Coincub

Europe Crypto Report 2025

MiCA’s Aftermath and Europe’s Innovation Crisis

Special Edition

10 Key Takeaways

Coincub

1. **VASPs**: Based on the ESMAs grandfathering period, 75% of Europe's 3,165+ VASPs will lose registration by June 2025.
2. **MiCA Slowdown:** Only 12 CASPs and 10 EMTs are currently licensed under MiCA now
3. **Compliance Cost**: Minimum licensing and compliance costs have soared 6x (from ~€10K to €60K), forcing many startups to relocate or shut down.
4. **Debanking**: Only 14% of crypto startups successfully opened bank accounts without later closures.
5. **Jobs:** In 2022, Europe boasted over 100,000 jobs mentioning blockchain; today, that figure is 90% lower, at around 10,000 jobs.
6. **Talent**: Almost 600 universities offer more blockchain courses, yet graduates must seek friendlier markets, joining Europe's blockchain brain drain.
7. **Venture Funding**: EU venture funding in crypto peaked in 2022 at $5.7b but has since plummeted 70%, as the US and Asia have shown signs of recovery in 2024.
8. **User Adoption**: The U.S. and Asia sustain higher adoption of Bitcoin, stablecoin, and DeFi, alongside more supportive regulations, attracting both investment and entrepreneurs.
9. **Macro**: Europe's high energy costs, slow regulation, and reliance on bank lending stifle growth and discourage emerging tech sectors.
10. **Outlook**: Without swift regulatory reform, bank access solutions, and capital market integration, Europe risks permanent irrelevance in the global crypto and Web3 arena.

Methodology

Coincub

This report uses quantitative and qualitative data to analyze Europe's crypto landscape from 2022 to 2025. Core metrics, such as the number of licensed CASPs, venture capital flows, and job postings, come primarily from Coincub, Chainalysis, Pitchbook, Dealroom, The Block, Linkedin, and Web3 Career. Coincub's datasets include regulatory and market information (i.e., VASP registrations, compliance costs, and bank account access) aggregated from EU regulatory filings and surveys of crypto service providers. These sources also provide the foundation for charts on licensing costs, regional ownership trends, and the proportion of rejected or closed bank accounts in the UK and the EU.

To supplement these figures, we incorporated blockchain adoption and user data from Triple-A, which estimates global crypto ownership through consumer surveys, exchange registration statistics, and merchant adoption rates. EduRank contributed information on university course catalogs.

Each dataset was cross-referenced and normalized where possible to maintain consistent time frames and ensure comparability across regions. For instance, where multiple platforms reported overlapping investment numbers, we investigated any discrepancies and either averaged the figures or selected the source deemed most transparent in its methodology.

The analysis of job postings mentioning "blockchain," "crypto," or "bitcoin" is based on LinkedIn and Web3 Career data, which was then visualized to highlight broad trends in Europe, the United States, and other regions. Similarly, Chainalysis data on Bitcoin and stablecoin adoption shows the comparative bar charts contrasting the EU's market share with the United States. We aimed to synchronize the reporting periods (i.e., Q1 vs. Q2 data) so that the final visualizations accurately represent directional shifts over time.

Qualitative insights and firsthand statements from industry leaders were integrated to provide real-world context.

CEOs ' public interviews and official statements show how startups and established companies perceive the EU's regulatory framework (particularly MiCA) and its impact on investment, talent retention, and consumer adoption. Additionally, references to the EU and reports were included to connect the crypto-specific data to Europe's broader economic environment.

Despite these efforts at harmonization, several limitations remain. Terms like "crypto ownership" and "VASPs" can vary in definition across jurisdictions. Some underlying data (i.e., bank account application outcomes) relies on self-reporting, which may introduce sampling bias. Furthermore, the fast change of crypto markets means that the figures presented could shift quickly if new regulations or market events arise after our data collection window.

Finally, although we aggregated data for Europe as a whole, the European Union comprises diverse regulatory regimes, and the conditions in one member state may differ significantly from another.

The report uses a mixed-methods approach, using quantitative metrics and qualitative insights to offer a unique perspective on Europe's crypto ecosystem. The data has been cross-referenced, time-aligned, and contextualized to portray the trends accurately. Still, readers must remain mindful of the fluid nature of the crypto industry and the inherent variability in self-reported and regionally aggregated data.

Introduction

The Fall of Europe as a Global Crypto Hub

Donald Trump just signed an executive order to establish the National Bitcoin Reserve. In just two months, we have seen the banning of Central Bank Digital Currencies (CBDCs), the forming of a Presidential Working Group on Digital Asset Markets to enhance regulatory clarity, and the appointment of crypto-friendly officials in key positions across the SEC, CFTC, and Treasury. The Chokepoint 2.0 was reversed, and the US is back as the world's 'Crypto Capital.' So, what are the things Europe did to catch on? Nothing much.

Europe has long been a global leader in finance, technology, and innovation. From the earliest days of modern banking to the creation of the Single Market, the continent set regulation and consumer protection standards that other regions followed. Yet, over the past few years, Europe's position has shown signs of eroding. High energy prices, fragmented capital markets, and sluggish legislative processes undermine the region's competitiveness when the world quickly embraces digital finance and blockchain technologies.

The United States, Asia, Latin America, the Middle East, and Africa are moving ahead with dynamic fintech ecosystems. Europe, on the other hand, finds itself tangled in internal barriers. Because of this, European entrepreneurs and developers are looking elsewhere for friendlier markets, deeper venture capital pools, and more transparent regulatory frameworks.

These systemic issues have hit the crypto sector especially hard. Once regarded as a future growth engine, Europe's blockchain industry has been caught in the crosshairs of the regulatory caution meant to foster trust and stability. The Markets in Crypto-Assets (MiCA) framework has inadvertently raised compliance costs to levels many startups cannot sustain. The number of licensed crypto service providers (CASPs) collapsed in early 2025, and venture capital funding for European crypto startups shows no recovery.

In light of these events, Europe risks falling behind in the next wave of digital finance and innovation, particularly AI technologies, stablecoins, and DeFi. Consumer protection should be paramount, but Europe is trading off innovation. Without decisive reforms, the EU's sudden fall could be a mere foreshadowing of what's to come regarding its global economic influence. This report dives into the factors driving the continent's fall behind and offers constructive insights that could rekindle the innovative spirit that once made Europe the epicenter of financial progress.

Dren Hima
Senior Researcher - Coincub

Europe’s Regulatory Clampdown on Crypto

MiCA: Thin Line Between Regulation & Roadblock

Coincub

MiCA & ECB Stance

The Markets in Crypto-Assets (MiCA) regulation is Europe’s landmark framework to harmonize crypto regulations across its 27 member states. Introduced in 2020 as part of the European Commission’s Digital Finance Strategy, MiCA sought to create a unified legal framework for digital assets, address fragmented national regulations, and ensure consumer protection and financial stability.

