Opening statement

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Economic and Monetary Affairs Committee
European Parliament

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Dear Chairwoman,

Dear Members of the Economic and Monetary Affairs Committee,

Thank you for inviting ESMA to address you today regarding crypto-assets and their potential implications for financial stability.

Let me start by saying that since our first warning in 2017, we have repeatedly alerted to the significant risks that crypto assets pose to individual investors, while also closely monitoring their potential impact on financial stability. We welcome the Markets in Crypto-Assets Regulation (MiCA). It is an important milestone in addressing crypto-assets risks in the EU and we are committed to its successful implementation.[1]

Crypto-assets markets have more than doubled in size in 2024, reaching a market cap of EUR 3.3tn at year end, reviving concerns about their risks to investors and the financial system. Bitcoin, which accounts for more than half of the total market value, saw its price surge by almost 140%, reaching a record level of USD 100,000 last December.[2] Other major crypto-assets recorded substantial gains too as the market anticipated a shift in US policy in the run up to the elections.

These developments prompted us to renew our warning to investors in December 2024, to caution them against the crypto hype.[3] We also made it clear that, despite MiCA, there will be no such thing as a safe crypto-asset. Crypto-assets are highly speculative, with prices subject to sudden and extreme fluctuations. Following the 2024 boom, crypto-assets lost more than 20% in value during the first quarter of 2025 amid deteriorating macro-economic conditions, shifting investors' sentiment and the largest-ever crypto hack at Bybit.[4]

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[1] For further details on ESMA's work on MiCA's implementation, including Level 2 and Level 3 measures and supervisory convergence work, see Markets in Crypto-Assets Regulation (MiCA)
[2] Price increase over a year in 2024. Source Coinmarketcap.com. Bitcoin passed the USD 100,000 bar for the first time ever on 4 December 2024.
[3] ESMA35-1872330276-1971 Warning on Crypto-assets
[4] On 21 February 2025, Bybit, one of the largest crypto-exchanges globally, fell victim of a cyber-attack seemingly perpetrated by North Korean hackers, with the equivalent of USD 1.4bn funds stolen.

Let me now turn to financial stability risks.

Since 2022[5], we have been actively monitoring potential risks crypto assets could represent to financial stability. As highlighted in our recent ESMA's semi-annual Report on Trends, Risks and Vulnerabilities[6], we believe that while risks to financial stability stemming from crypto-assets are increasing, they are not significant yet. This is mainly due to their relatively small size in relation to total global financial assets (around 1%) and the limited integration with "traditional" finance and the real economy. Crypto-assets are not widely used in critical financial services, including payments. Financial institutions' exposure to crypto-assets remains small globally. The vast majority of EU banks – over 95% – do not engage in crypto activities.[7]

In particular, crypto funds and derivatives require monitoring, because they facilitate access to crypto-assets, including by institutional investors, and could serve as a conduit for risk transmission between crypto and traditional markets. However, we do not believe that these products represent a major risk to financial stability at this point, owing to their small size. We estimate that crypto funds in the EU represent less than 1% of the EU fund universe.

Considering past events, disruptions within crypto-assets markets did not have sizeable consequences on traditional markets. The collapse of FTX[8], one of the largest crypto exchanges in the world, reverberated across the entire crypto system. Bitcoin lost 25% in a few days, Tether, the largest stablecoin, temporarily de-pegged, several crypto firms filed for bankruptcy, and almost 30% of the total crypto market size was wiped out in two weeks. Still, FTX's collapse did not have significant spillover effects on traditional financial markets.

Yet, we need to take a forward-looking approach. Crypto-assets markets have been growing quickly and interconnections between crypto and traditional markets are expanding. This calls for continued close monitoring.

Investors' exposure to crypto-assets, while still small, is increasing. Available estimates suggest that crypto adoption by retail investors in the EU could range between 10% and 20% in line with growing investor appetite worldwide.

[5] See ESMA TRV Risk Article, Crypto-assets and their risks to financial stability, October 2022
[6] See ESMA Report on Trends, Risks and Vulnerabilities No. 1, 2025.
[7] Source: EBA's Risk Assessment Questionnaire (RAQ) Q3 2024. Consistent with EBA data, ECB surveys also show that SSM banks have very limited activities related to crypto-assets, and that while there is some exploratory work taking place, adoption rates over the next three years are likely to be low.
[8] The collapse of FTX was the focus of a previous ECON hearing in November 2022, to which ESMA contributed. See public_statement_to_econ_sk.pdf

The spot Bitcoin Exchange Traded Products approved by the US SEC have attracted the equivalent of EUR 34bn in net inflows since their launch in January 2024 and are currently about one-third of the overall size of gold Exchange Traded Funds.[9] Some pension funds in the US and elsewhere have started building exposures to Bitcoin using funds or derivatives.[10] Furthermore, the crypto-friendly stance adopted by the US administration –with some agencies relaxing for instance some requirements for financial institutions to engage in crypto-related activities[11] – could set the stage for more institutional investors to venture into crypto-assets. If exposures to these assets were to become significant, we cannot rule out that future sharp drops in crypto prices could have knock-on effects on our financial system.

