How New Crypto Regulations may Shape the Future of Digital Assets

- **President Trump's election looks likely to bring regulatory clarity to cryptocurrencies, boosting the sector's US growth, advancing Bitcoin mining and potentially leading to a strategic Bitcoin reserve.**
- **This follows the implementation of the EU's Markets in Crypto-Assets regulation at the end of 2024, giving the sector greater legitimacy in Europe.**
- **For investors, a diversified exposure that mitigates volatility may be the best way forward, as regulation centralizes an asset class built on the ethos of decentralization.**
- **Investing in blockchain technology may result in higher volatility due to technological advancements and changes in regulatory frameworks.**

Introduction

These are exciting times for cryptocurrencies. The re-election of Donald Trump as President of the United States appears to mark a pivotal moment for cryptocurrencies, particularly Bitcoin. Trump has vowed to make the United States the "crypto capital of the planet" and to end the country's tough regulatory crackdown of recent years.

In the days after his January 2025 inauguration, the new president issued a blizzard of executive orders, including one supporting the crypto industry and establishing the President's Working Group on Digital Asset Markets, tasked with developing a federal regulatory framework for digital assets. Additionally, he proposed exploring the potential creation of a national digital asset stockpile. However, at the time of writing he did not yet propose a state-backed Bitcoin reserve or the purchase of additional assets beyond those seized by law enforcement.[1]

Amid all of the enthusiasm, it was easy to overlook the fact that the European Union has just introduced its own digital asset rules. Known as the Markets in Crypto-Assets regulation (MiCA), these new rules came into force on 30 December 2024. Prior to the new Trump administration embracing crypto assets, MiCA had been seen as a potential international benchmark for crypto asset regulation.

What both the US and EU are seeking to do is to strike the right balance: they want to introduce sufficient regulation to protect crypto investors without killing off innovation. Judging by the strong performance of the Bitcoin price in the run-up to Trump's inauguration, investors think the US may at least get the balance right. However, while cryptocurrencies have the legitimacy that its proponents craved, much remains to be seen.

Trump Changes the Game: From Fostering Bitcoin Mining Businesses to the Strategic US Bitcoin Reserve

The Trump administration's stated policy direction looks set to accelerate the adoption of Bitcoin and other crypto

[1] The White House. (2025, January 23). Strengthening American leadership in digital financial technology. https://www.whitehouse.gov/presidential-actions/2025/01/strengthening-american-leadership-in-digital-financial-technology/

assets. By introducing regulations that give cryptocurrencies legitimacy, the new administration aims to promote the industry and position the United States as the global leader in digital asset innovation. Strategic support for infrastructure, such as Bitcoin mining operations, is likely to drive significant growth in the global cryptocurrency market while shaping its future.

Trump's proposed regulatory framework marks a transformative shift in the US approach to digital asset oversight, which aims to protect decentralized finance (DeFi) and public blockchain innovation from overregulation. The new framework directs federal agencies to establish clear guidelines by clarifying the roles of the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC).

By shifting towards a regulatory landscape that supports innovation, the framework could stimulate growth in the cryptocurrency sector and strengthen US competitiveness in the global cryptocurrency market. Indeed, its key objectives include providing regulatory clarity, enhancing transparency, and safeguarding consumers. Notably, it also proposes establishing a national digital asset stockpile. Proponents believe these measures will boost investor confidence, solidify the US as a global leader in the digital asset industry, and encourage broader international adoption and investment in cryptocurrencies.

Five Changes in the Legal Framework on Crypto Under Trump:

Below is a summary of the five measures that the new administration has proposed.

1. Crypto-Friendly Legal Framework

Trump plans to establish a crypto-friendly regulatory environment by appointing pro-crypto advocate Paul Atkins to replace SEC Chair Gary Gensler. This move aims to introduce clear, innovation-focused regulations to support growth in the cryptocurrency industry.

2. Fair Access to Banking for Crypto Business

An executive order mandates that banks and financial institutions must not discriminate against law-abiding crypto businesses when providing financial services.

