DIGITAL ASSETS LAWS & REGULATIONS

REGULATING CRYPTOASSETS IN EUROPE: CAPACITY, COORDINATION, AND THE COMING ERA OF DIGITAL MONEY

Guest Editor – Interview Series

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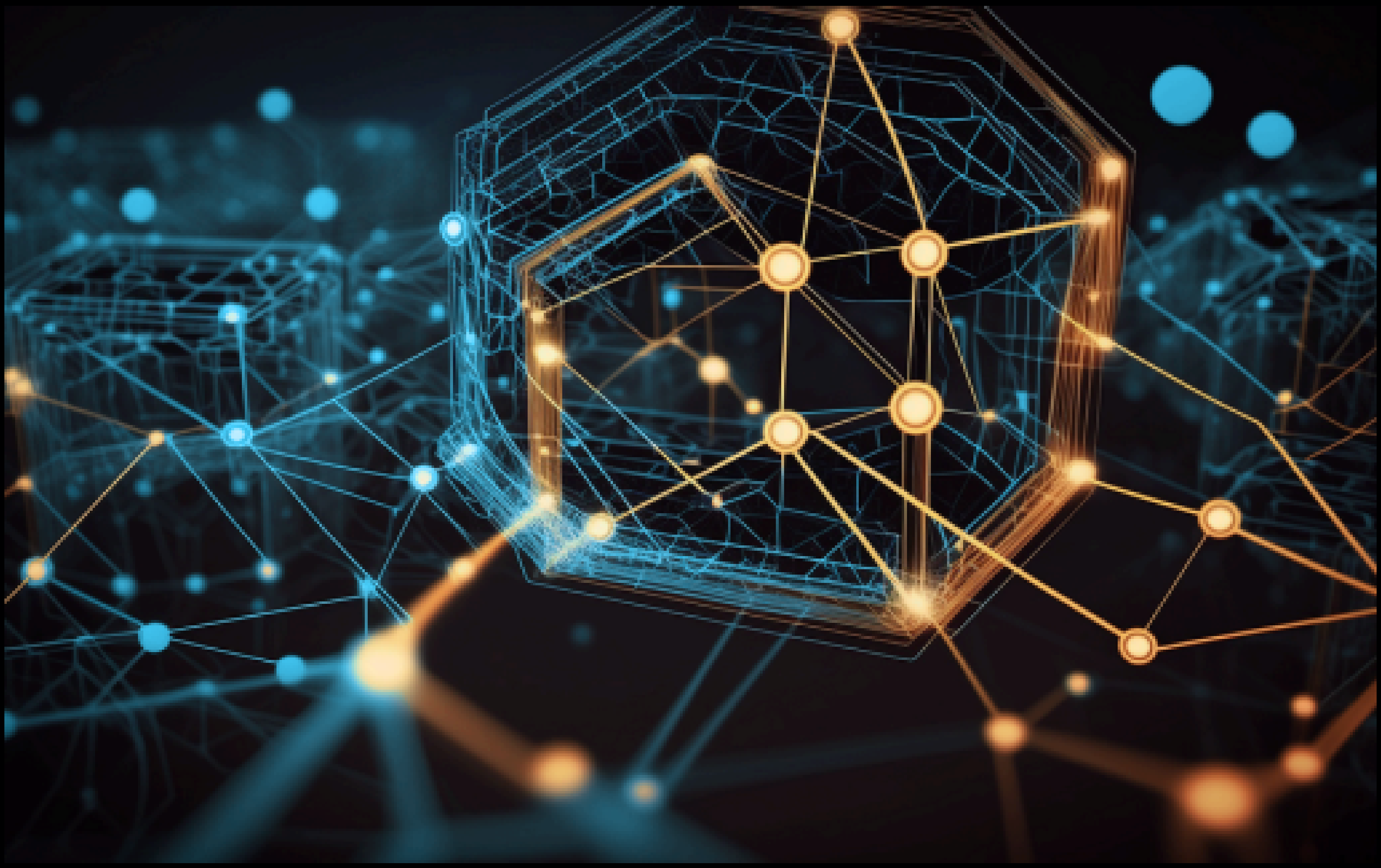

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Introduction: Europe’s Search for Clarity in a Rapidly Evolving Global Market

Cryptoassets have forced regulators worldwide to reconcile innovation, risk, and financial stability at an unprecedented speed. While the United States remains mired in jurisdictional conflict and Asia moves ahead with divergent models, the European Union has taken a decisive step: MiCA, the first comprehensive crypto regulatory framework in the world.

