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The Risks of Regulatory Fragmentation in the Stablecoin Market: The Case of Multi-Issuance Stablecoins

Abstract

Stablecoins are designed to maintain a stable value through redeemability at par and the holding of external reserves, yet their cross-border issuance increasingly exposes regulatory and financial stability vulnerabilities. This article examines the risks arising from multi-issuer stablecoin arrangements, whereby a single, fungible stablecoin is issued by multiple legally distinct entities across different jurisdictions and regulatory regimes. Focusing on the European Union's Markets in Crypto-Assets Regulation (MiCAR), the analysis shows how such structures—currently employed by major issuers such as Circle and Paxos—facilitate regulatory arbitrage, amplify liquidity and redemption risks, and undermine the effectiveness of EU prudential supervision.

The article highlights how the fungibility of tokens issued under divergent regimes may concentrate redemption pressures on EU issuers, strain reserve adequacy, and create contagion risks for the EU banking sector. Legal and operational frictions, including the potential ring-fencing of reserves held outside the Union, further exacerbate these vulnerabilities, particularly under stressed market conditions. While MiCAR equips competent authorities with certain supervisory tools, data limitations and uncertainties surrounding the classification of 'significant' issuers constrain their effective use.

The article argues that MiCAR inadequately addresses the systemic implications of cross-border multi-issuer stablecoins and proposes targeted reforms. These include a centralised supervisory regime for participating EU issuers under the European Banking Authority, complemented by a stringent equivalence framework for third-country partners which would limit multi-issuance to jurisdictions with comparable regulatory standards. The article concludes that enhanced cross-border supervisory cooperation and coordinated crisis management frameworks are essential to ensure the resilience of stablecoin markets and to safeguard financial stability within the Union.

I. Introduction

Stablecoins are digital tokens recorded on distributed ledgers - commonly blockchains - that aim to maintain a stable value relative to a reference asset, most frequently a fiat currency such as the US dollar or the euro[1]. For fiat-backed stablecoins, this stability is typically ensured through the ability to

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[1] D. Arner, R. Auer and J. Frost, 'Stablecoins: Risks, Potential and Regulation' (2020) 39 Financial Stability Review 95; Ch. Catalini, A. De Gortari and N. Shah, 'Some Simple Economics of Stablecoins' (2022) 14 Annual Review of Financial Economics 117; M. Adachi and others, 'Stablecoins' Role in Crypto and beyond: Functions, Risks and Policy' (2022) 18 Macroprudential Bulletin; J. Morgan, 'Systemic Stablecoin and the Brave New World of Digital Money' (2023) 47

redeem the token at par value on demand[2]. Unlike unbacked crypto-assets such as Bitcoin[3] or Ether, stablecoins are therefore designed to be fully redeemable. They are backed by external reserves, which are often held in liquid, low-risk assets.

According to a recent report by the Banque de France[4], the global stablecoin market was valued at approximately USD 237 billion, representing roughly 7% of the total crypto-asset market. Dollar-denominated stablecoins account for 99% of this market[5], with a pronounced concentration in two major instruments: Tether's USDT[6], comprising nearly 64% of the market, and Circle's USDC[7], which accounts for 25%. In stark contrast, euro-denominated stablecoins have a combined market capitalization of only around USD 350 million, or approximately 0.15% of the total, with the leading euro-backed stablecoins being EURC (Circle) and EURS (Stasis)[8].

To date, stablecoins have primarily functioned as settlement assets within the crypto ecosystem, as stores of value for investors seeking to preserve their holdings without exiting crypto markets, and as collateral in decentralized finance (DeFi) applications. Moreover, in emerging markets characterised by inflation, currency volatility, and high remittance costs, stablecoins offer an alternative to traditional methods of value storage and cross-border money transfers, which are typically provided by banks and money transfer operators. Unlike traditional cross-border payment methods, stablecoins can, in principle, be transferred directly between one party to another without requiring intermediary authorisation or settlement delays[9]. Moreover, because settlement is effected through a single asset, such transactions do not give rise to counterparty risk beyond exposure to the stablecoin issuer itself. Payments can be executed through a basic application on a phone or computer with internet access, offering the potential to substantially reduce cross-border payment costs. Therefore, while their adoption as a medium of retail payment remains limited, this may change if stablecoins gain broader acceptance among merchants and consumers.

The World Bank reports that the global average cost of sending a cross-border remittance of 200 USD in Q3 2025 was approximately 6.36%, with significant variation depending on the corridor, provider, and regulatory environment[10]. Chainalysis further estimates that sending the same transfer from Sub-

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Cambridge Journal of Economics 215; R. Lyons and G Viswanath-Natraj, 'What Keeps Stablecoins Stable?' (2023) 131 Journal of International Money and Finance 102777.

[2] I. Aldasoro, P. Mehrling and D. Neilson, 'On Par: A Money View of Stablecoins' (2024) 11 Journal of Financial Market Infrastructures 47; G. Gorton, E. Klee, C. Ross, S. Ross and A. Vardoulakis, 'Leverage and Stablecoin Pegs' (2022) NBER Working Paper No 30796.

[3] A. Sotiropoulou and D. Guégan, 'Bitcoin and Challenges for Financial Regulation' (2017) 12(4) Capital Markets Law Journal 466.

[4] Banque de France, Financial Stability Report (2025).

[5] I. Aldasoro, M. Aquilina, U. Lewrick and S. Hyuk Lim, 'Stablecoin growth – policy challenges and approaches', (2025) BIS Bulletin n°108.

[6] https://tether.to/en/

[7] https://www.circle.com/fr/

[8] M. Santner and A. Taudes, 'The Impact of MiCAR on the Euro Stablecoin Market' (2025) https://doi.org/10.57938/dccaf62b-30f6-4824-b4a0-2a240b081ce2

[9] Stablecoins bypass the traditional interbank clearing system; instead of rebalancing bank deposits and settling through the central bank, value is transferred by modifying token ownership on a distributed digital ledger.

[10] World Bank, Remittance Prices Worldwide (RPW) Q3 2025, (September 2025), Issue 54.

Saharan Africa using stablecoins reduces costs by roughly 60 % compared with traditional fiat-based remittance methods[11]. However, a comprehensive assessment must consider additional critical components often excluded from these calculations, including the initial conversion into stablecoins and reconversion into fiat currency. These factors suggest that the apparent efficiency gains of stablecoins may be overstated, particularly when evaluated against the total end-to-end cost of cross-border payments.

Although the first stablecoins emerged as early as 2014 with the launch of Tether's USDT, regulatory frameworks remain nascent. The European Union adopted the Markets in Crypto-Assets Regulation (MiCAR)[12] in 2023, with progressive implementation beginning in 2024, while the United States enacted the Guiding and Establishing National Innovation for US Stablecoins Act (GENIUS Act)[13] in July 2025, which is set to take effect by 2027. Unlike banking supervision—which has been internationally harmonized since the Basel Accords of the 1980s—stablecoin regulation has developed largely on a regional basis, albeit with emerging efforts at international coordination[14]. This fragmented approach presents significant challenges, as stablecoins are inherently digital assets that can be transferred instantaneously across jurisdictions, independent of national boundaries. The absence of common international standards creates risks of regulatory arbitrage, incentivizing issuers to locate operations in jurisdictions with the least stringent requirements while serving clients in more tightly regulated markets.