Structure of MiCA

MiCA introduces a comprehensive regulatory framework covering the following:

- Crypto Asset Service Providers (CASPs): Licensing requirements for exchanges, wallet providers, and other service operators.
- Stablecoins: Stringent rules for issuers of asset-referenced tokens and e-money tokens to ensure transparency and reserve adequacy.
- Market Integrity: Provisions to prevent insider trading, market manipulation, and other abuses within crypto markets.
- Consumer Protections: Requirements for disclosure, security measures, and risk management by CASPs.

Main Actors

Several key institutions shaped MiCA:

- European Commission: Drafted MiCA as part of its broader Digital Finance Strategy to modernize financial services in the EU.
- European Parliament: Refined the framework through legislative negotiations to balance innovation with oversight.
- European Central Bank (ECB): Advocated for strict oversight of stablecoins to safeguard monetary sovereignty.
- National Competent Authorities (NCAs), such as BaFin in Germany or AMF in France, are responsible for implementing MiCA at the member-state level.
- Industry Stakeholders: Crypto companies, blockchain associations, and advocacy groups provided feedback during consultations to shape practical provisions.

MiCA provides regulatory clarity for Europe’s crypto ecosystem. Still, it does not seem to address or concern itself with job creation, innovation in financial services, or retaining blockchain talent from EU universities. While initially believed to be a step toward clarifying digital asset rules, it has introduced harsh requirements and high costs for businesses to achieve compliance in practice.

At the same time, the European Central Bank (ECB) has adopted an increasingly skeptical position on crypto. The ECB continues to cite financial stability and consumer protection as cautionary guidance for national central banks. However, this has translated into de facto pressure on commercial banks to restrict or deny services to crypto firms. Although the stance aims to minimize systemic risk, it has effectively marginalized legitimate startups and limited their ability to engage with the broader financial system.

> **Europe has taken a bold step with MiCA, becoming the first region in the world to introduce a unified regulatory framework for crypto. This provides much-needed clarity and a solid foundation for institutional adoption. However, the next challenge is ensuring that Europe remains a competitive hub for blockchain innovation. By refining regulatory processes, improving banking access, and fostering a vibrant startup ecosystem, we have the opportunity to establish the EU as a leader in the global digital asset economy. The foundations are set—now we must build on them to attract investment, retain top talent, and ensure Europe remains at the forefront of Web3 and digital finance.**

Lory Kehoe
Chairman Blockchain Ireland

Licensing & Compliance Challenges

MiCA Drives Licensing Costs Up, Forcing Startups Out

Coincub

Under MiCA, obtaining a license now takes six months or more (triple the previous timeline) due to additional checks and bureaucratic arrears. Hiring specialized counsel and auditors to navigate the MiCA waters has become cost-prohibitive for many startups, which will be forced to close shop or go through an M&A process. Before MiCA, a crypto startup could register in a low-cost country and meet Anti-Money Laundering (AML) obligations for as little as €10,000 (e.g. Poland). Following MiCA's implementation in December 2024, those same licensing and compliance costs have soared to over €60,000.

One can argue that the cost has been reduced overall, at least for big players. Before MiCA, they needed multiple registrations to operate in each market. Post MiCA, only the CASP license is required in one country to operate in the EU single market. However, they face significant challenges, with only 12 registered exchanges by March.
Although the market is accelerating as bitcoin grows and merchant services thrive in Europe, data from industry reports indicate that many European tech startups are considering moving operations abroad. Those that remain often struggle to attract the venture capital necessary to scale, given that investors see higher risk and lower returns under this new regulatory environment.

MiCA is a nightmare for European VASPs. Most simply cannot meet the new prudential requirements, especially under Classes 2 and 3 of MiCA. The cost of obtaining a license has skyrocketed due to complex procedures and expensive legal support from local law firms. However, those who endure the process will gain access to a unified crypto market of 448 million people.

The EU is the first in the world to introduce unified regulations for an entire region, setting it apart from the rest of the world, where regulations remain fragmented and inconsistent. Even in the U.S., despite the existence of a federal crypto license, many companies still have to obtain state-by-state licenses, making the process time-consuming and costly.

In other parts of the world, the situation is even less clear—especially in Latin America and Asia, where the lack of uniform regulations makes it difficult for crypto firms to operate on a larger scale (imagine a license from Mexico being sufficient to run a stablecoin business in Brazil or Argentina).

Tomasz Baliński
Crypto Expert & President of the Board
Complywiser

Debanking & IBAN Issues

Crypto Firms Struggle for Financial Access

Coincub

A significant barrier for crypto businesses is opening a bank account. Due to the ECB's caution, many commercial banks have enacted shadow bans or steep fees for crypto-related accounts.

Many startups cannot pay staff, receive revenue, or handle everyday transactions. Even when an account is granted, IBAN discrimination persists, with businesses having reported that counterparties refuse to accept payments from foreign-registered IBANs (fearing potential AML complications).

Unsurprisingly, this banking blockade has drawn comparisons to "Choke Point 2.0" in the US," a term referencing concerted efforts by regulators to sever financial access for entire industries. In the US, Congress now investigates Debanking, while in Europe it has remained a taboo industry secret with little or no data to showcase what the regular crypto startup is going through.

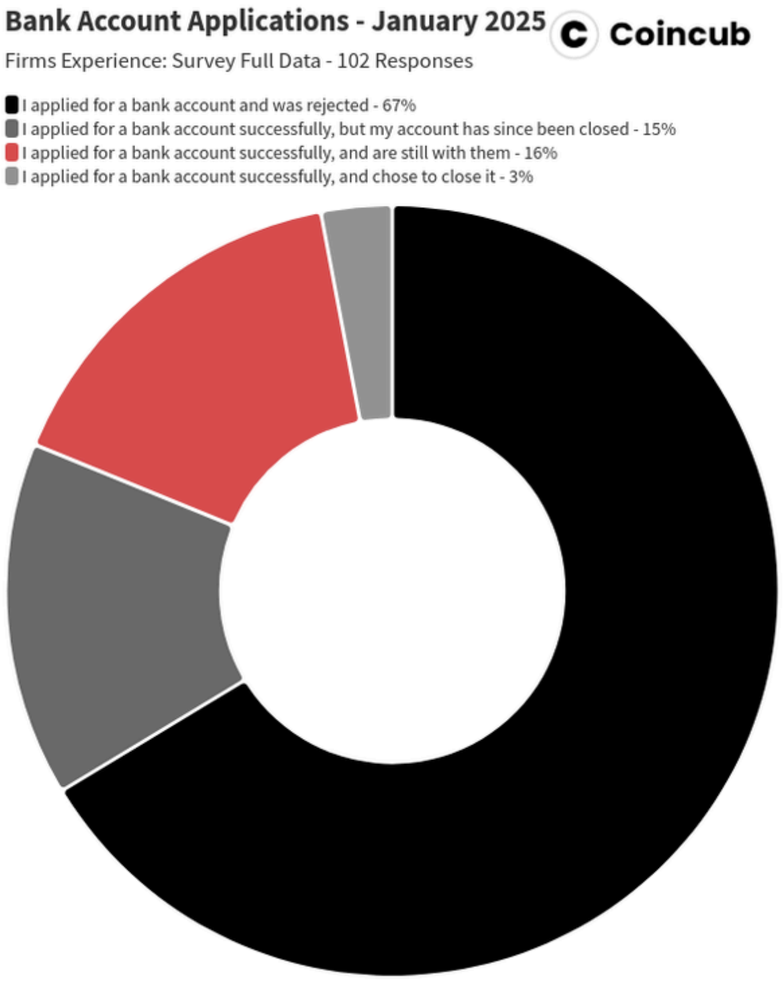
The first reference to this topic came recently from the UK's Startup Coalition Report 2025, 'Don't bank on it.' The report names several banks—including international players like AIB (Allied Irish Banks), Bank of Ireland, and Santander—that have restricted or outright denied services to crypto businesses.

