

The Markets in Crypto Assets (MiCA)

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In news– The European Parliament has recently approved the world's first set of comprehensive rules that is MiCA to bring largely unregulated cryptocurrency markets under the ambit of regulation by government authorities.

About MiCA legislation-

- The MiCA **legislation will apply to 'cryptoassets'**, which are broadly defined in the text as “a digital representation of a value or a right that uses cryptography for security and is in the form of a coin or a token or any other digital medium which may be transferred and stored electronically, using distributed ledger technology or similar technology”. This definition implies that it will apply **not only to traditional cryptocurrencies like Bitcoin and Ethereum but also to newer ones like stablecoins.**
- **Stablecoins are digital tokens that aim to stay pegged in value with a more stable asset,** a fiat currency like the U.S. dollar or other stable cryptocurrencies.
- **MiCA will establish new rules for three types of stablecoins – asset-referenced tokens,** which are linked to multiple currencies, commodities, or cryptocurrencies, **e-money Tokens,** which are linked to a single currency and **utility tokens,** which are intended to provide access to a good or service that will be supplied by the issuer of that token.
- As for the assets that will be out of MiCA's scope, **it will not regulate digital assets that would qualify as transferable securities** and function like shares or their equivalent and other crypto assets that already qualify as financial instruments under existing

regulation.

- It will also, for the most part, **exclude nonfungible tokens (NFTs)**.
- MiCA will also **not regulate central bank digital currencies issued by the European Central Bank and digital assets issued by national central banks of EU member countries** when acting in their capacity as monetary authorities, along with cryptoassets-related services offered by them.
- It will come into force after formal approval by member states.

What are the new rules?

- **MiCA will impose compliance on the issuers of crypto assets**, who are defined as the legal person who offers to the public any type of crypto-assets.
- **It will apply to crypto-asset service providers (CASPs) providing one or more of these services.**
- The regulation **prescribes different sets of requirements for CASPs depending on the type of cryptoassets.**
- The base regime will require every CASP to get incorporated as a legal entity in the EU.
- They can get authorised in any one member country and will be allowed to conduct their services across the 27 countries.
- They will then be supervised by regulators like the European Banking Authority and the European Securities and Markets Authority, who will ensure that the companies have the required risk management and corporate governance practices in place.
- Another legislation passed with **MiCA requires crypto companies to send information of senders and recipients of cryptoassets to their local anti-money laundering authority**, to prevent laundering and terror financing activities.

Regulation of Crypto in India-

- **India is yet to have a comprehensive regulatory framework for crypto assets.**
- A full-fledged regulation aside, the **Indian government has taken certain steps to bring cryptocurrencies under the ambit of specific authorities** and taxation.
- In the Union Budget for 2022, the Finance Ministry has imposed **a 30% tax on income from the “transfer of any virtual digital asset.”**
- In March 2023, the **government placed all transactions involving virtual digital assets under the purview of the Prevention of Money Laundering Act (PMLA).**
- India is now calling for consensus in the G20 grouping, where it currently holds the presidency, to have a globally coordinated policy response on crypto assets that takes into consideration the full range of risks, including those specific to emerging markets and developing economies.