Adopting a combined law-and-economics perspective, this article examines the risks of regulatory fragmentation arising from multi-issuer stablecoins, wherein a single, fungible digital token is issued by distinct entities operating across different jurisdictions and regulatory regimes—in particular, the EU and the US. It analyses how the fragmentation of these legal frameworks can create mismatched incentives that alter market behavior, and introduce risks to financial stability. Deeming these stablecoins fungible across different jurisdictions allows issuers to fragment their reserve management, while enabling holders to choose the jurisdiction where they exercise their redemption rights - preferably the EU, which offers more favourable terms than the US. Because the EU's 2023 Markets in Crypto-Assets Regulation did not foresee or explicitly regulate multi-issuer arrangements, there is

[11] Chainalysis, The 2024 Geography of Crypto Report (2024).

[12] Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937. For an overview of MiCAR, see F. Annunziata, 'An Overview of the Markets in Crypto-Assets Regulation (MiCAR)' (2023) European Banking Institute Working Paper Series 158; M. Philipp, 'The Regulation on Markets in Crypto-Assets (MiCAR): Landmark Codification, or First Step of Many, or Both?' (2023) 20 European Company and Financial Law Review, 243; M. Lehmann, 'MiCAR—Gold Standard or Regulatory Poison for the Crypto Industry?' (2024) 61 Common Market Law Review 699; A. Sotiropoulou, 'The interplay between MiCAR and existing E-Money and Payment Services Directives on E-Money Tokens (EMTs)', (2025) 2 Corporate Finance and Capital Market Law Review/Revue Trimestrielle de Droit Financier 84; D. Zetzsche and others, 'The Markets in Crypto-Assets regulation (MiCA) and the EU Digital Finance Strategy' (2021) 16 Capital Markets Law Journal 203; D. Zetzsche, I. Woxholth, The EU Law on Crypto-Assets, Cambridge University Press (2025).

[13] Guiding and Establishing National Innovation for US Stablecoins Act - GENIUS act (2025, July 18th), 12 U.S.C. §§ 5901–5916. See D. Krause, The GENIUS Act: A New Era of U.S. Stablecoin Regulation (February 06, 2025). Available at SSRN: https://ssrn.com/abstract=5127407 or http://dx.doi.org/10.2139/ssrn.5127407

[14] Financial Stability Board (FSB), High-level Recommendations for the Regulation, Supervision and Oversight of Global Stablecoin Arrangements (2023).

no guarantee that reserves held in the third-country will be available in case of increased redemption demands in the EU. This structural mismatch ultimately threatens to transmit liquidity runs and contagion to EU issuers and their banking partners.

Our analysis proceeds in three steps. First, we show that MiCAR and the GENIUS Act diverge in several aspects (Section II). Second, we argue that under multi-issuer programmes, because the same token issued under these divergent regimes is economically fungible, these legal differences are not neutral; rather, they generate arbitrage incentives and redistribute redemption pressures across issuers (Section III). Finally, we demonstrate how this economically driven pressure exposes a legal gap in MiCAR and propose an adequate policy response (Section IV).

II. Regulatory Fragmentation

While stablecoins create new opportunities for payments and financial intermediation—particularly in cross-border contexts—their expansion raises a number of significant legal and economic concerns. These relate in particular to governance arrangements, investor and user protection, financial stability, and the potential use of stablecoins for illicit purposes[15]. In response to these risks, several jurisdictions have adopted, or are in the process of adopting, regulatory frameworks specifically designed for crypto-assets. Although these regulatory initiatives largely pursue common objectives—namely, enhancing legal certainty, consumer protection, and market integrity—they differ substantially in scope and design, thereby contributing to a fragmented global regulatory landscape.

A comparison between the European Union's Markets in Crypto-Assets Regulation and the United States' GENIUS Act illustrates this fragmentation. Both frameworks establish regulatory regimes applicable to stablecoins[16]. However, they diverge in important respects, particularly regarding their regulatory scope, the issuers' licensing requirements, the composition of issuers'reserve assets, the issuers' prudential requirements, the level of protection afforded to stablecoin holders, the crisis management tools, the level of supervision and their extraterritorial reach[17].

With respect to scope, the U.S. framework adopts a narrower approach, focusing primarily on payment stablecoins. The GENIUS Act specifically applies to 'payment stablecoins', defined as 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, to the exclusion of

[15] Financial Stability Board (FSB), Global Regulatory Framework for Crypto-asset Activities (2023); Bank for International Settlements (BIS), Annual Economic Report (2023).

[16] For the sake of simplicity and ease of comparison, the article uses the term 'stablecoins' to refer to single currency pegged stablecoins, such as the 'e-money tokens' under MiCAR and the 'payment stablecoins' under the GENIUS Act. See *infra*.

[17] E D Martino, 'Cryptocurrencies and Stablecoins Regulation' in E D Martino, H Nabilou and A M Pacces (eds), Comparative Financial Regulation (Edward Elgar 2025); J van 't Klooster, E D Martino and E Monnet, Cryptomercantilism vs. Monetary Sovereignty (October 14, 2025). European Banking Institute Working Paper Series No. 200, Amsterdam Center For Law & Economics Working Paper No. 2025-06; C K Odinet and A Tosato, 'Regulating Centralized Stablecoins: Comparing MiCAR and the GENIUS Act' (2026) Notre Dame Law Review Reflection (forthcoming).

digital assets that are central bank money, bank deposits or securities[18]. It therefore excludes other types of stablecoins that are not designed for payment purposes. By contrast, MiCAR applies to a broader category of crypto-assets, encompassing those not already regulated under existing financial services legislation[19]. In this perspective, MiCAR introduces and regulates three types of crypto-assets: the e-money tokens (or EMTs), that is, the 'crypto-assets that purport to maintain a stable value by referencing the value of one official currency'[20], such as US dollar or euro - the asset referenced tokens (or ARTs), which are a type of crypto-asset 'that is not an EMT and that purports to maintain a stable value by referencing another value or right or a combination thereof, including one or more official currencies'[21] …and the residual category of 'other' crypto-assets, which captures all digital assets that escape the other two categories (ARTs and EMTs[22]) and includes, unbacked crypto-assets such as Bitcoins, and 'utility tokens'[23]. The regulatory regime is structured around a risk-based approach, with differentiated levels of regulatory intensity. EMTs are subject to the most stringent requirements, as issuance is restricted to specific institutions and accompanied by robust reserve obligations, redemption rights and comprehensive prudential supervision. ARTs are positioned at an intermediate level, being subject to dedicated authorisation, reserve asset management and governance requirements, as well as continuous supervisory oversight, with heightened obligations applying to those designated as significant. By contrast, general crypto-assets are subject to a comparatively lighter regulatory framework, centred on disclosure obligations, principally through the publication of white papers.

