

AFM MiCAR update

15 February 2024

Content

1. Overview of MiCAR preparation at AFM
2. Deep Dive: authorization procedure





1. Overview of MiCAR preparation at AFM

Expected division MiCAR supervision AFM/DNB

Crypto Asset Service Providers Mainly AFM

- AFM is the competent authority
- CAS notifications submitted to AFM
- DNB supervises prudential requirements (incl. qualifying holdings)

Issuers DNB/AFM

Asset Referenced tokens (ARTs) Mainly DNB

- DNB is the competent authority
- AFM likely to play a role in conduct supervision (e.g. whitepapers)

Electronic Money Tokens (EMTs) Mainly DNB

- DNB is the competent authority
- AFM likely to play a role in conduct supervision (e.g. whitepapers)

Other tokens (not ART/EMT) AFM

- Light regime with no authorization

Main goals AFM for MiCAR preparation

Receive and handle authorizations properly and in time

- Provide guidance to improve quality of applications
- Introduce the Pre-scan

Build knowledge

- On (potential) risks, trends and market practices
- We need the sector for this

Prepare ongoing supervision

- High standard of supervision
- Good view on data

Prepare the market

- Market participants know what to expect from the AFM
- AFM is transparent

Invest in a level playing field

- Advocate supervisory convergence

Some of our challenges

New market participants

- New and complex market
- MiCAR is more extensive than AMLD5 regime

Uncertainty about # authorizations, notifications and issuers

- How much resources do we need?
- How will the market look like?

GL/RTS not final yet

- A lot of work in progress
- MiCAR demands several clarifications

Different speed of implementation between countries

- Transitional period and context differ

Lack of reliable transaction data

- Makes supervision of market abuse more challenging than regular markets

Ongoing & upcoming activities AFM (*not exhaustive*)

Ongoing

Building knowledge

MiCAR, DLT, products and services in the market, market practices (asset segregation, staking/lending, etc.), risks, consumer behavior

Dialogue with market participants

Prepare for authorizations, notifications and on-going supervision

- Setting up our organization (IT, recruitment, data)
- Work together with DNB and other partners

