever cross-border issuance is concerned.

Although Recital 54 only refers to ARTs, the same prudential logic extends to EMTs through MiCA's cross-referencing technique. Article 54 requires that funds received for issuing EMTs be safeguarded by holding at least 30% as deposits with credit institutions, with the remainder invested 'in accordance with Article 38(1)' – the provision that sets the list of eligible reserve assets for ARTs. Moreover, Article 55 applies the recovery and redemption planning requirements of Articles 44-47 (the ART regime) with the necessary changes having been made for EMT issuers. This deliberate incorporation of ART reserve and recovery rules into the EMT framework shows that the legislature sought regulatory consistency across both categories of stablecoins.

Finally, MiCA's supervisory 'escalator' is explicitly tailored for global or multi-entity issuance structures. Article 56 provides that when an e-money token is classified as significant, the EBA becomes the competent authority. Crucially, Article 56(2) specifies that 'where several issuers issue the same e-money token, the fulfilment of the criteria for significance shall be assessed after aggregating the data from those issuers.' This mechanism ensures that cross-border or jointly issued stablecoins are not left outside the framework but instead fall within the scope of EU-level supervision.

Taken together, these provisions demonstrate that MiCA was not designed to exclude multi-issuance stablecoins. On the contrary, by ring-fencing EU holders (Recital 54), extending ART reserve logic to EMTs (Articles 54-55) and anticipating aggregated supervision for significant EMTs (Article 56), the Regulation provides a coherent legal basis for including multi-issuance EMTs within its perimeter.

At its core, the controversy is not about whether MiCA can accommodate multi-issuance arrangements but about how to manage the prudential risks that such schemes may create. MiCA was deliberately drafted to bring global stablecoins into the European regulatory perimeter rather than to exclude them. The provisions on reserve requirements, redemption rights and supervisory escalation were intended to capture cross-border structures. What is missing is an operational interpretation that ensures European holders remain fully protected without forcing the EU into a defensive posture that merely excludes models that are already prevalent on the market.

Existing safeguards under MiCA

The debate on multi-issuance arrangements must also consider the safeguards that MiCA already embeds to protect EU users and preserve monetary sovereignty. Under the Regulation, global stablecoins intended for circulation in the EU must be issued by an entity established and regulated within the EU, which is required to maintain sufficient reserves in the EU to support EU holders' redemption rights. This ring-fencing ensures that European users' claims are backed by assets under EU supervisors' jurisdiction, rather than relying solely on arrangements with third-country affiliates.

Additionally, MiCA caps real-world payment activity for stablecoins denominated in non-EU currencies. These quantitative limits directly address concerns that the large-scale use of dollar-denominated tokens could undermine the euro's role in domestic payments or destabilise monetary policy transmission. By restricting the expansion of non-euro stablecoins into everyday payments, the Regulation seeks to prevent structural dependencies on foreign currencies from emerging in the first place.

NCAs retain the discretion to assess each issuer's global structure and to verify compliance with MiCA requirements in cross-border contexts. Beyond routine supervision, Articles 23 and 24 explicitly empower NCAs and central banks to restrict or prohibit any issuance that poses a threat to financial stability or to the EU's monetary sovereignty. These powers of intervention provide an additional layer of prudential protection, ensuring that supervisors are not confined to *ex-ante* licensing decisions but can also act dynamically if risks materialise *ex-post*.

Taken together, these provisions demonstrate that MiCA already incorporates mechanisms tailored to the specific risks identified by the ECB. While questions remain about operational implementation, the existence of EU-based reserve requirements, quantitative caps on foreign-currency stablecoins and broad supervisory intervention powers suggests that the regulatory framework is far from permissive. Rather, it is designed to offer European users meaningful protection while retaining sufficient flexibility for supervisors to respond to evolving market structures.

Risks of an uneven playing field

Several stablecoin issuers have already secured MiCA-compliant authorisations in the EU, while others remain stranded, creating the risk of an uneven competitive landscape. Circle, through its French entity, was granted an EMI licence by the ACPR, enabling the issuance of USDC and EURC under full MiCA compliance. Paxos achieved an EMI licence by acquiring the Finnish EMI Membrane Finance, thus establishing a MiCA-regulated gateway for its USDG stablecoin under the oversight of the FIN-FSA.

These authorisations illustrate that, despite the uncertainty surrounding multi-issuance arrangements, certain issuers already enjoy full market access and the reputational advantages of regulatory clarity.

