EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

COURTESY TRANSLATION

Christine LAGARDE
President

Mr Fabio De Masi
Member of the European Parliament
European Parliament
60, rue Wiertz
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L/CL/25/319

Re: Your letter (QZ-0014)

Honourable Member of the European Parliament, dear Mr De Masi,

Thank you for your letter on crypto-assets and monetary policy, which was passed on to me by Ms Aurore Lalucq, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 16 July 2025.

The strong growth of crypto-assets and the continued increase in the market capitalisation of stablecoins call for the implementation of global standards. Crypto-assets, including stablecoins and related services, must be regulated and subject to adequate supervision. This should adopt a forward-looking approach and be commensurate to the risks posed, which for stablecoins includes the risk of a run.[1] The European Union introduced a strong regulatory framework with the Markets in Crypto-Assets Regulation (MiCAR)[2], while also implementing – through interim measures – a strict prudential treatment of banks' crypto exposures in the

[1] A run on stablecoins is by no means a remote prospect, as demonstrated by a number of cases in recent years. One example was the failure of TerraUSD in 2022 when the loss of its peg led to a massive sell-off of the stablecoin. Other stablecoins, including major ones such as Tether's USDT and Circle's USDC, have also experienced de-pegging. In the case of USDC, it took three days to return to the peg. See, for example, *FSB Global Regulatory Framework for Crypto-Asset Activities*, Financial Stability Board, July 2023; and Yue, F., "Crypto-friendly Signature Bank shut down by regulators after collapses of SVB, Silvergate", *MarketWatch*, 12 March 2023.

[2] 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 (OJ L 150, 9.6.2023, p. 40).

Capital Requirements Regulation (CRR)[3]. Unfortunately, global implementation of the 2023 FSB recommendations on crypto-asset activities and global stablecoin arrangements is still limited and fragmented, particularly with respect to stablecoins.

For stablecoin issuers that are authorised in the EU, MiCAR contains requirements for e-money tokens (EMTs) and asset-referenced tokens (ARTs) that ensure protection of EU holders through, among other things, a sound prudential regime for EU issuers, while mitigating risks to the smooth operation of payment systems and financial stability.[4] MiCAR requires EU stablecoin issuers to maintain at all times sufficient reserves in high-quality liquid assets and a minimum level of own funds and to have in place crisis management tools, such as recovery and redemption plans, to help protect the rights of token holders.

Many non-EU countries, however, have either no stablecoin regime or, if they do have one, it lacks key elements, such as sound rules for systemic stablecoins and crisis management. In the absence of worldwide compliance with international standards, permitting stablecoin issuers who are not fully subject to the EU's prudential standards to issue stablecoins in the EU would diminish the safeguards established by MiCAR, which is one of the reasons why only EU-authorised firms are permitted to offer stablecoins in the EU.

For the above reasons, the ECB is very concerned about cases where a stablecoin is jointly issued by an EU firm and a third-country entity, also referred to as a "multi-issuance scheme".[5] Under such a scheme, although the EU firm (like the non-EU firm) would be liable for the reimbursement of all the jointly issued tokens, it would not maintain all the necessary reserves in the EU to meet these global liabilities. A portion of the reserves backing the stablecoin would be maintained outside the EU by the third-country co-issuer, which would be subject not to MiCAR's reserve requirements but to those (if any) of its home country. Under such schemes, when EU stablecoin holders want their money back, they may find that the assets backing the stablecoin they hold are actually outside the EU, with no guarantee that they would be transferred to the EU to fund their claim – even more so in a situation where the stablecoin has lost its peg and a run on the issuer is ongoing. Hence, in the absence in non-EU countries of equivalence with MiCAR rules and of legal certainty concerning the free flow of the assets backing the stablecoin between the non-EU and EU countries, there is a risk of importing stablecoin runs from outside the EU and of failing to protect the interests of EU stablecoin holders and EU financial stability more generally. Moreover, the possibility of redemption fees being charged in the third country could incentivise third-country holders to redeem their stablecoins with the EU entity, which under MiCAR is prohibited from charging redemption fees.[6] This would weaken the EU's prudential regime for EMT issuers

[3] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

[4] The term "stablecoin" is not used in MiCAR, which has two categories of tokens whose goal is to maintain a stable value – ARTs and EMTs. For the sake of simplicity, the term "stablecoin" is used in this letter to refer to ARTs and EMTs.

[5] See "ECB non-paper on EU and third country stablecoin multi-issuance", *working document*, Council of the European Union, 10 April 2025.

[6] The recently adopted GENIUS Act in the United States, for instance, does not prohibit redemption fees. Thus, for US-based stablecoin holders, redeeming in the United States could entail costs, which is not the case in the EU under MiCAR's rules.

engaged in multi-issuance schemes and amplify the contagion channel for the EU issuer in the case of a run originating in a third country.

MiCAR's crisis management regime is centred on the deployment of measures by the issuer itself, either to go back to a going concern situation (through a recovery plan) or to conduct an orderly wind-down (through a redemption plan). Some issuers, depending on the type of licence they hold, may also be subject to sector-specific regulation.[7] Credit institutions issuing stablecoins have to comply both with MiCAR's crisis management rules and those laid down in the Bank Recovery and Resolution Directive (BRRD)[8]. Issuers without a banking licence have to comply with MiCAR's crisis management regime only.

