ECRI POLICY BRIEF

THE ECONOMIC COSTS OF RESTRICTING GLOBAL STABLECOINS – AND HOW TO MITIGATE THE RISKS

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SUMMARY

While the EU has established a comprehensive framework for crypto-assets under the Markets in Crypto-Assets Regulation (MiCA), growing institutional scepticism towards multi-issued global stablecoins risks leading to *de facto* exclusion from the EU market.

This ECRI Policy Brief argues that framing the policy choice as one between full insulation and unrestricted openness is misleading and economically costly. Restricting compliant global stablecoins would weaken EU firms' competitiveness in cross-border payments, treasury management and tokenised markets; reduce the EU's ability to shape emerging global standards in digital finance; fragment supervisory oversight by pushing activity offshore; and ultimately hinder the development of euro-denominated stablecoins and EU digital capital markets.

The Policy Brief assesses the main prudential, financial stability and monetary sovereignty concerns raised by European authorities and argues that these risks are frequently overstated. Limited incentives for EU residents to begin regularly using foreign currency stablecoins, highly efficient EU payment infrastructures and the safeguards already embedded in MiCA significantly reduce the likelihood of stablecoins being more widely adopted. Many of the identified risks can also be mitigated through proportionate supervision rather than exclusion.

A structured multi-issuance framework is a pragmatic policy solution. Under this approach, the same globally fungible stablecoin can be issued by locally regulated entities across jurisdictions, each holding adequate local reserves and granting enforceable redemption rights to local users.

Existing supervisory tools – such as reserve rebalancing requirements, territorial redemption arrangements, stress testing and enhanced cross-border supervisory cooperation – can address the core prudential challenges without undermining the economic benefits of global fungibility. Comparative insights from the US GENIUS Act also illustrate that accommodating global stablecoins under clear conditions is both feasible and consistent with robust oversight.

The European Credit Research Institute (ECRI) is an independent, non-profit research institute that provides in-depth analysis and insight into the structure, evolution, and regulation of retail financial services markets in Europe. ECRI's operations and staff are managed by the Centre for European Policy Studies (CEPS).

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INTRODUCTION

Stablecoins are digital assets that are designed to maintain a stable value relative to a reference asset. Their use has been growing rapidly and they are increasingly being considered as potential instruments for payments and settlements in digital markets.

Despite a comprehensive regulatory framework for stablecoins under the EU's Markets in Crypto-Assets Regulation (MiCA), how to treat globally fungible stablecoins in the EU has become increasingly contested. Uncertainty has emerged around whether stablecoins issued and circulated across multiple jurisdictions, so-called multi-issued global stablecoins, should be permitted in the EU. Recent institutional debates, including positions taken by the ECB and the ESRB, are leading towards such stablecoins being restricted or effectively excluded from the EU market on prudential and monetary grounds.

This ECRI Policy Brief argues that this debate has become overly polarised and risks leading to policy outcomes that would be harmful to the EU and disproportionate to the risks involved. Framing the choice as one between full insulation and uncontrolled openness obscures a possible managed approach that preserves the economic benefits of globally fungible stablecoins while maintaining robust safeguards for EU users and supervisors. This Policy Brief argues that globally fungible, regulated stablecoins can be safely accommodated through a multi-issuance framework that's consistent with MiCA's objectives and deploys existing supervisory tools effectively to manage the risks.

The central policy question isn't whether non-compliant stablecoins should be authorised to be issued, offered to the public or admitted to trading in the EU (which they shouldn't be) but whether stablecoins that do comply with robust regulatory standards and are subject to effective supervision can be offered safely on both a global basis and within the EU.

STABLECOINS – A PRIMER

The term 'stablecoin' is often used loosely in policy debates to refer to instruments with very different designs, risk profiles and regulatory implications.

From a design perspective, stablecoins mostly differ in how price stability is achieved. Some models rely on algorithmic mechanisms that adjust supply without being backed by reserve assets, while others maintain stability through the holding of reserve assets that support redemption at par. The repeated failure of purely algorithmic models has highlighted their inherent risks. While the EU's MiCA doesn't explicitly ban algorithmic stablecoins, the fact that it requires sufficient reserves and redemption rights effectively prevents purely algorithmic models without asset backing.

