

Better Regulation to Prevent Bubble Risks in Bitcoin Treasury Companies—What Should the EU Do?

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☞ Cryptoassets; EU law; European Securities and Markets Authority; Financial regulation

Abstract

This article examines the rise of Bitcoin Treasury Companies (BTCs) and Digital Asset Treasuries (DATs) within the European Union (EU), analysing the pro-cyclical bubble risks created by their models of issuance-funded accumulation, leverage, and refinancing mismatches. The market correction of October 2025 and then again in February 2026 have starkly exposed these vulnerabilities, revealing significant gaps in the EU's regulatory perimeter. This article argues that inaction is costly and propose a targeted, proportionate supervisory package led by ESMA to mitigate systemic risk while supporting safe institutionalisation.

Introduction

In the EU the full operationalisation of the Markets in Crypto-Assets Regulation (MiCAR) on 30 December 2024 has brought order to the previous “rollercoaster” shaping the crypto-asset adoption curve. MiCAR has thankfully confirmed that crypto is here to stay. Governments and regulators first progressed from ignoring it to fighting it—now many are enabling access through regulated wrappers such as exchange-traded products, reflecting investor demand for transparent and supervised channels.

MiCAR's prudential and conduct of business framework has acted as both a safety net and a catalyst for sustainable growth. This activity has moved from the

fringes to a more central component of financial markets, with the institutionalisation of digital assets accelerating markedly through 2024 and 2025.

While this development is welcome, a growing number of public-listed and private non-financial corporates (NFCs) now hold Bitcoin or other crypto-assets as treasury assets, either as a diversification strategy or as an investment proxy for the underlying asset.

This trend has given rise to two distinct corporate profiles: the Bitcoin Treasury Company (BTCs) and the Digital Asset Treasury (DATs), in which balance-sheet exposure to crypto-assets is a deliberate part of the business model rather than an incidental holding. The BTC/DAT model is simple - buy significant amounts of Bitcoin, hold it on the balance sheet and rely on equity market valuations to trade at a premium to the value of the Bitcoin held. With that premium, companies promise to issue more shares and/or convertible debt, use proceeds to buy more Bitcoin and boost the “Bitcoin per share” metric for investors. The increase in Bitcoin's market value raises the issuer's market capitalisation, often positioning it as a proxy for Bitcoin exposure and the higher valuation then facilitates further issuance and additional Bitcoin purchases. The process repeats until either market sentiment reverses or refinancing channels close. Both models can create pro-cyclical risk.

Many BTCs and DATs are publicly listed, heightening disclosure, governance, and market integrity considerations.¹ While only a small number of purpose-built BTCs are domiciled in the EU, risk propagation channels and spillover effects from non-EU BTCs present bubble and contagion risks to EU markets.

Following major market correction events, the European Securities and Markets Authority (ESMA) had, as of February 2026, yet to express its view on these risks. This article assesses the cost of inaction and outlines what ESMA could do.

Growth of the BTC/DAT phenomenon

The emerging BTC/DAT phenomenon has been most visible in the United States, where publicly listed companies hold the majority of reported corporate Bitcoin reserves. However, Europe has followed suit, with an identifiable but smaller cohort of EU-domiciled entities adopting similar strategies.² The European footprint remains modest in global terms but is expanding rapidly and carries distinctive prudential and legal implications

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¹ See in particular data here: <https://bitointreasures.net/> as at 10 February 2026. Approximately 120 to 170 publicly listed companies now operate explicit Bitcoin treasury strategies and that the cohort collectively holds roughly 1.6–1.7 million BTC (different trackers use different inclusion rules). These figures are consistent with CoinGecko, BitcoinTreasuries and a number of market reports summarising the post-2024 corporate accumulation wave.

² As of February 2026, fewer than twenty EU-domiciled entities can be identified as having an explicit digital-asset treasury mandate. Confirmed examples include *The Blockchain Group* (France), *Treasury B.V.* (Netherlands), *Bitcoin Group SE* (Germany), and several other Euronext and Frankfurt-listed entities that either hold or plan to accumulate Bitcoin as a balance-sheet reserve. These firms collectively hold positions ranging from a few hundred to several thousand Bitcoin each. Based on public filings and market disclosures, *The Blockchain Group* reported holdings of approximately 1,471 BTC in mid-2025, while *Treasury B.V.* disclosed around 1,111 BTC following a subsequent capital raise. Extrapolating from comparable entities suggests that total EU-domiciled corporate Bitcoin holdings may lie in the low tens of thousands of BTC, a small share of the global total but nonetheless economically significant given the volatility and leverage associated with such assets. Importantly, many more EU corporates—particularly fintech and payments firms—maintain non-material digital-asset balances for strategic or hedging purposes, which are often not captured by public trackers.

given the EU's regulatory structure and bank capital rules. Institutional engagement brings discipline—risk frameworks, independent oversight and accountability—yet introduces a paradox for BTCs/DAT: while Bitcoin itself may not sit in a classic bubble, some “corporate plays” around it can.

In short, such feedback dynamics can produce valuation overshoots, as the corporate demand for Bitcoin becomes both the cause and the consequence of price appreciation. The risk is not merely theoretical: historical episodes have shown that even small cohorts of aggressively accumulating corporates can materially influence the marginal price of Bitcoin. In the EU context, this is particularly relevant given the smaller scale of domestic BTCs/DATs—where balance sheets are more concentrated and liquidity buffers thinner.

Trouble ahead for BTCs and DATs?

While the BTC/DAT model has worked for a time, with some companies trading at twice (or more) the value of their net crypto-assets, the outlook is now perhaps less promising. This is due both to price dynamics, itself influenced by BTCs'/DATs' price amplifying effects, and emergence of new entrants, primarily regulated institutional investors and intermediaries. Mainstream financial institutions now offer regulated products such as exchange-traded vehicles, thus making it much simpler for even cautious investors to buy crypto-asset exposure without buying operating company equity. BTCs' appeal have therefore diminished and in some cases their premiums have compressed, issuance windows have narrowed and investors can be left holding expensive and concentrated single crypto-asset i.e., Bitcoin exposure embedded in an unregulated and essentially NFC form.

BTCs derive value almost entirely from price appreciation of Bitcoin. Their revenues often come from unrelated operating subsidiaries (e.g., analytics software, mining, or consulting), but their valuation is typically correlated to their Bitcoin holdings and leverage ratio. Many BTCs use convertible debt or at-the-market (ATM) equity programmes to acquire more Bitcoin, creating a self-reinforcing “BTC flywheel” during bull markets.

