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## IMPLEMENTATION OF EUROPEAN STANDARDS FOR STABLECOIN REGULATION IN UKRAINE

The article analyzes challenges and prospects of implementing European stablecoin regulation standards in Ukraine amid its EU integration process. It emphasizes the swift expansion of global cryptocurrency markets and the increasing use of stablecoins – digital currencies backed by fiat money or other stable assets. The study stresses the urgent need for a comprehensive regulatory framework to reduce financial risks, ensure consumer protection, and prevent misuse in illicit activities such as money laundering and fraud. It discusses how adopting MiCA-inspired regulations could significantly strengthen Ukraine's institutional capacity, address taxation and compliance challenges, and foster a favorable environment for innovation in digital finance and blockchain technologies. This regulatory alignment is crucial for Ukraine's financial stability and growth.

**Key words:** stablecoins, crypto-assets, virtual assets, regulation, European standards, MiCA, legislative harmonization, financial stability, consumer protection, innovation.

**Нанавов А.С., Близнюк М.О. ВПРОВАДЖЕННЯ ЄВРОПЕЙСЬКИХ СТАНДАРТІВ РЕГУЛЮВАННЯ СТЕЙБЛКОЇНІВ В УКРАЇНІ**

Стаття присвячена впровадженню європейських стандартів регулювання стейблкоїнів в Україні в умовах інтеграції до ЄС. Автор звертає увагу на стрімкий розвиток ринку криптовалют і зростання популярності стейблкоїнів, які прив'язані до традиційних валют або стабільних активів. Наголошується на необхідності ефективного регулювання для мінімізації фінансових ризиків, захисту споживачів і запобігання незаконним операціям. Вказується на переваги стейблкоїнів: швидкі транскордонні платежі, розвиток інноваційних фінансових продуктів і фінансову інклюзивність. Водночас підкреслюються ризики: дестабілізація фінансової системи та загрози для користувачів через відсутність контролю. Особлива увага приділяється європейському Регламенту MiCA, прийнятому в 2023 році, що встановлює правила емісії, обігу та нагляду за стейблкоїнами. Аналізуються вимоги щодо розкриття інформації, забезпечення резервів, управління ризиками та захисту прав споживачів, а також класифікація стейблкоїнів і розподіл повноважень регуляторів. Досліджуються виклики для України у гармонізації законодавства з MiCA, зокрема внесення змін до закону «Про віртуальні активи». Підкреслюється потреба в розвитку інституційної спроможності регуляторів, їх ресурсів і експертизи. Також важливо підвищення обізнаності учасників ринку, налагодження діалогу між регуляторами та криптоіндустрією, а також вирішення питань оподаткування операцій зі стейблкоїнами, балансуючи інтереси держави та інноваційний розвиток. Автор доходить висновку, що гармонізація українського законодавства з європейськими стандартами створить умови для розвитку криптоіндустрії, залучення інвестицій і зміцнення міжнародного співробітництва. Ефективне регулювання стейблкоїнів стане важливим кроком до інтеграції України в глобальну цифрову економіку, забезпечуючи фінансову стабільність і захист споживачів. Це також сприятиме підвищенню довіри до цифрових активів серед населення і стимулюватиме впровадження нових технологій у банківському секторі. Важливою складовою є також розвиток правового поля для підтримки стартапів та інноваційних проєктів у сфері криптотехнологій. Це дозволить Україні посісти гідне місце серед провідних країн у цифровій трансформації економіки та підвищити конкурентоспроможність на світовому ринку.

**Ключові слова:** стейблкоїни, криптоактиви, віртуальні активи, регулювання, європейські стандарти, MiCA, гармонізація законодавства, фінансова стабільність, захист споживачів, інновації.

