

Christopher Collins Shares With *Risk.net* the EU Regulatory Challenges Facing Stablecoins

June 29, 2022

Christopher Collins, Financial Markets and Funds associate, spoke with *Risk.net* regarding proposed EU regulatory requirements — the Markets in Crypto-assets (MiCA) Regulation — that would likely block algorithmic stablecoins from claiming that they have a stable value, relegating them to non-stable cryptocurrency.

While token providers will need to comply with MiCA in order to offer coins on public exchanges, Chris noted that investors would still likely expect disclosures and details from new stablecoins that benefit from an exemption from MiCA. He stated, "I would expect any reasonable institutional investor will want to see something that will look a lot like a white paper; it may not touch every single point in MiCA but I think it will be pretty comparable."

Chris also noted that MiCA's stringent requirements could hamper investor interest in algorithmic stablecoins that cannot be advertised as "stable." "The question I would have is: what's the point at that stage? Because the way that these things are supposed to be used is that if you're trading in other volatile crypto assets like bitcoin, when you want to capitalize on your gains or losses, you convert into a stablecoin so that you don't have to go through the faff and potential fees of converting into a fiat currency. If you take the "stable" out of a stablecoin, it makes it potentially more difficult [to attract investors] and certainly more difficult in an institutional market."

To avoid stifling innovation, legislators are facing a challenge when it comes to how to regulate algorithmic stablecoins. Chris argued that banning such stablecoins is not likely an option. "There are a number of options, one being ban it entirely, which you can try and do but then people inevitably try and work around definitions and find the back door. It could also inadvertently drive EU investors to offshore exchanges, which EU authorities have even less oversight of."

["EU crypto rules would allow terra, just not as a stablecoin,"](#) *Risk.net*, June 27, 2022

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