The report highlights that major banks have rejected 50% of fintech and crypto firms or had their accounts closed. Only 14% successfully opened accounts without later closures. Katie Harries, who leads Stand With Crypto's U.K. initiative, commented:

"The growing difficulties firms face is a huge barrier to growth. It's not an issue reserved for start and scale-ups but also one medium and large companies face too."

Banks are abruptly terminating accounts with minimal explanation. Routine payments trigger compliance flags that cause delays or rejections. Last but not least, banks are levying disproportionate fees for crypto-related transfers (all this while imposing low ceilings on daily or monthly transaction limits).

On the other hand, in the United States, legislative efforts are underway to curb debanking practices targeting both crypto companies and politically disfavored businesses. A new bill introduced by GOP lawmakers in early 2025 aims to prevent banks from denying services based solely on industry type or political affiliation, directly addressing concerns that crypto firms have been unfairly excluded from the traditional banking system.



The Vanishing Crypto Registered Companies

Europe’s Crypto Firms Disappear Under MiCA’s Licensing Burden

Coincub

CASPs in Decline

At the end of 2024, Europe was home to over 3,167 Virtual Asset Service Providers (CASPs, VASPs or DASPs), with over 1,200 VASPS added in the last two years. These VASPs offered everything from wallet services to full-scale crypto exchanges and were registered under different names and approaches by each EU member.

Before MiCA, Europe’s Virtual Asset Service Providers (VASPs) were concentrated in jurisdictions with low costs and lenient requirements.

This fragmented system forced companies to obtain separate licenses in each of the EU’s 27 member states, creating inefficiencies and inconsistencies. Rules, naming conventions, and permissible activities varied widely, making cross-border operations costly and complex.
For instance:

- Poland led with over 1,400 registered VASPs, offering affordable licensing and straightforward compliance processes.
- Lithuania followed with 530+ VASPs, leveraging its crypto-friendly policies to attract startups.
- Due to higher regulatory barriers, more stringent countries like Italy (150), Spain (106), and France (104) had fewer VASPs.
- In contrast, countries such as Germany (11), Austria (12), and Belgium (8) had minimal licensed services, reflecting their stricter regulatory environments.

MiCA’s Impact on Licensing

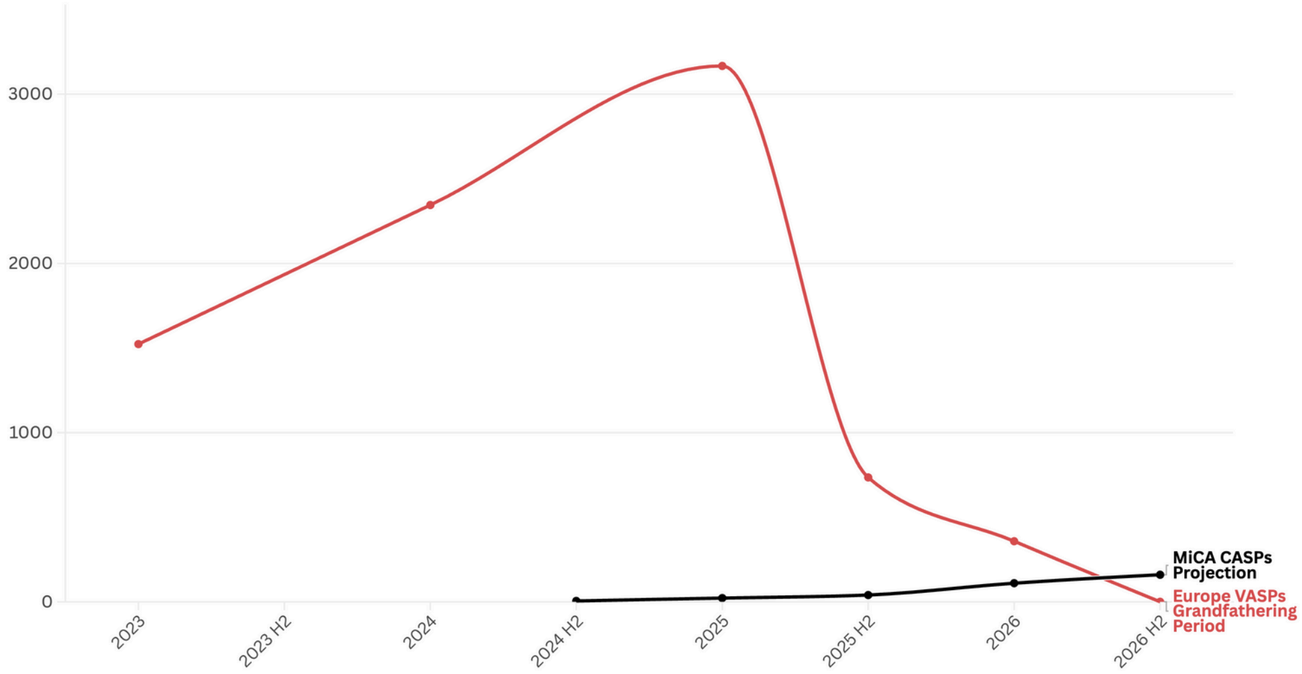
With MiCA’s implementation, the landscape is shifting dramatically:

- As of early 2025, only 12 CASPs (Crypto Asset Service Providers) and 10 EMTs (Electronic Money Token issuers) have been licensed under MiCA.
- Projections estimate this number will grow to around 100–130 licensed entities by the end of the year.