**Problem statement.** The fast-paced growth of the cryptocurrency market and the rising demand for stablecoins – a distinct category of virtual assets whose value is linked to traditional fiat currencies or other stable assets – highlight the need to establish an effective regulatory framework for their oversight. On the one hand, stablecoins open new opportunities for the financial industry by enabling fast and cheap cross-border payments, developing innovative financial products, and promoting financial inclusion. However, on the other hand, uncontrolled use of stablecoins poses significant risks to the country's financial stability. Given their potentially large volumes and close interconnections with the traditional financial system, destabilization of the stablecoin market could lead to a domino effect and negatively affect the stability of financial institutions and markets. Moreover, the absence of adequate regulation poses substantial risks to safeguarding the rights and interests of financial service consumers. Holders of stablecoins may suffer financial losses as a result of market volatility, issuer insolvency, or fraudulent actions by third parties. Consumers should be able to make informed decisions about investing in stablecoins and be protected from unfair practices of market participants [1].

Another crucial consideration is preventing the misuse of stablecoins for financing illicit activities, including money laundering and terrorism.

The regulation of stablecoins is especially pressing in the context of Ukraine's integration into the European Union. Aligning Ukrainian legislation with EU norms and standards is essential for advancing cooperation in the economic and financial sectors. The introduction of a European model for regulating stablecoins will create a favorable environment for innovation and investment attraction, while ensuring effective risk control. Thus, finding the best ways to implement European standards for regulating stablecoins in Ukraine is an important scientific and practical task [2].

**Analysis of recent research and publications.** Although Ukraine has made strides in establishing a legal framework for virtual assets – particularly with the adoption of the Law on Virtual Assets in 2022 – there is still an absence of targeted regulation specifically addressing stablecoins. As noted by Kovalchuk O. [1], the current legal framework does not define stablecoins or account for their specific characteristics, resulting in legal ambiguity that constrains the development of the stablecoin market in Ukraine.

Clarifying the legal status and categorization of stablecoins within the broader framework of virtual assets is essential. Depending on their underlying mechanisms and collateral structures, stablecoins may serve as payment instruments, securities, or other financial products. Their classification determines the applicable regulatory regime and the authority responsible for oversight.

Kovalchuk O. [1] also emphasizes the absence of comprehensive regulatory requirements for stablecoin issuers, particularly regarding governance structures, disclosure standards, risk management procedures, and investor protection mechanisms. Without such regulation, investors remain vulnerable, especially in scenarios involving issuer default or asset backing failure. To address this, it is necessary to establish mandatory disclosure rules, create insurance or compensation schemes, and ensure accessible legal remedies for asset holders.

The taxation of stablecoin transactions is another unresolved issue. As outlined in the Draft Law of Ukraine No. 3637 "On Virtual Assets" [4], tax treatment must be clearly defined to avoid ambiguities related to income reporting and potential tax evasion. Transparent and consistent tax rules are critical to creating a predictable environment for both institutional and retail participants.

In addition, the technological infrastructure that supports stablecoins must meet strict cybersecurity and operational standards. This includes ensuring resilience to cyber threats, robust data protection, and the continuity of service, alongside empowering regulatory bodies with adequate supervisory tools.

To effectively address these challenges, Ukraine should adopt a comprehensive regulatory approach inspired by best practices within the European Union. Aligning national legislation with EU standards would help build a coherent and robust regulatory framework, mitigate systemic risks, and encourage financial innovation in Ukraine's digital economy.

**The purpose of the article.** This article aims to analyze the regulatory framework for stablecoins within the European Union, assess its relevance for Ukraine, and suggest pathways for incorporating European standards into Ukraine's national legislation.

**Presentation of the research material and its main results.** Stablecoins represent a distinct category of cryptoassets characterized by their aim to maintain price stability by anchoring their value to specific underlying assets. In contrast to highly volatile cryptocurrencies like Bitcoin or Ethereum, stablecoins are engineered to preserve a consistent exchange rate relative to a chosen reference asset – most commonly a fiat currency, such as the US dollar.

Various mechanisms are employed to uphold their stability. The most prevalent are fiat-collateralized stablecoins, such as Tether USD and USD Coin, which are backed by reserves of conventional currency held in the issuing entity's bank accounts. Other stablecoins are secured by physical commodities like gold or by other cryptocurrencies. A different class, known as algorithmic stablecoins, achieves price stability through advanced algorithms and smart contract protocols that automatically manage supply and demand.