In addition, MiCAR introduces a comprehensive regulatory regime for crypto-asset service providers (CASPs), requiring prior authorization by national competent authorities and imposing detailed obligations concerning governance, prudential safeguards, segregation of client assets, and conduct of business[24]. The GENIUS Act, by comparison, does not regulate crypto-asset service providers themselves. It only places specific restrictions on what it calls 'Digital Asset Service Providers' (DASPs)—including exchanges, custodians, brokers[25] —by requiring that starting July 18, 2028, these entities will be prohibited from offering or selling a payment stablecoin to a person in the United

[18] GENIUS Act, Sec. 2 (14).
[19] MiCAR, Art. 2 (4).
[20] MiCAR, Art. 3(1)(7).
'Official currency' is defined as official currency of a country that is issued by a central bank or other monetary authority. See MiCAR Art. 3(1)(8).
[21] MiCAR Art. 3(1)(6).
Examples of ART reference assets include commodities like gold, baskets of fiat currencies, other crypto-assets, or combinations of these.
[22] ARTs and EMTs aim to maintain a stable value. To maintain a stable price, issuers hold funds and/or other assets ('collateral') against which stablecoins holdings may be redeemed or exchanged.
[23] According to art 3(1)(9) MiCAR a utility token is a specific type of crypto asset—belonging to this residual category ('other than')—which 'is only intended to provide access to a good or a service supplied by its issuer'.
[24] MiCAR, Arts 59-110.
[25] GENIUS Act, Sec. 2(7).

States, unless the payment stablecoin is issued by a 'permitted payment stablecoin issuer'[26][27]. While this enforces market compliance, the GENIUS Act lacks the comprehensive prudential and investor-protection mandates for DASPs that are central to the MiCAR framework[28].

With respect to issuers' licensing regimes, both jurisdictions permit banks and non-bank entities to issue stablecoins, thereby fostering innovation and market entry. Nevertheless, the regulatory approaches diverge significantly. In the European Union, stablecoin issuance is restricted to licensed credit institutions and electronic money institutions[29]. Issuers are generally subject to a notification requirement rather than a bespoke authorisation process[30], reflecting an effort to ensure regulatory consistency and a level playing field with incumbent financial institutions. By contrast, the United States requires explicit authorisation for subsidiaries of insured depository institutions (banks and credit unions) and provides a dedicated stablecoin-specific licensing framework for non-bank issuers[31]. Consequently, non-bank entities, including start-ups, are not required to obtain a licence as an existing financial institution but may instead apply for a stablecoin-specific authorisation.

Another key point of divergence between the EU and US frameworks concerns the regulatory treatment of 'significant' stablecoin issuers. The US GENIUS Act establishes a tiered regulatory framework: 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[32], but must transition to federal oversight within 360 days upon exceeding the USD 10 billion threshold[33]. Regardless of whether they are regulated at a state or at the federal level, both small and systemically important issuers remain subject to comparable regulatory obligations. By contrast, the EU establishes a differentiated regime for issuers classified as 'significant' on the basis of size, volume, or systemic relevance[34]. Such issuers are subject to enhanced prudential and reserve requirements and are supervised directly by the European Banking Authority (EBA) rather than by national competent authorities. The framework thereby allocates supervisory responsibility according to scale and impact, ensuring EU-level oversight of systemically important crypto-assets while preserving national supervision for less significant activities. While this framework is intended to address financial stability and monetary sovereignty concerns, the absence to date of any issuer being formally designated as 'significant' raises concerns, particularly in relation to issuers engaging in multi-issuance stablecoin arrangements[35].

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[26] Pursuant to Sec. 2 (15) GENIUS Act, 'the term "permitted payment stablecoin issuer" means (A) a subsidiary of an insured depository institution that has been approved to issue payment stablecoins under section 5; (B) a Federal qualified nonbank payment stablecoin issuer that has been approved to issue payment stablecoins under section 5; or (C) a State qualified payment stablecoin issuer'.
[27] GENIUS Act, Sec. 3(b).
[28] The CLARITY Act will, when adopted, provide a legal framework for the digital assets market.
[29] MiCAR, Art. 48(1).
[30] MiCAR, Art. 48(6)-(7).
[31] GENIUS Act, Sec. 2 (15).
[32] GENIUS Act, Sec. 4 (b) (1).
[33] GENIUS Act, Sec. 4 (c).
[34] MiCAR, Arts. 56-58.
[35] See *infra* Section III.

With respect to the reserve assets required to support the one-to-one redemption promises, both the EU and US frameworks mandate full collateral backing for stablecoins, but they differ markedly in the composition and management of those reserves. Under MiCAR, 30% of reserve assets must be held in fully liquid bank deposits[36] while the remainder may be invested only in 'highly liquid financial instruments'[37]. The EU regime imposes strict liquidity constraints, thereby enhancing resilience to liquidity shocks but restricting issuers' ability to generate returns. By contrast, the US framework allows a broader range of liquid assets, including treasury securities, money market fund shares, repos and reverse repos backed by liquid assets[38], granting issuers greater investment flexibility and potential profitability, albeit at the cost of higher systemic risk[39]. In addition, although the GENIUS Act mandates the use of high-quality reserve assets, it fails to mitigate concentration risk, such as if an issuer were to hold all its cash at one bank[40]. These differences may create competitive imbalances, disadvantaging EU-licensed issuers and increasing financial stability risks from non-EU issuers during periods of stress.

Prudential requirements complement reserve asset regulation by limiting issuer risk and ensuring stability, requiring issuers to build excess capacity in good times to withstand stress. While such requirements enhance the reliability of redemption claims, they can be costly for issuers during normal conditions. The prudential treatment of stablecoin issuers highlights a major divergence between MiCAR and the GENIUS Act. In the US, the GENIUS Act relies on secondary regulation to impose capital and liquidity requirements only as needed to maintain orderly operations[41]. By contrast, MiCAR imposes quantitatively and qualitatively defined preventive requirements, particularly for significant issuers[42]. The EU's approach is preventive in nature, whereas the US framework primarily ensures operational capacity, reflecting a more market-oriented strategy aimed at supporting the global reach of US stablecoin issuers.

Most importantly, differences are evident in the degree of protection afforded to stablecoin holders. These differences relate to stablecoin remuneration, redemption rights and redemption fees.

Regarding stablecoin remuneration, while MiCAR prohibits not only issuers but also crypto-asset service providers from granting interest when providing services related to e-money tokens[43], the

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[36] It is believed that this requirement is a significant factor in the decision of Tether, the world's largest stablecoin issuer, not to apply for a MiCAR license. J. Field, Tether ends EURT stablecoin support citing EU's MiCA regulations' (*CoinGeek*, 29 November, 2024) https://coingeek.com/tether-ends-eurt-stablecoin-support-citing-eu-mica-regulations/

[37] MiCAR, Arts. 54.