Invest in a European level playing field

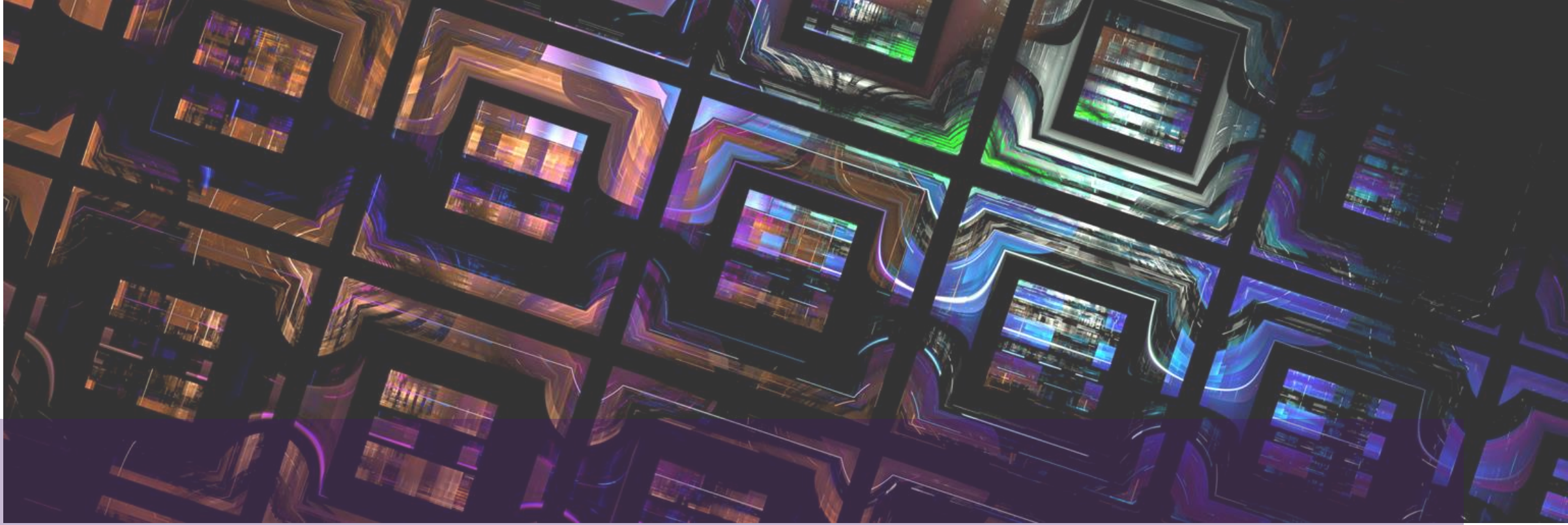
Upcoming

February/March

- Update our website with more information on authorizations
- Start with regular AFM MiCAR newsletter
- Start with pre-scans