Consequently, the EU regulatory debate focuses primarily on asset-backed stablecoins.

Asset-backed stablecoins are also different due to the nature of the reference asset. Most are backed by a single official currency, such as the euro or the US dollar, while others may reference a basket of currencies or assets. MiCA reflects this distinction by classifying single-currency stablecoins as *e-money tokens (EMTs)* and stablecoins referencing a combination of assets as *asset-referenced tokens (ARTs)*, which means that each type is subject to different regulatory regimes.

Another distinction, often overlooked, is the difference between stablecoins as a technological concept and stablecoins as regulated financial instruments. Several of the largest stablecoins currently used in global markets, including Tether, do not comply with MiCA or with other major regulatory frameworks, and are thus not subject to those regimes' governance, reserve, redemption and supervisory requirements.

Why restricting global stablecoins would be economically costly for the EU

Restricting or effectively excluding global stablecoins from the EU market wouldn't be a neutral act of prudence. Rather, it would have tangible economic and strategic costs, particularly at a moment when digital finance, tokenisation and cross-border market infrastructures are still taking shape. These costs wouldn't arise from the intrinsic properties of stablecoins but from the EU's decision to prohibit them while other jurisdictions move ahead.

The EU would lose out on the efficiency and competitiveness benefits of fungible global stablecoins

Stablecoins' economic benefits derive primarily from their global fungibility. Unlike most legacy payment and settlement systems, stablecoins can be transferred across borders in near real time, on a 24/7 basis and without relying on complex banking chains. This makes them well suited for cross-border payments, treasury operations and liquidity management in a globalised economy.

This fungibility is also central to stablecoins' role in digital asset markets. Stablecoins are widely used as settlement assets across multiple blockchains, facilitating interoperability and preserving value uniformity across platforms and jurisdictions. These features are especially relevant for developing tokenised capital markets, where seamless settlement across infrastructures is a core requirement.

For EU firms, access to globally fungible stablecoins can translate into concrete gains in productivity and competitiveness. Firms engaged in international trade, cross-border investment or global financial markets would benefit from faster settlement, reduced operational frictions and improved liquidity management. As digital finance and tokenisation evolve, the ability to operate seamlessly across jurisdictions becomes increasingly important for a firm's competitiveness.

Thus, restricting global stablecoins would place EU firms at a structural disadvantage in cross-border payments, treasury management and international settlement. Globally fungible stablecoins offer speed, programmability and interoperability which are all difficult to replicate through legacy systems, particularly for transactions spanning multiple jurisdictions or operating outside standard banking hours.

If EU-based firms can't access regulated global stablecoins within the EU framework, they will either face more operational frictions than their international peers or they'll resort to offshore instruments beyond the EU's reach. In both cases, the result is a loss of competitiveness and not a reduction in risk. Over time, this could reinforce Europe's existing productivity gap in financial services and limit EU firms' ability to integrate into emerging digital value chains.

DENYING ACCESS TO THE US DOLLAR IN ITS LATEST TECHNOLOGICAL FORM WOULD HARM EU FIRMS

Another economic benefit concerns currency access. Around 99% of stablecoins issued globally are denominated in US dollars which remains the world's foremost reserve currency. USD accounts for 56 % of global foreign exchange reserves, 54% of trade invoicing and 89 % of foreign exchange transactions. It's widely used in pricing global commodities as well as major transport infrastructure such as ships and planes. Firms around the world often choose to raise funding in USD which accounts for 55 % of cross-border loans and 60 % of debt.

Thus, being able to access the US dollar in a digital, programmable and interoperable format can support EU firms operating internationally with more efficient settlement and risk management, particularly in sectors with complex supply chains or capital-intensive investment.