[38] GENIUS Act, Sec. 4 (a)(1)(A).

[39] Stablecoins are exposed to systemic risks arising from the increasing volatility and episodic liquidity constraints in the Treasury market. The mismatch between traditional market hours and the 24/7 nature of digital assets markets, combined with political uncertainties such as debt ceiling crises, may impair the seamless liquidation of reserve assets. See Y. Yadav and B. Malone, 'Stablecoins and the US Treasury Market', Vanderbilt Law, Working Paper No. 5286924, 2025, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5286924

[40] Ch. K Odinet, A. Tosato & Y. Yadav, The moneyness of stablecoins, Yale Law Journal (forthcoming).

[41] GENIUS Act, Sec. 4(a)(4).

[42] MiCAR, Art. 58.

[43] MiCAR, Art. 50.

GENIUS Act only explicitly bars stablecoin issuers from directly paying interest[44] and remains silent on whether affiliates or third parties may offer associated reward or yield programs[45].

Concerning redemption rights, under MiCAR, issuers of e-money tokens are required to ensure redemption at par value to holders. In particular, article 49(2) MiCAR introduces a legal right to reimbursement (or 'legal claim') for the holder of the e-money token against the issuer. It therefore provides for the possibility of redemption even in the absence of a direct issuer-holder relationship. In other words, it eliminates the need for a contractual relationship between the issuer and the holder and, consequently, the holder of the e-money token does not necessarily have to be a customer of the issuer. By contrast, the GENIUS Act fails to explicitly define the scope of the redemption obligation. Because the phrasing 'the issuer of which is obligated'[46] is vague, it is unclear whether the right to redeem belongs to any holder or only to verified customers/institutional clients[47]. This lack of precision creates significant risks for the millions of stablecoin holders who acquire them on the secondary markets and do not have a direct relationship with the issuer.

Under MiCAR, issuers are prohibited from charging redemption fees[48]. While, however, MiCAR generally prohibits these fees, article 46 provides a specific exception for recovery plans. If a reserve shortfall occurs, issuers may impose liquidity-related fees on redemptions as a measure to restore compliance with reserve requirements. U.S. regulation, in stark contrast, permits the imposition of fees on users of payment stablecoins, subject to disclosure requirements. According to Sec. 4 (a)(1)(B)(ii) of the GENIUS Act, a permitted payment stablecoin issuer shall 'publicly, clearly, and conspicuously disclose in plain language all fees associated with purchasing or redeeming the payment stablecoins, provided that such fees can only be changed upon not less than 7 days' prior notice to consumers'.

Moreover, MiCAR explicitly addresses market abuse risks within the stablecoin ecosystem by extending the EU market abuse framework to crypto-assets admitted to trading[49] whereas the GENIUS Act does not incorporate an equivalent market abuse regime.

Divergences are further apparent in the treatment of crisis management and issuer distress. MiCAR requires stablecoin issuers to establish and maintain recovery and redemption plans, reflecting a more integrated approach to financial stability and market integrity[50]. In contrast, the GENIUS Act provides

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[44] GENIUS Act, Sec 4(a)(11).

[45] This entity-specific restriction provides a distinct incentive to hold stablecoins in the United States, though it has recently triggered counter-rulemaking by the OCC attempting to treat these third-party programs as circumvention. See the proposed OCC rules at https://www.federalregister.gov/documents/2026/03/02/2026-04089/implementing-the-guiding-and-establishing-national-innovation-for-us-stablecoins-act-for-the

[46] GENIUS Act, Section 2(22)(A)(ii)(I).

[47] Direct redemption is restricted solely to Circle Mint account holders, a group currently limited to roughly 1,834 institutions. Per the USDC Terms, opening a Circle Mint account is a mandatory prerequisite for any direct redemption through Circle. The millions of individuals and entities holding stablecoins acquired through secondary markets must rely on intermediaries who themselves have privity with the issuer to effectuate redemption. See Ch K Odinet, A Tosato & Y Yadav, The moneyness of stablecoins, Yale Law Journal (forthcoming).

[48] MiCAR, Art 49 (6).

[49] MiCAR, Arts 86–92.

[50] MiCAR, Arts 47–48

only limited crisis-management mechanisms, relying primarily on supervisory intervention and reserve requirements and it rather concentrates on the treatment of stablecoin holders in bankruptcy, granting them priority over all other creditors in insolvency proceedings[51]. In this respect, the EU framework adopts a more comprehensive and precautionary regulatory posture.

The two regimes also differ with respect to supervision, which complement prudential and reserve requirements by enabling authorities to detect risks, ensure compliance, and intervene when necessary. Under MiCAR, supervision and enforcement powers are formally broad, but the two-tier supervisory structure—where national competent authorities oversee most issuers and the European Banking Authority supervises only significant issuers—may delay intervention and limit effectiveness. In the US, supervision is highly fragmented: the primary federal regulator depends on the type of issuing entity, including the Federal Reserve Board, the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration, or, for State-issued stablecoins, the relevant State supervisory authority[52]. For federal non-bank issuers, the GENIUS Act designates the OCC as the primary regulator[53], placing supervision under the political oversight of the Secretary of the Treasury. As for state stablecoin issuers, they are supervised by each 'State payment stablecoin regulator' meaning a State agency that has primary regulatory and supervisory authority in such State over entities that issue payment stablecoins[54]. The divergence in supervisory architecture reflects broader differences in regulatory culture: the EU emphasizes more centralized oversight while the US prioritizes operational flexibility and dispersed supervision.

Finally, regarding the cross-border reach of the two regimes, both MiCAR and GENIUS Act prohibit unlicensed issuers from operating respectively in the EU and the US. The US approach[55], however, allows foreign issuers to market stablecoins if the Secretary of the Treasury deems their home regime comparable to the GENIUS Act and the issuer registers with the OCC and maintains reserve assets in US financial institutions. The Treasury Secretary can also negotiate agreements with other jurisdictions to facilitate international transactions and ensure interoperability with US dollar-denominated stablecoins, reflecting a market-oriented strategy. By contrast, MiCAR currently permits only supervisory cooperation agreements, with no equivalence regime to allow foreign stablecoins access to the EU internal market.

Beyond the European Union and the United States, other jurisdictions have pursued distinct regulatory strategies. Jurisdictions such as the United Kingdom[56], the United Arab Emirates[57], Japan[58],

[51] GENIUS Act, Sec. 11(d).
[52] GENIUS Act, Sec. 2(25).
[53] GENIUS Act, Sec. 2 (25)(d).
[54] GENIUS Act, Sec. 2 (30).
[55] GENIUS Act, Sec. 18.
[56] Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026.
[57] Central Bank of the UAE, Payment Token Services Regulation (2024).
[58] Japan amended its Payment Services Act (PSA) in June 2022, and the amendments took effect on June 1 2023, creating a regulatory regime under which fiat-backed stablecoins are legally recognised as 'electronic payment instruments' (EPIs) rather than unregulated crypto assets.