For large global exchanges—most of which are based outside Europe—MiCA is a win. It reduces complexity by offering access to the entire EU market.

European VASPs vs. Projected MiCA CASPs

75% of VASPs (almost 2500 companies) will lose their compliance status with the current Grandfathering period by June 2025.
By March 2025 only 12 companies got a MiCA CASP licence, with about 110-130 projected by the end of the year.



Source: Coincub

Coincub

EU’s MiCA vs. the New Global Crypto Hubs

Startups Relocating to Friendlier Jurisdictions

Coincub

However, for European-born crypto projects and startups at early stages of development, MiCA presents significant hurdles. The high compliance costs and extended licensing timelines make it nearly impossible for small startups to survive or scale. Startups often rely on trial-and-error to innovate, but MiCA’s stringent requirements leave little room for failure—a critical part of fostering groundbreaking projects.

As a result, the once-thriving ecosystem of European crypto startups is vanishing. Without support for early-stage innovation, Europe risks losing its ability to produce transformative blockchain projects while becoming a passive consumer of technologies developed elsewhere.

Many crypto businesses (particularly startups) are shutting down or considering obtaining licenses and relocating to friendlier jurisdictions like Canada.

With its straightforward and transparent MSB (Money Service Business) Virtual Asset registration process, Canada treats crypto startups similarly to other financial service providers, offering a simple and efficient licensing framework.The U.S. follows a similar approach in certain states, providing clearer pathways for businesses to launch and scale. This contrasts sharply with Europe’s increasingly complex and costly regulatory environment under MiCA, which has made it difficult for early-stage projects to survive.

And it’s not only startups that are at risk. Even large players that were once bullish on Europe's potential are pulling back expansion plans, with investors remaining wary of a region where compliance overhead can eclipse potential returns.

The number of leading crypto exchanges and major blockchain companies in Europe has stagnated. building significant features and services in Europe.

The United States hosts the majority of major exchanges and high-profile crypto companies, while Asia, in hubs like Singapore, Hong Kong, and South Korea, holds a similar growing count. Europe now claims very few licensed exchanges and less exchanges building significant features and services in Europe.

U.S. exchanges benefit from deeper capital markets and clearer regulatory frameworks in certain states now under President Trump, while Asian hubs offer quick licensing processes and strong government support. On the other hand, European-based exchanges are forced to merge to consolidate resources or retreat from crypto altogether due to high compliance barriers.

> **MiCA imposes substantial regulatory costs on current VASPs in the EU. Due to this cost, most of them will redefine their business model. As the transitional periods in their home jurisdictions will lapse, strategic decisions shall be made in advance regarding whether to apply for a MiCA license (and thus a CASP status). If not, how to proceed further? The concept of “CASP as a service” may be helpful, but there are still huge doubts. Take “tied agents,” which are not available under MiCA (and it was directly confirmed in one of the ESMAs positions).**
>
> **Another crucial issue connected with the application of MiCA is the national approach, i.e., the national provisions accompanying MiCA, which – in turn – are inevitable for due MiCA application. Here, there is another example – take Poland – where, due to the delay with the adoption of national provisions accompanying MiCA, they are still not available. That means that in such jurisdictions, no applications can be submitted.**
>
> **However, they can be developed (as MiCA and its delegated acts determine the application structure), but there is nowhere (competent authority) to submit such an application. It also affects another aspect, i.e., notification or passporting rights under MiCA. In turn, due to such delay, such markets will develop slower than others in terms of range of products and competitive providers.”**

