



DARTE SERIES

Paris

Initiated by Dr. Nina-Luisa Siedler and Mariana de la Roche W., the DARTE Series aims to enhance legal clarity within the evolving regulatory framework of the EU Markets in Crypto-Assets Regulation (MiCAR). Over time, the series has expanded to cover not only MiCAR but also other related regulatory frameworks and region-specific issues.

The Paris DARTE edition was hosted at the French Ministry of Finance on April 9th, 2025, bringing together regulators, policymakers, and industry experts to engage in high-level discussions on the EU's regulatory competitiveness in light of recent U.S. developments, the UK's evolving post-MiCAR framework, and the

large-scale implementation of the Travel Rule.

We extend our sincere gratitude to the European Commission, Project Catalyst, BPI France, VerifyVASP, and Zumo for their invaluable support in making this roundtable possible.

This report consolidates insights from these discussions. It is important to note that the perspectives and conclusions presented herein represent the collective understanding of the topics discussed and do not reflect the individual positions of any participant or the respective rapporteurs.



1. The EU's Regulatory Competitiveness in the Wake of US Acceleration

The first topic of the Paris roundtable, introduced by Nathan Catania, Partner at XReg Consulting, centered on Europe's positioning in the global regulatory race for digital assets, particularly in light of recent developments in the United States. While MiCAR remains the most comprehensive crypto regulatory framework globally, its complex implementation and increasing compliance burdens are raising concerns over the EU's ability to maintain its first-mover advantage.

Shifting Global Dynamics

Participants discussed how U.S. policy momentum — such as the approval of crypto ETFs and renewed legislative efforts around stablecoins, CASPs, and token classification — is reshaping the global regulatory landscape. Some argued that the perception of the U.S. as a more innovation-friendly jurisdiction is growing, leading firms to reconsider market-entry strategies and licensing plans. Meanwhile, the UK is advancing its own regulatory approach, which may present an alternative to MiCAR, though its final shape and competitiveness remain to be fully assessed.

There was a strong sense that Europe's initial leadership could quickly diminish if MiCAR is not adapted to remain competitive. Participants questioned whether the EU should begin early discussions on a "MiCAR 2.0" to address emerging regulatory gaps and provide a more agile, innovation-supportive environment.

Key Pain Points Identified

- MiCAR's implementation timeline was described as overly ambitious, making compliance practically impossible for many actors within the deadline.
- Jurisdictional fragmentation persists: VASPs in France, for example, are struggling with stricter local requirements compared to other EU countries, prompting businesses to consider relocation outside the EU (e.g., UAE, Hong Kong, US).
- There is no clear delineation of DeFi within MiCAR, and overlap between e-money, MiFID, and MiCAR licensing requirements remains unresolved.
- ESMA's and EBA's Level 2 guidelines were described as disproportionate, overly influenced by legacy financial norms, and lacking clarity, particularly regarding stablecoin treatment under Article 50 MiCAR.
- Participants highlighted the unintended consequence of driving active traders away from the EU following the delisting of Tether by trading platforms.

Recommendations and Forward-Looking Perspectives

Participants proposed several strategic options to preserve and strengthen Europe's position:⁵ Create a lighter MiCAR regime or modular approach for startups and low-risk actors.

1. Focus regulatory energy on enabling tokenization and supporting blockchain's

integration into traditional financial markets.

2. Encourage regulators to prioritize AML compliance as a first step, while easing the full suite of obligations in a phased manner.
3. Push for greater alignment and transparency in Level 2 guidance from ESMA and EBA.
4. Reassess restrictions around stablecoins and interest payments to avoid pushing innovation out of the EU.
5. Highlight the importance of painting a compelling long-term vision: Where do we want the

capital markets to be in five years, and what role should blockchain play?

The overall sentiment was clear: unless the EU modernizes and harmonizes its capital markets, it risks becoming a regulatory "flyover zone," with capital flowing between the U.S. to the Middle East and Asia — bypassing Europe altogether. Participants emphasized the need to think boldly, act strategically, and build regulatory frameworks that reflect where the market is heading, not just where it is now.

Call to actions regarding EU Regulatory Competitiveness

The key call to actions from the discussion are:

- **Reignite Strategic Dialogue on MiCAR 2.0 and Long-Term Vision:** Launch structured conversations on the future of MiCAR and Europe's broader digital finance framework, including the role of tokenization, DeFi, and blockchain integration into traditional capital markets.
- **Ensure Proportional and Predictable Implementation Across Member States:** Encourage consistent application of MiCAR across the EU, with tailored implementation timelines and requirements that avoid jurisdictional arbitrage and promote startup-friendly conditions.
- **Engage with ESAs to Align Level 2 Measures with Market Realities:** Advocate for practical, innovation-supportive technical standards by strengthening public-private collaboration with ESMA and EBA and addressing regulatory overreach that risks eroding EU competitiveness.