By contrast, other actors have been left in regulatory limbo. Ripple has encountered difficulties obtaining authorisation from NCAs and remains excluded from the EU market. Industry sources indicate that Reaper has encountered similar difficulties, unable to obtain approval from an NCA in the current climate of legal uncertainty. The result is a fragmented landscape in which some issuers can move ahead while others are effectively blocked, not because of deficiencies in their applications but because NCAs have grown reluctant to take licensing decisions until the institutional dispute over multi-issuance is resolved. This reluctance has translated into a *de facto* moratorium, with several NCAs preferring to delay authorisations rather than risk adopting interpretations that might later be overturned at EU level, thus paralysing MiCA's uniform application of across the EU.

This divergence risks the emergence of an uneven playing field. Firms that have already secured licences benefit from a first-mover advantage, while others are disadvantaged by circumstances beyond their control. This situation undermines the level of competition that MiCA was designed to promote, distorts the internal market through regulatory fragmentation and risks signalling to international investors that access to the European market depends more on the discretion of individual NCAs than on a harmonised EU rulebook.

Moreover, this inconsistent regulatory treatment directly restricts user choice and competition within the EU market. European consumers and businesses are deprived of being able to access potentially innovative stablecoin services while being limited to products from issuers who did manage to secure early authorisation. This outcome runs counter to the fundamental principles of the EU's single market, which aims to ensure the free movement of services and genuine competition across all Member States.

The current regulatory paralysis effectively creates artificial barriers that segment the European market along national lines – precisely the type of fragmentation that EU financial services legislation is seeking to eliminate.

Financial stability risks revisited

The ECB has insisted that multi-issuance structures expose the EU to prudential vulnerabilities, particularly in cross-border stress scenarios where redemption demands exceed locally available reserves. This concern is valid – a MiCA-licensed dollar-denominated stablecoin would carry the stamp of EU regulation and thus might be perceived by investors as safer than offshore alternatives. During periods of financial instability, this perception could translate into large-scale inflows, potentially overwhelming MiCA's embedded safeguards and transferring risks into the European supervisory perimeter.

Yet the counterfactual must also be considered. Individuals and firms that wish to hold dollar-denominated stablecoins will continue to do so regardless of whether MiCA provides a licensing path. If multi-issuance structures are excluded from the EU market, demand will simply flow to offshore issuers beyond the reach of EU authorities, depriving European users of MiCA's protections while doing nothing to reduce the underlying dollar exposure. The ECB's restrictive interpretation therefore risks creating the worst of both worlds – euro area residents would hold the same foreign-currency stablecoins but in forms that are less transparent, less regulated and less integrated into the supervisory framework.

Recent empirical evidence also suggests that the likelihood of euro area residents adopting stablecoins on a large scale is rather low. Trust in the euro remains exceptionally strong, with more than 80% of citizens having a positive view of the common currency, and European payment infrastructures are already advanced, inexpensive and reliable. Crypto adoption is modest overall – only around one in ten Europeans reported holding crypto-assets in 2024 and the vast majority of these holdings were for investment purposes rather than for payments. Against this backdrop, the probability that EU households or firms would shift a meaningful share of their transactions into dollar-denominated stablecoins appears low, which tempers the potential magnitude of the prudential risks highlighted by the ECB.

The prudential question is not whether risks exist but whether they are best mitigated through prohibition or through managed integration. Multi-issuance arrangements undeniably present supervisory challenges but the benefits of keeping such structures inside the regulatory perimeter – greater transparency, enforceable redemption rights and EU-level oversight – arguably outweigh the risks of exclusion.

A more calibrated regulatory approach, softer than the blanket rejection suggested by the ECB, would thus better reconcile financial stability concerns with MiCA's broader objectives. At the same time, a fair acknowledgement of residual risks is necessary – while MiCA embeds significant safeguards, the possibility of cross-border liquidity stress cannot be ruled out, which underlines the importance of active supervisory coordination and scenario-based stress testing.

Strategic autonomy and monetary sovereignty revisited

Another ECB criticism is that multi-issuance arrangements involving US dollar-denominated tokens would undermine the EU's strategic autonomy and monetary sovereignty, by reinforcing the global dominance of the dollar and diverting European savings into U.S. assets.

Yet this argument is difficult to sustain when confronted with the structural features of the international financial system. US Treasury securities continue to represent the pre-eminent global safe asset and the dollar remains the world's benchmark reserve currency. European households, firms and institutional investors are already substantially exposed to these instruments through conventional channels and there is little evidence to suggest that stablecoins materially alter this dynamic.