A MISSED OPPORTUNITY TO SHAPE GLOBAL STANDARDS AND MARKET PRACTICES

Restricting global stablecoins would weaken the EU's capacity to influence global standards in digital finance. Stablecoins are rapidly becoming foundational infrastructure for tokenised markets, decentralised settlement and on-chain financial services. Jurisdictions that accommodate these instruments early, under clear and credible regulatory conditions, are much more likely to shape market conventions, technical standards and supervisory norms.

By contrast, a restrictive or uncertain stance would make the EU a rule-taker, forced to adapt later to practices established elsewhere. This would run counter to MiCA's original ambition to position the EU as a global standard-setter in crypto-asset regulation and digital finance more broadly.

FRAGMENTATION OF MARKET ACTIVITY AND REGULATORY LEAKAGE

Excluding or excessively restricting stablecoins would risk pushing stablecoin-related activity beyond the EU's regulatory perimeter rather than eliminating it. The demand for global stablecoins, especially dollar-denominated instruments used in international transactions, is unlikely to disappear. If MiCA-compliant pathways aren't available, users and firms will turn to non-compliant instruments offered offshore, where EU authorities have limited visibility and control.

From a prudential and supervisory perspective, managed integration is a far better alternative. Keeping stablecoin activity within the EU framework, subject to reserve requirements, redemption rights and supervisory oversight, would provide much more transparency and control.

IMPLICATIONS FOR EURO-DENOMINATED STABLECOINS AND DIGITAL CAPITAL MARKETS

Restricting global stablecoins could inadvertently hinder the development of euro-denominated stablecoins and EU digital capital markets. Euro stablecoins don't operate in isolation – their viability in cross-border payments and tokenised markets depends on access to deep, liquid trading pairs and global settlement networks, which today are overwhelmingly dominated by dollar-denominated stablecoins. Excluding global stablecoins from the EU could result in euro stablecoins being barred from market access in other jurisdictions.

Thus, excluding or constraining compliant global stablecoins would deprive euro stablecoins of the market infrastructure they need to scale and compete internationally. Paradoxically, a strategy to protect monetary sovereignty could end up weakening the euro's international role in digital markets by isolating EU-based instruments from global liquidity.

A question of opportunity cost

Taken together, all the above illustrates that the costs of restricting global stablecoins are not hypothetical. They would manifest through reduced competitiveness, diminished regulatory influence, fragmented supervision and the slower development of EU digital financial markets. These costs must be weighed against risks that can be mitigated through proportionate supervision and a well-designed multi-issuance framework.

At a time when the architecture of digital finance is still being defined, the central policy risk for the EU is not excessive openness but missed opportunity. Choosing managed integration over restriction would allow the EU to harness the benefits of global stablecoins while retaining control over how to manage their risks – and to do so on its own regulatory terms.

Why global stablecoins are raising concerns in the EU

Despite their potential economic benefits, globally fungible stablecoins are raising a set of policy concerns that have attracted increasing attention from some European institutions. These concerns aren't specific to stablecoins as such but relate to the implications of scale, cross-border circulation and the private issuance of instruments that may come to resemble money-like liabilities.

At the core of the European debate lies a prudential concern. Stablecoins that circulate across jurisdictions may cause mismatches between token holders' location and the location of reserves backing redemption rights. In stress scenarios, this could expose EU-based issuers and supervisors to redemption pressures from outside the Union, potentially exceeding the locally available reserve assets. From this perspective, global fungibility, while economically valuable, would also complicate the task of ensuring EU holders remain adequately protected at all times.

These prudential concerns are closely linked to financial stability and supervisory accountability. If a stablecoin is jointly issued or widely used across multiple jurisdictions, responsibility for managing liquidity stress, coordinating redemptions and enforcing prudential safeguards may become blurred. European authorities have expressed their concern that EU supervisors could be indirectly exposed to risks stemming from third-country issuers or foreign regulatory decisions, particularly if reserve assets were ring-fenced outside the EU during periods of market stress.

Beyond issuer-level risks, EU authorities have also highlighted system-wide considerations. In its recent recommendation on crypto-assets and decentralised finance, the ESRB warns that stablecoins could become a channel where shocks spread across borders, markets and infrastructures, especially if adoption increased rapidly. The ESRB emphasises that stablecoins may increase liquidity stress, create new forms of interconnectedness between the traditional financial system and crypto markets, and contribute to procyclical dynamics during periods of market turmoil.