DATs expand on the BTC model by managing diversified portfolios of multiple crypto-assets, such as Bitcoin, Ether, Solana, stablecoins, and tokenised securities. Their mandate extends beyond simple asset accumulation to active treasury management, including staking, liquidity provision, and digital yield strategies.

Unlike BTCs, DATs may generate yield and fee income through staking, decentralised finance (DeFi) protocols, and market-making. This makes them more akin to digital asset investment managers than single-asset holding vehicles, with an income model that is more diverse but also more exposed to protocol and counterparty risks.

Fuelled by rising prices and a friendlier regulatory backdrop, the BTC/DAT model has worked spectacularly for some, with headline stock performances far outpacing underlying token appreciation. Success has bred scale: a

growing cohort of publicly traded companies have announced DAT strategies, funnelling large sums into crypto-assets, predicated on the belief that holding tokens will turbocharge equity value as it has for first movers.

Case Study: The October 2025 Correction

The crypto-asset market correction in October 2025 revealed critical vulnerabilities in the BTC and DAT models. Between October 10th and 11th, 2025, the market experienced its largest liquidation event to date, losing over USD 500 billion in capitalisation as Bitcoin's price fell from USD 121,000 to USD 106,000. During this period, a total of USD 19 billion in leveraged crypto positions were liquidated.

BTCs and DATs were pivotal in these dynamics. Many of these entities employed significant leverage to finance their crypto-asset acquisitions, amplifying their exposure to price declines. As prices fell, margin calls and forced liquidations created downward pressure on crypto-asset markets, as well as equity and credit markets.

The correction underscored the systemic risks posed by BTCs and DATs. Because many firms employed similar leverage structures and relied on mNAV-linked covenants, moderate price declines triggered simultaneous deleveraging. This created a feedback loop: falling mNAV prompted asset sales, which further depressed market prices, in turn reducing mNAV again. The event illustrated how interconnected BTCs and DATs can transform a market correction into a cascading liquidity crisis.

The 2026 Market and Price Corrections: From Episodic Shock to Structural Stress

Market developments in early 2026 materially reinforced the vulnerabilities exposed during the October 2025 correction. In February 2026, Bitcoin experienced a rapid drawdown of approximately 50 per cent from its prior cycle peak, with prices briefly halving over a compressed time horizon. The correction was accompanied by sharp declines across other major crypto-assets, elevated realised volatility, and extensive deleveraging across both spot and derivatives markets.

Market commentary at the time increasingly framed these developments not as a cyclical retracement, but as reflecting a deeper loss of confidence in the sustainability of prevailing crypto-asset valuation narratives, including assumptions regarding institutional price support, long-term demand elasticity, and Bitcoin's role as a macro-hedge or digital store of value.

Unlike the October 2025 episode, which was characterised by abrupt liquidation cascades and short-term market dislocation, the 2026 correction combined sharp price moves with a more protracted contraction in liquidity and risk appetite. Equity valuations of listed BTCs and DATs remained under

sustained pressure even where crypto-asset prices partially stabilised, reflecting a reassessment by investors of refinancing risk, governance resilience, and the structural leverage embedded in treasury-centric corporate models.

These developments suggest that the October 2025 events were not anomalous, but rather part of a recurring stress pattern inherent in issuance-funded and leverage-amplified corporate crypto-asset accumulation strategies. The 2026 correction therefore operates as a confirmatory stress test, transforming earlier theoretical concerns into observable market outcomes.

What is mNAV and Why It Matters

Market-to-NAV (mNAV) is the ratio of a company's equity market capitalisation to the current market value of its crypto-asset holdings net of liabilities, analogous to the premium or discount of a closed-end fund. Unlike traditional Net Asset Value (NAV), which may use book value, mNAV uses current market prices, making it highly sensitive to short-term volatility.

Because many BTCs and DATs link leverage, covenants, and liquidity coverage to mNAV, short-term price moves can force rapid balance-sheet actions even when book NAV is unchanged. A sudden drop in crypto-asset prices can trigger margin calls or automatic liquidation clauses, transforming market risk into immediate liquidity or solvency risk. mNAV is therefore the pivotal lens for stress testing and governance in these structures.

A meaningful minority of BTCs/DATs, however, trade below their crypto NAVs (an mNAV under 1.0), effectively at a discount to the tokens they hold. Compression in mNAV premia reflects oversaturation of crypto-asset to equity and investor differentiation. Issuers holding proof-of-stake tokens such as Ether or Solana often sustain higher mNAVs due to staking yields, which allow "organic" growth in digital assets per share. Importantly, trading below NAV can make it more difficult to raise fresh capital, whether debt or equity, to purchase additional crypto-assets, though it may create opportunities for value investors to acquire exposure at a discount.

More pressingly, mNAV is highly sensitive to market fluctuations and functions as a critical lens through which the balance-sheet risk of DATs is assessed. Unlike traditional Net Asset Value (NAV), which often reflects book or acquisition cost, mNAV recalculates a company's net assets using current market prices for all holdings, including volatile digital assets such as Bitcoin. This valuation approach makes mNAV highly sensitive to short-term market movements. For example, a DAT holding 1,111 bitcoin purchased at USD 95,000 each would have a book NAV of approximately USD 105.5 million. If the market price for spot bitcoin falls to USD 70,000, the mNAV immediately drops to USD 77.8 million. Many BTCs/DATs calculate leverage, covenant compliance and liquidity coverage based on mNAV, meaning that even if a company remains solvent on a

book-value basis (and with no losses), sudden market movements can trigger margin calls, refinancing requirements, or automatic liquidation clauses.

The October 2025 crypto-asset market correction illustrates the systemic importance of mNAV. Rapid declines in Bitcoin and other digital asset prices caused sharp reductions in mNAV across multiple DATs. BTCs were among the first to experience mNAV compression and refinancing stress, while DATs amplified contagion through liquidity withdrawals and DeFi unwindings. The interaction of both structures magnified the correction's depth and velocity.