3. Establishing the National Stockpile of Digital Assets

President Trump has proposed the potential creation and maintenance of a national digital asset stockpile. He has also suggested establishing criteria for this stockpile, which could include cryptocurrencies that have been lawfully seized.

4. Support for Dollar-Backed Stablecoins

Trump has shown support for fostering the development of privately issued, dollar-backed stablecoins as a means of strengthening the U.S. dollar's role in digital finance.

5. Formation of a President's Working Group on Digital Asset Markets

Trump proposed creating a task force to oversee the development of a comprehensive federal digital asset strategy[2]. Industry stakeholders stress the importance of collaborative engagement with regulators to establish a clear and supportive framework for digital assets.

The outcomes of these regulatory developments have the potential to play a pivotal role in shaping the future trajectory of the cryptocurrency landscape both within the United States and globally.

[2] SEC.gov | Crypto Task Force. (2025, February 4). https://www.sec.gov/about/crypto-task-force

Europe's New Framework: The Markets in Crypto-Assets Regulation

The Markets in Crypto-Assets Regulation (MiCA) is the framework adopted by the European Union to regulate crypto-assets. While some rules, such as those concerning stablecoin issuance, came into effect in June 2024, the comprehensive regulations for crypto-asset service providers (CASPs) were only implemented on December 30, 2024.

So, what is going to change? MiCA introduces a licensing system for CASPs and crypto-asset issuers: CASPs include businesses offering professional services related to crypto-assets. Five service categories require MiCA registration:

- Custody or administration of crypto-assets
- Operating crypto exchanges
- Investing or trading crypto-assets for clients
- Advising on crypto-asset portfolio management
- Providing payment services.

CASPs must adhere to standards akin to those for traditional financial institutions, covering areas like stability, custody, and market integrity. Licensing under MiCA also mandates compliance with EU anti-money laundering laws, including know your customer (KYC) requirements. Additionally, MiCA regulates the issuance of asset-referenced tokens, electronic money tokens, and utility tokens. It clarifies that MiCA only applies to crypto-assets that are not securities.

MiCA defines a crypto asset as a "digital representation of value, or rights, that can be transferred and stored electronically using distributed ledger technology (DLT)." It categorizes these assets into the following four distinct types:

Asset-Referenced Tokens

Crypto-assets designed to maintain a stable value by referencing multiple assets such as currencies, commodities, or other crypto-assets.

These tokens pose risks to financial stability and are thus subject to strict requirements.

Examples: PAX Gold, Wrapped Bitcoin

Electronic Money Tokens

Crypto-assets that reference a single official currency, functioning as an electronic surrogate for legal tender.

Must be issued at par value with claims on the issuer, ensuring holders' rights for redemption.

Examples: Tether USDT, Circle USDC

Utility Tokens

Tokens that provide digital access to specific goods or services supplied by the issuer.

Typically, these financial instruments are not widely recognized but are still regulated under MiCA to ensure transparency, fostering trust and confidence within the EU crypto market.

Examples: Binance BNB, Filecoin

Other Crypto-Assets (OCAs)

OCAs serve as a catch-all category for crypto-assets that are not electronic money tokens or asset-referenced tokens or utility tokens.

This undefined classification encompasses a wide range of assets, including layer-1 gas tokens, governance tokens, and even meme tokens.

Examples: Bitcoin, Ethereum

The full implementation of the MiCA regime is a major milestone, establishing a regulatory framework for the crypto-asset market in Europe. However, it does not eliminate the inherent uncertainty and volatility of the crypto-assets market — indeed it emphasizes consumer protection and the importance of investors being fully aware of the associated risks.

What this Means for Investors

The introduction of MiCA in Europe and the advent of the Trump administration's crypto-friendly policies herald a pivotal moment for digital assets. MiCA's structured approach to regulating crypto-asset service providers and token issuers introduces much-needed transparency and investor protection, providing legitimacy and setting a precedent for other jurisdictions. Its emphasis on licensing, anti-money laundering compliance and market integrity fosters a more secure and trustworthy environment for crypto markets within the EU.