A further concern relates to monetary sovereignty and the integrity of the EU's monetary framework. Authorities have cautioned that the large-scale use of foreign-currency-denominated stablecoins could, in principle, weaken the euro's role in payments and settlement, particularly if such they were to become more popular beyond niche or wholesale use cases. While this risk is being framed as contingent rather than immediate, it features prominently in institutional assessments of the long-term implications of adopting stablecoins globally.

Related to this, central bank money should be preferred to stablecoins for settlement in wholesale markets, particularly as the Eurosystem is exploring how central bank money could be made available on-chain. From this perspective, privately issued stablecoins are sometimes portrayed as an unnecessary substitute for public money, or as an interim solution to be ultimately displaced by tokenised central bank settlement.

Taken together, these concerns explain why European authorities have approached global stablecoins with caution. They also frame the policy trade-off at the heart of the current debate: how to address legitimate prudential and macro-financial risks without unduly constraining the economic benefits associated with globally fungible, regulated stablecoins.

WHY THESE CONCERNS CAN BE PROPORTIONATELY MANAGED

The concerns raised by European authorities are indeed legitimate but their practical relevance is often overstated. When examining incentives, market structure and the existing regulatory framework more closely, the risks associated with global stablecoins, particularly US dollar-denominated EMT-like stablecoins, are likely to be more contained than is often assumed.

First, there is no strong economic rationale for EU households or firms to use US dollar-denominated stablecoins for domestic payments because doing so would introduce unnecessary foreign exchange risk. The euro area differs fundamentally from emerging economies where dollarisation dynamics have historically taken hold. In those jurisdictions, foreign-currency instruments are often used to hedge against chronic inflation, currency instability or capital controls.

None of these conditions apply to the euro area, where trust in the single currency remains high and monetary stability is well entrenched. Empirical evidence suggests that euro area residents' use of crypto-assets remains overall modest and is predominantly driven by investment motives rather than payment needs. This limits the scope further for a more widespread adoption of dollar-denominated payment instruments.

Second, the EU already benefits from highly efficient domestic payment infrastructures, which significantly reduces the incentive to shift everyday retail payments towards stablecoins, whether denominated in euros or dollars. Instant payment systems, card networks and account-based solutions offer fast, inexpensive and reliable payment services that meet most domestic needs. Thus, global stablecoins don't offer any compelling advantage for routine retail transactions within the euro area, reinforcing the view that their primary relevance lies in cross-border or wholesale contexts rather than domestic payments.

Third, the regulatory framework established by MiCA already incorporates explicit safeguards against excessive reliance on foreign currency stablecoins. These include quantitative limits on the use of non-euro denominated EMTs in payment transactions and broad supervisory

intervention powers where stablecoin activity is deemed to pose risks to monetary policy transmission or financial stability. These tools are specifically designed to prevent the emergence of large-scale dollarisation dynamics while allowing supervisors to respond proportionately if usage patterns change.

Fourth, regulated stablecoins are fully backed by liquid assets, hence the risk of insufficient backing is much lower than it is for banks which lend customers' funds out. The challenge is more one of making sure that the reserve assets are capable of being in the right place, when they are needed to meet redemption requests. This can be addressed by global issuers, for example by partnering with a global custodian which can move funds rapidly around the world.

Concerns that global stablecoins could disrupt foreign exchange markets are also frequently overstated. Even at their current scale, stablecoin markets remain small relative to core segments of the global financial system. Stablecoins' total outstanding value represents only a fraction of daily turnover in global foreign exchange markets and remains limited when compared to money market funds and other major categories of non-bank financial intermediation. Fears that stablecoins could generate systemic disruption in currency markets are disproportionately overblown when considering their actual market footprint.

Some of the scepticism surrounding global stablecoins reflects a broader policy preference for central bank money as the ultimate settlement asset, particularly in wholesale markets. The Eurosystem, like other central banks, is actively exploring how central bank money could be made available on-chain.