Piotr Żelek,
Attorney-at-law & Managing Partner,
FinLegalTech

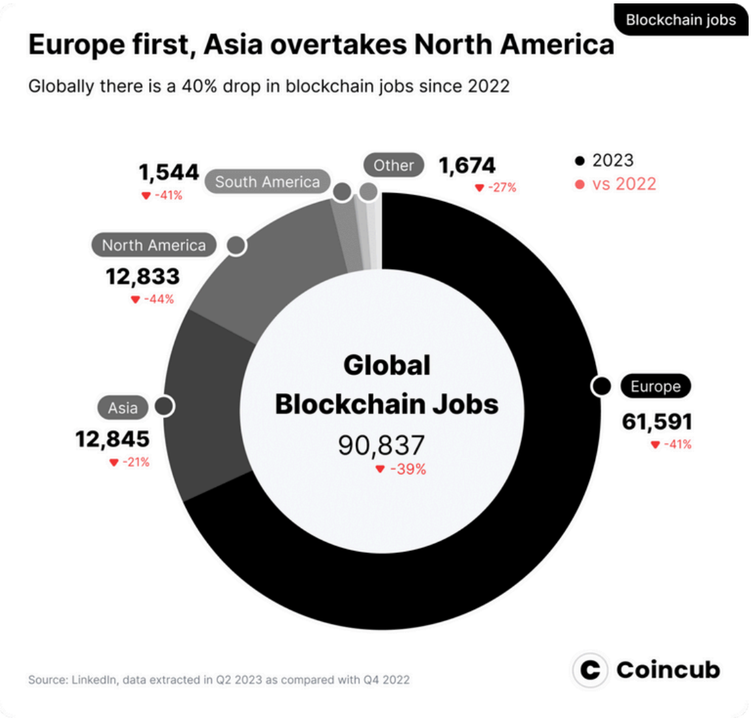
Talent Growth and Jobs Steep Decline

Crypto Job Market Shrinks as Talent Flees

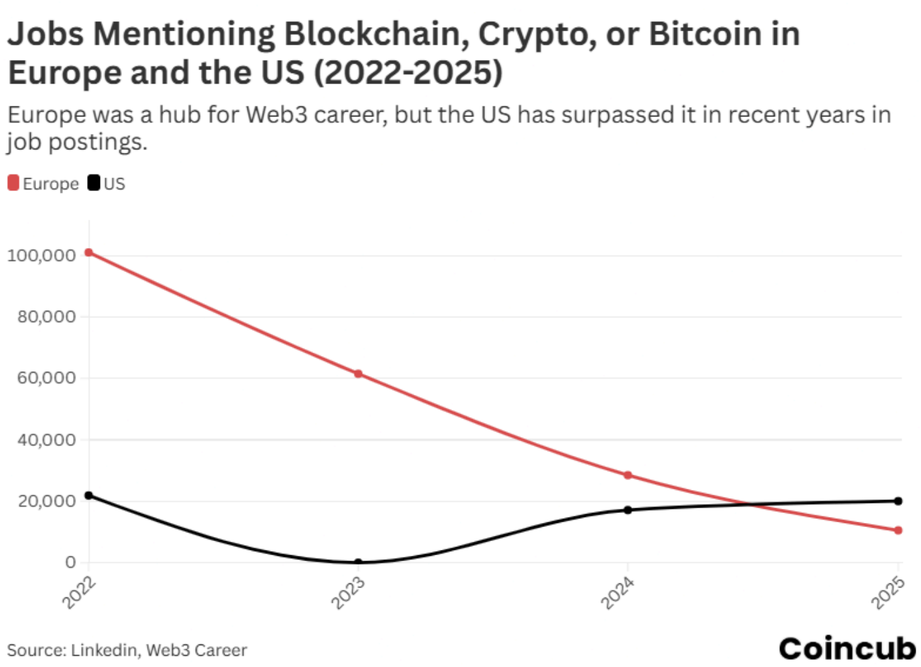
Coincub

Mirroring the exodus of VASPs, Europe's crypto job market is also plummeting. In 2022, job postings referencing "blockchain," "crypto," or "Bitcoin" exceeded 100,000 across the EU. A significant portion—estimated at over 20% - were remote positions accessible to workers across multiple countries. This shift, driven by the post-COVID remote work trend, allowed Europeans to access a disproportionate share of these jobs compared to their counterparts in Asia and the Americas. At one point, Germany alone hosted as many blockchain jobs as the entire United States, further showing Europe's dominance in the sector.

By 2023, the global blockchain job market had contracted by 40%, reflecting the harsh realities of the ongoing bear market and regulatory uncertainty. Europe, which once dominated the sector, experienced a 41% decline, with blockchain jobs dropping from over 100,000 in 2022 to just over 61,000. Despite this, Europe remained the most significant regional employer in blockchain, surpassing Asia and North America.



By 2025, that figure had shrunk to a fraction of its former size. Estimates suggest around 10,000 active listings as of early 2025. Understandably, this metric declined in other regions during the post-2021 bear market, but the U.S. recovered in 2024 and early 2025, unlike Europe, which is seeing a continuous decline.

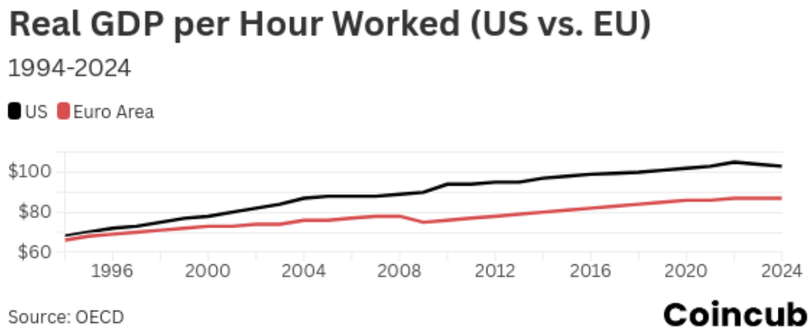


Productivity and Job Dynamism Decline

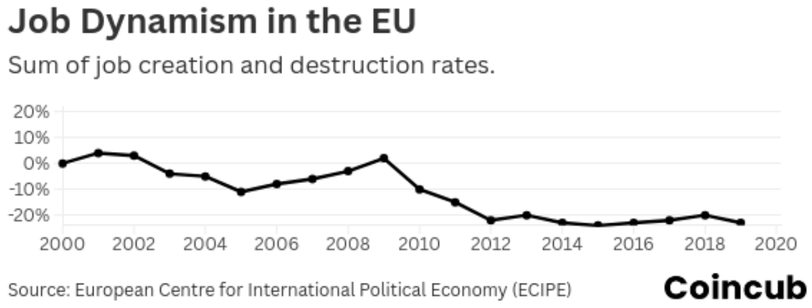
Europe Develops Blockchain Talent - Only to Lose It Abroad

Coincub

Over the past three decades, the productivity gap between the United States and the Euro Area has steadily widened, with US real GDP per hour worked consistently outpacing Europe. This divergence further shows the structural inefficiencies of the



Furthermore, there is a steady decline in job dynamism in the EU as well. The combination of rigid labor markets, high regulatory barriers, and limited entrepreneurial flexibility has reduced both job creation and destruction rates, which are key indicators of healthy economic activity.

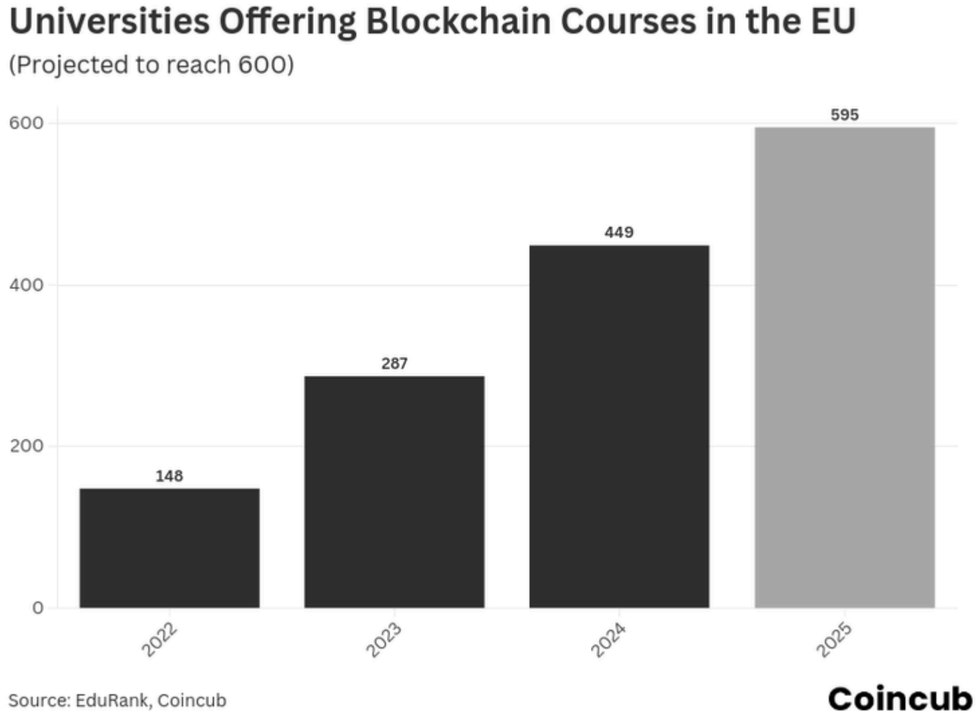


Nevertheless, European universities are ramping up blockchain and crypto-related programs, with the number of institutions offering dedicated courses projected to hit 600 by 2025. However, this educational expansion has not translated into a sustained talent pool for the European crypto sector:

Many top institutions are launching specialized research labs and degree tracks in blockchain, digital currencies, and decentralized finance. Despite that, graduates are relocating to the U.S., UAE, or Asia, lured by higher salaries, more abundant venture capital, and more opportunities. Each skilled professional lost to other regions is a missed change for Europe to build homegrown expertise. The continued exodus of young innovators compounds the continent's struggle to keep pace in digital assets and fintech.