Furthermore, many EU firms operate as global businesses with suppliers, customers, and operations outside the eurozone, requiring them to use US dollars in their transactions. The emergence of new payment technologies should not create artificial barriers to accessing the international currencies that European businesses need to remain competitive. Denying EU firms access to global USD stablecoins would place them at a significant competitive disadvantage relative to their international peers who can leverage these efficient digital payment instruments, potentially weakening Europe's position in global commerce, rather than strengthening it.

Moreover, the euro area has run persistent current account deficits *vis-à-vis* the rest of the world, which means European savings are necessarily allocated into foreign assets. To claim that prohibiting multi-issuance stablecoins could stem this flow is naïve. At most, being excluded from the MiCA perimeter would redirect such investment into traditional markets or offshore digital instruments, without diminishing the underlying demand for dollar-denominated safe assets. Framing multi-issuance as a threat to monetary sovereignty therefore misconstrues the problem – Europe's challenge is not to suppress inevitable exposures to US securities but to develop credible euro-denominated alternatives that can command similar trust and liquidity.

The EU's regulatory credibility at risk

The debate on multi-issuance stablecoins in the EU exposes a deeper challenge for MiCA's credibility as a global benchmark. If the EU aspires to consolidate the so-called Brussels effect in digital finance, it cannot afford to enter the first phase of MiCA implementation with visible inter-institutional conflicts. A regulatory framework that is disputed between the ECB, the Commission and the EP risks sending the wrong signal internationally, namely that MiCA is fragile and subject to diverging interpretations. Legal certainty is the cornerstone of regulatory influence and swift clarification is therefore essential.

In this light, the critical policy question is no longer whether the EU can afford to address multi-issuance but how it should design a coherent, proportionate and forward-looking response.

The real cost of inaction lies in regulatory uncertainty. If NCAs remain unable to license stablecoins because of divergent views on multi-issuance, Europe risks fragmenting its market and ceding ground to jurisdictions that offer clarity. The recent US legislation on payment stablecoins illustrates the point – by providing a clear and credible regime, the US has positioned itself as a more attractive jurisdiction for global issuers. If Europe fails to match this, European users will continue to access dollar-denominated stablecoins issued abroad but without MiCA's protections.

Against this background, the stage is now set for concrete policy recommendations, which must strike a balance between financial stability, market integrity, consumer protection and the EU's strategic positioning in global digital finance.

Policy and legal recommendations

The EU should pursue a two-layered response that combines immediate supervisory clarity with medium-term legislative refinement and a broader strategic vision. This is necessary not only to resolve the legal controversy around multi-issuance but also to safeguard MiCA's credibility as a coherent and future-proof framework.

Immediate step: Commission Q&A clarification. The European Commission should promptly publish its Q&A under the established technical procedure, providing a definitive legal interpretation that multi-issuance arrangements are permissible under MiCA's existing framework. This represents the most pragmatic path forward, as it would provide immediate clarity to NCAs without the delays inherent in developing new guidelines or legislative amendments.

The Q&A should explicitly confirm that MiCA's provisions – particularly Recital 54 and Articles 54-56 – already accommodate multi-issuance structures, while clarifying the robust safeguards available to NCAs to address prudential concerns raised by the ECB and EP. This approach leverages existing legal tools and avoids the risk of prolonged uncertainty that has already created competitive distortions in the EU market.

Medium-term step: a legislative 'quick fix' or equivalence framework. While Q&A guidance can stabilise the situation in the short run, it remains soft law and can be challenged or inconsistently applied. To eliminate legal ambiguity and ensure that supervisory practice rests on a solid legal foundation, the EU has two viable medium-term options.

The first approach would involve a limited legislative amendment to MiCA, like the CRR quick fix (2020) or the MiFID quick fix (2021), that would codify the definition of 'European exposure,' explicitly confirm that EMTs may rely on reserve rules aligned with ARTs in cross-border issuance, and clarify the treatment of multi-issuance structures under Articles 54-56. This would provide maximum legal certainty but requires reopening the political debate around MiCA. In this context, co-legislators could also consider introducing a specific framework for multi-issuance arrangements that permits geographical segregation of redemption rights and reserve obligations.

Under such a framework, EU issuers would maintain reserves equivalent to their European circulation in EU credit institutions, with these reserves legally ring-fenced to respond only to redemption requests from EU holders. Non-EU holders would retain redemption rights against the non-EU issuer's reserves, creating clear jurisdictional separation while maintaining the fungibility of tokens in secondary markets.

Alternatively, the EU could establish a comprehensive equivalence framework that provides the Commission with tools to make formal equivalence determinations – with technical input from the EBA – evaluating whether non-EU jurisdictions provide equivalent consumer protection, reserve requirements and supervisory oversight. This approach would offer greater flexibility and avoid contentious political debates, though it introduces uncertainty about which jurisdictions would ultimately qualify for equivalence.