While this is a welcome and important development, it doesn't imply that privately issued stablecoins would become redundant. In modern monetary systems, public and privately issued money coexist and are used according to their respective strengths. This logic is likely to persist even if on-chain central bank money becomes available. Central bank money will remain the anchor of the system but stablecoins can be complementary – particularly for cross-border settlement, interoperability across different blockchains and infrastructures, and deployment as collateral or within smart-contract environments. In this sense, public and private money are best understood as complements rather than substitutes in the financial ecosystem of tomorrow.

Importantly, excluding global stablecoins from the EU wouldn't eliminate these risks but would, as mentioned above, push activity towards offshore instruments beyond the EU's reach. Users who desire dollar-denominated stablecoins will likely obtain them regardless of whether a MiCA-compliant framework exists. From a prudential perspective, keeping such activity within the EU's regulatory sphere – subject to reserve requirements, redemption rights and supervisory oversight – offers greater transparency, consumer protection and control than a strategy of exclusion.

That's why the relevant policy question is not whether risks exist but whether they are best addressed through blanket restrictions or through managed integration under a robust regulatory framework. In the EU, the combination of limited adoption incentives, advanced payment infrastructures and MiCA's existing safeguards suggests that caution is prevailing at the expense of proportionality and economic efficiency.

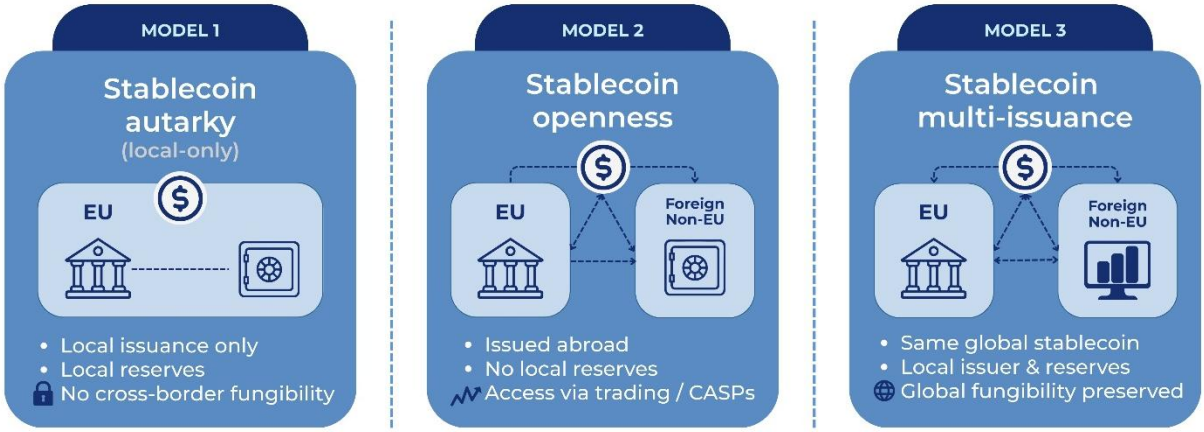
REGULATORY APPROACHES TO CROSS-BORDER STABLECOINS

While fungibility underpins stablecoins' economic value, regulators must also be able to protect local users, ensure effective supervision and preserve financial stability. Consequently, stablecoins offered in one jurisdiction are typically required to comply with local regulatory requirements, even when they circulate globally.

Some jurisdictions, including the EU, require a stablecoin to be issued by a locally established and regulated entity, that local users hold enforceable redemption rights against that entity, and that a sufficient reserve be held locally to meet potential redemption requests. These requirements are intended to protect users against the risk that redemption claims cannot be honoured during periods of stress, for example due to legal or operational restrictions on transferring reserve assets across borders.

Against this backdrop, three broad regulatory models can be identified for dealing with cross-border stablecoins, as shown in Figure 1.

Figure 1: Three regulatory approaches to cross-border stablecoins



Source: Authors' own elaboration.

