


Seminar programme 2025



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- ♦ Thank you for joining today's '**Navigating the global crypto regulatory landscape: UK, U.S. and EU alignment and divergence**' seminar. We will begin shortly.
- ♦ On joining the session your microphone will be muted and your video turned off. You will not be able to activate these during the session.
- ♦ To submit a question please click on  and type your question into the chat box that appears.
- ♦ The session is being recorded. The slides and recording will be made available online at seminars.aoshearman.com.
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Navigating the global crypto regulatory landscape: UK, U.S. and EU alignment and divergence

Ben Regnard-Weinrabe, Nikki Johnstone,
Baptiste Aubry, Dario de Martino

24 SEPTEMBER 2025

A&O SHEARMAN



Presenting today...



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Agenda



Current state of play – do we have the whole [legal] picture?



How aligned are we really?
Case study: fiat-backed stablecoins?



Do we have clarity on the regulatory treatment of other token categories?



Can international players confidently enter the EU/U.S./UK markets?



What's coming next?

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What's coming next?

Fintech Horizon Summits

Unlocking opportunities

An inaugural series of Fintech summits in Q4 2025 and Q1 2026 globally. Bringing together leading voices and the latest industry insights, our summits will feature distinguished guest speakers alongside our fintech experts.

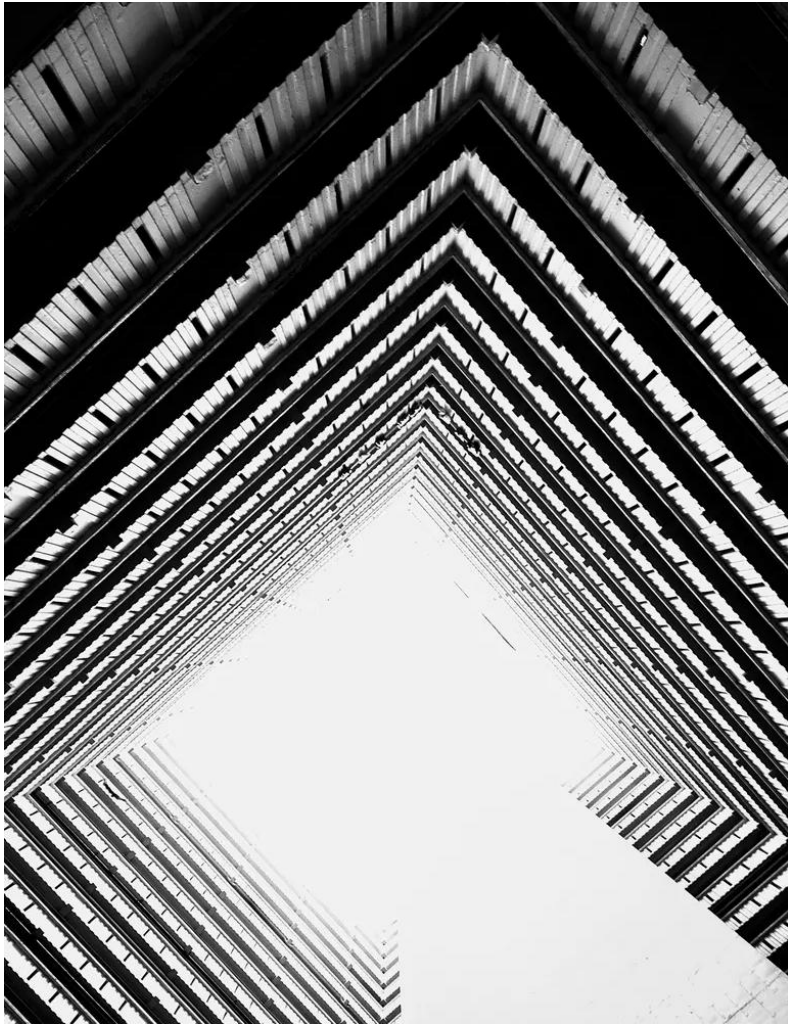
- **New York** - Tuesday, October 7, 2025
- **Hong Kong** - Monday, November 3, 2025
- **Singapore** - Monday, November 10, 2025
- **Luxembourg** – Monday, November 24, 2025
- **Abu Dhabi** – January 2026
- **London** – To be announced

Register here:



Contact AOSFintech@aoshearman.com if you have any questions.