The 2026 correction further demonstrated that mNAV-linked fragilities are not confined to acute liquidation events. Sustained price declines, even absent disorderly market conditions, were sufficient to erode mNAV premia over time, materially constraining refinancing capacity and amplifying dilution risks. In this respect, mNAV operates not merely as a transmission channel for shocks, but as a chronic amplifier of pro-cyclicality, continuously translating crypto-asset price movements into corporate balance-sheet stress.

Moreover, because many firms employ similar leverage structures and rely on mNAV-linked covenants, moderate price declines simultaneously triggered deleveraging or forced sales across multiple entities. This created a feedback loop: falling mNAV prompted asset sales, which further depressed market prices, in turn reducing mNAV yet again. The October 2025 and February 2026 events illustrate how interconnected DATs, through the lens of mNAV, can transform a market correction into a cascading liquidity and solvency challenge.

The market corrections observed across 2025 and 2026 demonstrate that these feedback mechanisms are no longer hypothetical. They have repeatedly manifested in equity market dislocations, prolonged capital market closure, and investor harm, even in the absence of fraud, misconduct or governance failure in the conventional sense.

These dynamics demonstrate that trading at a premium or discount relative to NAV is not inherently pathological, but when combined with aggressive leverage, convertible issuance, or reliance on market premia to fund perpetual crypto-asset accumulation, they can produce pro-cyclical bubbles in corporate equity. Institutional investors and boards must therefore consider mNAV as a central metric in stress testing and governance frameworks, using it to assess the potential for rapid balance-sheet erosion, margin-induced forced sales and the systemic amplification of market corrections. Properly understood and managed, mNAV provides an early warning mechanism for both liquidity and solvency risk while informing capital-raising strategy and investor entry points.

From a regulatory perspective, BTCs and DATs are typically neither funds issuing redeemable units nor cryptoasset service providers (CASPs) intermediating client activity. They are therefore largely unregulated at

a sectoral level, yet they can become large, market moving holders of volatile assets financed by public market instruments.

This hybrid profile challenges perimeter clarity, materiality judgments under market abuse rules, and prudential sensibilities about concentration risk in NFCs. It also creates avenues for risk propagation, particularly when refinancing becomes limited, with potential spillovers into both crypto-asset and traditional financial markets.

Refinancing and Liquidity-Mismatch risks, Cascading insolvencies and Contagion channels

Many BTCs and DATs fund their positions through short-dated debt instruments, structured notes, or repo-style financing. These structures are highly sensitive to price volatility, as a significant drawdown in an asset's market value, which is not unusual in crypto markets, can rapidly erode collateral coverage ratios and trigger margin calls or covenant breaches.

Using the mid-2025 spot price of approximately USD 109,000 per BTC, the aggregate global corporate Bitcoin position (≈ 1.65 million BTC) represents a notional market value of roughly USD 180 billion. A 30 per cent drawdown in such an environment would erase over USD 50 billion in mark-to-market value.

For the EU sub-cohort, assuming total corporate holdings of roughly 10,000 BTC, a 30 per cent decline would equate to a collective balance-sheet contraction of around USD 330 million—in particular as Bitcoin exposure in USD may be further subject to foreign exchange risk (even where hedged) back into EUR. While these figures are small at a systemic level, they are highly material for the individual issuers and their financiers, particularly where leverage or short-term debt is involved.

The stress is not merely a market loss, it is a potential liquidity event. Covenants, margin schedules and collateral agreements would be triggered simultaneously across multiple firms, with no central liquidity provider to absorb the shock. In such a scenario, the risk of cascading insolvencies among smaller BTCs/DATs is real and quantifiable.

When a major BTC/DAT faces distress and liquidates positions, it not only depresses the asset price but also transmits credit stress to counterparties reliant on that collateral. The result can be a *cascading insolvency* reminiscent of margin-chain collapses in traditional derivatives markets. The October 2025 and February 2026 liquidity event, which saw billions of dollars in forced liquidations of Bitcoin within days, underscores the speed with which such contagion can unfold.

Evidence from the 2026 market correction indicates that refinancing windows for BTCs and DATs do not necessarily reopen in tandem with partial crypto-asset price recoveries. Instead, equity investors and debt

providers increasingly priced in governance, concentration and structural leverage risks, resulting in persistent funding frictions even where underlying crypto-asset prices stabilised. This asymmetry increases the likelihood that temporary market corrections evolve into enduring balance-sheet stress for treasury-centric corporates.

In Europe, this risk is magnified by the limited willingness of banks to provide liquidity support to crypto-exposed corporates. Under the EU's Capital Requirements Regulation (CRR, as amended by CRR III) transitional arrangements, banks must apply punitive risk weights of up to 1,250 percent on most crypto-asset exposures. This effectively prices such exposures out of the bank funding market, leaving BTCs/DATs reliant on capital markets or non-bank lenders for refinancing. The absence of robust liquidity backstops increases the likelihood that market-value shocks translate directly into forced asset sales-amplifying price declines and liquidity stress.

Regulatory stakes: welcoming institutional access, avoiding bubble mechanics

Institutional participation in crypto-asset markets is a net positive: it professionalises custody, valuation, disclosure and risk oversight. However, it also necessitates clarity around two fault lines:

First, the difference between regulation of financial services firms (subject to detailed authorisations, capital, conduct and safeguarding rules) and NFCs (subject to rules focused primarily on issuer disclosure and corporate governance) must be carefully calibrated when the latter behave like concentrated crypto-asset exposures financed by public equity and debt.

Second, inconsistency across Member States and EU-level instruments creates arbitrage incentives and disclosure frictions that can fuel bubblelike dynamics. Issuers and investors may lean into exuberant messaging and financing-driven accumulation when the rulebook is silent on stress testing, inside information thresholds, custody assurance, and scenario disclosure. Commentators such as OMFIF's elegantly penned critique from 24 September 2025 on the "infinite money glitch"³ underscore the procyclical danger of leverage and convertible issuance used to stockpile crypto.

Institutional access through exchange traded products has changed the opportunity set. Investors can now obtain pure crypto exposure with regulated safeguards, reducing the relative appeal of operating company proxies whose equity premia can disconnect from underlying crypto value. That is a healthy market maturation—but without consistent rules for BTCs and DATs, compression in mNAV premia can trigger abrupt deleveraging, forcing share issuance at unfavourable terms or impairing balance sheets, with knock-on effects on investor confidence.