The *first model* can be described as 'stablecoin autarky'. Under this approach, a jurisdiction only permits stablecoins issued exclusively within its borders. All reserves are held locally and redemption rights are strictly domestic. This model offers the highest degree of insulation for local users and supervisors but it comes at a significant cost – by eliminating cross-border fungibility, it largely neutralises stablecoins' core economic benefits, particularly their use in cross-border payments and global settlement.

The *second model* is one of 'stablecoin openness'. Here, a jurisdiction allows stablecoins issued abroad to be offered to local users without requiring local issuance or locally held reserves. Regulatory requirements may focus on being admitted to trading, disclosure, business conduct or the regulation of service providers, rather than on the issuer itself. This approach is often associated with jurisdictions that are seeking to position themselves as global hubs for digital asset trading and settlement, as it maximises both choice and access to globally used instruments. At the same time, it provides more limited tools for ring-fencing local users in stress scenarios.

The *third model* is 'stablecoin multi-issuance'. Under this approach, the same globally fungible stablecoin is issued in multiple jurisdictions by locally regulated entities. Each issuing entity grants redemption rights to users in its jurisdiction and holds local reserves in line with domestic regulatory requirements, while the token itself remains interchangeable across borders. This model preserves the economic benefits of global fungibility, while also providing additional safeguards for local users in jurisdictions that require local issuance and reserve backing.

These three models reflect different trade-offs between openness, user protection and regulatory control. Some recent European policy discussions indicate a preference for an autarkic approach, which would effectively exclude multi-issued global stablecoins from the EU market. As argued above, such an outcome would be economically costly. More importantly, it's simply not necessary – a well-designed multi-issuance framework can mitigate the key prudential risks identified by authorities while preserving the benefits of globally fungible stablecoins.

Towards a solution: mitigating the risks of global stablecoins through multi-issuance

The policy debate on global stablecoins has often been framed as a binary choice between unrestricted openness and full regulatory insulation. This is misleading. The key question isn't whether multi-issuance entails risks – it does – but whether those risks can be mitigated in a proportionate and operationally credible manner using existing supervisory tools.

Managing the core prudential challenge: reserves and cross-border flows

The main prudential challenge associated with multi-issued stablecoins arises from the interaction between cross-border fungibility and locally anchored reserves. If a locally authorised issuer holds reserves sufficient to cover the tokens it has issued domestically, net inflows of the same stablecoin from abroad, such as through cross-border payments or secondary market transactions, could, in principle, result in local holdings exceeding locally held reserves.

This can be mitigated through a straightforward and conservative principle: locally held reserves should always be sufficient to cover local holdings of the stablecoin, not merely locally issued amounts. Implementing this principle requires holdings to be frequently monitored and reserves must be timely reallocated across jurisdictions to reflect changes in net flows. Such mechanisms are already used in cross-border financial supervision and can be implemented without legislative change.

Concerns have been raised, most notably by the ESRB, that sudden cross-border flows could overwhelm this adjustment process in stress scenarios, particularly if users engage in regulatory arbitrage by seeking redemption in the most favourable jurisdiction. While this risk cannot be dismissed, its practical relevance for the EU shouldn't be overstated.

Limits to cross-border redemption arbitrage

In practice, significant frictions constrain cross-border redemption arbitrage. For a non-EU user to redeem via an EU issuer would typically require transferring the stablecoin to an entity resident in the EU, completing KYC and AML procedures, and establishing access to the EU

banking system. These steps involve time, costs and legal constraints that limit the feasibility of sudden, large-scale redemption flows driven purely by regulatory differences.

Moreover, differences between MiCA and the GENIUS Act have sometimes been overstated. While the GENIUS Act doesn't prohibit redemption fees, its implementing rules are still to be defined, and the prevailing market practice among major issuers (such as Circle and Paxos) involves low or zero redemption fees. Thus, the scope for systematic arbitrage based on redemption terms appears to be limited.

SUPERVISORY SAFEGUARDS UNDER THE CURRENT FRAMEWORK

Beyond reserve rebalancing, national competent authorities already possess a range of supervisory tools that can be deployed to mitigate multi-issuance risks.