The MiCAR crisis management regime is, however, distinct from lender of last resort regimes, under which central banks act as lenders of last resort to ensure that financial markets function smoothly, thereby maintaining overall financial stability. In the euro area, credit institutions can obtain central bank liquidity through Eurosystem monetary policy operations or, exceptionally, if they are solvent but are facing temporary liquidity problems, through emergency liquidity assistance (ELA). The main responsibility for providing ELA in the Eurosystem lies at the national level with the respective national central bank (NCB). The ELA Agreement[9] includes the rules and procedures surrounding the provision of ELA and the control of liquidity effects to prevent ELA from interfering with the objectives and tasks of the European System of Central Banks.

Turning to your second question, as mentioned at the June 2025 hearing of the Committee on Economic and Monetary Affairs, euro area households currently have limited exposure to crypto-assets. The ECB's November 2024 Consumer Expectations Survey (CES) covering selected euro area countries indicated that, on average, 9.7% of survey respondents or someone in their household owned crypto-assets.[10] However, we see country-specific figures ranging between 6% and 21%. Most owners of crypto-assets have a relatively small exposure: of the respondents who reported holdings, 54% reported holdings of below €1,000 and 91% reported holdings of below €20,000. Aggregate holdings are estimated to represent about 0.23% of households' financial assets. Looking at the income quintiles of the crypto-asset holders, the higher a household's income, the more likely it is to hold crypto-assets. The U-shaped pattern from the 2021 CES pilot, which suggested that lower-income households were more likely to hold crypto-assets than middle-income households, has broadly reversed: in 2024, 16% of crypto-asset holders were in the lowest income quintile and 27% were in the highest income quintile.

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7 Credit institutions and electronic money institutions are the only entities permitted to issue EMTs. ARTs can be issued by credit institutions or any other firm granted an ART licence in accordance with Articles 16 and 21 of MiCAR.

8 Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (OJ L 173, 12.6.2014, p. 190).

9 See *Agreement on emergency liquidity assistance*, ECB, 27 September 2024.

10 See the Consumer Expectations Survey in depth and related data and methodological information on the ECB's website.

While our results show that crypto-assets are mainly used for the purposes of investment and speculation, further data and official statistics are needed to understand crypto-asset usage and to measure household exposure and potential wealth effects more accurately.[11] Moreover, it is essential to ensure that all entities covered by MiCAR effectively comply with their current data reporting obligations. This will be key for the ECB, which has a monitoring role under MiCAR, to be able to fulfil its tasks.

Moving to your third question, recent research – including the Bernanke-Blanchard study, which has been applied to the euro area by ECB economists, and internal analyses reflected in the ECB's 2025 monetary policy strategy assessment – has consistently found that external supply shocks were important drivers of the post-COVID-19 pandemic inflation surge, but not exclusively so.[12] Disruptions to global supply chains and energy markets contributed significantly to the initial inflation surge in the euro area. Towards the end of the pandemic, demand expanded and domestic factors such as wage pressures became more influential. Distinguishing between temporary and persistent, domestic and external, and demand and supply-driven inflation has been crucial for shaping ECB policy. Irrespective of the nature of shocks, the ECB remains firmly committed to keeping inflation anchored at 2%.

The medium-term orientation of the ECB's monetary policy strategy acknowledges that short-term deviations in inflation are inevitable owing to factors such as transmission lags and temporary shocks, including those stemming from supply-side disruptions such as rising energy prices. The staff analysis produced in the context of the strategy assessment discusses the case for, as well as the limitations of, "looking through" temporary supply shocks, highlighting that the appropriate response depends on the context. The risk that large deviations from the inflation target could become entrenched and destabilise long-term inflation expectations is a key reason for caution, limiting the case for "looking through" temporary shocks. While longer-term inflation expectations in the euro area remained anchored during the inflation surge, staff analysis suggests that significant risks of upward de-anchoring would have emerged without the forceful monetary policy tightening in 2022-23. With expectations well-anchored, the subsequent disinflation was achieved at a relatively low economic cost. The 2025 strategy assessment further confirmed that the key ECB policy rates remain the primary tool for achieving price stability.

Yours sincerely,

[signed]

Christine Lagarde

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11 For further information, see Aerts, S., Born, A., Gati, Z., Kochanska, U., Lambert, C., Reinhold, E. and van der Kraaij, A., "Just another crypto boom? Mind the blind spots", *Financial Stability Review*, ECB, May 2025.

12 See Blanchard, O. and Bernanke, B., "An Analysis of Pandemic-Era Inflation in 11 Economies", *NBER Working Paper*, No 32532, National Bureau of Economic Research, May 2024; Arce, Ó., Ciccarelli, M., Kornprobst, A. and Montes-Galdón, C., "What caused the euro area post-pandemic inflation? An application of Bernanke and Blanchard (2023)", *Occasional Paper Series*, No 343, ECB, February 2024; and ECB, "A strategic view on the economic and inflation environment in the euro area", *Occasional Paper Series*, No 371, June 2025.

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