

Crypto-assets: green light to new rules for tracing transfers in the EU

- Uniform legal framework for crypto-assets markets in the EU
- Operations with crypto-assets will be traced in the same way as traditional money transfers
- Enhanced consumer protection and safeguards against market manipulation and financial crime

Parliament endorsed the first EU rules to trace crypto-asset transfers, prevent money laundering, as well as common rules on supervision and customer protection.

On Thursday, MEPs approved with 529 votes in favour to 29 against and 14 abstentions, the [first piece of EU legislation](#) for tracing transfers of crypto-assets like bitcoins and electronic money tokens. The text –which was [provisionally agreed](#) by Parliament and Council negotiators in June 2022- aims to ensure that crypto transfers, as is the case with any other financial operation, can always be traced and suspicious transactions blocked. The so-called “travel rule”, already used in traditional finance, will in future cover transfers of crypto assets. Information on the source of the asset and its beneficiary will have to “travel” with the transaction and be stored on both sides of the transfer.

The law would also cover transactions above €1000 from so-called self-hosted wallets (a crypto-asset wallet address of a private user) when they interact with hosted wallets managed by crypto-assets service providers. The rules do not apply to person-to-person transfers conducted without a provider or among providers acting on their own behalf.

Uniform EU market rules for crypto-assets

Plenary also gave its final green light with 517 votes in favour to 38 against and 18 abstentions, to new common rules on the supervision, consumer protection and environmental safeguards of crypto-assets, including crypto-currencies ([MiCA](#)). The draft law [agreed informally](#) with the Council in June 2022 includes safeguards against market manipulation and financial crime.

MiCA will cover crypto-assets that are not regulated by existing financial services legislation. Key provisions for those issuing and trading crypto-assets (including asset-reference tokens and

e-money tokens) cover transparency, disclosure, authorisation and supervision of transactions. Consumers would be better informed about the risks, costs and charges linked to their operations. In addition, the new legal framework will support market integrity and financial stability by regulating public offers of crypto-assets.

Finally, the agreed text includes measures against market manipulation and to prevent money laundering, terrorist financing and other criminal activities. To counter money-laundering risks the [European Securities and Markets Authority](#) (ESMA) should set up a public register for non-compliant crypto assets service providers that operate in the European Union without authorisation.

To reduce the high carbon footprint of crypto-currencies, significant service providers will have to disclose their energy consumption.

Quotes by rapporteurs

[Stefan Berger](#) (EPP, DE), lead MEP for the MiCA regulation, said: “This puts the EU at the forefront of the token economy with 10 000 different crypto assets. Consumers will be protected against deception and fraud, and the sector that was damaged by the FTX collapse can regain trust. Consumers will have all the information they need and all underlying risks around crypto-assets will have to be monitored. We secured that the environmental impact disclosure will be taken into account by investors in crypto assets. This regulation brings a competitive advantage for the EU. The European crypto-asset industry has regulatory clarity that does not exist in countries like the US.”

[Ernest Urtasun](#) (Greens/EFA, ES), co-rapporteur for the Economic and Monetary Affairs Committee on crypto-asset transfers said: “Currently illicit flows in crypto-assets are moved swiftly across the world, with a high chance of never being detected. The Recast of the TFR will oblige crypto-asset service providers to detect and stop criminal crypto flows and also ensure that all categories of crypto companies are subject to the full set of anti-money laundering obligations. This will close a major loophole in our AML framework and implement in the EU the most ambitious travel rule legislation in the world so far, in full compliance with international standards.”

Co-rapporteur for the Civil Liberties, Justice and Home Affairs Committee [Assita Kanko](#) (ECR, BE) said: “Parliament and Council have found a fair compromise that will make it safer for people of good will to hold and trade crypto assets. However, it will make it more difficult for criminals, terrorists and sanctions evaders to misuse crypto assets. Any administrative burden on crypto companies and innovators will be more than offset by the fact that we are unifying the currently fragmented European market that has 27 regulatory regimes.”

Next steps

The texts will now have to be formally endorsed by Council, before publication in the EU Official Journal. They will enter into force 20 days later.

In adopting this legislation, Parliament is responding to citizens' expectations to set safeguards and standards for the use of blockchain technology as expressed in Proposal 35(8) of the [conclusions of the Conference on the Future of Europe](#).

Further information

[Procedure file \(crypto-asset transfers\)](#)

[Procedure file \(MiCA\)](#)

[EP Briefing: Markets in crypto-assets \(MiCA\)](#)

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