Both approaches would anchor supervisory practice in primary or secondary EU law, prevent fragmentation among NCAs and safeguard the internal market's level playing field.

Should the co-legislators ultimately decide to restrict the scope of multi-issuance or if key third-country jurisdictions fail to obtain equivalence, a transitional regime would need to ensure an orderly wind-down of existing EU-licensed structures. Such a mechanism would avoid cliff-edge effects for users, protect financial stability, and preserve confidence in the EU's regulatory framework.

Strategic step: euro-denominated stablecoins. Beyond fixing interpretive uncertainty, the EU should use this debate as a catalyst to accelerate the development of euro-denominated stablecoins. Facilitating credible projects, ensuring access to payment infrastructures and promoting pilot use cases in public procurement and cross-border trade would strengthen Europe's monetary autonomy and demonstrate regulatory leadership.

A balanced approach, combining immediate supervisory guidance, medium-term legal clarification and a proactive industrial policy for euro stablecoins, would transform the current controversy into an opportunity to reaffirm MiCA's credibility and the EU's role as a global standard-setter in digital finance.

Conclusions

The debate on multi-issuance stablecoins has revealed a structural fault line in MiCA's early implementation. What began as a technical interpretative question has escalated into an institutional standoff between the ECB, the Commission and the EP, creating regulatory paralysis that undermines both market confidence and Europe's global position in digital finance.

This ECRI In-Depth Analysis paper has argued that MiCA already contains the necessary building blocks to accommodate multi-issuance arrangements. Through Recital 54, Articles 54-55 and Article 56, the Regulation anticipated cross-border issuance and established a framework of reserve requirements, recovery planning and supervisory escalation designed precisely to capture such structures. The core issue is thus not the absence of legal tools but the lack of operational clarity and political alignment in applying them.

A blanket prohibition, as suggested by the ECB, would carry heavy costs. It would deprive European users of MiCA's protections, fragment the internal market by freezing authorisations and risk ceding competitive ground to jurisdictions that have already provided clarity, most notably the US under the

Genius Act. Moreover, it would do little to reduce European households and firms' exposure to dollar-denominated stablecoins, which would simply migrate to offshore alternatives.

The EU's policy choice is not between risk and safety but between unmanaged exclusion and managed integration. MiCA was drafted to bring global stablecoins within the EU's regulatory perimeter, not to drive them out of it. The safeguards it already embeds (ring-fenced EU reserves, quantitative caps on non-euro stablecoins in payments and broad supervisory intervention powers) provide a strong baseline for prudential protection. What is now required is immediate supervisory guidance to restore convergence across NCAs, followed by a limited legislative amendment to anchor interpretative clarity in primary law.

At the same time, the EU should look beyond defensive measures. The controversy over multi-issuance highlights why a proactive strategy is urgently needed to promote euro-denominated stablecoins. Authorising credible issuers, integrating them into payment infrastructures and supporting pilot use cases could reinforce Europe's monetary autonomy while showcasing MiCA as a regulatory framework that is both rigorous and innovation friendly.

Ultimately, MiCA's credibility as a global benchmark depends on Europe's ability to resolve institutional disputes swiftly and coherently. By turning the current impasse into an opportunity for regulatory leadership, the EU can reaffirm its ambitions to set the standards for digital finance governance worldwide.

European Credit Research Institute

The European Credit Research Institute (ECRI) is an independent, non-profit research institute that develops its expertise from an interdisciplinary team and networks of academic cooperation partners. It was founded in 1999 by a consortium of European banking and financial institutions. ECRI's operations and staff are managed by the Centre for European Policy Studies. ECRI provides in-depth analysis and insight into the structure, evolution, and regulation of retail financial services markets in Europe. Through its research activities, publications and conferences, ECRI keeps its members up to date on a variety of topics in the area of retail financial services at the European level, such as consumer credit and housing loans, credit reporting, consumer protection and electronic payments. ECRI also provides a venue for its members to participate in the EU level policy discussion.

For further information, visit the website: www.ecri.eu.

Centre for European Policy Studies

CEPS is one of Europe's leading think tanks and forums for debate on EU affairs, with an exceptionally strong in-house research capacity and an extensive network of partner institutes throughout the world. As an organisation, CEPS is committed to carrying out state-of-the-art policy research that addresses the challenges facing Europe and maintaining high standards of academic excellence and unqualified independence and impartiality. It provides a forum for discussion among all stakeholders in the European policy process and works to build collaborative networks of researchers, policymakers and business representatives across Europe.

For further information, visit the website: www.ceps.eu.