2. Navigating UK Compliance in the Post-MiCA Landscape

The second topic of the Paris roundtable, introduced by Devina Paul, Deputy CEO & CFO at Zumo, focused on the emerging UK regulatory framework for crypto-assets and how it compares with MiCAR. While the UK is positioning itself as a middle ground between the EU and the US, participants raised significant concerns about the operational burdens and ambiguities in the current UK proposals.

UK's Approach: Aiming for Balance, Risking Overreach

Participants discussed how the UK's proposed framework introduces specific admissions, disclosure, and market abuse rules intended to balance consumer protection and innovation. However, the practical impact of these rules may result in a higher compliance burden than MiCAR itself.

Participants noted that the proposed UK framework introduces obligations for crypto-asset trading platforms (CATPs) to publicly disclose their asset admission due diligence processes and to maintain clearly defined rejection protocols. While designed to promote transparency, these measures risk exposing proprietary assessments and adding administrative overhead without a clear compliance benefit.

Another key concern is the absence of provisions for mutual recognition of MiCAR-compliant white papers. Without the ability to reuse disclosures already approved under MiCAR, businesses operating across both jurisdictions face

duplicative requirements and unnecessary compliance burdens.

The UK's proposed market abuse regime was also seen as overly demanding. It places significant responsibility on the industry to develop and operate cross-platform systems for identifying and reporting suspicious activity, with little infrastructure or guidance provided by regulators to support implementation.

Further compounding these issues is the fragmented nature of the UK's approach. Rather than issuing a centralized regulatory framework, requirements are spread across various documents and regimes — including financial promotions, asset disclosures, consumer duty rules, and stablecoin regulations — creating confusion and operational inefficiencies for market participants.

Participants acknowledged previous concerns about the lack of proportionality in the UK's proposed rules — particularly the one-size-fits-all model, which could place undue burdens on smaller or low-risk entities. However, it was noted during the discussion that on April 8th, the FCA publicly committed in its 2025/26 work programme to investing £7.8 million “in developing and implementing a proportionate and safe regulatory regime for crypto activities in the UK, promoting a competitive and innovative sector.” This statement was seen as a positive signal, and participants expressed hope that proportionality would be more clearly reflected in the forthcoming regulatory drafts.

Finally, there remains no clear indication of the transition periods or run-in timelines that will be offered to businesses to adapt

to the new framework, leaving firms uncertain about how and when to begin implementation planning.

Compliance and Market Implications

Participants expressed concerns that these burdens may hinder UK competitiveness by making the country less attractive for both domestic startups and international firms considering UK expansion. The regulatory uncertainty and complexity may particularly affect small businesses already struggling under MiCAR's cost and timing pressures.

The discussion highlighted:

1. The industry's role in building reporting mechanisms, as the regulator shifts responsibilities for transparency and suspicious activity monitoring onto market participants.
2. Concerns over how a lack of structured guidance could stall innovation and capital inflows. Participants noted lessons learned from the MiCA experience, emphasizing that early and clear guidance had been instrumental in helping stakeholders prepare for implementation. It was suggested that adopting a similarly structured approach in the UK could provide a competitive edge.
3. The need for simplicity in investor communications — providing only what users genuinely need to make informed decisions, avoiding information overload.

Recommendations and Strategic Opportunities

To ensure the UK maintains a competitive yet responsible regulatory framework, participants emphasized the need to develop a single, crypto-specific regulatory handbook. This consolidated source would integrate key obligations across various areas, simplifying compliance and offering clarity for firms operating in the UK market.

There was strong support for recognizing MiCAR white papers as sufficient to meet UK disclosure requirements. Such mutual recognition would significantly reduce duplicative compliance processes for firms already regulated under EU rules, promoting cross-border efficiency and lowering barriers to entry.

Participants also advocated for streamlining due diligence procedures and introducing proportional rules tailored to the type of market actor, the size and function of the asset, and the associated risks. This approach would create a more balanced and innovation-friendly environment, encouraging diverse participation in the UK's digital asset market.

There was broad consensus around the table that the FCA has historically excelled at drafting clear and effective regulation. Participants emphasized that maintaining this strength will be critical as the FCA moves forward with its crypto-specific framework, particularly to avoid overly complex or ambiguous disclosure obligations.