Singapore[59], and Hong Kong[60] have similarly developed bespoke regulatory models. Taken together, these divergent approaches intensify concerns regarding regulatory fragmentation and regulatory arbitrage, potentially undermining the coherence and effectiveness of stablecoin supervision at the international level.

These divergences would be of limited consequence if the tokens they govern were distinct instruments. Section III shows why the economic fungibility of multi-issuer tokens turns each of these legal divergences into an exploitable margin.

III. The Case of Multi-Issuer Stablecoins

The risks arising from divergent regional regulatory frameworks are particularly pronounced in the context of multi-issuer stablecoins. Multi-issuance produces a single economic asset under fragmented legal regimes. This Section shows that the resulting risks are financial in nature but legal in origin: because the token is fungible across issuers, any regulatory divergence becomes an exploitable arbitrage margin, and redemption pressure flows to whichever issuer offers the most favourable terms.

More precisely, a multi-issuer stablecoin arrangement allows the same stablecoin to be issued by multiple entities established in different jurisdictions. Because these stablecoins are technically identical, they remain fully interchangeable on secondary markets, regardless of the specific issuing entity and regardless of the regulatory regime under which they were issued. This structure allows the same token to circulate across different markets and regulatory environments, offering users a unified payment instrument; however, it also raises concerns about the potential circumvention of national safeguards and the facilitation of regulatory arbitrage.

This model is currently employed by major issuers such as Circle (USDC)[61] and Paxos (USDG)[62], which operate through separate entities in the United States or Singapore and Europe. The EU entity is typically owned or controlled by the non EU entity and the reserves backing these stablecoins are distributed between jurisdictions. By way of illustration, a USD Coin (USDC) issued by Circle in the United States pursuant to the GENIUS Act is technically and fungible with a USDC issued by Circle

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[59] Monetary Authority of Singapore (MAS), Stablecoin Regulatory Framework (2023).
[60] Stablecoins Ordinance, Cap. 656 Laws of Hong Kong (2025).
[61] https://www.circle.com/fr/circle-eea
Circle Internet Financial, LLC—a Delaware-based company that went public in June 2025—is the exclusive issuer of USDC in the U.S (https://www.sec.gov/Archives/edgar/data/1876042/000119312525126208/d737521ds1a.htm). The firm maintains money transmitter licenses across 47 states and holds a New York BitLicense. Internationally, Circle operates through a licensed electronic money institution in France to meet MiCAR standards (https://www.circle.com/fr/legal/user-agreement), and a subsidiary in Singapore governed by Singaporean law (https://www.circle.com/fr/legal/singapore-addendum). For more details on Circle's structure and operations see Ch K Odinet, A Tosato & Y Yadav, The moneyness of stablecoins, Yale Law Journal (forthcoming).
[62] https://www.paxos.com/eu
Paxos is regulated across three major jurisdictions, holding a US national trust charter from the OCC, a Major Payment Institution license from Singapore's MAS, and MiCA-compliant digital asset issuance via Finland's FIN-FSA. Notably, its USDG stablecoin achieves concurrent compliance across multiple frameworks, launched under both MAS oversight in Singapore and MiCA regulations in Europe (https://www.paxos.com/blog/how-are-stablecoins-regulated).

SAS in France under the EU's Markets in Crypto-Assets Regulation (MiCAR). From a legal perspective, however, the two tokens are subject to distinct regulatory regimes. USDC issued under MiCAR must be backed by segregated reserves that comply with the Regulation's prudential and safeguarding requirements, whereas USDC issued under the GENIUS framework is governed by a comparatively less stringent regime. This regulatory differentiation, however, is not reflected at the level of the distributed ledger: for the blockchain, a USDC remains a USDC irrespective of the legal conditions governing its issuance.

Within such an architecture, on which MiCAR remains silent[63], token holders can potentially seek to cash out from either issuing entity. For example, European issuers may receive redemption requests not only from EU holders but also from holders of tokens originally issued abroad[64]. If the reserves held within the EU cannot meet these requests, the entity located in the third country is expected to transfer the necessary assets. In other terms, if EU-based reserves are insufficient, the arrangement relies on a rebalancing mechanism[65] ensuring rebalancing transfers from the third-country issuer.

While facilitating global scalability and liquidity, multi-issuer stablecoin structures present significant systemic and regulatory challenges within the European Union, particularly when at least one issuer is located outside the EU[66].

First, liquidity risk may be amplified: each co-issuer could potentially be held liable for the entire circulating supply of tokens, even if it holds only a fraction of the corresponding reserve assets. This stems from the fungibility of the tokens, irrespective of whether holders are EU residents or non-residents. This situation can create a mismatch between redemption obligations and available reserves, particularly if redemptions are concentrated in the EU while the corresponding reserves are held abroad or on the balance sheets of other issuers. For example, a run on a third country stablecoin issuer could prompt holders to redeem from the EU issuer, thus concentrating redemptions in the EU, straining the EU stablecoin's reserves, delaying redemptions and amplifying runs within the EU.

Yet, to mitigate this risk, participants in multi-issuer stablecoin arrangements restrict the redemption rights of their token holders, based on their jurisdiction of residence. For example, the Circle SAS white paper states that only EEA-resident 'USDC Holders' are granted a direct right of redemption against the MiCAR-regulated issuer, while non-EEA holders must 'refer to the Circle Mint User Agreement and/or the applicable USDC Terms issued by Circle LLC, particularly with respect to the redemption of USDC, and shall not have any right to seek redemption from Circle SAS'[67]. The legal effectiveness of such a residency-based restriction under MiCAR is, however, highly questionable.

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[63] See *infra*.

[64] MiCAR contains no provision allowing restrictions on redemption rights based on nationality, country of residence, or similar criteria. As a general principle, all token holders rank pari passu. See *infra*.

[65] A rebalancing mechanism is a private law agreement concluded between the issuing entities.

[66] For an analysis of these risks see European Systemic Risk Board (ESRB), Crypto-assets and Decentralised Finance: October 2025 Report on Stablecoins, Crypto-investment Products and Multifunction Groups (2025) ; General Secretariat of the Council, ECB non-paper on EU and third country stablecoin multi-issuance (Working Document, FSC 14 April 2025, WK 4742/2025 COR 1, Brussels, 10 April 2025). See also R. Portes, The stablecoin loophole that could expose the EU, Financial Times, 25 July 2025.

[67] https://www.circle.com/fr/legal/mica-usdc-whitepaper, D.1 – Holder's rights and obligations.

Indeed, under article 49 of the Regulation, stablecoin (e-money token) issuers that fall under the scope of MiCAR are obliged to grant a redemption right to stablecoin holders, regardless of their domicile. Therefore, the right of redemption depends not on the holders' domicile but on the token's origin : if it was issued by a MiCAR-regulated entity, redemption is due by this entity. Consequently, the Circle SAS contractual limitation to EEA residents complies with neither the wording, nor the spirit of MiCAR[68].