But as Karel Lannoo, CEO of the Centre for European Policy Studies (CEPS), explains in this interview, the real story is not only the legislation itself but the capacity, coordination, and political will required to implement it effectively across 27 member states.

Lannoo’s perspective is unusually broad. With nearly two decades of work on EU financial regulation - MiFID, EMIR, banking union, capital markets union - he brings both historical memory and contemporary urgency to the conversation. His insights reveal a Europe that is legislatively ahead but institutionally stretched, technologically curious but structurally fragmented, and globally ambitious but still grappling with old weaknesses in its supervisory architecture.

MiCA’s Origin Story: How a U.S. Debate Catalysed Europe’s Fastest Regulatory Project

It is tempting to view MiCA as a purely European creation a signature Brussels achievement. But Lannoo stresses that its intellectual spark was transatlantic.
Around 2018–2019, U.S. policymakers, including the SEC and CFTC, were debating whether crypto could fit within existing securities laws. Early versions of U.S. draft bills circulated widely in policy communities. According to Lannoo, a European official stationed in Washington at the time “brought the idea back”, triggering momentum inside the European Commission.
This aligns with what many policy researchers have observed: crypto regulation globalised before crypto markets did.
Even so, Europe moved faster. While U.S. debates hardened into political gridlock, the EU saw an opportunity to lead and legislated swiftly.

Lannoo, however, has long held a contrarian view:
“I said at the time we could use existing frameworks like MiFID. We didn’t necessarily need a new regime.”
This parallels the view of former U.S. SEC Chair Gary Gensler, who emphasised that “the rules already exist.” Yet Europe opted for clarity over theoretical neatness, building a self-contained regime rather than retrofitting crypto into legacy laws.

Implementation: Europe’s Real Challenge Is Not the Law It’s the Supervisors

Passing MiCA was the easy part.
Implementing it across 27 jurisdictions is far harder.
ESMA has repeatedly highlighted the capacity gap across national competent authorities (NCAs). Lannoo echoes this concern:
Many NCAs especially in smaller or less diversified economies lack:
dedicated crypto supervision teams
in-house blockchain analytics capabilities
long-term staffing capacity
cross-border investigative tools
practical experience with complex digital-asset models
This creates a two-tier Europe.

Tier 1 - Well-resourced regulators

Germany, France, Netherlands, Ireland

Tier 2 - Resource-constrained regulators

Cyprus, Malta, Romania, Bulgaria, parts of the Baltics

Yet ironically, Tier 2 jurisdictions receive the highest number of licence applications - a fact confirmed by ESMA pre-registration data from 2023–2024 showing Cyprus, Malta, and Lithuania near the top of interest volumes.

Lannoo notes:
“Cyprus sends many questions to ESMA simply to understand how to apply MiCA. They receive many applications, but their capacity is extremely limited.”

For MiCA to work, Europe must strengthen the people and institutions responsible for enforcement, not simply the rulebook.

Consumer Protection: The Silent Danger of Misunderstood Stablecoins

Stablecoins are widely perceived by the public as equivalent to fiat currency. Yet in reality they:

- Are not legal tender
- Do not guarantee 1:1 convertibility
- Behave more like money-market instruments
- Carry issuer, liquidity, and interest-rate risks
- Depend on reserve management practices unfamiliar to most consumers

The Bank of England, ECB, and BIS have all warned publicly that stablecoin value cannot be assumed under stress.

Lannoo notes:
“A stablecoin is not the same as a euro or dollar deposit.”

The knowledge gap is dangerous — especially since stablecoins have become a de-facto remittance infrastructure. According to Chainalysis, USDT and USDC processed over $1.7 trillion in on-chain value in 2023, much of it between emerging markets.

Because traditional cross-border payments still cost 6–8% in many countries, stablecoins fill a practical need. As the IMF has written repeatedly:
crypto adoption often rises due to financial inefficiency, not speculation.

Dollar-Denominated Stablecoins: A Subtle but Growing Risk for Europe

Europe is a user of stablecoins, not an issuer.
More than 90% of stablecoin activity globally is denominated in USD.
This creates structural vulnerabilities:
European users hold USD-linked liabilities
liquidity sits largely outside EU institutions
redemption pressure may fall on a handful of EU-based intermediaries
currency mismatch risks may emerge in stressed scenarios
The ECB has flagged this in several bulletins, warning of “foreign-exchange transmission channels” created by dollar-stablecoin usage.