³ Bob Geels, "Bitcoin treasury companies: infinite money glitch?" (24 September 2025), available here: https://www.omfif.org/2025/09/bitcoin-treasury-companies-infinite-money-glitch/?mc_cid=1527ff5dad&mc_eid=7c18c97a4a.

Regulatory dimension	Financial services firms (e.g., CASPs, funds)	NFCs as BTCs/DATs
<i>Authorisation/perimeter</i>	Subject to MiCA/AIFMD/UCITS authorisation and clear service definitions	Generally outside MiCAR unless issuing tokens or providing services; issuer-law only
<i>Capital and prudential</i>	Capital, safeguarding, organisational and conduct requirements	No sectoral capital rules; leverage via debt/convertibles unconstrained
<i>Safeguarding/custody</i>	Prescriptive custody/key management standards under MiCAR regimes	Voluntary practices; disclosure-based expectations under MAR/Transparency
<i>Disclosure</i>	White papers, KIDs, periodic fund reports, risk factors	Financial reports and ad hoc MAR disclosures; crypto-specific granularity often absent
<i>Stress testing</i>	Often mandated (funds, prudential frameworks)	Not mandated; recommended via governance best practice
<i>Supervisory oversight</i>	Ongoing supervisory engagement and rule-books	Listing rules and general corporate governance; less prescriptive

This divergence is central to bubble risk management: institutional capital is welcome but concentrated crypto treasuries in nonfinancial corporates require tailored, consistent obligations to mitigate procyclicality.

Classifying BTC/DATs in the EUs current legislative, regulatory and supervisory framework

Both BTCs and DATs are not legally defined in the EU's legislative, regulatory and supervisory framework even though much of what they do may, depending on structure, touch on the perimeters of core concepts. For many BTC and DAT operators there are a number of (perfectly legal and defensible) options to structure around those requirements. Doing so respects the privity of choice of business operations but runs a number of risks in particular in heightened volatility, adverse market operating conditions that should trigger caveat emptor i.e. buyer beware warnings in particular for retail investors.

MiCAR: the perimeter gap for own account treasuries

The EU's Markets in Crypto-Assets Regulation (MiCAR) harmonises rules for cryptoasset issuers and cryptoasset service providers (CASPs). Its scope is defined in arts 3–5 (definitions and perimeter), with tailored regimes for asset referenced tokens (ARTs) and emoney tokens (EMTs) as well as utility tokens and tokens that are equivalent to financial instruments being regulated under the EU's traditional financial services regulatory regime, as amended and supplemented to accommodate the technicalities of distributed ledger technology and blockchain trading and settlement.

Most importantly, MiCAR targets intermediated markets—issuance, trading, custody, advice—not corporates holding unbacked crypto-assets solely on their own account. Therefore, a pure holding BTC does not trigger issuer or CASP authorisation and the calibrated obligations for ARTs/EMTs are inapposite to balance sheet Bitcoin.

This creates what can be termed the “crypto-asset treasury gap,” where an entity can hold market-moving positions without being subject to MiCAR's core safeguards. This gap is significant because BTCs and DATs increasingly use public capital markets and leverage. To address this, a new classification of “strategic crypto-asset holding company” could be introduced to apply tailored rules to these entities. Without such a framework or specific ESMA guidance, investor protection relies on general issuer laws and voluntary best practice.

MiCAR indirectly binds a BTC/DAT if it issues tokens referencing its treasury or provides CASP functions. In such cases, key obligations include authorisation and issuer disclosure (e.g., arts 58–60 on white papers) and CASP safeguarding and organisational requirements (e.g., arts 92–103, custody/safekeeping; and arts 85–92, conduct). Structured tokens mirroring treasury composition may intersect with ART rules depending on design, but most BTCs/DATs eschew such token issuance, which thus limits capture.

Supervisory frictions proliferate in the gap. Custody risk—private key management, hot/cold storage, thirdparty reliance—is a core CASP concern under MiCAR, yet ownaccount treasuries sit outside these safeguards.

Notably, ESMA interpretive guidance on the EU's Market Abuse Regulation (MAR) with respect to materiality, custody architecture, and valuation policy transparency would substantially reduce divergence.

AIFMD/UCITS: substance over form, but few BTCs/DATs qualify

BTCs and DATs are typically not considered collective investment undertakings because they do not issue redeemable units, pool capital for a defined investment policy, or manage portfolios for unitholder benefit. Consequently, the Alternative Investment Fund Managers Directive (AIFMD) and the UCITS Directive rarely apply.

However, edge cases exist where instruments issued by these entities could be seen as mimicking fund units or offering redemption features. A substance-over-form analysis is needed in these situations. Clarified regulatory guidance on which features—such as mandate, governance, investor control, and redemption mechanics—would bring a BTC or DAT into the AIFMD/UCITS scope would reduce uncertainty and foster a harmonised EU approach.

MAR and Transparency: materiality under volatility and the risk of promotional hype

Listed BTCs are not always full subject to MAR nor the EU's Transparency Directive (2004/109) regime, as amended. Access to crypto-assets via regulated exchange traded products and notes has also reduced the relative appeal—and pricing premia—of operating company proxies, intensifying the need for disciplined disclosures and governance. The following three friction points may drive regulatory risk:

First, inside information triggers. Significant purchases or sales of crypto, changes in custody vendors or architecture, security incidents with wallet infrastructure, revisions to valuation or impairment policies and covenant developments tied to crypto price movements can all be price sensitive. Determining when information is sufficiently precise and likely to affect prices is challenging under extreme volatility. Silence can be misleading, while premature disclosure can create noise and confusion.

Second, disclosure timing and completeness. Rapid crypto price swings can render periodic reports stale. Ad hoc announcements may be needed when exposure, leverage, or mNAV premia cross internal thresholds. Without guidance, issuers oscillate between under disclosure (regulatory exposure) and over disclosure (information overload), undermining investor trust.

Third, market manipulation risk. Promotional communications about BTC strategy—especially by executives whose compensation or financing plans depend on equity premia—can cross into hype. Messages must be balanced, avoid selective disclosure and respect MAR prohibitions. With institutional investors now able to obtain regulated exposure through exchange traded products, a BTC's comparative advantage is governance and transparency, not exuberant messaging.

In short, the EU's present transparency obligations were designed for conventional assets and even with MiCAR they lack cryptoasset specific granularity. Investors need issuer level disclosure of custody architecture, key management resilience, concentration limits, valuation policies and scenario analyses—not just notional exposure numbers—to assess risk.