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Scan the QR code to check out our Fintech and Digital Assets Blog, where we share our insights on the issues and developments shaping these rapidly evolving sectors.



<https://www.aoshearman.com/en/insights/ao-shearman-on-fintech-and-digital-assets>

Overview of EU, UK and U.S. stablecoin regimes

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EU stablecoin regime



Core text

REGULATION (EU) 2023/1114 (MICAR)

- ◆ Requirements for cryptoasset issuers and cryptoasset service providers (**CASPs**)
- ◆ Key topics
 - Transparency requirements in respect of the issuance, offer to the public and admission to trading of cryptoassets
 - Authorisation requirements for issuers of asset-referenced tokens (**ARTs**) and e-money tokens (**EMTs**)
 - Supervision regime for issuers of ARTs, issuers of EMTs and CASPs
 - Organisational and internal governance requirements for issuers of ARTs, issuers of EMTs and CASPs
 - Consumer protection rules
 - Market abuse rules



Timeline

ENTRY INTO FORCE OF MICAR

**APPLICATION OF MICAR
PROVISIONS ON CASPS**

29 JUNE 2023

30 JUNE 2024

30 DECEMBER 2024

**APPLICATION OF MICAR
PROVISIONS ON ISSUERS OF
ARTS AND EMTS**

Requirements applicable to ARTs

AUTHORISATION

Offering of ARTs to the public and admission to trading only by authorised issuers of ARTs (subject to a few exceptions)

Already authorised credit institutions: notification process

PASSPORTING

EU passport available



WHITE PAPER

Obligation to produce a white paper to be approved by competent authority as part of the authorisation process + to be published

Minimum content set out in annex to MiCAR

Subsequent modifications may have to be notified

QUALIFYING HOLDINGS

Rules for the acquisition of issuers of ARTs, with prior assessment by competent authorities

Fit and proper test in respect of shareholders

Requirements applicable to ARTs (cont'd)

RECOVERY AND REDEMPTION PLANS

Ensure orderly wind-down of activities where relevant

RESERVE OF ASSETS

Internal policies and procedures as well as necessary contractual arrangements for the custody and segregation of reserve assets

Investment rules

Right of redemption

Ban on interest

PRUDENTIAL REQUIREMENTS

Sufficient own funds, proportionate to the size of the issuance of the ART

Stress testing

Reporting obligations towards the competent authority



GENERAL OBLIGATION

Act honestly, fairly and professionally in the best interest of the holders of ARTs

CONDUCT REQUIREMENTS

Marketing communications

Information to holders of ARTs

Complaints handling

Conflicts of interest

GOVERNANCE REQUIREMENTS

Clear organisation and adequate policies and procedures to be compliant with MiCAR

Members of the management body must be fit and proper – any change to be notified to the competent authority

Security

Risk management and internal controls

Business continuity

Additional requirements apply for significant ARTs

Requirements applicable to EMTs

AUTHORISATION

Offering of EMTs or admission to trading platform only by authorised EMI or credit institution

PASSPORTING

EU passport available



WHITE PAPER

Obligation to publish a white paper to be notified to competent authority + to be published

Minimum content set out in annex to MiCAR

Subsequent modifications may have to be notified

QUALIFYING HOLDINGS

EMTs are deemed e-money for the purpose of the Electronic Money Directive

Requirements applicable to EMTs (cont'd)