Call to Actions Regarding UK Regulatory Framework

The key call to actions from the discussion are:

- **Develop a Consolidated Crypto Rulebook:** Encourage UK regulators to streamline rules into a unified handbook, minimizing overlaps and providing clarity across disclosure, promotion, market abuse, and stablecoin obligations.
- **Introduce Proportionality and Recognition Mechanisms:** Call for activity-based thresholds, tiered requirements based on investor types and asset risk, and equivalency recognition for MiCAR disclosures to reduce duplicative burdens for international firms.
- **Strengthen Industry-Regulator Collaboration:** Support public-private dialogue to co-design infrastructure for suspicious activity reporting and investor transparency tools, ensuring practicality and interoperability across jurisdictions.

3. Travel Rule Implementation at Scale

The third session of the Paris roundtable, led by Elsa Madrolle from VerifyVASP, focused on the complex operational, technical, and legal challenges surrounding the implementation of the EU Travel Rule Regulation (TFR). Despite being technically in force from December 2024 — with a tolerance period extending until July 2025 — participants expressed concern over fragmented understanding, limited and sometimes contradictory guidance, and low alignment across jurisdictions.

Regulatory and Operational Friction

Participants highlighted widespread confusion across Member States regarding the interplay between TFR and MiCAR licensing obligations. Many CASPs are

adopting inconsistent or superficial due diligence practices in order to maintain unrestricted transfers, often at the cost of violating both GDPR and TFR mandates. Examples included sending personal data to unverifiable recipients or proceeding with transfers despite inadequate or missing counterparty verification.

The conversation also explored how many technical implementation tools for the Travel Rule are falling short of regulatory requirements. Persistent issues flagged on several occasions by the FATF include verification failures, delayed data transmission, poor interoperability across VASP systems, and an overreliance on outdated technologies such as email. These deficiencies not only raise compliance risks but also prompt traditional banks to cut fiat rails from VASPs perceived as high-risk.

Public-Private Collaboration and the Paradox of Identity

Some attendees emphasized that the current framing of identity — as names and addresses — is often ineffective for AML purposes. Instead, a more functional approach to identity verification was suggested, such as using blockchain-based attestations (e.g., “over 18,” “not sanctioned”) to determine transaction eligibility.

The paradox of transparency was also debated: while blockchain offers immutable traceability, cutting off illicit actors too early could hinder valuable forensic tracking. At the same time, letting high-risk VASPs participate unchecked compromises the integrity of the system and risks regulatory backlash. Participants stressed the importance of aligning on when and how counterparties should be restricted — and by whom.

Discrepancies Between Level 1 and Level 2

One of the concerns raised was the inconsistency between Level 1 legislation

and Level 2 technical standards under the Lamfalussy process. While Level 1 acts serve as the legal foundation, some of the Level 2 provisions of recent crypto-asset regulations appear to be more restrictive and create interpretation challenges for both NCAs and CASPs. The discussion reaffirmed that Level 1 should prevail in any legal conflict and called for better clarity and alignment between the two levels.

Strategic and Tactical Paths Forward

The group ultimately agreed that both short-term tactical solutions and long-term strategic proposals for alternatives or enhancements are necessary. In the near term, a best practices guide on Travel Rule implementation should be developed to harmonize approaches and improve compliance. In the long term, if unresolved Travel Rule challenges remain, the industry can proactively propose an alternative regulatory model for AML compliance in crypto — one that leverages the transparency and programmability of blockchain technology.

Call to Actions regarding Travel Rule Implementation

The key call to actions from the discussion are:

- **Publish a Travel Rule Best Practices Guide:** Develop a practical, jurisdiction-neutral guide outlining minimum technical and compliance standards, including counterparty VASP due diligence, VASP verification, data handling, and addressing interoperability issues to support both regulators and industry stakeholders.
- **Clarify Level 1 vs Level 2 Hierarchies:** Advocate for clear legal interpretation guidance from the European Commission on the application of Level 1 versus Level 2 texts, to prevent misapplication and ensure proportional enforcement by NCAs.
- **Explore a Strategic Alternative to the Travel Rule:** Begin a community-driven initiative to conceptualize and propose a long-term alternative or set of enhancements to the current Travel Rule, consolidating existing initiatives and emphasizing privacy-preserving identity, transaction traceability, and public-private oversight.

We thank all participants of the Paris DARTE event for contributing to the discussion:

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