Elmore

MiCA Regulation and Crypto Insurance

A Comprehensive Guide for 2025

The EU Markets in Crypto-Assets (MiCA) regulation has been in full effect since 30 December 2024.

The aim of MiCA is to provide a regulatory framework for crypto-assets within the European Union and to increase the credibility of and confidence in crypto assets. Part of the regulation allows Crypto-Asset Service Providers, or CASPs to purchase a insurance policy to comply with the regulations.

Definition of Crypto-Assets under MiCA

MiCA uses three classifications for crypto-assets, depending on the risks they entail:

- E-Money Tokens (EMTs) – A crypto-asset referenced to the value of a fiat currency that is legal tender.
- Asset-referenced Tokens (ARTs) – A type of crypto-asset that is not an electronic money token and that aims to maintain a stable value by referencing another value, commodity or right or a combination thereof, including one or more official currencies.
- The difference between ARTs and EMTs is the configuration of the underlying asset that supports the price. ARTs use non-cash assets or a basket of fiat currencies, while EMTs use a single currency, which brings them closer to the concept of electronic money.

Crypto-assets not considered EMTs or ARTs – Any other crypto-assets that are not already regulated such as, for instance, utility tokens. Utility tokens serve as a means of accessing and utilizing specific functionalities or services within blockchain ecosystems and are an essential component of many decentralized platforms and applications.

Who does MiCA apply to?

MiCA applies to:

- Issuers of crypto-assets, or the entity offering said crypto-asset to the market. Distinctions between ART issuers and EMT issuers are considered.
- CASPs, or any entity whose occupation or business is the provision of one or more crypto-asset services to third parties on a professional basis. This could mean custody and administration of crypto-assets, operation of trading platforms, exchange of crypto-assets, or even advisory, consulting services or crypto portfolio management.
- Traders of crypto-assets on crypto-asset platforms

For more on MiCA's impact on the insurance industry and the specific requirements, please see the Elmore Insurance blog.

MiCA overview

MiCA will issue licences to operate in the crypto-asset market subject to the publication of white papers.

There are similar but separate requirements for ART and EMT issuers, known as the 'base regime', as presented below:

Base regime

Issuers of crypto-assets are required to:

- Incorporate as a legal entity in the EU
- Publish a white paper regarding the relevant crypto-assets and to notify the competent authority of said white paper.

White papers must provide the following information:

- Description of the crypto project and the main participants
- Description of the type of blockchain consensus mechanism used, e.g. proof of work (PoW) or proof of stake (PoS)
- Description of the terms of the offer to the public
- Explanation of the rights attaching to the crypto-assets in question
- Disclosure of the key risks associated with the crypto-assets.
- A summary, to help potential purchasers make an informed decision regarding their investment.

ART Issuers

Alongside the base regime requirements, ART issuers are subject to the following requirements:

- EU licence to operate as an ART
- Have "robust governance arrangements…with well-defined, transparent and consistent lines of responsibility" in place, to "identify, manage, monitor and report the risks to which [it is] or might be exposed"
- Maintain liquidity requirements (2% of ART supply)
- Have wind-down and resolution plans in place
- Higher requirements for "Significant ARTs" (to be continued…)

EMT Issuers

Alongside the base regime requirements, ART issuers are subject to the following requirements:

- EU licence to operate as an EMT (only EMIs or credit institutions will be licensed as EMTs)
- Same "robust governance arrangements" as ARTs
- Maintain liquidity requirements (2% of EMT supply)
- Any funds received by Issuer in exchange for EMTs, if invested, must be done so in the same denomination as EMT is referenced by
- Have wind-down and resolution plans in place
- Higher requirements for "Significant EMTs" (to be continued…)

Significant ARTs and EMTs

MiCA also stipulates specific rules for significant ARTs and EMTs.

Significant ARTs & EMTs are tokens that reach certain adoption thresholds and have to meet higher prudential, governance, and liquidity requirements. If three of the following criteria are met, ARTs and EMTs are deemed significant:

- > 10 million holders
- > €5 billion market capitalization
- Whether the number and value of transactions per day is higher than 2.5 million and €500 million, respectively
- Whether the issuer is designated a gatekeeper according to the Digital Markets Act
- Whether the issuer is deemed significant on an international scale, including the use of the token for payments and remittances
- The degree to which the token is interconnected with the financial system
- Whether the issuers offer additional ARTs, EMTs, or crypto-asset services

CASPs (Crypto-asset service providers) Licensing

The provision of crypto-asset services will be subject to licensing requirements.

The different categories of regulated crypto-asset services that MiCA establishes are heavily influenced by the EU MiFID II and, as such, MiFID II regulated firms wishing to enter the crypto market won't be required to obtain another licence under MiCA. However, these firms will need to inform competent authorities and prove their technical capabilities.

Legal form and governance requirements

A CASP should be a legal entity with a registered office in a member state, licensed by the relevant regulatory bodies.

CASPs will have to comply with detailed requirements in respect of governance arrangements and risk management, including systems and controls requirements. CASPs are required to monitor and disclose conflicts of interest and have internal know-your-customer policies in place.