A notable shift has also occurred in the type of roles advertised. Europe's roles are increasingly compliance-focused, such as legal and regulatory positions, whereas the U.S. and Asia prioritize innovation in Web3 development, venture capital, and financial market integration. The shift highlights Europe's struggle to balance regulation with fostering innovation.

Tech professionals, including blockchain engineers and data scientists, increasingly accept offers in the US, UAE, and Asia, where crypto remains a high-growth sector. Many cite easier access to funding, clearer regulatory guidance, and stronger local ecosystems.



Venture Capital Tumble Faster in Europe

VC Dried Up Globally During Bear Market, But the EU Hasn’t Recovered

Coincub

In 2022, venture capital funding for European crypto startups reached an all-time high of around $5.7 billion. So, despite nascent regulatory uncertainty, Europe was still seen as a viable hub for blockchain innovation. However, by 2024, that figure fell sharply. There are plenty of reasons for this.

First and foremost, the bear market post-2022 led to VC investments dropping in other regions as well, including the US and Asia. However, unlike Europe, North America and Asia started to recover in 2024. Europe, on the other hand, continues to decline. Understandably, external factors such as the ongoing conflict between Ukraine and Russia are some of the reasons why Europe has failed to recover, as investors prioritize regions with more stability.

Early-stage investors see more significant risk in funding EU-based crypto ventures. Many VC firms have redirected capital to the U.S. and Asia, where policies are more innovation-friendly.

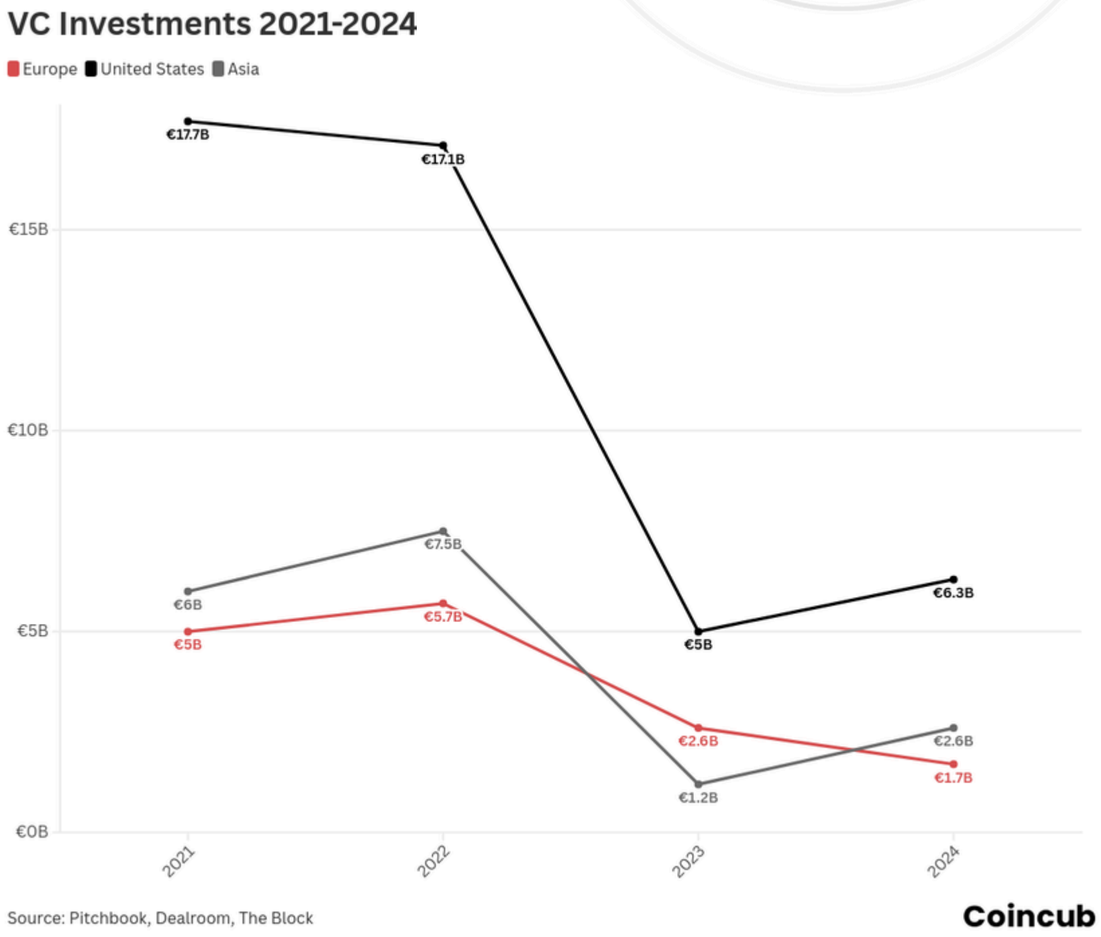
Established European crypto startups that survived the regulatory onslaught often resorted to mergers or acquisitions instead of attracting fresh funding rounds.

Comparison with the Other Regions

The U.S. and China benefit from better venture capital infrastructures. In the U.S., larger funds back crypto, fintech, and AI. Regulations in the U.S. are not without complexity, to say the least, but they do offer clearer pathways for crypto businesses to launch, raise funds, and scale.

Singapore has a pretty streamlined licensing regime. The UAE has its free-zone incentives that attract entrepreneurs fleeing Europe’s red tape. And China provides startups with both capital and extensive networks for growth.

Having seen the regulatory challenges posed by MiCA and the ECB’s influence on commercial banks and licensed CASPs, there are direct consequences for Europe’s crypto adoption as well.