Due to their relatively stable value, stablecoins play a vital role within the digital asset ecosystem. They offer an efficient medium for transferring value between various cryptocurrencies without requiring conversion to traditional currencies. Moreover, they are extensively utilized in trading activities on crypto exchanges and serve as effective tools for mitigating market volatility risks [5].

The unique traits of stablecoins are also unlocking new opportunities for international money transfers and extending access to financial services. Compared to traditional methods such as wire transfers or remittance services, stablecoin transactions can be executed almost instantaneously and at significantly lower costs.

Stablecoins offer several key advantages in the context of cross-border payments. By eliminating intermediaries like correspondent banks, they dramatically shorten processing times. While conventional international transfers may take several days – particularly across different legal and monetary jurisdictions – stablecoin transfers can be completed within minutes regardless of location. Additionally, stablecoins reduce transaction costs considerably. Traditional transfer fees may range from 5–10% of the transaction amount, particularly for small-value transfers, and often include unfavorable exchange rates. In contrast, stablecoin transaction fees typically range from just 0.1–1%, or even lower [6].

Blockchain-based systems also enhance access to financial services. In numerous developing regions, significant portions of the population continue to lack access to formal banking services. However, the growing penetration of mobile internet services allows individuals to use digital wallets and engage in transactions via stablecoins.

Beyond remittances, stablecoins hold the potential to broaden access to other forms of financial services. For instance, they may facilitate microloans in areas lacking robust banking infrastructure. Through smart contracts, loan conditions can be encoded directly into the blockchain, automating both disbursement and repayment. This automation reduces operational costs and minimizes credit risk [3].

Furthermore, stablecoins are instrumental in advancing new forms of digital financial innovation, such as decentralized finance (DeFi). DeFi platforms provide a variety of financial services – ranging from lending and trading to insurance – without relying on traditional institutions. Stablecoins, when used as reserve assets within DeFi ecosystems, offer the reliability and stability needed for these protocols to function effectively.

Nevertheless, despite their numerous benefits, stablecoins also pose specific risks that necessitate proper oversight (Chernenko, 2020). Chief among these is the danger of an abrupt collapse in user confidence. If concerns arise regarding the adequacy of a stablecoin's reserves or the credibility of its issuer, it could trigger rapid capital withdrawals and a steep devaluation of the token.

Loss of trust may stem from several factors, such as revelations about insufficient backing, abrupt regulatory changes, technological flaws, or cyberattacks targeting the blockchain infrastructure. In the event of a widespread loss of confidence, the issuer might be unable to redeem tokens at face value, potentially leading to significant depreciation and financial losses for users [8].

To minimize the risk of a «stablecoin raid», clear rules for collateralizing stablecoins and requirements for transparency of issuers' activities should be introduced. Issuers should regularly audit their reserves and provide detailed information on the composition of the collateral. It is important that the collateral is of high quality, liquid and diversified. Another significant risk is the insufficiency of real collateral to cover all obligations under the stablecoins. Some stablecoins use partial collateral or algorithmic stability mechanisms that do not require a full reserve of the underlying asset. In such cases, the issuer may find itself in a situation where the volume of issued stablecoins exceeds the value of the available collateral [9].

The European Union places strong emphasis on developing a comprehensive and adaptive regulatory framework for the crypto asset market that balances investor protection and financial stability with the encouragement of innovation. A major milestone in this area was the European Parliament's adoption of the Markets in Crypto-Assets Regulation (MiCA) in April 2023. This regulatory framework establishes a harmonized set of rules for the issuance, circulation, and supervision of crypto-assets across the EU. A significant part of MiCA focuses on the regulation of stablecoins, which are categorized under the framework as either "asset-referenced tokens" or "e-money tokens." [12].

Under MiCA, stablecoin issuers are required to secure authorization from the relevant authority within an EU member state. To qualify for this, issuers must adhere to stringent obligations regarding transparency, the maintenance of reserves, risk mitigation, and the safeguarding of consumer rights. One of the key requirements is that issuers hold reserves equivalent to 100% of the total value of the issued stablecoins, in addition to undergoing routine audits by independent parties [7].