22 April 2024

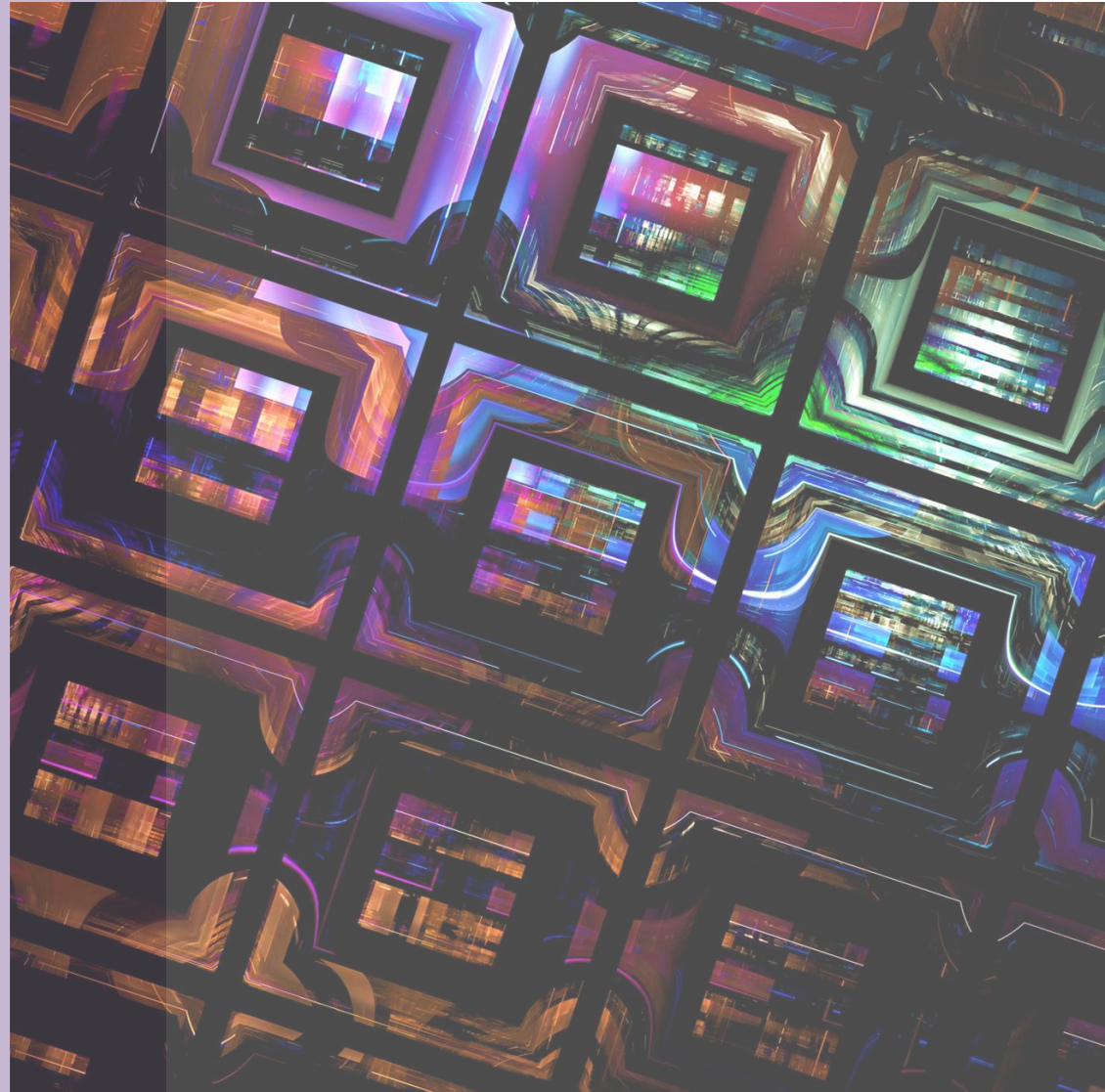
Start with formal MiCAR authorizations



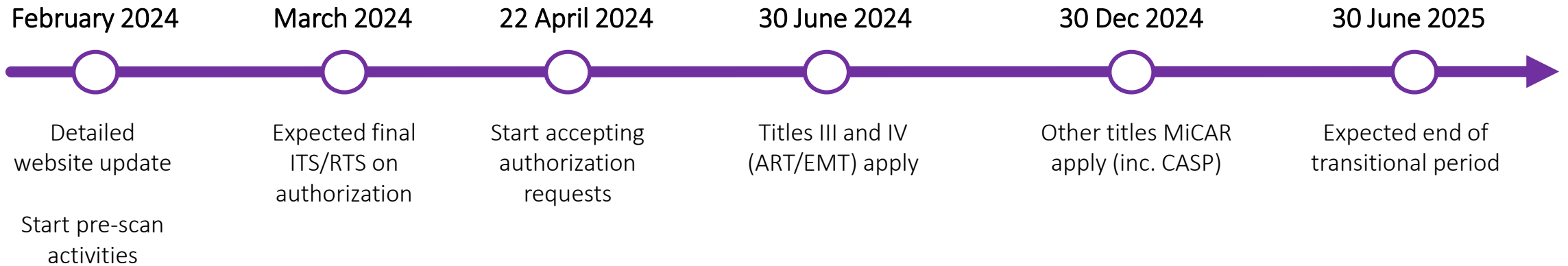
2. Deep Dive: authorization procedure

Content

1. General timeline
2. Pre-scan
3. CASP authorization



1. General timeline





2. Pre-scan

The AFM facilitates a voluntary pre-scan procedure for parties who are preparing for a CASP license application at the AFM, to contribute to a more efficient formal authorization procedure and build knowledge on both sides on important topics. Scope and planning are decided upon together.

In general, this entails a Q&A process and a supervisory meeting after which the AFM will provide initial feedback.

If you are already preparing for a formal license application at the AFM and are interested in the pre-scan, please contact us at crypto@afm.nl.