The Future of Digital Assets in Europe

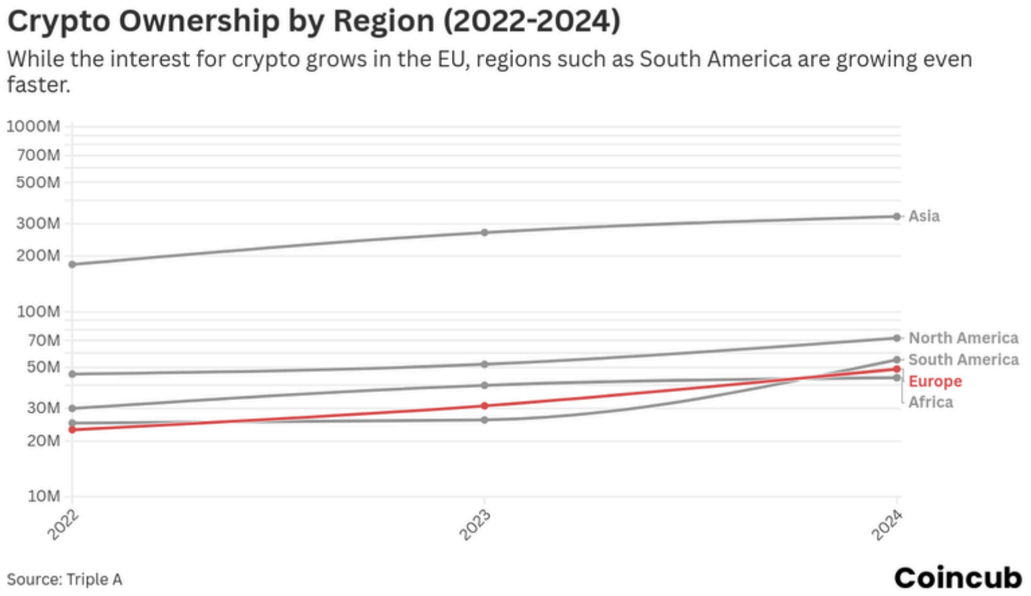
Crypto Adoption Grows, But Still Trails Behind

Coincub

Crypto Adoption

Despite an increase in absolute crypto ownership in the EU, from roughly 30 million in 2023 to an estimated 50 million by 2024, other regions like Asia and South America are growing even faster. Europe is lagging behind Asia, North America, and South America.

Even if the total number of European crypto holders climbs, the continent risks losing ground to markets offering more transparent regulations, flexible payment infrastructures, and stronger local ecosystems.

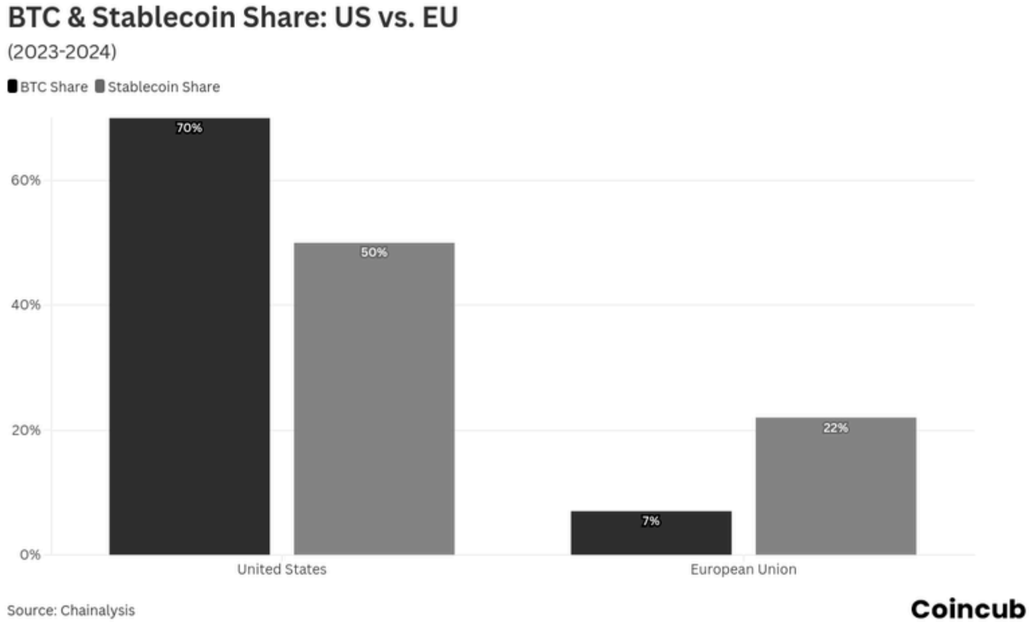


BTC & Stablecoin Share

Even if the total number of European crypto holders climbs, the continent risks losing ground to markets offering more transparent regulations, flexible payment infrastructures, and stronger local ecosystems.

The United States commands around 70% of global BTC trading volume, while Europe accounts for a mere 7%. The U.S. has much higher liquidity and a more extensive investor community willing to experiment with digital assets.

Stablecoins, crucial for facilitating rapid transactions and powering decentralized finance (DeFi), are used extensively in the U.S., with the latter having 50% of the stablecoin share. By contrast, European usage is lagging at 22%. MiCA saw Tether being delisted by many exchanges in the region, and it is no surprise that stablecoin dominance by region may shrink in the EU.



The Future of Digital Assets in Europe

Digital Euro Initiatives But No Crypto Reserves

Coincub

Digital Euro - Privacy for Me But Not for Thee

The European Central Bank (ECB) has long advocated a Digital Euro as a potential counterbalance to private stablecoins and a hedge against foreign digital currencies. A Digital Euro could safeguard monetary sovereignty, ensure efficient cross-border payments, and offer consumers a secure digital alternative to cash.

However, the Digital Euro poses significant risks, including privacy erosion, centralization vulnerabilities, increased surveillance potential, economic instability through bank disintermediation, and substantial compliance costs burdening consumers and banks. The digital euro vendor call alone was up to €1.1 billion in contracts. A study by the Copenhagen University of Economics also estimates annual costs of €20–30 billion, potential deposit outflows of €739 billion from commercial banks, and a reduction in EU GDP by 0.12–0.34% annually.

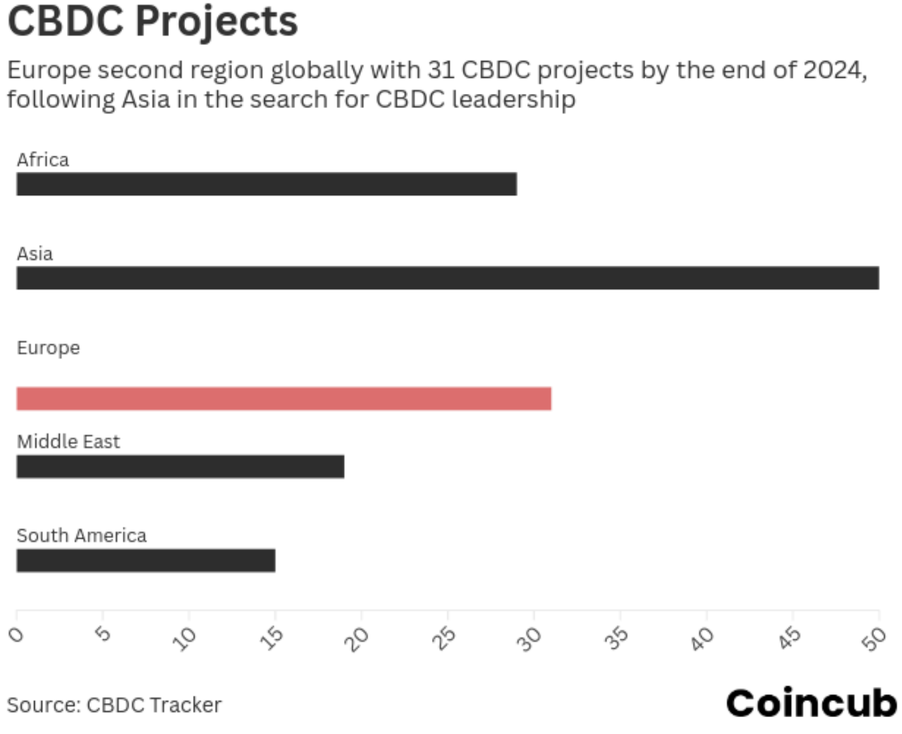
Like China, the EU's ECB has criticized Bitcoin as volatile, prone to illicit use and manipulation, environmentally harmful, and economically unnecessary. It has even suggested prohibiting or heavily taxing it. The ECB assures that the Digital Euro will not be linked with the social security number, unlike China's e-CNY. Still, concerns persist over potential surveillance risks, centralized control, and inefficiencies in implementation.