Stablecoins warrant attention too. They are still relatively small with a combined size of around EUR 210 billion (~8% of the entire crypto market) and do not currently represent a threat to financial stability. Most are pegged to the US dollar and euro-denominated stablecoins remain marginal. However, concerns could arise if stablecoins were to grow substantially in the absence of a robust and consistent regulatory framework at the global level. Several prominent financial and crypto firms have recently announced their intention to launch new stablecoins.[12]

Many stablecoins are backed by traditional financial assets. A run on a stablecoin, where many investors simultaneously would try to redeem their holdings, could trigger the forced sale of the assets backing it. This, in turn, could have a negative impact on the price of those assets, especially if they are not sufficiently liquid, and lead to a downward spiral, with potentially wider market consequences.

In the EU, MiCA introduces stringent requirements for stablecoin issuers, including prudential and governance rules, as well as obligations regarding the composition and management of stablecoins reserves. In January 2025, ESMA issued a public statement requiring crypto-assets service providers to cease services related to non-compliant stablecoins.[13] This led to the de-listing of prominent stablecoins by major EU exchanges, which is a sign that the industry is adjusting.[14]

[9] AuM for spot Bitcoin ETPs as of end-March 2025: USD 94bn, Source Eikon. AuM for Gold ETFs: USD 294bn as of February 2025, Source World Gold Council.
[10] See Financial Times (2025), Pension funds dabble in crypto after massive bitcoin rally, March.
[11] For example, the Federal Deposit Insurance Corporation (FDIC) issued guidance that clarifies that FDIC-supervised institutions may engage in permissible crypto-related activities without receiving prior FDIC approval. The Office of the Comptroller of the Currency (OCC) rescinded the requirement for OCC-supervised institutions to receive supervisory nonobjection and demonstrate that they have adequate controls in place before they can engage in certain cryptocurrency activities. See FDIC Clarifies Process for Banks to Engage in Crypto-Related Activities and OCC Clarifies Bank Authority to Engage in Certain Cryptocurrency Activities.
[12] Recent examples include Fidelity, Trump-backed World Liberty Financial, Bank of America and Goldman Sachs-backed BitGo.
[13] See ESMA (2025), Public Statement On the provision of certain crypto-asset services in relation to non-MiCA compliant ARTs and EMTs, January.
[14] Binance has removed nine stablecoins from its platform for users in the EEA (including Tether USDT (USDT), DAI, First Digital USD and TrueUSD). MiCA-compliant stablecoins like USD Coin (USDC) and Eurite (EURI) will remain available. Crypto.com suspended deposits of USDT and nine other tokens with a full delisting scheduled for 31 March 2025. Affected tokens include Wrapped Bitcoin (WBTC), Pax Dollar (PAX) and Pax Gold (PAXG). Other platforms, such as Coinbase and Kraken, have also delisted non-MiCA-compliant stablecoins.

In addition, ESMA is actively contributing to MiCA's effective implementation, in close cooperation with the European Banking Authority and National Competent Authorities, including through intense supervisory convergence efforts, information sharing, and guidelines.

Yet, crypto-assets markets evolve quickly, in an often-unpredictable manner, and we need to keep a close eye on these developments. MiCA represents a breakthrough for the regulation of crypto-assets. However, it may require some adjustments to mitigate new or emerging risks going forward. International work, to which ESMA is contributing, is also important to ensure that appropriate safeguards are in place not only in the EU but also globally to protect financial stability. We stand ready to provide insights and support to EU co-legislators on those matters.

Dear Chairwoman,

Dear Members of the Economic and Monetary Affairs Committee

Let me close by stressing that current crypto-assets developments should not be looked at in isolation. EU financial markets are, as we speak, under severe strain coming from the broader political and geopolitical developments. Crypto-assets markets are still comparatively small. However, in the current market environment, turmoil even in small markets can originate or catalyse broader stability issues in our financial system. Thorough risk monitoring[15], as well as sound preparedness for crisis situations, is the order of the day.

Thank you for your attention.

[15] See ESMA Report on Trends, Risks and Vulnerabilities No. 1, 2025