3. CASP authorization: content

3.1 Document overview

3.2 Licensing procedure

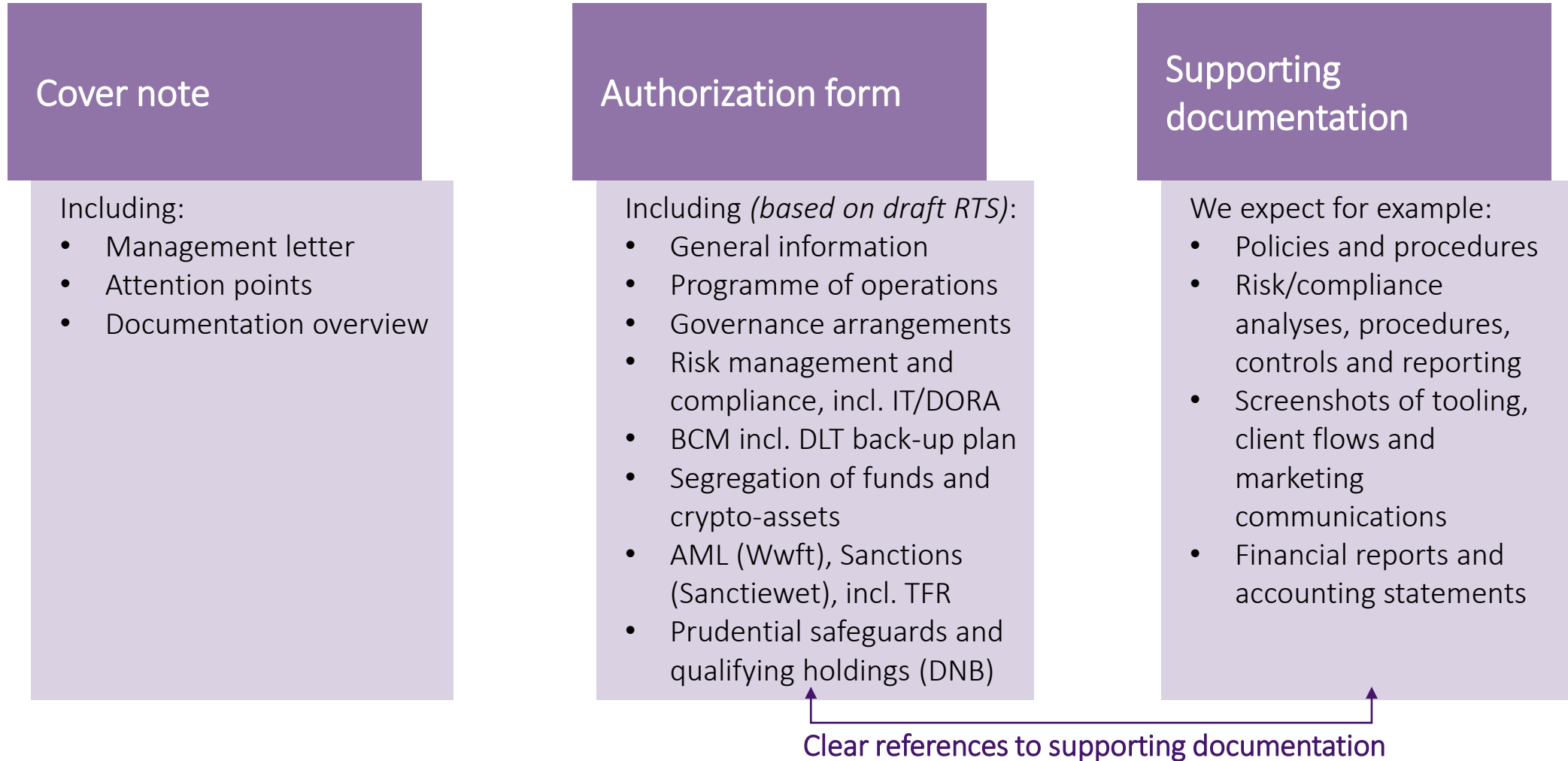
3.3 Notification procedure

3.4 Examples of risk-based focus areas

3.5 Good practices



3.1 CASP authorization: document overview



3.1 CASP authorization: document overview

For the Fit & Proper testing, applicants must submit the following documentation:*

- **Prospective appointment notification form** (always applicable, even when already appointed) *
- **Integrity screening form** (only if not previously screened by the AFM or DNB or in case of new facts after previous screening) *
- **Statement no new relevant integrity related facts** (only if previously screened by the AFM or DNB) *
- **Suitability matrix for policy makers** *
- **Suitability matrix for supervisory board members** (if applicable) *
- **Standardized curriculum vitae** *
- **Copy ID**
- **Considerations regarding appointments**
- **Job profile**

* MiCAR-versions of existing AFM templates, which can be downloaded from our website soon (expected beginning of February 2024)