The Digital Euro is just one of the 31 active CBDC projects; in this category, Europe follows only Asia, which has a staggering 50 projects in various stages of implementation. In contrast to China and the EU, the United States has taken a cost-effective and popular negative stance on CBDCs, preferring to stick to private stablecoin issues (e.g., Circle, Tether), which allows them to thrive under more market-driven models.

No Crypto Reserve in the EU

In recent months, U.S. lawmakers and industry groups have floated the idea of creating a "crypto reserve" at the federal level. Proponents argue that such a reserve could reinforce the dollar's dominance in global finance and fuel mass adoption.

By contrast, the European Union has not moved toward establishing an EU-held crypto reserve. The ECB continues prioritizing the Digital Euro initiative, focusing on a central bank digital currency rather than incorporating private stablecoins or other crypto assets into its balance sheet.



Europe’s Wider Competitive Crisis

Structural Weaknesses Hold the Region Back in Innovation

Coincub

Broad Economic Stagnation

Mario Draghi’s recent report to the European Parliament and subsequent report show the broader economic context behind Europe’s crypto worries. Mica has accelerated the decline of digital asset innovation, but Draghi’s analysis reveals deeper structural issues. Some more themes can be found in Stripe’s 2024 annual letter, which also illustrated how Europe’s structural problems damage its ability to ride the wave of digital and AI-driven growth.

- **High Energy Costs**
  - European industries pay significantly more (2-3x higher) for power than their US counterparts.
  - The cut-off of Russian pipeline gas forced Europe to rely on pricier alternatives.
- **Trade War Threats & Global Tensions**
  - Imminent US tariffs on European goods further weaken export-driven industries.
  - An expected flood of cheaper Chinese products into European markets squeezes domestic companies already dealing with elevated production costs.
- **Broken Capital Markets & Bank Dependence**
  - European startups, including crypto ventures, struggle to secure equity financing compared to their US peers, who have access to deeper venture capital markets.
  - Europeans save heavily (€300 billion in unused savings), but the capital often remains locked in low-yield instruments instead of fueling innovation.
- **Slow Regulatory Processes**
  - By the time the EU implements new tech regulations, the market has often shifted (20-month legislative cycle)
  - Draghi equates the EU’s internal divisions to “a 45% tariff on manufacturing and 110% on services.”
- **Innovate or Stagnate**
  - Of the top 10 large language models, 8 come from the US and 2 from China (none from the EU)
  - Without unified markets, high-potential projects (especially in AI) remain underfunded.
- **Global Growth in Digital Services**
  - The US’s “internet-native” financial infrastructure is scaling quickly, with $1.4 trillion in payment volume
  - Stablecoin integration is a massive shift toward borderless digital assets, but Europe’s regulatory stance makes it less attractive for such innovations.
- **AI-Driven Commerce**
  - AI-driven startups and platforms are proliferating in the U.S. due to a supportive investment climate and fewer regulatory barriers
  - Many of these AI-powered fintech solutions could flourish in Europe but are deterred by fragmented regulations and bank access barriers
- **Fragmented Markets**
  - Businesses prefer jurisdictions with clearer and more streamlined rules and not those with increasing costs
  - European firms remain hesitant to adopt new tools (i.e., stablecoin-based micropayments) due to regulatory uncertainty

Why This Matters for Crypto

Europe’s Crypto Regulations Risk Long-Term Global Irrelevance

Among other shifting tectonic plates globally, these points paint a picture of a region struggling to maintain competitiveness in the tech space. MiCA’s immediate effect is visible in the crypto sector. High energy costs, fragmented capital markets, slow legislation, and underfunded innovation are systemic. They discourage risk-taking in blockchain and AI, pushing entrepreneurs to more agile markets.

Unless the EU addresses these issues, it risks falling behind in digital assets and global relevance.

Conclusion

Europe is torn between its reputation for rigorous consumer and financial safeguards and the risk of stifling the innovation needed to remain competitive. The decline of Europe’s crypto ecosystem illustrates more profound structural challenges.

The EU must reduce the exorbitant compliance burdens, simplify MiCA licensing to prevent a further exodus of startups and enforce uniform banking rules across member states so that crypto firms can operate on a level playing field. The EU must encourage venture capital and private equity involvement by harmonizing its regulations. There need to be clear, consistent guidelines for new projects and incentives for R&D in AI, Web3, and fintech.

Taking years to legislate will forever leave Europe reacting to yesterday’s technologies. Talent is there but leaving quickly, so the regulatory approach must be recalibrated. Europe can still participate in the next wave of financial innovation, but changes must be made so that the once-great financial hub does not continue to regress and observe from the sidelines.

Coincub

> **MiCA was designed to bring clarity, but in doing so, it has created a system that favors large players while stifling startup innovation. Europe urgently needs a limited CASP license, similar to the limited EMI and PI licenses under PSD3, that allows smaller crypto businesses to establish themselves before taking on the full weight of compliance requirements. Without it, the barriers to entry are simply too high for new ideas to take root.**
> **At the same time, MiCA mandates that CASPs and stablecoin issuers safeguard funds with a bank or central bank, yet the ECB has signaled that even regulated payment and e-money institutions shouldn’t get access to central bank safeguarding. This entrenches the debanked industry’s dependence on a handful of commercial banks, concentrating risk instead of distributing it. The crypto industry doesn’t just need IBANs; it needs financial partners who understand its unique challenges and can provide stable, long-term solutions. Like Januar.**

Marcus Mølleskov,
Chief Risk & Compliance Officer, Januar

Coincub

EU CRYPTO REPORT
2025

Special Edition