The practical problem, however, is that, once in secondary circulation, it is virtually impossible to distinguish whether a specific USDC token was originally issued by Circle SAS or Circle LLC, because USDC is fully fungible on-chain. This technical ambiguity creates a significant loophole, allowing any global holder of secondary market USDC to seek to exercise their redemption rights under the EU framework.

Taken together, EU-regulated entities' exposure to obligations originating from third-country issuers could pose serious risks to the liquidity and solvency of the EU issuer. The failure of an EMT issuer could, by extension, threaten the resilience of the financial system through contagion channels: direct contagion may arise if the issuer is a credit institution, while indirect contagion may result from an e-money institution holding deposits at EU credit institutions, as required under MiCAR[69]. Herding effects, amplified by the rapid spread of information—whether accurate or not—can intensify such runs, as illustrated by the Silicon Valley Bank episode. Although individual EMT issuances are capped at 1.5% of a bank's assets, there is no aggregate limit on deposits that banks may receive from multiple EMT or ART issuers. This could give rise to so-called "crypto-friendly banks," disproportionately reliant on funding from crypto-asset actors. Consequently, runs on EMT issuers may propagate shocks to the EU banking sector, reflecting the high reserve requirements for banking deposits: 30 % for non-significant issuers and 60 % for significant issuers[70].

This structural fragility is further exacerbated by legal and operational risks. When an EU issuer holds reserves in foreign currencies (e.g., U.S. dollars), these assets are often located in the jurisdiction of the currency's issuance, typically outside the EU. Even if inter-issuer agreements, such as reserve balancing mechanisms, are set out to coordinate the transfer of liabilities across jurisdictions, in a crisis scenario, these agreements may not work[71]. Reserves held outside the EU could be ring-fenced by foreign authorities: they may be exposed to foreign capital controls, regulatory restrictions, or settlement delays, as foreign authorities may focus on safeguarding and prioritising their own domestic

[68] Even if such a contractual limitation were valid, it would not solve the problem of increased redemption requests relative to Circle SAS available reserves. Even if only EU residents were permitted to redeem their USDC at par, they would still be incentivised to buy discounted USDC on the secondary market and seek redemption at face value, thereby rendering the residency-based segregation of users nugatory.

[69] General Secretariat of the Council, ECB non-paper on EU and third country stablecoin multi-issuance (Working Document, FSC 14 April 2025, WK 4742/2025 COR 1, Brussels, 10 April 2025) 2.

[70] For these requirements see EBA, Final Report, Draft Regulatory Technical Standards to further specify the liquidity requirements of the reserve of assets under Article 36(4) of Regulation (EU) 2023/1114, EBA/RTS/2024/10, 13 June 2024.

[71] Even if a third-country issuer is solvent and holds sufficient liquid assets, domestic financial sector issues—especially when reserves are largely invested in money market funds (MMFs)—may delay fund mobilization.

market and national interest[72]. Reserves may therefore be unavailable to meet redemptions in the Union.

Moreover, under a multi-issuer model, third-country issuers are not necessarily subject to the same consumer protection requirements as those imposed under MiCAR. Where third-country issuers are not subject to MiCAR-equivalent safeguards, including reserve obligations, their token holders may arbitrage redemption conditions by redeeming in the EU when regulatory conditions are more favourable. For example, as EU-based issuers are required to redeem EMTs at par and at no cost, this may incentivise holders to redeem their tokens with the EU issuer, if the third-country issuer applies redemption fees or has a longer timeline for reimbursement[73]. This regulatory asymmetry may offer advantages to third-country stablecoin issuers, to the detriment of EU issuers and may result in lower levels of protection for European token holders, thus exposing them to heightened risks.

Most importantly, multi-issuance models diverge substantially from traditional risk management and supervisory standards[74]. EU entities and their prudential supervisors could be held accountable for the liabilities of both EU and third-country issuers, which are fully fungible, thereby weakening the effectiveness of EU supervisory frameworks. This sets a concerning precedent by granting non-EU e-money token issuers access to the EU single market without complying with safeguards designed to protect EU holders and to ensure prudent oversight, financial stability, and the orderly functioning of payment systems[75]. For example, it could facilitate the circumvention of limits on the large-scale issuance of foreign currency stablecoins[76], undermining both monetary sovereignty and financial stability objectives.

Finally, beyond prudential, consumer protection and supervision considerations, multi-issuance arrangements raise critical issues in terms of strategic autonomy[77]. The proliferation of US dollar-

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[72] For example, under Section 18(a)(3) of the US Genius Act, foreign issuers are required to maintain continuous reserves to meet the liquidity demands of their US clients.

[73] For example, stablecoin holders can enjoy yield-bearing benefits offered by service providers in the US market, while relying on the EU's superior, MiCAR redemption protections during times of market stress.
In addition, market participants may acquire a multi-issuance stablecoin, which is exchanged in various jurisdictions or on decentralised exchanges, below par and seek redemption at face value, without fees, from the EU issuer, thereby securing a risk-free gain. Such arbitrage opportunities may also be amplified by malicious conduct, including market manipulation. In the event of de-pegging, the prohibition on redemption fees for EU issuers would create strong incentives to channel redemption requests towards the EU entity, potentially exacerbating stress within the system. See European Systemic Risk Board (ESRB), Crypto-assets and Decentralised Finance: October 2025 Report on Stablecoins, Crypto-investment Products and Multifunction Groups (2025) 43.

[74] European Systemic Risk Board (ESRB), Crypto-assets and Decentralised Finance: October 2025 Report on Stablecoins, Crypto-investment Products and Multifunction Groups (2025) 41.

[75] General Secretariat of the Council, ECB non-paper on EU and third country stablecoin multi-issuance (Working Document, FSC 14 April 2025, WK 4742/2025 COR 1, Brussels, 10 April 2025) 3.

[76] See MiCAR, Arts. 58(3) and 23 that restrict the issuance of e-money tokens denominated in a foreign currency which are widely used as a means of exchange.

[77] General Secretariat of the Council, ECB non-paper on EU and third country stablecoin multi-issuance (Working Document, FSC 14 April 2025, WK 4742/2025 COR 1, Brussels, 10 April 2025) 6-7, according to which 'Since USD-denominated tokens have mostly US Treasuries as reserve assets, an increase in the holding of USD-denominated stablecoins by EU residents could lead to EU savings being indirectly invested mostly in US treasuries rather than in the EU capital markets, EU bank deposits or Member States' sovereign bonds, as would instead happen with EUR denominated stablecoins'.

denominated stablecoins could entrench the dominance of non-EU issuers, channel European savings into US assets, such as Treasuries, and undermine the development of euro-denominated stablecoins. Such a scenario would conflict with the goals of the EU's Savings and Investment Union[78] and risk leaving the European market reliant on foreign infrastructures and liquidity.

IV. Policy recommendations

The Markets in Crypto-Assets Regulation (MiCAR) addresses multiple issuances for asset-referenced tokens (ARTs) [79] and e-money tokens (EMTs)[80] which involve Union-based issuers. It does not expressly adress the joint issuance of the same single currency token (e-money token) by EU and third-country entities—a structural arrangement that entails inherent vulnerabilities and amplifies the EU's exposure to the risks identified above.

