Press release

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ESRB publishes report on systemic risks from crypto-assets and issues recommendation on stablecoins

- Report calls for close monitoring of growing links between crypto sector and the traditional financial system
- ESRB concerned by financial stability risks from stablecoins, especially those issued jointly in EU and third countries
- ESRB issues Recommendation urging public authorities to tackle risks arising from third-country multi-issuance schemes

The European Systemic Risk Board (ESRB) has today published a report on three issues central to the crypto-asset ecosystem: **stablecoins, crypto-asset investment products and multi-function groups**. In particular, the report emphasises the risks stemming from stablecoins issued jointly by EU and non-EU entities.

Global stablecoin market capitalisation has more than doubled since the ESRB's May 2023 **report on crypto-assets and decentralised finance**. This growth is partly driven by US crypto policies promoting the adoption of US dollar-denominated stablecoins. Stablecoins and traditional finance are increasingly intertwined, including through reserves backing their pegs held at commercial banks. Accordingly, the report emphasises the need to ensure that eligible reserve assets in the EU are of high-quality and liquid.

The report also notes that crypto-asset investment products are becoming increasingly accessible to institutional and retail investors, as part of the industry's growing integration into mainstream finance.

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In **multi-function groups,** crypto-asset products and services are offered by entities belonging to the same group as other financial and non-financial firms. Such groups may operate with opaque corporate structures and engage in cross-border regulatory arbitrage. This can pose challenges for effective supervision, particularly when the groups are based outside the EU. The report therefore calls for formal supervisory cooperation mechanisms and group-level reporting requirements.

Finally, the report details the financial stability risks posed by **stablecoins that are jointly issued by EU and third-country entities.**[1] This business model has inherent vulnerabilities and generates financial stability risks for the EU. First, a run could prompt holders to redeem from the EU issuer,[2] putting strain on its reserves, delaying redemptions and amplifying runs within the bloc. Second, restrictions imposed by third-country authorities on the transfer of reserves between jurisdictions could exacerbate these risks during periods of stress. The **Markets in Crypto-Assets Regulation** (MiCAR) does not explicitly envisage the joint issuance of stablecoins by EU and third-country entities and therefore cannot address the associated risks.

The ESRB General Board has adopted a Recommendation on third-country muti-issuer stablecoin schemes (ESRB/2025/9), given the risks identified**,** market dynamics and limitations of the current legal framework. The ESRB sets out a two-pronged strategy.

- First, **the ESRB recommends that the Commission does not consider the schemes as being permitted within the current MiCAR framework**. The Commission should act on this by the end of 2025.

- Second, if the European Commission does not provide such a clarification on this issue, the ESRB urges relevant authorities (such as the European Commission, the European Supervisory Authorities and national supervisory authorities) **to mitigate the financial stability risks arising from such schemes through appropriate safeguards**. These

[1] A third-country multi-issuer stablecoin scheme involves an EU entity partnering with a third-country entity to issue fungible stablecoins that are both technically identical and legally indistinguishable. The reserves backing these stablecoins are distributed across both jurisdictions. In practice, the EU entity is typically owned or controlled by the non-EU entity.

[2] Holders of tokens from third-country issuers may seek redemption in the EU if conditions are more favourable there (e.g. due to redemption fees being prohibited under MiCAR), leaving EU holders vulnerable.

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safeguards include enhanced supervisory measures, closer international cooperation and the introduction of necessary legal reforms. Most of the safeguards should be implemented by the end of 2026, with the rest to follow by end-2027.

In line with the applicable legal framework, the ESRB will monitor the implementation of this recommendation. Its addressees must communicate the actions undertaken in response to the recommendation to the European Parliament, the Council, the Commission and the ESRB, and justify any inaction.

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