IFRS accounting and valuation: asymmetric P&L and assurance challenges

Under IFRS, Bitcoin is typically classified as an intangible asset, with impairment accounting asymmetric to fairvalue gains. Alternative treatments are uneven and expose comparability gaps. Differences in price sources, valuation frequency, fairvalue hierarchy determinations, impairment triggers and treatment of chain events create estimation uncertainty and audit complexity.

These frictions matter for regulators and investors. Earnings volatility flows through reported results. Covenant calculations can swing violently. Equity premia

can detach from crypto NAV. Independent assurance over custody controls, valuation policies and incident response protocols should be elevated from voluntary practice to market expectation.

Prudential and governance: NFCs with quasi-prudential profiles

Most importantly, BTCs nor DATs are not banks and not subject to the CRR/CRD framework. Yet their leveraged treasury accumulation, covenant-linked debt and reliance on mNAV premia to fund growth can create prudential-like risks. Drawdowns can force dilutive issuance or asset sales. Counterparty exposures and liquidity squeezes can compound stress.

What should boards of NFCs operating as BTCs or DATs consider doing?

Regardless of the evolution of any further EU-level clarifications or standards applicable to BTCs and/or DATs, their boards should well consider the benefits of adopting crypto-specific risk oversight, defining concentration limits, codifying custody resilience, articulating hedging and liquidity policies and disclosing rebalancing protocols to the institutional and retail investors in their offering documentation and periodic reporting.

Concurrently, both exchanges and supervisors could incorporate these expectations into listing rules and supervisory statements, moving from soft encouragement to clear baseline standards.

Member State Approaches: largely divergent in detail

Across the EU, listed companies that hold cryptoassets on own account (treasuryonly models) sit at the intersection of two regulatory tracks. First, intermediated activities fall under MiCAR harmonised authorisation, conduct and prudential regime for cryptoasset service providers, alongside AntiMoney Laundering/Countering the Financing of Terrorism (AML/CFT) reforms and the Digital Operational Resilience Act (DORA) for digital operational resilience. Second, nonintermediated corporate holdings continue to be governed primarily by capital markets law, notably the Market Abuse Regulation (MAR) and the Transparency Directive regime, together with local corporate governance norms and accounting/tax frameworks. This split leads to recurring issues for boards and disclosure committees.

Foremost, inside information analysis under MAR is factsensitive. Material treasury movements, significant changes in custody arrangements, cybersecurity incidents affecting wallets, or rapid valuation swings may amount to inside information, yet thresholds and timing for disclosure require calibrated judgements. Comparability suffers where scenario and sensitivity analyses, impairment methodologies and fairvalue approaches are unevenly described. In parallel, operational resilience

expectations converge around wallet security, key management, segregation between hot and cold storage and third-party assurance over custodians and service providers. Where acquisition or disposal channels are opaque, national competent authorities (NCAs) may also scrutinise AML/CFT controls and relatedparty flows, even for own account holdings.

Finally, Member State practice differs in the residual perimeter around non-MiCAR cryptoassets and in how national law maps such assets to existing financial or banking concepts. The result is heightened expectations for transparent reporting of exposures and controls, but with variability in the intensity of supervision for treasury only models. The European Securities and Markets Authority (ESMA) led supervisory convergence would help ensure consistent market integrity outcomes without stifling helpful local innovation.

Germany

Germany's supervisory practice, notably the Federal Financial Supervisory Authority (BaFin), has long recognised that certain nonMiCAR cryptoassets may qualify as units of account under the German Banking Act. That position, predating MiCAR, continues to pull intermediated activities into the financial instrument perimeter. Crypto-asset custody is a licensable activity under BaFin's crypto custody business regime, bringing organisational, conduct and prudential expectations. Pure ownaccount treasury holdings by corporates do not trigger licensing, however, perimeter risk arises where group entities provide custody or execution to affiliates, potentially crossing the line from ownaccount to regulated intermediation.

For listed issuers, the practical consequence is elevated expectations on clear, decisionuseful disclosures. Boards should ensure transparent reporting of cryptoasset exposures, custody models and counterparties, keymanagement controls and security arrangements, with incidentresponse playbooks that integrate MAR obligations. Wallet cybersecurity incidents may be pricesensitive and require prompt disclosure. Delayed or partial transparency risks enforcement. Tax analysis for corporates is comparatively developed but interacts with volatility in ways that complicate deferred tax recognition and investor messaging. For treasuryonly models, intensity is driven by capital markets law and governance scrutiny, underscoring the value of ESMA coordination for consistency.

France

France's digital asset service provider (DASP) regime is designed around intermediaries. Pure treasury holdings do not require authorisation. France's NCA, the Financial Markets Authority (AMF) emphasises balanced communications and investor protection, with particular sensitivity to messaging that understates custody, valuation or liquidity risks.

Governance expectations are strong. Boards are expected to oversee risk management, internal control and audit and to demand evidence of keymanagement discipline and segregation between hot and cold storage. In practice, issuers with material exposure provide detail on custody arrangements, concentration of counterparties, impairment and valuation approaches, often in response to investor engagement rather than prescriptive rules. As MiCAR takes full effect, alignment strengthens for intermediaries. Treasuryonly exposure remains squarely governed by MAR, the Transparency framework and corporate law. The principal friction lies in process ambiguity: thresholds for treating treasury actions as inside information are imprecise and scenario and sensitivity disclosures vary widely, impeding comparability across issuers.

Luxembourg

Luxembourg's strengths in fund structuring, special purpose vehicle (SPV) platforms and capital markets infrastructure continue to attract digital finance initiatives. Luxembourg's NCA, the Commission for the Supervision of the Financial Sector (CSSF) has engaged through circulars and public statements on digital finance and the interpretation of MiCAR, while corporate ownaccount treasuries remain subject to general issuer obligations rather than bespoke cryptotreasury rules. Best practices spill over from the funds ecosystem—independent valuation, segregation of duties, thirdparty assurance and serviceprovider oversight—and increasingly shape market expectations for listed corporates holding cryptoassets.

This flexibility can be a competitive advantage for attracting issuers with treasurylevel exposure, but it also places greater weight on voluntary standards and on the clarity of issuer disclosures. ESMAcoordinated guidance would support comparability and market integrity without undermining Luxembourg's agility.