It has been however argued that Article 56(2) MiCAR provides a solution for multi-issuer arrangements, as it ensures that 'cross-border or jointly issued stablecoins are not left outside the framework but instead fall within the scope of EU-level supervision'[81]. That provision 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'. However, in our view, article 56(2) does not apply to third-country issuers, as such entities cannot 'issue e-money tokens' within the meaning of MiCAR. Under the Regulation, only EU-established credit institutions and e-money institutions are authorised to issue e-money tokens[82]. Article 56(2) therefore only applies to EU issuers and cannot be relied upon to support the view that MiCAR addresses multi-issuance arrangements involving third-country issuers.

Nor is the argument convincing that 'MiCAR's Recital 54 shows that the Regulation was drafted with cross-border issuance firmly in mind'[83]. Recital 54 states that 'Issuers of asset-referenced tokens that are marketed both in the Union and in third countries should ensure that their reserve of assets is available to cover the issuers' liability towards Union holders. The requirement to hold the reserve of assets with firms subject to Union law should therefore apply in proportion to the share of asset-referenced tokens that is expected to be marketed in the Union'. First, recitals are not legally binding and serve merely as interpretative aids to the provisions of EU legislation[84]. Second, Recital 54 refers exclusively to asset-referenced tokens (ARTs) and not to e-money tokens (EMTs). Third, applying Recital 54 by analogy to EMTs would disregard the fundamental distinctions between these two types

[78] https://finance.ec.europa.eu/regulation-and-supervision/savings-and-investments-union_en
[79] MICAR Arts 23(3), 36(5), 37(2), 43(3).
[80] MICAR Art. 56(2) and Art. 45(5) (which also applies to issuers of EMTs by virtue of Art. 58(1) (b)).
[81] See J. Arnal, 'Multi-issuance stablecoins and MiCA's first real credibility test', CEPS, 11 Sept. 2025, 8.
[82] MiCAR, Art. 48(1).
[83] J. Arnal, 'Multi-issuance stablecoins and MiCA's first real credibility test', CEPS, 11 Sept. 2025, 8.
[84] See Case C-162/97, Nilsson and Others [1998] ECR I-7477 (CJEU), point 54, according to which : 'On this point, it must be stated that the preamble to a Community act has no binding legal force and cannot be relied on as a ground for derogating from the actual provisions of the act in question'.

of stablecoins, particularly given that they are governed by different asset reserve rules[85]. Fourth, even if Recital 54 applied by analogy to EMTs, it concerns only the multi-jurisdictional marketing of EU issued tokens, not the marketing of foreign-issued tokens within the EU. It follows that Recital 54 offers no interpretative guidance in relation to the multi-issuance of e-money tokens, particularly regarding the marketing of foreign issued stablecoins in the EU.

The question remains whether MiCAR prohibits the multijurisdictional issuance of EMTs. To address this issue, a distinction should be made between EMTs that reference an official currency of a Member State and EMTs that reference a foreign currency.

Regarding the multi-jurisdictional issuance of EMTs that peg their value to a currency that is an official currency of the EU, Article 48(2)—read in conjunction with Article 48(1)—suggests that from a MiCA perspective, they are prohibited. Article 48(2) of MiCA states that "An e-money token that references an official currency of a Member State shall be deemed to be offered to the public in the Union." It follows that all entities issuing EUR-denominated stablecoins, or stablecoins denominated in the currency of any EU Member State, are deemed to be issuing to the public within the Single Market[86]. Consequently, EUR-denominated stablecoins issued exclusively in third countries remain under the scope of EU law. From a MiCA perspective, a third-country entity cannot lawfully issue a EUR-denominated stablecoin or any stablecoin denominated in the currency of an EU Member State. Therefore, the multi-issuance of EMTs pegged to an official currency of the EU that involves a third-country entity is prohibited. The issuing entity must always be an authorized credit institution or e-money institution (read from Article 48(2) in conjunction with 48(1)).

Regarding multi-jurisdictional EMTs that peg their value to a currency that is not an official currency of the EU (foreign currency EMTs), the question remains highly debatable. It could be argued that considering that EMTs can, pursuant to Article 48(1), only be issued by credit institutions and e-money institutions, the issuance or admission to trading of foreign-issued stablecoins in the EU—including those issued in a multi-jurisdictional scenario—is prohibited[87]. This does not mean, in our

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[85] See. Ph. Athanassiou, Multi-issuance schemes for payment stablecoins: an EU-US comparison (2026) 2 JIBFL 119, 120 noting that 'the reserve of asset rules are, incidentally, the very rules that are the focus of regulatory attention in the two sentences of Recital 54'.
Contra D. Zetsche, Third-country multi-issuer stablecoins, (2026) 27 ERA Forum, 165, 172, who argues that 'although the wording of Recital 54 MiCA expressly refers to ARTs, it establishes a broader principle that also extends to EMTs'.

[86] D. Zetsche, Third-country multi-issuer stablecoins, (2026) 27 ERA Forum, 165, 172.

[87] Ph Athanassiou, 'Multi-issuance schemes for payment stablecoins: an EU-US comparison' (2026) 2 *Journal of International Banking and Financial Law* 119, 120
For another more permissive view see D. Zetsche, Third-country multi-issuer stablecoins, (2026) 27 ERA Forum, 165, 172, who argues that
'[I]t remains unclear how compliance with Articles 16(1) and 48(1) MiCA can be ensured if an EMT authorised under MiCA and issued by an EU entity is also issued by third-country entities yet offered to EU clients and traded on EU venues. The core issue is whether authorisations under Titles III and IV MiCA apply to 'token species' – for example, all USDCs, USDTs globally – or only to the tokens issued by EU entities. The provisions on multiple issuers in Titles III and IV MiCA, discussed in the previous section, suggest that MiCA allows authorisation of the 'token species.' This interpretation is supported by Recital 54 MiCA, which calls for rebalancing of reserves between EU and third-country issuers of ARTs, i.e. all issuers (regardless of their residence) are treated for purposes of the rebalancing as issuers. Although the wording of Recital 54 MiCA expressly refers to ARTs, it establishes in my view a broader principle that also extends to EMTs'.

view, that an EU-authorized entity (credit institution or e-money institution) cannot issue a stablecoin that is also concurrently issued by a foreign entity. It simply means that the foreign-issued stablecoin cannot be actively offered in the EU or listed on EU exchanges. It follows that if Circle SAS can issue and market USDC in the EU, the USDC issued directly by the US entity, Circle Internet Financial LLC, cannot be actively marketed or listed in the EU. However, due to its technical fungibility with the USDC issued by Circle SAS, if a user deposits LLC-issued USDC onto a regulated European exchange, the exchange or Circle's European clearing systems will manage the token under the umbrella of their MiCA-authorized framework, seamlessly linking it to the European redemption and liquidity pool.