However, both bring a mix of tailwinds and headwinds for crypto assets. While pro-business policies and regulatory clarity could drive greater adoption, there are risks associated with centralization and the possibility of over-regulation. After all, the ethos of cryptocurrencies is decentralization.

For investors, the key lies in balancing optimism with caution. Understanding the broader implications of this new and evolving world, preparing for inevitable volatility and following the insights of industry leaders will help investors to thrive.

EURITE (EURI) the first EURO stablecoin regulated by MiCA

In August 2024, Banking Circle S.A., launched the first bank-backed MiCA-compliant euro stablecoin, offering efficient solutions like smart contracts and out-of-hours settlement. As one of the first euro stablecoins under MiCA, EURI fosters trust, transparency and financial stability, while enhancing consumer protection and reducing legal risks.

The stablecoin functions as an ERC-20 token on the Ethereum blockchain as well as a BEP-20 token on the BNB smart chain (BSC).[3] It has the following characteristics:

- **Onboarding:** Institutional users (e.g. exchanges, liquidity providers) must complete KYC checks and onboarding with Banking Circle S.A.
- **Purchasing EURI:** Users deposit Euros into Banking Circle's bank account to purchase EURI on a 1:1 basis.
- **Minting EURI:** Banking Circle mints new EURI equivalent to the deposited euros and transfers it to the user's wallet.
- **Usage:** Users can trade, store, transfer, or exchange EURI 24/7.
- **Redeeming EURI:** When users return EURI to Banking Circle, it is burned, and the equivalent euro amount refunded to the user's bank account.

Bridging the Gap: Gaining Crypto Exposure via VanEck's Crypto and Blockchain Innovators UCITS ETF (DAPP)

As regulatory clarity improves in the United States and Europe, the long-term investment case for cryptocurrencies continues to strengthen. However, direct ownership presents several challenges, including volatility, security risks, and the complexities of custody and taxation. In this context, digital assets equity ETFs such as VanEck's Crypto and Blockchain Innovators UCITS ETF (DAPP) provide a compelling alternative.

Rather than directly holding cryptocurrency, DAPP offers diversified exposure to the broader digital asset ecosystem, including crypto miners, exchanges, blockchain infrastructure providers, and payment platforms. This diversification reduces the risk associated with investing in a single cryptocurrency while capturing the growth potential of the entire sector. Additionally, equity ETFs provide enhanced liquidity, regulatory oversight, and seamless integration into traditional investment portfolios. DAPP also eliminates concerns related to private key management, cyber threats, and counterparty risks often associated with direct crypto holdings.

For institutional and retail investors alike, equity ETFs represent a more structured and accessible means of participating in the digital asset revolution offering the potential benefits of the crypto economy while mitigating some of its inherent risks.

By investing in the DAPP ETF, investors can achieve diversification across multiple regions, revenue streams and digital assets, mitigating the risks associated with individual investments in a streamlined way. However,

[3] Eurite. (2024, September 2). MICA Regulated EURO Stablecoin | Eurite (EURI). https://www.eurite.com/

DAPP's Five Primary Exposures

Payment Gateways

Companies that process credit card and digital assets payments for websites and commerce platforms as well as traditional brick and mortar stores.

Hardware

Companies that create components which are used to mine or store digital assets, such as semiconductor chips.

Crypto Miners

Companies involved in processing transactions among users on public ledgers. Miners utilize powerful computational resources to solve complex mathematical problems, which in turn validate and record transactions onto the blockchain.

Exchanges

Companies which provide a platform to facilitate the trading of digital assets similar to traditional equity stock exchanges.

Software and Value Added Services

Companies that create digital asset software or otherwise facilitate digital asset transactions, payments and the operation of digital asset applications.

while DAPP mitigates certain risks, investors should remain aware of sector volatility, technology advancements and potential regulatory framework changes affecting digital assets.

Geographic diversity also provides exposure to a range of investment opportunities and developments in blockchain technology and cryptocurrency. The ETF operates within the evolving regulatory landscape and seeks to manage risks associated with market fluctuations while offering investors access to companies involved in digital asset innovation. However, investments in blockchain-related companies may be subject to heightened volatility, regulatory uncertainties, and technological risks that could impact the ETF's performance.

