



European supervision: crypto first!

Co-signed op-ed by François Villeroy de Galhau, Governor of the Banque de France, ACPR Chairman, and Marie-Anne Barbat-Layani, Chair of the Autorité des Marchés Financiers (AMF)

At a time when the idea of a Savings and Investment Union is once more being revived as a major European objective, many key stakeholders, including ourselves, are calling for a direct European supervision of major market participants. We also propose that this be the case for European cryptoasset platforms.

In this relatively new area of supervision, there appears to be a limited risk that this proposal would go against the prerogatives of national authorities. Consequently, such an approach could be a quick victory for the Capital Markets Union. This direct European supervision is also a necessity to protect investors and foster financial security.

The rapid growth of investment in cryptoassets, despite the unregulated nature of participants in this nascent industry, has led the French authorities to bring in a dedicated regulatory framework to this area as early as 2019. French financial authorities have therefore developed substantial expertise in this area.

The forthcoming implementation of a European regulatory framework on crypto assets (MiCA) is also very welcome, given the difficulty of effectively regulating this industry at national level. Indeed, cryptoasset markets are by nature cross-border. Today, they are dominated by a few global participants, with 90% of the world's trading in cryptoassets taking place on the 10 largest platforms. Promotion or marketing of cryptoassets happens directly over the internet, without significant investor protection for the time being.

However, the experience we have acquired shows that the entry into force of a European text alone cannot guarantee a strict and uniform application of regulation. Even in the case of financial services that have been regulated for a long time, the development of cross-border activities in Europe still brings dysfunctions. For instance, when a player's registered office is located in one Member State,

while the majority of its business is carried out elsewhere. It is therefore a pressing matter, at a time when the implementation of MiCA will create a European passport to entrust the supervision of pan-European participants to the European Securities and Markets Authority (ESMA). Failing this, supervision by national authorities will be less effective. While risks posed by cryptoassets remain major, such as encouraging money laundering or hidden transactions, and investors will remain poorly protected or suffer adverse effects, such as hacks or thefts.

It is therefore no coincidence that ESMA, in its recent report on Capital Markets Union, proposed that the European Commission and the co-legislators assess the opportunity of a European-wide supervision of cryptoasset service providers. Similarly, the future European anti-money laundering authority, the AMLA, could be entrusted with the AML/CFT supervision of these players.

The Autorité des Marchés Financiers, the Banque de France and the Autorité de Contrôle Prudentiel et de Résolution support this initiative. A direct supervision mechanism of pan-European cryptoasset services providers would enable more effective oversight of the cryptoasset markets, and provide better protection for European investors. We therefore appeal to the European co-legislators to act swiftly on this issue, by entrusting ESMA with this competence.

We also call on them to quickly address the issue of compliance by these players with cybersecurity rules. At a time when risk mapping exercises are showing a particularly high level of risk in this area, it seems essential to require for external audits of players' information systems by certified providers. We have made this the national standard. To call this requirement into question at European level would weaken the level of investor protection.