Lannoo adds nuance:
“Today it is not a risk. But if the market grows and redemptions concentrate, it could become one.”

The issue is not size - it is asymmetry.

Digital Euro vs. Stablecoins: Two Completely Different Products

Lannoo draws a bright line between:

The Digital Euro

- legal tender
- universally accepted
- issued by the ECB
- zero credit/liquidity risk
- a public good

Stablecoins

- optional acceptance
- privately issued
- not guaranteed 1:1
- depend on reserve assets
- carry operational and market risk

In short:

Digital Euro = money
Stablecoin = financial instrument

Yet most consumers do not understand the distinction.
ECB surveys from 2023–2024 confirm widespread confusion between:

- digital bank money
- e-money
- stablecoins
- CBDCs

This lack of clarity is partly due to inadequate communication — and partly due to high European banking costs pushing users toward alternatives they may not fully understand.

The Need for Global Coordination: The Real Missing Layer

Crypto markets operate globally.
Regulators do not.
The BIS, IMF, and FSB have all emphasised that fragmented regulation is the single greatest long-term risk in digital assets.

Stablecoins issued in the U.S. are widely used in:

- Southeast Asia
- the Middle East
- Africa
- Eastern Europe

Yet regulatory treatment differs radically across these regions.
Lannoo puts it plainly:

“International coordination is essential. But on stablecoins, there is still no global agreement at all.”

Even the FSB’s 2023 high-level recommendations remain voluntary.

This fragmentation will continue to be exploited until supervisors converge.

A European Paradox: World-Leading Regulation, But Fragmented Markets

MiCA is a legislative achievement - but its success depends on the broader structure of European finance.

To regulate crypto effectively, Europe needs:

- real progress on the Capital Markets Union
- deeper, more liquid capital markets
- stronger ESMA powers
- improved supervisory convergence
- technological capacity at the national level
- data-sharing across borders

Crypto has simply exposed weaknesses that already existed.

Lannoo summarises the point well:

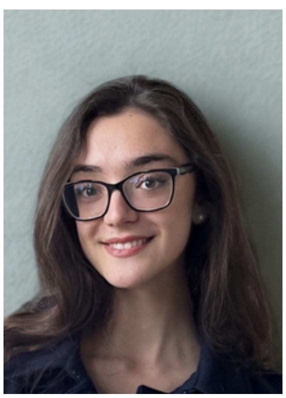
“MiCA is a milestone, not a destination. Implementation, capacity-building, and global alignment are the real frontiers.”

Author Biography

Karel Lannoo

CEPS

Karel Lannoo has been Chief Executive of CEPS since 2000, Europe's leading independent European think tank, ranked among the top ten think tanks in the world. He manages a staff of 70 people. Karel was an Independent Director of BME (Bolsas y Mercados Españolas), the listed company that manages the Spanish securities markets (2006-18) and is a member of foundation boards and advisory councils. He has published several books on capital markets, MiFID, and the financial crisis, the most recent of which is The Great Financial Plumbing, From Northern Rock to Banking Union, 2015. He is also the author of many op-eds and articles published by CEPS or in international newspapers and reviews. Karel is a regular speaker in hearings for national and international institutions (the European Commission, European Parliament, etc.) and at international conferences and executive learning courses.



Ideja Bajra

Edvance-Ai

Ideja Bajra is an AI literacy expert and founder of Edvance AI, a consultancy helping organisations close the gap between AI investment and adoption. Recognised as a Top 5 UK AI Innovator (AI100), she developed the FAULT framework - a methodology for diagnosing why AI implementations fail to integrate into business operations. Alongside her company, Ideja is a content creator and regular AI speaker, specialising in making AI accessible to non-technical audiences.

Firm Biography

CEPS

The Centre for European Policy Studies (CEPS) is a leading think tank based in Brussels, Belgium. It was established in 1983. Its primary tasks are to conduct rigorous, evidence-based policy research on European and global issues, to serve as a leading forum for debate among stakeholders, and to disseminate its findings through regular publications and public events.

Edvance Ai

Edvance AI helps organisations turn AI ambition into operational results by identifying where intelligence creates real value and embedding it into everyday work. Through a structured, four-stage process—analysis, design, integration, and optimisation—we uncover high-impact use cases, build practical governance and measurement frameworks, guide teams through live pilots, and ensure adoption scales sustainably. Our advisory-led approach strengthens decision-making, reduces inefficiencies, and equips teams with the tools, playbooks, and oversight needed to transform AI from isolated pilots into lasting organisational advantage.