RECOVERY AND REDEMPTION PLANS

Same rules as for issuers of ARTs

SAFEGUARDING OF FUNDS

Safeguarding of funds received in exchange for EMTs

Investment rules

MARKETING COMMUNICATIONS

Specific requirements



ISSUANCE AND REDEEMABILITY

Holders of EMTs have a claim against the issuer

EMTs can be redeemed at any time at par value

PROHIBITION OF INTEREST

No interest can be granted by issuers of EMTs or CASPs

LIABILITY

Issuer of EMTs is liable for the content of the white paper

Additional requirements apply for significant EMTs

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Future UK crypto regime



Future legislative framework for cryptoassets – *29 April 2025*

01

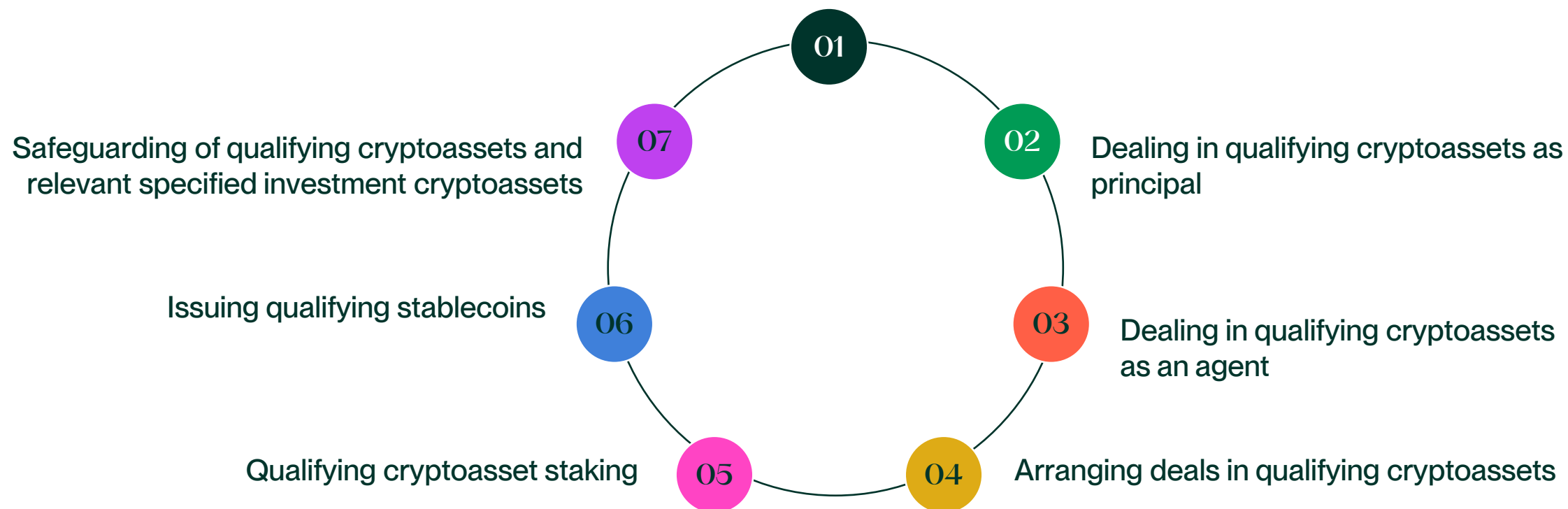
- ♦ HM Treasury published proposal to bring cryptoassets within scope of UK financial services regulation
- ♦ New regulated activities, which require a license under existing UK financial services regulation when performed in relation to “qualifying cryptoassets”

02

UK and (in many cases) offshore firms serving UK customers (particularly retail) will be subject to a UK Financial Conduct Authority (**FCA**) licensing regime

Which new activities are regulated?

Operating a qualifying cryptoasset trading platform



Stablecoin issuance

01 New activity of issuing “qualifying stablecoin” in the UK

02 There are three activities which comprise “issuance”:

- ◆ **Offering** a qualifying stablecoin created by (or on behalf of) the issuer for sale or subscription
- ◆ **Undertaking to redeem** a qualifying stablecoin created by (or on behalf of) the issuer
- ◆ **Carrying on activities designed to maintain the value of the qualifying stablecoin** created by (or on behalf of) the issuer

03 “Created by or on behalf of” the issuer can include created by on or on behalf of a member of its group (i.e. an affiliate)

04

Exclusions

- ◆ Issuing does not include the:
 - ◆ Creation, including the design, of a qualifying stablecoin
 - ◆ Minting of a qualifying stablecoin, such that it first exists as (i) an identifiable asset on the blockchain; and (ii) in a transferable form
- ◆ Stablecoin issuers are not deemed to be accepting deposits
- ◆ Stablecoins are not classified as payments instruments and any payment services based on stablecoins will not be regulated under the Payment Services Regulations 2017 (**PSRs**)
- ◆ There are no proposed amendments to the PSRs to clarify that payment services exclude those performed in relation to stablecoins, which may have provided some additional comfort
 - ◆ May create some practical uncertainty for firms that perform payment services with respect to funds and FSMA regulated cryptoasset activities with respect to stablecoins