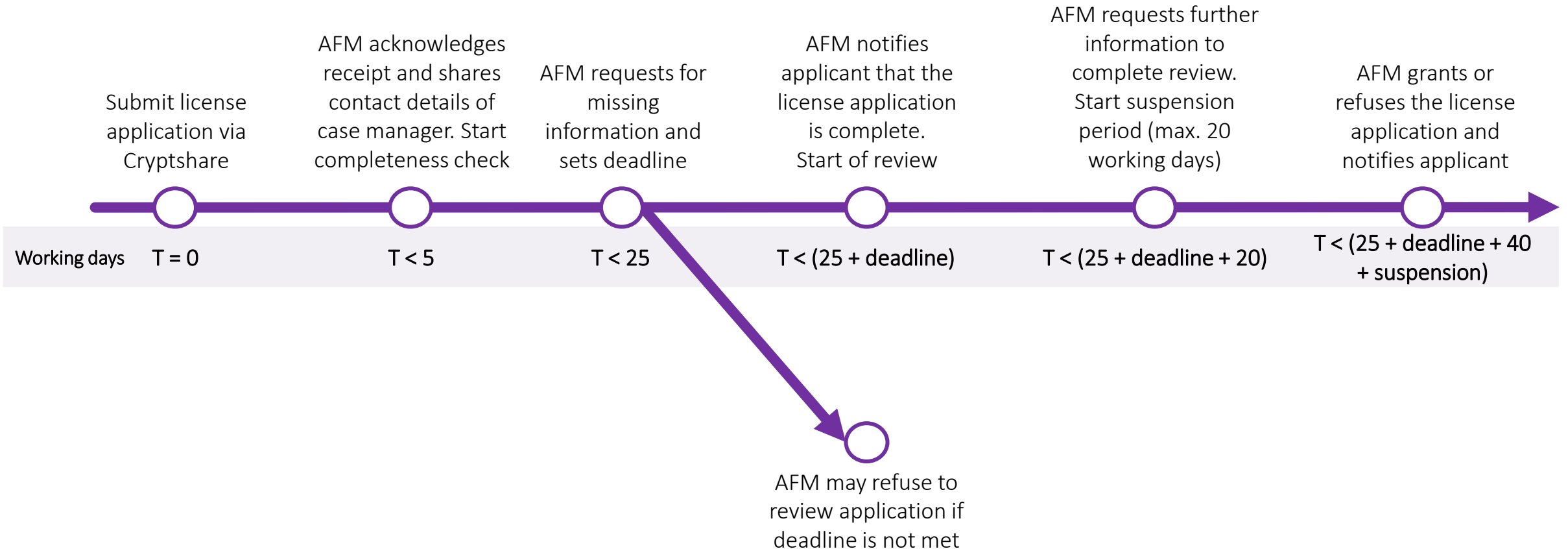
3.2 CASP authorization: licensing

A CASP license application will take several months. Based on our experience, even in a best-case scenario it will take at least 5 months.

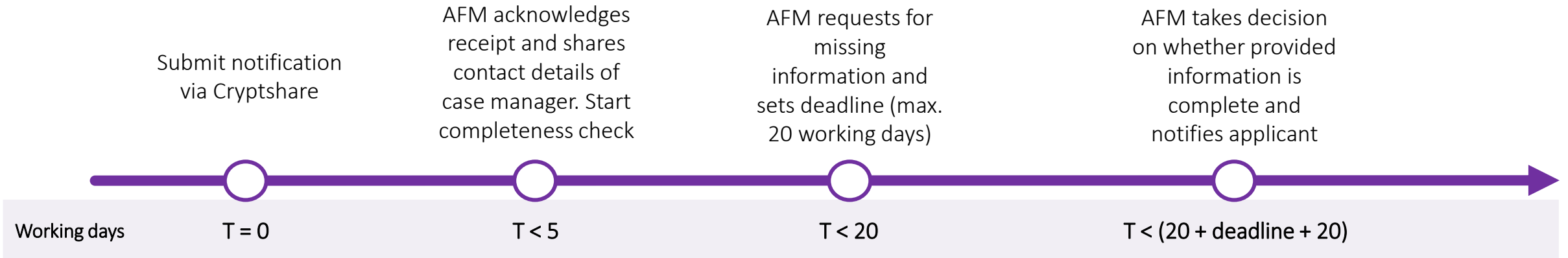
A best-case scenario generally means that the application is complete and of good quality, the services and products are not very complex or high-risk and there are no significant organizational changes needed.

In practice, often longer is needed, for example due to required changes the applicant must make.

3.2 CASP authorization: licensing procedure



3.3 CASP authorization: notification procedure



3.4 CASP authorization: examples of risk-based focus areas

- Scope of MiCAR authorization
- Governance
- Outsourcing
- Segregation of funds/crypto assets
- Information to clients
- Risk management and compliance (incl. DORA, TFR)



3.5 CASP authorization: good practices

Scope determination

- Legal substantiation on which MiCAR services are in scope

Develop MiCAR knowledge

- Determine how the MiCAR-rules impact the organization and way of working

Obtain advice where necessary

- Ensure quality whilst remaining responsible and knowledgeable on content

Timely contact the AFM/DNB

- Identify and signal potential issues to AFM/DNB and prepare for timely Q&A's

Submit a good quality authorization request

- Clear substantiation on MiCAR-compliance incl. evidence by documentation

Thank you for your time

In case of questions, contact us at crypto@afm.nl

For more information or to sign-up for our periodic MiCAR-updates, visit www.afm.nl/crypto

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