Liquidity reserve requirements

CASPs will also be required to comply with minimum requirements with respect to liquidity reserves and will need to maintain permanent minimum capital of:

- €150k for trading platforms
- €125k for custodians and exchanges (brokers)
- €50k for all other CASPs.

Disclosure and prudential requirements

CASPs will have to disclose what type of blockchain consensus mechanism they use, e.g. PoW or PoS, in a white paper. CASPs should maintain prudential safeguards, either in the form of own funds regulatory capital or by acquiring insurance.

Timeline

MiCA followed a clear roadmap to full-scale adoption. Here's a concise timeline to help clarify when various elements of MiCA took effect:

MiCA came into effect on 29 June 2023, giving market players an approximately 18 month window to guarantee compliance with the regulation.

By June 2024, Titles III and IV of MiCA, which cover ARTs and EMTs were officially applied.

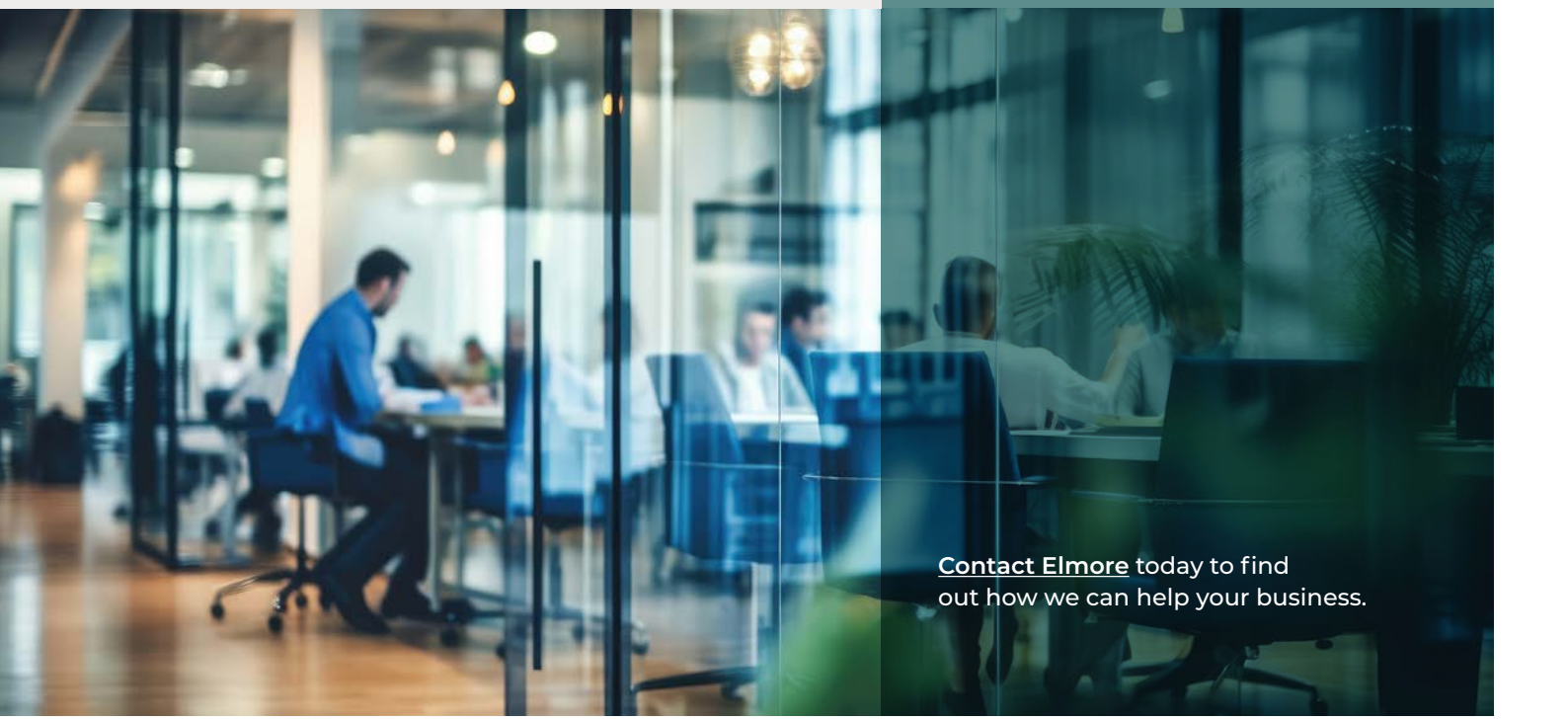
Finally, by December 2024, the rest of MiCA rules entered full effect. As of the publication of this guide, all components of MiCA should be governing crypto-business operations within the EU.

MiCA and the Insurance Industry

Currently many CASPs remain uninsured and therefore non-compliant with currently enforced MiCA regulations. MiCA is a significant development and will bring the necessary regulatory oversight and market stability to the crypto sector.

Increased regulation and stability should also encourage traditional financial players and other more established companies to enter the crypto space, underlining the need for insurance of crypto assets.

MiCA could be the catalyst that unites the crypto market and the insurance industry. For more on MiCA's impact on the insurance industry and the specific requirements, please see the Elmore Insurance blog.



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