FCA Consultation Papers – *28 May 2025*

STABLECOIN ISSUANCE AND CRYPTOASSET CUSTODY

FCA sets out its proposed rules and guidance for the activities of:

- ♦ Issuing a qualifying stablecoin
- ♦ Safeguarding qualifying cryptoassets (including qualifying stablecoins),

which will be introduced as licensable activities

A PRUDENTIAL REGIME FOR CRYPTOASSET FIRMS

FCA sets out its proposed prudential rules and guidance for:

- ♦ Issuing qualifying stablecoins
- ♦ Safeguarding of qualifying cryptoassets

Qualifying stablecoin (QS) issuance – Overview

SUMMARY OF CP25/14 OBLIGATIONS FOR QS ISSUERS

- ◆ Draft Cryptoasset sourcebook (CRYPTO) and CASS additions
- ◆ Restricted backing assets held on statutory trust with unconnected/independent third party(s)
- ◆ Maintain 1:1 parity between backing assets and value of minted QS
- ◆ Disclosure redemption policy and composition of backing assets
- ◆ Issuer must receive direct payment for issuance, in money or FCA-authorised firm's QS
- ◆ Right of redemption for all holders at par (can't pay interest/return)
- ◆ Redemption actioned by end D+1; any fees commensurate with operational costs
- ◆ Reconciliation and record-keeping obligations

OTHER FCA REGULATION

- ◆ CP25/15 on prudential regulation
- ◆ Consumer duty and SYSC expected to apply
- ◆ Future CP with broader “conduct and firm standards”

OTHER REGULATORS

- ◆ Bank of England (systemic stablecoins CP expected later this year)
- ◆ Payment Systems Regulator

Backing assets

- ♦ Always hold backing assets of equivalent value to minted QS:
 - ♦ Including QS held by issuer
 - ♦ Excluding redeemed QS burned within 24h
- ♦ Permitted assets:
 - ♦ Core backing assets: on demand deposits (ODDR = 5%) and government debt instruments
 - ♦ Expanded backing assets: (1) government debt instruments maturing > 1y; (2) units in Public Debt CNAV Money Market Fund; (3) assets, rights or money held as counterparty to repo or reverse repo agreements
 - ♦ Must be in same currency(s) as QCs - TBD
- ♦ Requirements for expanded backing assets:
 - ♦ Notify FCA
 - ♦ Skill and competence
 - ♦ Backing Asset Composition Ratio (**BACR**)
 - ♦ Calculated every 14 redemption days
 - ♦ Sets minimum % of core backing assets (inclusive of DDR) based on peak estimated daily redemption amount + adjustment for actual redemption levels
 - ♦ Promptly notify FCA if breach BACR and submit action plan within further business day
- ♦ Risk management framework including:
 - ♦ Liquidity risk management policy – how meet redemption requests / stress testing
 - ♦ Contingency funding plan (**CFP**) - how source liquidity if shortfall in liquid assets / annual testing
 - ♦ Custody policy – prompt access to backing assets / diversification (see also CRYPTOPRU)

Safeguarding of backing assets

- ◆ Apply due skill, care and diligence in selection of third party
 - ◆ Written terms to address information sharing (including for reconciliation)
 - ◆ Regularly review arrangements / consider diversification
- ◆ Issuer as trustee remains responsible for backing assets including discrepancies
- ◆ Keep records of appointments and reviews
- ◆ Reconcile QS against backing assets, using internal and external records
 - ◆ Conduct and record daily (more often depending on volatility) reconciliation of backing assets against value of minted QS
 - ◆ Remove excess (or mint new QS) or top up shortfall, within 1 business day
- ◆ Appoint CASS oversight officer
- ◆ Client asset audits
- ◆ Client Money and Assets Returns to FCA