First, supervisors can require operational arrangements allowing for the rapid reallocation of reserves, including the use of global custodians capable of efficiently transferring assets within a single group structure.

Second, redemption rights can be scoped territorially, for example by limiting direct redemption from the EU issuer to EU-based users. While secondary market transfers cannot be prevented, sustained net inflows arising from such activity would trigger reserve adjustments rather than immediate liquidity stress.

Third, enhanced supervisory cooperation between EU and non-EU authorities can support information-sharing on issuance volumes, redemption practices and stress events, as well as facilitate coordinated responses during periods of market tension.

Fourth, supervisors can independently assess the robustness of third country regulatory regimes to ensure that any significant gaps in consumer protection or prudential standards do not indirectly expose EU users to risk through multi-issued structures.

Finally, stress testing redemption scenarios, including cross-border flows, could be required to show that sufficient liquidity would be available under adverse but plausible conditions.

PROPORTIONALITY AND POLICY IMPLICATIONS

Taken together, these measures would mitigate the relevant risks in the near term, particularly given the currently modest level of stablecoin use in the EU. If they became more widely adopted, additional safeguards could be introduced through targeted amendments to MiCA or through supervisory guidance, rather than through blanket restrictions.

By contrast, requiring an equivalence decision before global stablecoins can be offered in the EU, as the ESRB suggested as a fallback option, would impose a high procedural and political threshold that risks delaying market development and placing the EU at a disadvantage. Doing this would go beyond what's necessary to address the risks and would undermine the EU's capacity to shape the evolution of digital financial markets.

SEQUENCING POLICY CHOICES: MULTI-ISSUANCE NOW, FURTHER SAFEGUARDS IF (AND WHEN) WARRANTED

Both MiCA and the US GENIUS Act converge on a regulatory model that preserves global fungibility while anchoring issuance, reserves and redemption rights locally. In both jurisdictions, the underlying economic architecture corresponds to a multi-issuance model;

what's different is the legal mechanism that organises market access and supervisory responsibility.

Requiring an equivalence determination as a precondition for market access would be a structural departure from MiCA's logic. MiCA doesn't provide an equivalence regime for EMTs and introducing such a requirement would require legislative changes rather than mere supervisory interpretation. Making equivalence a gateway requirement for multi-issuance would risk prolonging legal uncertainty and constraining market development, not only because equivalence assessments tend to be slow, but also because introducing them would require reopening MiCA and negotiating a new access regime. At a time when stablecoin use in the EU remains modest and risks remain manageable within the existing framework, such a shift would go beyond what's necessary.

Instead, a multi-issuance framework can be implemented immediately using existing supervisory powers, allowing EU authorities to gain practical experience, monitor usage patterns and assess risks based on evidence rather than conjecture. This keeps stablecoin activity within the EU regulatory reach, preserves supervisory control and avoids pushing users and innovation towards offshore, unregulated alternatives.

If stablecoin adoption significantly increases over time and cross-border activity became systemically relevant, additional safeguards such as an equivalence framework could be considered as a second step, building on the operational experience gained under multi-issuance. This would allow the EU to design equivalence criteria and supervisory cooperation arrangements in a measured and informed manner, rather than under the pressure of market fragmentation or regulatory paralysis.

An equivalence framework would need to be both agile and flexible to keep up with a rapidly evolving global market for stablecoins as well as developments in regulatory regimes. It would also need to allow for clear and predictable transitional arrangements for stablecoins authorised under the pre-equivalence framework. This would preserve legal certainty, avoid cliff-edge effects for users and markets and ensure that the introduction of equivalence doesn't retroactively penalise early compliance or disrupt established issuance structures.

The key policy risk today is that the EU moves too cautiously and too slowly. Deferring action until further safeguards, such as equivalence, are introduced would mean foregoing the opportunity to shape emerging market practices, infrastructures and standards in digital finance.

A sequenced approach – multi-issuance as the baseline, further safeguards later if warranted –offers the best of both worlds, namely a proportionate path that balances prudential caution with economic opportunity.