The Netherlands

Dutch supervision by the Netherlands Authority for the Financial Markets (AFM) and the Dutch central bank (DNB) focuses on intermediaries and AML/CFT compliance, with pure treasury holdings addressed through MAR and the Transparency regime. Supervisory communications emphasise operational resilience—wallet security, vendor due diligence, segregation of duties and incident management—and press issuers to provide scenario and stress analyses, valuation policies and impairment triggers that improve decisionusefulness. Even for ownaccount holdings, AML/CFT concerns can arise where acquisition channels, on and offramp practices, or relatedparty flows lack clarity. Dutch practice illustrates how softlaw tools and supervisory expectations can shape issuer behaviour pending further EUlevel convergence.

Ireland

Ireland's capital markets ecosystem and commonlaw environment support international listings and treasury operations. Ireland's NCA, the Central Bank of Ireland prioritises consumer protection and AML/CFT. Pure treasury holdings do not generally trigger crypto service authorisation. Listed issuers remain subject to MAR and the Transparency regime, with Euronext Dublin's emphasis on cyberoperational resilience aligning naturally to robust walletsecurity expectations.

Irish practice centres on balanced disclosures, independent assurance over custody and valuation transparency. Governance expectations include boardlevel oversight, clear lines to the audit committee on keymanagement controls and cold/hot storage segregation and disciplined incident reporting. Ireland's opportunity lies in targeted supervisory articulation—through statements or listing guidance—on cryptotreasury disclosures, custody assurance and illustrative scenario templates that enhance comparability and investor protection without overlegislating. This would position the jurisdiction to welcome institutional capital while curbing bubbleera risk behaviours.

U.S. Comparative Framework for Listed BTCs

In contrast to the EU, current U.S. securities law mandates detailed periodic and current reporting; the SEC actively enforces cryptorelated disclosures and controls. Bitcoin's commodity status brings the CFTC into derivatives oversight and thus AML obligations apply to said intermediaries. SarbanesOxley internal control requirements drive rigorous governance over valuation, custody and risk management.

Two structural features shape venue selection. First, accounting convergence toward fairvalue treatment for certain cryptoassets improves earnings symmetry and comparability relative to IFRS practice. Second, disclosure discipline—granular risk factors, scenario analyses, controls reporting—is entrenched, reducing ambiguity and promoting investor confidence. For EUbased BTCs, U.S. venues can present clearer expectations and consistent enforcement, drawing listings away from EU markets unless comparable clarity is achieved domestically.

Learning from SPACs?

The emergence of BTCs and DATs in the EU capital markets closely echoes the earlier Special Purpose Acquisition Company (SPAC) phenomenon, both in terms of market exuberance and regulatory challenge. In both cases, a novel corporate structure—whether a blank-cheque vehicle or a crypto-asset proxy—captured investor imagination, fuelled by the promise of outsized

returns, financial innovation and a perceived regulatory gap. The result was a rapid proliferation of listings, a surge in capital formation and, inevitably, a reckoning as market realities and regulatory scrutiny caught up with the hype.

SPACs: The European and US Regulatory Response

SPACs, at their peak, were lauded as a flexible, efficient route to public markets, bypassing the rigours of traditional IPOs. In the United States, the Securities and Exchange Commission (SEC) responded to the SPAC boom with a combination of enforcement, interpretive guidance and, ultimately, rulemaking. The SEC's interventions focused on disclosure discipline, conflict management and the alignment of sponsor and investor interests. Key measures included:

- *Enhanced disclosure requirements:* The SEC required SPACs to provide granular, decision-useful information on sponsor economics, dilution, target selection and post-merger projections.
- *Materiality and timing of disclosures:* Guidance clarified when negotiations or target identifications constituted material non-public information, triggering disclosure obligations.
- *Internal controls and governance:* Sarbanes-Oxley requirements were emphasised, with a focus on internal controls over financial reporting and risk management.
- *Enforcement actions:* The SEC did not hesitate to pursue enforcement where disclosures were misleading or where conflicts were not adequately managed.

The result was a marked cooling of the SPAC market, with issuance windows narrowing and investor protections strengthened. The US approach was notable for its speed, clarity and willingness to use both soft-law and hard-law tools to restore market discipline.

In contrast, the European response was more measured and, at times, fragmented. While some Member States—such as the Netherlands and France—issued targeted guidance or adjusted listing rules to address SPAC-specific risks, the absence of a pan-EU framework led to regulatory arbitrage and uneven investor protection.

ESMA eventually issued a public statement in 2021,⁴ which provided practical guidance on disclosure, conflicts and governance, but uptake and enforcement varied across jurisdictions. The key lessons from the SPAC episode were:

⁴“ESMA publishes disclosure and investor protection guidance on SPACs”, *ESMA News* (15 July 2021), available here: <https://www.esma.europa.eu/press-news/esma-news/esma-publishes-disclosure-and-investor-protection-guidance-spacs>.

- *Soft-law tools can be effective:* ESMA's supervisory publications improved comparability and investor protection, particularly when embedded in exchange rulebooks.
- *National divergence remains a challenge:* Without binding EU-level standards, Member State approaches diverged, leading to inconsistent outcomes and opportunities for regulatory arbitrage.
- *Market discipline requires ongoing supervision:* The SPAC experience underscored the need for continuous supervisory engagement, particularly as market cycles evolve.

BTCs/DATs: Parallels and Regulatory Implications

The current hype around BTCs and DATs bears striking similarities to the SPAC boom. Both structures offer investors exposure to a thematic asset class—be it private equity targets or crypto-assets—through a listed vehicle. Both rely on market sentiment and the ability to issue equity at a premium to underlying net asset value. This susceptibility to pro-cyclical dynamics, where capital inflows drive further asset accumulation, inflates valuations and increases systemic risk.

From a regulatory perspective, the challenge is to distinguish between genuine financial innovation and the risk of bubble mechanics. The US response to SPACs demonstrates the value of clear, enforceable disclosure and governance standards, backed by active supervision and enforcement. The European experience, by contrast, highlights the risks of fragmented, inconsistent approaches and the importance of ESMA-led convergence.