Redemption and disclosures

REDEMPTION

- ♦ *All holders* have right to redeem in par in QS currency
- ♦ Issuer decides whether to support other currencies
- ♦ No minimum redemption amount
- ♦ Redemption fees
 - ♦ Commensurate with operational costs of executing redemption
 - ♦ Can't pass on costs/losses for asset pool
 - ♦ Fee must not exceed QS value
- ♦ Can temporarily suspend redemptions in exceptional circumstances e.g. DLT failure, issuer insolvency, loss of confidence in QS

DISCLOSURES

- ♦ Flexibility of content subject to publishing key information e.g. redemption process and fees, use of tech and third parties
- ♦ 3 monthly updating of # stablecoins + backing asset composition and value + statement of 1:1 backing
- ♦ Must be accurate, accessible (including published online), clear, fair and not misleading

Other

USE OF THIRD PARTIES

- ◆ Issuer remains responsible for compliance
- ◆ Adequate due diligence and contractual agreements (including information sharing)
- ◆ Review arrangements annually

RISK MANAGEMENT

- ◆ Understand and manage risks associated with design and build before issuance

MISCELLANEOUS

- ◆ KYC on intermediate QS holders
- ◆ Separate licence from e-money (PERG to clarify) and can mint QS before receipt of funds
- ◆ Payment services regulation N/A to payments using QS
- ◆ Application of conduct regime if different entities perform issuing activities, i.e. offering QS (for sale or subscription) vs redemption v maintenance of value?
- ◆ Focus on single currency QS; differences of approach for multicurrency QS TBD
- ◆ Attractive regime vs e.g. 'tokenised deposits'?

What is the territorial scope?

01

If customers not consumers, usual financial regulatory territorial scope principles apply

- ♦ Broad Overseas Person Exclusion lacking, however

02

If customers are consumers in UK, firm may be subject to licensing regime:

- ♦ If performing a regulated cryptoasset service; and
- ♦ In doing so is directly or indirectly (i.e. via an intermediary) involved in its delivery to a UK consumer

03

Not obvious the intermediary needs to be in UK

04

Carve outs from extended territorial scope for:

- ♦ Offshore dealing firm selling etc. to UK authorised operator or dealer acting as intermediary
- ♦ Offshore custodian safeguarding at direction of UK authorised custodian

What is the territorial scope? (Cont'd)

05

Reverse solicitation NOT a carve out

06

Only need be authorised to “issue qualifying stablecoins” if will do so from “establishment” in UK

07

- ♦ The discussion paper discusses certain hybrid on/offshore models for operators of cryptoasset trading platforms
- ♦ FCA leaving door open for potential equivalence/deference arrangements in future, although lack of such regimes at present requires alternative solutions

Transitional arrangements

- 01 All firms carrying out activities under the new regime will need to submit applications to the FCA for authorisation
-
- 02 There will be a window for applications before the regime comes into effect (the **Original Application Window**)
-
- 03 The benefits of a firm applying during the Original Application Window are to:
- ♦ Obtain the license as soon as possible
 - ♦ Take advantage of the transitional arrangements which are:
 - Pending a decision on its license application, it can continue to do business outside of the new regime for up to 2 years
 - If its license application is subject to final refusal, then it will have up to 2 years for an orderly wind down of existing cryptoasset activities (new regulated cryptoasset activities would not be permitted)