THE US GENIUS ACT AND MULTI-ISSUANCE

Any comparison between MiCA and the US GENIUS Act must be handled with care, as the two frameworks differ significantly in their legal structure, institutional setting and regulatory techniques. Comparing them isn't to assess their equivalence or to suggest converging legal regimes, but rather to illustrate how another major jurisdiction has chosen to accommodate global stablecoins under a structured multi-issuance logic rather than defaulting to exclusion.

The GENIUS Act's recent adoption in the US offers a useful comparison for the EU. While MiCA was a pioneering framework in regulating stablecoins, the GENIUS Act is the first major legislative regime in the US and provides a different model for handling cross-border stablecoin issuance, particularly multi-issuance.

Under the GENIUS Act, foreign stablecoin issuers can operate in the US market if the foreign jurisdiction's regulatory regime is deemed comparable to US standards and there's a reciprocal arrangement. When this is the case, local reserves would need to be maintained in the US to protect local users. This structure explicitly imagines scenarios where the same stablecoin might have multiple issuers in different jurisdictions, each maintaining local reserves and complying with local regulations.

In contrast, MiCA hasn't yet fully clarified which conditions multi-issuance would be permissible under. While MiCA includes provisions for proportional reserve allocation when stablecoins are marketed both inside and outside the EU, institutional debate is continuing, particularly with the ECB and the ESRB, about whether multi-entity issuance is legally and prudentially acceptable. This has created more regulatory uncertainty that the GENIUS Act's more explicit framework avoids.

The relevant lesson from the GENIUS Act is not its use of equivalence as such, but the choice to allow global stablecoins to operate under clear, structured and enforceable conditions rather than defaulting to exclusion. For the EU, this can be achieved through a multi-issuance framework based on direct authorisation, local reserves and supervisory cooperation.

CONCLUSIONS

The debate on global stablecoins in the EU has moved beyond abstract design questions and has become a test of regulatory coherence, proportionality and strategic vision. As this ECRI Policy Brief has argued, the current uncertainty surrounding globally fungible, regulated stablecoins, particularly calls to exclude or severely restrict multi-issued models, risks undermining the very objectives MiCA was designed to achieve.

First, prolonged uncertainty and the prospect of *de facto* exclusion would weaken EU firms' competitiveness. Stablecoins are rapidly becoming part of the infrastructure underpinning cross-border payments, treasury operations and tokenised markets. Preventing EU-based firms from accessing regulated global stablecoins within the EU framework wouldn't eliminate demand but would instead raise costs, increase operational frictions and push activity towards offshore instruments beyond the reaches of EU supervision.

Second, continued ambiguity over whether to permit multi-issuance risks harming the EU's reputation for regulatory reliability and internal market integrity. MiCA was conceived as a directly applicable, harmonised framework capable of providing legal certainty and supporting innovation under robust safeguards. Diverging interpretations and unresolved institutional disputes over how it's applied to global stablecoins risk fragmenting supervisory practice, deterring investment and weakening confidence in the EU's ability to offer a predictable environment for digital finance.

Third, restricting global stablecoins would also have unintended consequences for euro-denominated stablecoins and the euro's international role. Euro stablecoin projects depend on access to global liquidity, interoperable settlement assets and deep trading pairs, ecosystems that today are closely linked to dollar-denominated stablecoins. Isolating the EU from these networks would make it harder, not easier, for euro-denominated instruments to scale in cross-border and wholesale settings, ultimately weakening Europe's monetary and financial ambitions in digital markets.

The choice facing the EU isn't between safety and openness, but between managed integration and strategic marginalisation. A proportionate multi-issuance framework, grounded in local reserves, enforceable redemption rights and supervisory cooperation, offers a credible way to mitigate prudential risks while preserving the economic benefits of global fungibility.

Whether the EU leads or lags in the development of digital capital markets will depend on its willingness to provide such clarity and to act decisively. At this stage, the greatest risk isn't excessive experimentation, but inertia.

By embracing a coherent and workable approach to global stablecoins under MiCA, the EU can reinforce its regulatory credibility, support the competitiveness of its firms and shape the future architecture of digital finance on its own terms.

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