Digital assets – challenges for the competitiveness and integrity of the European Union’s financial system

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The European Parliament adopted by 390 votes to 86, with 134 abstentions, a resolution on digital assets - Challenges for the competitiveness and integrity of the European Union's financial system.

Parliament underlined that the emergence of new technologies in finance poses **new challenges to the regulatory and supervisory framework**. It noted the diversity of digital assets and recognised that the associated risks and business potential vary from one category to another. It affirmed its commitment to a **targeted revision of EU regulatory frameworks** to develop robust, digital-asset-enabled EU capital markets and payment infrastructure.

Crypto-assets

Parliament acknowledged that the EU was one of the first jurisdictions to adopt and implement a specific regime for crypto-assets, through the Markets in Crypto-Asset (MiCA) Regulation, and to apply distributed ledger technology in the financial sector. The Commission is invited, in close cooperation with the EBA, ESMA, the Anti-Money Laundering and Counter-Terrorist Financing Authority (AMLC), and the competent national authorities, to ensure **the effective application of the MiCA Regulation**. Members further stressed the need to align the MiCAR policy framework for significant non-bank multi-function groups.

Parliament expressed concern about the role that crypto-assets play in evading anti-money laundering and countering the financing of terrorism (AML/CFT) regulations and sanctions. It emphasised the importance of:

- **strengthening supervisory tools**, enforcement, and compliance standards to address AML/CFT risks, including effective ‘know your customer’ standards and the monitoring of payments;

- investigative authorities using the technology behind crypto-assets to discourage crypto-crimes, and to cooperate with one another on blocking detected or reported illegal transactions.

Tokenisation of financial instruments

Regulation (EU) 2022/858 defines the ‘tokenisation’ of financial instruments as the digital representation of financial instruments on distributed ledgers or the issuance of traditional asset classes in tokenised form to enable them to be issued, stored and transferred on a distributed ledger.

Welcoming the potential benefits of tokenisation for trading financial assets, Members urged the Commission to **facilitate and encourage tokenisation between financial services**, to emphasise interoperability, and to avoid fragmentation by maintaining standards across the single market and providing infrastructure. They also highlighted the potential for global connectivity of the tokenised European market.

Stablecoins

Stablecoins can fall into two categories under the MiCAR legal framework, as asset-referenced tokens and as electronic money (e-money) tokens. They are a form of **private money** creation with certain advantages, but also significant risks: lack of direct access to central banks, lack of deposit guarantees, and risks of devaluation, collapse, and financial disintermediation.

Parliament noted with concern the continued rapid expansion and dominance of **US dollar-denominated stablecoins**, which could weaken the EU's monetary sovereignty, increase financial stability risks, impair the transmission of monetary policy and reinforce external dependencies in payments.

However, Members support the development of **euro-denominated e-money tokens** and encouraged their development to support EU payment innovation, the competitiveness of the EU's financial markets and the international role of the euro. This requires a robust framework for risk management, liquidity, and reserve protection.

Parliament also recognised the need to ensure **legal certainty** in EU law regarding the possibility of multiple issuance of stablecoins by an EU and non-EU entity, where the digital stablecoins issued by the two entities are totally fungible and indistinguishable, in order to limit the risk of contagion.

Lastly, Members welcomed the provisional agreement on the proposals for a directive and regulation on payment services and the **simplified authorisation** solution for crypto asset service providers already authorised under the MiCA Regulation in order to avoid unnecessary regulatory overlaps, while maintaining appropriate risk controls.

Cross-cutting considerations

Stressing that **interoperability** is essential in digital finance, Parliament called on the Commission to work with European and international standard organisations to develop common technical standards and protocols for digital assets, smart contracts and digital identities.

Members welcomed the discussions on **the digital euro** and called on the Commission and the ECB to ensure that future digital euro solutions are designed to promote interoperability with distributed ledger technology infrastructures and to guarantee complementarity alongside cash.