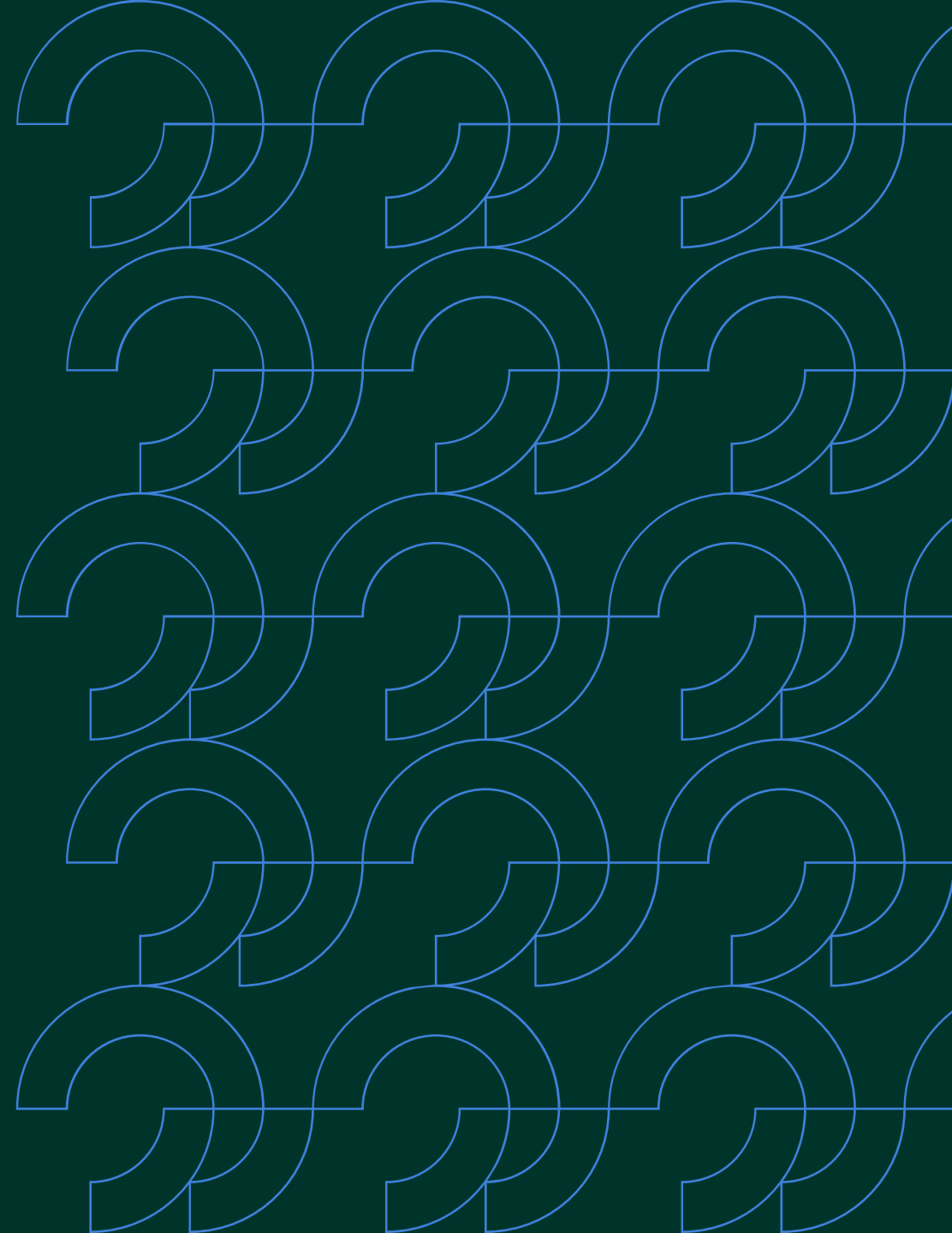
We do not yet have a date as to when the new licensing regime will come into effect, but assuming it comes into effect by end-2026, firms could potentially continue operating on an unregulated basis until as late as end-2028

Timing

Closing date for comments on draft legislation		FCA consultation on proposed rules and guidance for issuing of qualifying stablecoin, safeguarding qualifying cryptoassets and specified investment cryptoassets		Authorisations are likely to take 6–12 months, so firms will need to file
23 MAY 2025	13 JUNE 2025	28 MAY 2025	17 SEPTEMBER 2025	Q4 2025
	Closing date for feedback on the Discussion Paper		FCA consultation on conduct and firm standards, such as the Consumer Duty and rules within the Conduct of Business Sourcebook, for regulated activities	

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U.S. crypto regime



GENIUS Act: Overview

- ♦ Passed with strong bipartisan support (Senate 68–30; House 308–122)
- ♦ First federal statutory framework for payment stablecoins in U.S. history
- ♦ Defines stablecoins as digital money, not securities or commodities
- ♦ Aims to revent “runs” and boost confidence while enabling innovation

Who can issue stablecoins

Issuance restricted to Permitted Payment Stablecoin Issuers

Categories of issuers:

- Subsidiaries of insured banks/credit unions (regulated by parent's supervisor)
- OCC-licensed nonbank issuers (new type of charter)
- State-licensed issuers under “substantially similar” regimes approved by Treasury, Fed, FDIC

Growth trigger: state issuers exceeding \$10B must transition to federal license within 360 days

Purpose: eliminate unregulated “wildcat” issuers; channel issuance into supervised institutions



Prudential standards

- ♦ Full reserve requirement: each token backed 1:1 by safest liquid assets:
 - U.S. dollars, Fed deposits, short-term Treasuries (≤ 93 days), overnight repos, government MMFs
- ♦ No risky assets allowed: no equities, long-term bonds, or crypto collateral
- ♦ Segregation and bankruptcy remoteness: reserves held separately; stablecoin holders get first claim
- ♦ No rehypothecation: reserves cannot be lent out or pledged
- ♦ Outcome: ensures stablecoins are as safe and liquid as cash

Transparency & Redemption

- ◆ Monthly reserve reports: public, certified by CEO/CFO, and independently audited
- ◆ Disclosures must be clear and in plain language, covering redemption rights and fees
- ◆ Mandatory redemption at par (\$1 for \$1) on demand
- ◆ Addresses uncertainty around redemption: guarantees liquidity for users
- ◆ Builds public confidence in stablecoin stability

Conduct rules

- ♦ AML/KYC compliance: issuers deemed financial institutions under the Bank Secrecy Act
- ♦ Must have ability to freeze or disable tokens under lawful orders
- ♦ No interest or yield: prevents stablecoins from competing with bank deposits or becoming shadow banks
- ♦ Line-of-business restrictions: issuers limited to stablecoin activities; Big Tech cannot casually issue money
- ♦ Marketing standards: no claims of FDIC insurance, no “legal tender” labeling

Implications for foreign issuers

Two compliance paths:

1. Establish U.S. subsidiary and obtain license.
2. Register as foreign issuer under “comparability” regime (requires unanimous U.S. regulator approval).

Foreign obligations: U.S. reserves, OCC registration, consent to oversight, technical freeze ability

Strict filters: home country must not be sanctioned or high-risk for money laundering

Enforcement: non-compliant coins must be delisted within 3 years; fines up to \$1M/day



GENIUS Act: Takeaways

- ♦ Ends the era of unregulated “wildcat” stablecoins
- ♦ Compliance is existential – no compliance, no U.S. market access
- ♦ Level playing field: banks, credit unions, and fintechs can compete under the same rules
- ♦ Increases consumer trust: transparency, redemption rights, and reserve segregation
- ♦ U.S. extraterritorial reach forces global issuers to meet U.S.-level standards

CLARITY Act: Context

- ♦ Current system: patchwork oversight – SEC, CFTC, 50 state money-transmitter laws
- ♦ Result: confusion, overlapping jurisdiction, inconsistent consumer protections
- ♦ CLARITY Act aims to provide a comprehensive market structure framework
- ♦ House passed bill (294–134) in July 2025; now under Senate consideration

CLARITY Act: Objectives

- ♦ Clarify SEC vs. CFTC jurisdiction:
 - SEC → investment contracts (initial token offerings)
 - CFTC → digital commodities (e.g., Bitcoin, Ether) and spot markets
- ♦ Establish registration regime for exchanges, brokers, custodians
- ♦ Provide legal lifecycle clarity: tokens can move from security → commodity over time

CLARITY Act: Key provisions

- ◆ “Investment Contract Asset”: tokens sold as securities can later trade as commodities
- ◆ Creates Digital Commodity Exchanges (DCEs) under CFTC oversight
- ◆ Requires brokers/dealers handling crypto to register; subject to capital and conduct rules
- ◆ Thresholds to prevent arbitrage: heavy crypto activity → CFTC oversight
- ◆ Preempts state blue sky laws; updates blockchain definitions for legal precision

Implications of CLARITY Act

- ◆ Exchanges must ensure only GENIUS-compliant stablecoins are listed
- ◆ Custody rules strengthen segregation and prevent misuse (avoiding FTX-style collapses)
- ◆ Encourages institutional adoption: regulated venues, vetted assets
- ◆ Token issuers gain clear compliance roadmap for fundraising and secondary trading



Companion legislation

- ♦ CBDC Anti-Surveillance State Act passed alongside CLARITY Act in House
- ♦ Bars Federal Reserve from issuing retail CBDC without congressional approval
- ♦ Reflects preference for private-sector stablecoins over a Fed-issued digital dollar
- ♦ Political signal: U.S. supporting market-led digital money innovation

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Thought Leadership



Some of our Crypto Thought Leadership – EU



MiCAR under the microscope - Part 1: MiCAR is law



MiCAR under the microscope - Part 2: Are you in or out of scope?