MiCAR's silence on this point reflects a significant legislative oversight. In drafting MiCAR, legislators failed to foresee that a single, global token ledger could create a direct conduit between EU-authorized entities and non-EU regulated third-country affiliates. This omission has triggered an interpretive crisis for EU regulators[88], as the baseline fungibility of co-issued tokens effectively outpaces the territorial, subsidiary-based enforcement mechanisms built into the Regulation.

However, even if multi-issuance arrangements of single currency tokens involving EU and third-country entities are not explicitly addressed under MiCAR, competent authorities are equipped with some tools to strengthen the prudential requirements applicable to stablecoin issuers participating in multi-issuer schemes with third-country elements. Competent authorities may for example increase own-funds requirements under Article 35[89], including the imposition of capital add-ons of 20 per cent or more where deficiencies in risk management, adverse stress-test outcomes, or elevated redemption risks are identified. Participation in multi-issuer schemes, especially those involving third-country entities, amplifies business model and redemption risks and may therefore justify stricter capital requirements in order to enhance loss-absorbing capacity and strengthen supervisory scrutiny. Moreover, pursuant to Article 45(4)[90], liquidity requirements may be increased on the basis of stress-testing results. In practice, however, persistent data gaps—particularly concerning token holdings and their geographical distribution—limit the effectiveness of such stress tests and underscore the need for enhanced supervisory tools and closer coordination within the European Banking Authority (EBA)[91].

These powers concern in principle issuers of significant EMTs[92]. The classification of tokens as significant remains however challenging due to uncertainties in measuring the volume of tokens in circulation within the Union and insufficient reporting by crypto-asset service providers. These data limitations currently constrain the effective exercise of supervisory powers under MiCAR. For

[88] National competent authorities (such as the French ACPR) have sought urgent clarification from the European Commission (the Commission) on the validity of these arrangements, but the Commission has so far failed to provide a definitive regulatory answer. See EBA, Q&A on MICA, Question ID 2024_7068 (29.4.2024). On May 20, 2006, the Commission launched a consultation to gather feedback from stakeholders and the wider public on the functioning of MICAR regarding this (see Question 30) and other issues. See https://finance.ec.europa.eu/news/commission-seeks-feedback-functioning-eu-crypto-assets-rules-2026-05-20_en

[89] Article 35 (2),(3) and (5) applies to issuers of EMTs by virtue of article 58(1)(b).

[90] Article 45(4) applies to issuers of EMTs by virtue of article 58(1)(a).

[91] European Systemic Risk Board (ESRB), Crypto-assets and Decentralised Finance: October 2025 Report on Stablecoins, Crypto-investment Products and Multifunction Groups (2025) 43.

[92] Article 58(1).

example, Circle SAS, which participates in a multi-issuer stablecoin arrangement, has not been classified as a significant issuer and therefore remains subject to supervision by the French competent authority (ACPR- Autorité de contrôle prudentiel et de résolution).

However, even if an issuer is not classified as issuer of significant EMTs, it can be subject to these requirements. Article 58(2) MiCA grants competent authorities the power to require e-money institutions 'issuing e-money tokens that are not significant to comply with any requirement [imposed on significant EMTs] where necessary to address the risks that those provisions aim to address, such as liquidity risks, operational risks, or risks arising from non-compliance with requirements for management of reserve of assets'. While this provision applies exclusively to e-money institutions and does not mention credit institutions, supervisors are not left empty-handed regarding banks. For credit institutions, the ECB or national competent authorities can leverage the Pillar 2 framework under the Capital Requirements Directive (CRD)[93]. This allows them to impose additional capital requirements to mitigate uncovered prudential risks stemming from the issuer's multi-issuer business model.

Despite these safeguards, it remains difficult to assess the effectiveness of the enhanced liquidity and capital requirements provided by MiCAR for issuers of significant EMTs. It is uncertain whether these requirements can adequately mitigate the risk of non-EU holders redeeming their claims at the expense of EU holders, with potential implications for the stability of EU credit institutions. Likewise, these requirements do not address the risk that third-country supervisors might restrict the transfer of reserves to the EU issuer under normal, stressed, or crisis conditions.

Given the risks posed by cross-border multi issuer schemes, one option would be to ban them[94]. However, this is a radical solution which would entail significant costs and should be avoided. It would risk fragmenting the internal market by effectively freezing authorisations already given to EU participants in multi-issuance schemes. Moreover, such an approach would do little to curb the exposure of European individuals and firms to dollar-denominated stablecoins, which would likely shift to offshore alternatives instead. Besides, MiCAR was designed to bring global stablecoins within the EU's regulatory perimeter, rather than to drive them outside it.

A more balanced approach would be to amend MiCAR to create a special regime for EU issuers participating in multi-issuance schemes. Under this regime, supervisory responsibility would be assigned to the European Banking Authority, which would be empowered to impose tailored prudential requirements, conduct enhanced stress testing, and implement recovery measures, including redemption fees or limits. Such an amendment would help prevent fragmentation and regulatory arbitrage within the EU, while promoting consistency in oversight.

In addition, consideration should be given to amending MiCAR so as to permit multi-issuance arrangements only with jurisdictions that maintain regulatory standards comparable to those of the Union. To that end MiCAR should set up a notably stringent framework, anchored in an EU-level equivalence regime. Under such a regime, it would be necessary to formally assess whether a third

[93] D. Zetsche, Third-country multi-issuer stablecoins, (2026) 27 ERA Forum, 165, 176.

[94] See European Systemic Risk Board (ESRB), Recommendation of the European Systemic Risk Board of 25.09.2025 on third-country multi-issuer stablecoin schemes, (ESRB/2025/9), Recommendation A ('In the light of the financial stability risks that third-country multi-issuer stablecoin schemes generate, it is recommended that the Commission does not consider the schemes as being permitted within the current MiCAR framework').

country's regulatory framework is equivalent to MiCA, coupled with reciprocity arrangements to ensure that euro-denominated stablecoins receive comparable treatment within the partner jurisdiction[95]. Most importantly, MiCAR should be amended to include coordinated cross-border crisis management protocols. The effectiveness of any multi-issuer stablecoin framework depends critically on robust cooperation among supervisory authorities across jurisdictions. Such cooperation would require mechanisms to ensure consistent monitoring and verification of reserve adequacy—including the size, quality, and geographic location of reserves—as well as arrangements facilitating the swift transfer of assets without legal or operational impediments.

Regulatory intervention therefore appears both timely and justified. Establishing common rules would contribute to a more coherent and resilient global framework for stablecoin supervision and enhance confidence in cross-border stablecoin arrangements.

[95] The US has already established a more permissive approach regarding foreign issuers. Pursuant to Section 18 of the GENIUS act, foreign issuers are allowed to market stablecoins if the Secretary of the Treasury deems their home regime comparable to the US framework, the issuer registers with the OCC and holds reserves in a US financial institution sufficient to meet liquidity demands of United States customers, unless otherwise permitted under a reciprocal arrangement. See *supra* section II.