Targeted Drafting: Lessons for BTC/DAT Regulation

Drawing on the SPAC experience, the EU should consider the following targeted measures for BTCs and DATs:

- *Threshold-triggered disclosure and governance:* Similar to SPACs, where sponsor economics and conflicts were brought into the open, BTCs/DATs should be subject to enhanced disclosure and governance standards once their crypto-asset holdings exceed a defined materiality threshold. This could be operationalised through ESMA Guidelines and exchange rulebook amendments, ensuring that strategic holders provide detailed information on custody, leverage, valuation and scenario analysis.
- *Illustrative disclosure templates:* ESMA's SPAC guidance included practical templates for conflict disclosure and target identification. A similar approach for

BTCs/DATs—covering custody architecture, key management, leverage and stress testing—would improve comparability and investor protection.

- *Clarified materiality and ad hoc disclosure triggers:* The volatility of crypto-assets, like the uncertainty of SPAC target negotiations, complicates the application of market abuse rules. ESMA should issue practical guidance, with illustrative examples, on when treasury actions, custody changes, or valuation updates constitute inside information requiring disclosure.
- *Board-level oversight and independent assurance:* Just as SPACs were required to evidence independent oversight and robust internal controls, BTCs/DATs should be expected to demonstrate crypto-specific risk management, independent board expertise and third-party assurance over custody and valuation.
- *Supervisory convergence and peer review:* The uneven application of SPAC guidance across Member States limited its effectiveness. For BTCs/DATs, ESMA should coordinate a peer-review mechanism to ensure consistent implementation of disclosure and governance standards, reducing regulatory arbitrage and enhancing market integrity.

The hype cycles around SPACs and BTCs/DATs are not merely market curiosities—they are stress tests for the EU's regulatory architecture. The US response to SPACs, characterised by rapid, coordinated action and a willingness to enforce, stands in contrast to the EU's more fragmented approach.

For BTCs and DATs, the EU has an opportunity to learn from the SPAC episode: to deploy targeted, proportionate measures that close perimeter gaps, harmonise disclosure and governance and restore market discipline before bubble risks crystallise. By doing so, the EU can secure the benefits of innovation while protecting investors and maintaining the credibility of its capital markets.

The opportunity cost of continued EU inaction

The European Union's regulatory success in MiCAR should not obscure the material opportunity costs of failing to provide a coherent EU-level framework for BTCs/DATs. Inaction imposes immediate and compounding costs across listings, market quality, supervisory visibility, and the EU's broader competitiveness.

First, capital formation and listings. With clear, proportionate EU expectations, EU venues can retain IPOs and support durable listing strategies for

BTCs/DATs. Absent this clarity, issuers gravitate to venues that tolerate opacity, diminishing EU underwriting revenues, eroding the pipeline for index inclusion, and limiting European investor participation. A harmonised framework creates a level playing field, reinforcing the EU's strategic autonomy and competitiveness.

Second, secondary market depth and price discovery. Harmonised, decision useful EU disclosure baselines—covering custody, leverage, and valuation—support tighter spreads and more stable liquidity. This empowers investors, facilitates efficient capital allocation, and reduces the cost of capital for issuers, supporting a deeper and more liquid secondary market.

Third, supervisory visibility and crisis readiness. Clear, EUwide expectations keep issuers within EU supervisory sightlines, improving macroprudential monitoring and crisis coordination. Where issuers list abroad or disclose opaquely, authorities lose visibility, and crises resolve more chaotically. Standardised reporting enables proportionate, timely interventions that enhance resilience.

Fourth, innovation spillovers and ecosystem development. Clarity begets clustering and durability. Where custody assurance, valuation controls and stress testing are articulated, ancillary services—auditors, SOC style assurance providers, key management and digital resilience vendors, valuation analytics—scale and remain, underpinning longer run viability of BTCs/DATs. Silence pushes these activities abroad, shortening issuer lifecycles and reducing Europe's human capital base and knowledge spillovers.

Fifth, agenda setting and standards influence. The EU's comparative advantage is setting pragmatic, proportionate norms. If standards for corporate cryptotreasury governance crystallise elsewhere, the EU forfeits influence. Retrofitting later is costlier and less effective than measured leadership now.

These costs are not abstract. They manifest as forgone fee income, a persistent cost-of-capital wedge for European issuers, and diminished investor trust. The question is whether the EU will lock in a transparent, resilient model or import risks while exporting the benefits.

What should the EU do now? A targeted, proportionate package

A targeted, proportionate package-rooted in existing frameworks and supervisory convergence-can close perimeter gaps without over-regulating. The objective is to ensure transparency, robust governance, and stress preparedness for non-financial corporates with material crypto-asset exposures. The most effective instruments are likely Level-3 ESMA tools (Supervisory Briefings, Guidelines) under the MAR/Transparency regime and enhanced listing rules. Given the above, policymakers should advance the following measures:

First, define the perimeter with threshold-triggered obligations. The Commission, working with ESMA and the ESA Joint Committee, should articulate—via an ESMA Supervisory Briefing/Guidelines and a Commission Recommendation—an EUwide concept of a “strategic cryptoasset holding company” for NFCs where their own account crypto holdings exceed calibrated thresholds relative to total assets or equity. Crossing the threshold would not create a MiCAR authorisation duty but would trigger tailored disclosure and governance expectations harmonised across Member States. This approach avoids burdening incidental, de minimis holdings while capturing concentrated, market relevant profiles.

Second, embed tailored disclosure and scenario analysis in periodic reporting. Strategic holders should include a cryptorisk appendix in annual and halfyearly reports, covering, at a minimum: inventory and valuation policy (price sources, fairvalue hierarchy, impairment triggers and frequency), leverage and covenant mapping linked to crypto price levels, custody architecture and key management controls (including hot/cold segregation and third-party reliance), concentration limits and hedging policy and standardised scenario sensitivities to 30%, 50% and 80% price shocks with quantified liquidity needs and refinancing assumptions. Comparability should be driven by exchange listing rule templates and ESMA Guidelines/Supervisory Briefings under the Transparency framework, which can calibrate materiality and avoid information overload.

Third, clarify MAR materiality and ad hoc disclosure triggers. ESMA should issue Guidelines/Supervisory Briefings and Q&As on the application of the Market Abuse Regulation to cryptotreasury events, addressing when treasury actions, custody changes or incidents, valuation policy updates and covenant developments are sufficiently precise and price-sensitive to require disclosure. Drawing on the SPAC guidance experience, what worked well was the practical orientation—illustrative triggers, comparability and emphasis on conflicts/retail protection. Conversely, what worked less well was uneven national uptake and timing relative to market cycles. The cryptotreasury brief should therefore include clear examples, cross references to listing rule templates and coordination commitments from NCAs to reduce divergence.