MiCAR under the microscope - Part 3: The issuance of stablecoins under MiCAR: Scope and requirements



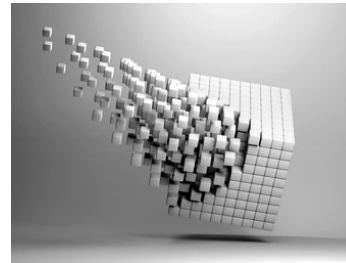
MiCAR under the microscope - Part 4: The CASP licensing regime



MiCAR under the microscope - Part 5: Regulatory requirements applicable to CASPs



MiCAR under the microscope - Part 6: Acquisition of qualifying holdings of CASPs and ART issuers



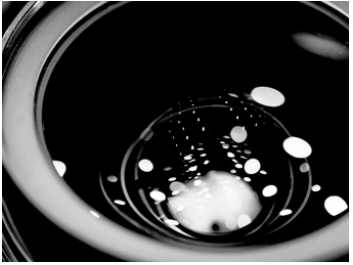
MiCAR under the microscope - Part 7: Prudential and capital requirements for issuers of ARTs and CASPs



MiCAR under the microscope - Part 8: White paper vs. prospectus

For more insights, [check out the full list of articles on our blog.](#)

Some of our Crypto Thought Leadership – United Kingdom



Webinar - New UK crypto regime - Focus for global firms



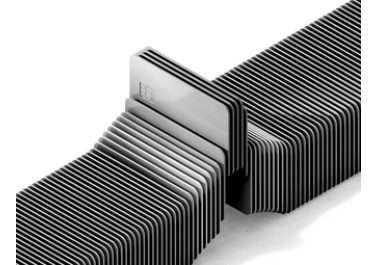
Webinar - The UK future cryptoasset regulatory framework



Financial services horizon report 2025



The Fuse Podcast: The future of digital assets



The Fuse Podcast: Distributed ledger technology (DLT) and collateral mobility



The Fuse Podcast: Asset Tokenization



The Fuse Podcast: Stablecoins



UK FCA announces retail access to crypto ETNs



The UK future cryptoasset regulatory framework



UK future crypto framework: FCA DP on admissions & disclosure and market abuse regimes

For more insights, [check out the full list of articles on our blog.](#)

Some of our Crypto Thought Leadership – U.S.



Beyond fintech: Crypto compensation—designing token incentives that work



SEC Chairman Atkins announces “Project Crypto” – A new era for digital asset regulation in the United States



The GENIUS Act: transforming U.S. stablecoin regulation



Key takeaways from the White House digital assets report, a strategic framework for U.S. digital asset policy



The convergence of privacy, AI, and cybersecurity: what fintech GCs should prioritize now



SEC staff takes a position on the securities status of protocol staking activities



Beyond fintech: Enforcement—US Department of Justice: prosecuting crypto crimes



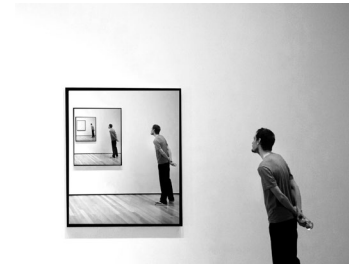
Beyond fintech: Stablecoins and central bank digital currencies



SEC staff provides disclosure guidelines for crypto asset securities offering



Beyond fintech: Perspectives on privacy, AI, and cybersecurity from the front lines of fintech and blockchain



Cryptocurrency exchange admits to breaching anti-money laundering regulations



President Trump's early days in office signal that pro-crypto reforms are ahead

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