Furthermore, MiCA establishes regulatory standards for entities offering services linked to stablecoins, such as digital asset exchanges and custodial service providers. These entities must be officially licensed, maintain an appropriate governance structure, and comply with rules aimed at avoiding conflicts of interest, protecting client funds, and ensuring proper reporting mechanisms.

A crucial element of MiCA is the delineation of supervisory responsibilities between national authorities and EU-level institutions. The European Banking Authority (EBA) is responsible for supervising issuers of large-scale asset-referenced tokens – those exceeding a total value of EUR 1 billion – as well as all e-money tokens. The regulation of other stablecoins will mainly be handled by national authorities. In terms of taxation, MiCA leaves the matter to individual member states but emphasizes the need for consistent tax treatment across both traditional and digital assets. [7].

The enactment of MiCA marks a significant milestone in shaping a cohesive regulatory environment for crypto assets across the EU. Its clear and structured rules are expected to support the growth of the stablecoin sector while simultaneously enhancing consumer protections and ensuring macroeconomic stability.

Adopting a similar regulatory approach in Ukraine presents challenges but is vital in the broader context of the country's EU integration efforts. Aligning with the European model offers vast potential for stimulating innovation in financial services, attracting international investment, and deepening collaboration with European institutions. On the other hand, it requires a significant transformation of the domestic regulatory framework and adaptation of market participants to new requirements. One of the key challenges is the need to bring Ukrainian legislation into full compliance with the provisions of MiCA, which involves not only amending the Law on Virtual Assets, but also revising related acts in the areas of financial services, anti-money laundering, consumer protection, etc. It is important to ensure consistency of legal norms and a clear division of powers between regulatory authorities (NBU, NSSMC).

Implementation of European standards will also require a significant strengthening of the institutional capacity of regulators [10].

Sufficient human and financial resources should be provided to effectively perform supervisory functions, and effective mechanisms for coordination and information exchange should be established at both the national and European levels. Regulators must keep pace with rapid technological changes and have the appropriate expertise to assess risks and make informed decisions. Another important task is to raise awareness and build trust among market participants. A broad information campaign should be conducted on the new rules for regulating stablecoins, their benefits, and the responsibilities of issuers and service providers. Regulators should ensure transparency of their activities, maintain an open dialogue with industry representatives, and promote the development of self-regulatory mechanisms [11].

In addressing the taxation of stablecoin transactions, it is crucial to strike a balance between the government's fiscal objectives and the promotion of innovative financial technologies. Tax rules should be simple, unambiguous, and predictable. A grace period for market participants to adapt to the new requirements would be appropriate. Overall, the implementation of European standards opens up significant prospects for Ukraine. First of all, it will significantly reduce the risks to consumers and financial stability associated with the uncontrolled circulation of stablecoins. Clear rules for the market will help increase public confidence and attract both retail and institutional investors. The harmonization of Ukrainian legislation with EU regulations will also open up new opportunities for domestic projects to enter the European market. Once authorized in Ukraine, stablecoin issuers will be able to provide services throughout the EU.

**Conclusions.** Stablecoins represent an innovative and promising category of virtual assets with the potential to reshape the financial system. However, their growth also brings considerable risks to consumers and financial stability, making the implementation of effective regulation essential.

The European Union demonstrates a proactive and balanced approach to the regulation of stablecoins. The adopted Crypto Asset Markets Regulation (MiCA) creates unified rules for the issuance, circulation and supervision of stablecoins in the EU. The key elements of the European model are the requirements for issuer authorization, consumer protection, risk management, and the distribution of powers between national and supranational authorities. Implementation of European standards in Ukraine is a challenging but necessary task in the context of EU integration. Finding the right balance between maintaining financial stability and encouraging innovation is crucial. The harmonization of Ukrainian legislation with EU regulations on stablecoins opens up significant prospects for the development of the domestic crypto industry, attracting foreign investment, and strengthening international cooperation. Ukraine has every chance to become a regional leader in the field of virtual assets and blockchain technologies. Further research should be directed at developing detailed proposals for the implementation of the MiCA provisions in domestic legislation, as well as at analyzing the potential socio-economic effects of the introduction of the European model of stablecoin regulation in Ukraine.

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