Fourth, elevate governance and internal controls to a baseline expectation. Boards of strategic holders should evidence cryptospecific oversight, including independent expertise at board or committee level, approved concentration limits and risk appetite and documented policies for rebalancing and deleveraging. Internal controls should cover multi-signature/key sharding arrangements, segregation of hot and cold storage, vendor due diligence and exit strategies and incident response that integrates MAR obligations. Independent third-party assurance over custody controls should become standard for material exposures, with reporting aligned to recognised assurance frameworks. These expectations

should be codified through ESMA Guidelines/Supervisory Briefings and embedded in exchange rulebooks, mirroring the governance uplift achieved for SPACs (which worked well on conflicts and disclosure discipline, but required sustained NCA coordination to avoid uneven application).

Fifth, enable proportionate macroprudential tools for systemic concentrations. For very large exposures or where leverage introduces procyclical risk, EU and national macroprudential authorities should have flexible, timelimited tools—such as leverage caps relative to equity, collateral expectations for crypto backed debt and enhanced disclosure cadence—activated on objective, transparent criteria. These would be framed via soft law statements (e.g., ESRB/ESMA coordination notes) and NCA commitments rather than new legislation, respecting the non-prudential status of NFCs while improving cross-sector situational awareness.

Sixth, harmonise Member State approaches and reduce regulatory arbitrage. The Commission and ESMA should establish a minimum EU floor for classification, disclosure and governance expectations applicable to strategic holders, implemented via Level3 ESMA Guidelines/Supervisory Briefings and aligned supervisory statements. ESMA should consider a peer review mechanism to assess NCA implementation—an aspect that worked less well for SPACs when left solely to informal coordination. Crossborder cooperation arrangements should be strengthened for issuers operating or listing across jurisdictions, ensuring consistent application of MAR and the Transparency framework and streamlining home/host coordination on significant incidents. One of the persistent challenges in the EU's financial landscape is the fragmentation of capital markets along national lines. Divergent regulatory treatment of innovative corporate structures, such as BTCs and DATs, exacerbates this problem by encouraging issuers to list in jurisdictions with the least onerous requirements, often outside the EU altogether. By establishing a harmonised EU-wide framework—potentially through ESMA Guidelines, coordinated listing rules, and minimum disclosure standards—the EU would create a level playing field that supports cross-border listings, investment, and supervision. This would help to retain high-growth, innovative companies within the EU's capital markets ecosystem, reinforcing the EU's strategic autonomy and competitiveness.

Seventh, align market incentives to reward compliance. EU index providers and exchanges should reflect adherence to the enhanced cryptotreasury disclosure and governance standards in eligibility and segment classifications. For EU investors in nonEU listed issuers with substantial EU footprints, equivalent transparency mechanisms can be calibrated to protect investors and reduce venue driven information asymmetries. Exchanges should publish cryptotreasury disclosure scorecards and streamline listing processes for compliant issuers—tools that proved effective in the SPAC context when tied to clear templates and ongoing compliance attestations. The EU's Single Market thrives on transparency and

comparability. The current patchwork of national approaches to crypto-asset treasuries impedes effective price discovery, widens risk premia, and exposes investors to uneven standards of disclosure and governance. By mandating enhanced, crypto-specific disclosures—covering custody, leverage, valuation, and scenario analysis—the EU would empower investors to make informed decisions and facilitate the efficient allocation of capital. This, in turn, would support the development of deeper and more liquid secondary markets, a key pillar of the EU's efforts to establish its Savings and Investments Union (SIU).

Eighth, measure progress and iterate through supervised experimentation. ESMA could convene a disclosure and assurance pilot—open to volunteer issuers and service providers—to test scenario templates, custody assurance reporting and valuation disclosures, with outcomes informing refined guidance. Metrics should track listing flows, spreads, restatement frequency, investor confidence and issuer survival rates across cycles, explicitly measuring whether certainty lengthens BTC/DAT operating horizons in the EU relative to nonEU venues.

This package of proposed reforms would respect the fundamental distinction MiCAR draws between intermediated services and own account holdings while addressing the real-world market impact of concentrated, publicly financed cryptoasset treasuries in nonfinancial corporates. It gives boards clarity, investors decision useful information, supervisors visibility and markets the conditions for orderly price discovery. Most importantly, it restores the EU's leadership posture: open to innovation, exacting on transparency and governance and focused on mitigating procyclical risks before they crystallise. This would also serve to significantly advance the EU's ambitions for a SIU and, by extension, enhance the Single Market for financial services.

Outlook

The emergence of BTCs and DATs marks a significant evolution in corporate financial management. While Europe's cohort remains numerically small, its strategic and signalling effects are outsized. The presence of publicly listed entities whose balance sheets are directly tied to crypto-asset valuations introduces a new vector of market and prudential risk into EU capital markets.

Yet the EU's current framework insufficiently addresses nonfinancial corporates whose strategic crypto-asset treasuries are financed by public capital and amplified through leverage. Without consistent regulation across jurisdictions—and without tailoring governance, disclosure and stress testing to these corporate profiles—market inflows risk creating bubblelike dynamics in equities that orbit Bitcoin, even if Bitcoin, as an asset, itself may not be in a bubble.

The recurrence and depth of crypto-asset market corrections through 2026 have materially weakened the case for continued regulatory forbearance. The empirical record now reflects repeated interaction between

crypto-asset volatility, corporate leverage, accounting asymmetries and public capital markets. A calibrated EU response, grounded in supervisory convergence rather than wholesale re-regulation, is therefore no longer precautionary, but perhaps well overdue.

A measured, proportionate response—threshold triggered obligations, ESMA coordinated guidance, tailored disclosure and stress testing, governance baselines and macroprudential tools at systemic scale—can reconcile innovation with market integrity. It would welcome institutional capital while reducing procyclical

risks, enhance supervisory visibility and strengthen the credibility and competitiveness of EU capital markets. The opportunity cost of inaction is significant: lost listings and liquidity, impaired data for oversight and innovation spillovers that migrate to jurisdictions with clearer rules. The EU's choice is not whether to embrace crypto—it already has—but whether to shape how nonfinancial corporates participate. Clarity now will avert bubble risks later and secure the benefits of institutional investment for European markets.