Investors should be mindful of the digital asset sector's trademark volatility. The table below shows how DAPP has been correlated with Bitcoin vs other assets, highlighting the degree to which DAPP's price movements align

with Bitcoin compared to other market instruments. The chart below shows the P/B ratio (TTM) for DAPP vs other assets, which measures how the fund's price compares to the book value of its underlying holdings over the trailing twelve months. A higher P/B ratio may suggest that investors expect strong future growth, while a lower ratio could indicate that the assets are undervalued relative to their book value. The following pie chart illustrates the geographical distribution of the DAPP ETF holdings, highlighting the United States as the dominant market.

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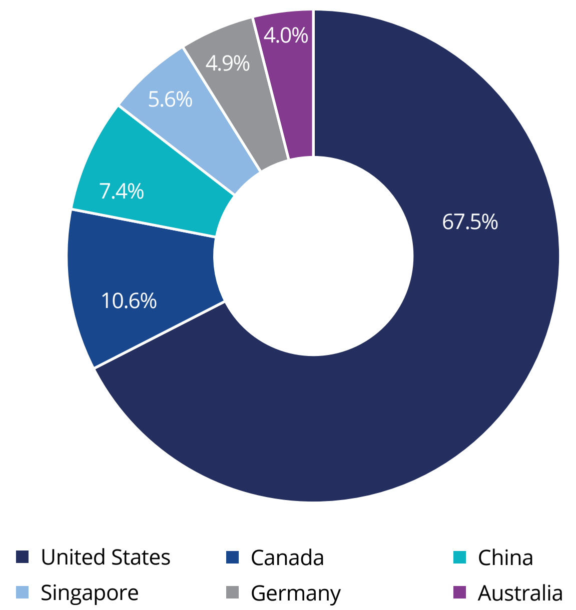
VanEck Crypto and Blockchain Innovators UCITS ETF
Country Weightings (%)



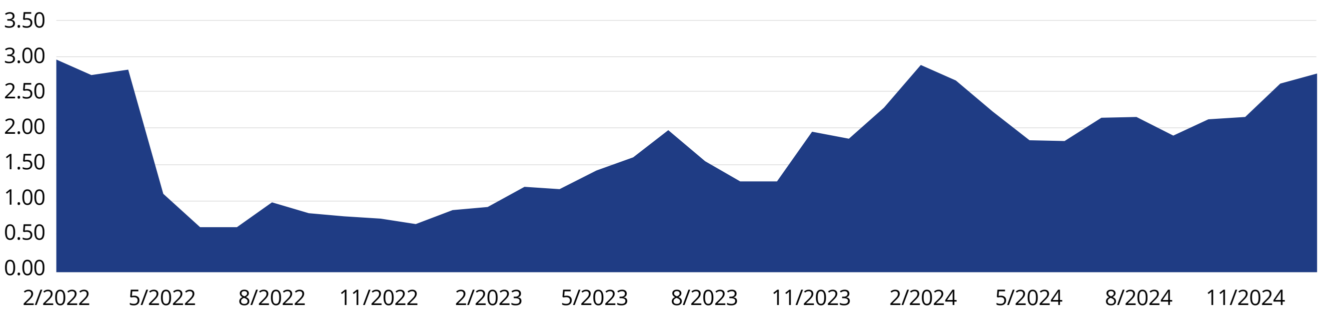
Source: VanEck data as 31/01/2025

VanEck Crypto and Blockchain Innovators UCITS ETF Monthly Correlation Matrix:

Investments	1	2	3	4	5	6
1 VanEck Crypto and Blockchain Innovators UCITS ETF	1.00					
2 Bitcoin	0.77	1.00				
3 Ethereum	0.71	0.80	1.00			
4 S&P 500	0.64	0.53	0.63	1.00		
5 Gold spot Price	0.11	0.16	0.11	0.19	1.00	
6 VanEck Gold Miners UCITS ETF	0.23	0.23	0.20	0.37	0.87	1.00

Source : Morningstar data as 05/02/2025

P/B Ratio (TTM)



Source : Morningstar data as 05/02/2025

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