

Europe Wrote the First Crypto Rulebook. Now It Can Write the First Rulebook for Onchain Finance.

Our response to the European Commission's review of MiCA

30th September 2026

Aave began in Europe, founded by Stani Kulechov in Helsinki in 2017, and has grown into the largest decentralised financial protocol in the world. More than \$3.5 trillion in deposits has flowed through Aave since launch, the protocol has served millions of users across more than fifteen networks, and it currently holds tens of billions of dollars in deposits. The rules the Commission sets under the Markets in Crypto-Assets Regulation (MiCA) will shape the markets Aave operates in, and this submission sets out how we think those rules should evolve.

MiCA was a landmark. Europe was the first major jurisdiction to give crypto-assets a comprehensive rulebook, and our own subsidiary, Push, operates under it as a crypto-asset service provider authorised by the Central Bank of Ireland. But MiCA was written for a first generation of crypto markets: issuers, exchanges and custodians. The next generation is onchain finance: lending, collateral, settlement and savings running on open, programmable infrastructure. The review is Europe's chance to write the rulebook for that.

Below are the arguments that matter most from our response.

① Regulate Intermediaries, Not Software

The most important question in DeFi regulation is not "is it on a blockchain?" It is "who is in charge?"

Technology is simply an instrumentality. What matters is whether an identifiable person controls an activity and exercises active, ongoing discretion over it: deciding whom to serve, on what terms, and with whose assets. Where such a person exists, they should be regulated, as Push is. Where no one does, as with an open-source lending protocol whose rules are published in advance and executed by code, there is no intermediary for obligations to attach to.

This is not a loophole. Look at what happened in 2022. Centralised crypto lenders took customers' assets, re-lent them on undisclosed terms and failed, leaving customers as unsecured creditors. Over the same period, the Aave Protocol kept operating as designed. Liquidations executed automatically and publicly, and every supplier could see the protocol's assets and liabilities in real time. The first model needs regulation. The second already delivers, by design, most of what lending rules are meant to achieve: each user's position recorded separately onchain, no hidden re-lending, visible collateral and enforced overcollateralisation.

So we support regulating custodial and intermediated lending, and we set out what those rules should contain. What we oppose is licensing open-source software, or requiring it to be certified before Europeans may use it.

② Self-custodial Finance Should be a Right

Europeans should be able to hold, use and lend their own assets without an intermediary. We ground this in the right to property in Article 17 of the EU Charter of Fundamental Rights.

Self-custody is not a regulatory blind spot. Anti-money-laundering obligations already apply where self-custodial wallets meet regulated firms. Aave Labs also screens the wallet addresses that connect to the interfaces it operates against sanctions lists and blockchain-analytics risk indicators, without ever taking custody of users' assets. And public blockchains give supervisors more aggregate, real-time transparency than most traditional systems, not less. Proposals that would, for example, strip MiCA redemption rights from anyone holding stablecoins outside a licensed custodian would penalise the most transparent way to hold digital assets.

③ Don't Take Away Savers' Returns

This is the fight that matters most right now.

MiCA prohibits stablecoin issuers and crypto-asset service providers from paying holders interest for holding a stablecoin. In their responses to the consultation, the European Central Bank proposed extending that ban to lending and staking, and the European Banking Authority described lending returns on stablecoins as "regulatory arbitrage."

We disagree, strongly. A lending return is not a reward for holding. When you lend your stablecoins through a non-custodial protocol, you never hand them to an intermediary: your claim stays yours, recorded onchain, and you hold a receipt for it. Borrowers pay a market price to use the stablecoins, and every loan is overcollateralised: backed by more collateral than it is worth, and liquidated automatically if that cushion thins. It is the price of borrowing. Euro banknotes pay no interest, and e-money cannot either, yet nobody concludes that lending euros must go unremunerated. Every asset in the financial system can be lent at a price: government bonds in repo, equities in securities lending, gold, currencies.

Banning that price for MiCA-authorised stablecoins alone would:

- take away a savings channel beyond bank deposits, just as the EU's Savings and Investment Union is trying to help households earn market returns;
- strip companies and institutions of tools for treasury, liquidity and financial risk management;
- make MiCA stablecoins the least useful stablecoins in onchain markets; and
- entrench the dominance of the US dollar, because euro stablecoins will only compete if holders can put them to work.

The evidence that stablecoin yield drains bank lending is also weak. In April 2026, the US Council of Economic Advisers estimated that a yield prohibition would raise US bank lending by only about 0.02%, at a net welfare cost. Across the Atlantic, the GENIUS Act bans issuers from paying yield but does not extend that ban to returns from lending stablecoins to third parties.

Our ask is simple: clarify in MiCA that "interest" does not include returns paid by borrowers for the use of tokens, or rewards earned by staking to secure a network.

④ Let Euro Stablecoins Compete

Today, the vast majority of stablecoins are denominated in US dollars. If Europe wants euro stablecoins to matter, it has to let them compete. That means three things. Replace MiCA's fixed requirement to hold 30–60% of reserves in bank deposits with risk-sensitive liquidity rules. Keep multi-issuance fungible, so that euro stablecoins can circulate globally and strengthen the euro's international role. And preserve Europeans' access to global liquidity, through an equivalence regime rather than walls.

We are agnostic about the form digital money takes, whether central bank money, tokenised deposits or stablecoins, provided it is high quality, well managed, openly accessible and interoperable across blockchains.

⑤ Give Tokens a Legal Home

Onchain finance runs on collateral, and collateral runs on property law. Today, whether a token can be owned, transferred in good faith or enforced against a borrower's creditors depends on which Member State's law applies. Germany, France, and Luxembourg, for example, have moved in different directions.

The ideal would be for the ledger entry itself to constitute ownership, as France has now legislated. The realistic route at EU level is an optional, functional regime: rules that give ledger entries clear legal effect, protect good-faith acquirers and survive insolvency, without rewriting 27 national property systems. Add a clear conflict-of-law rule, and Europe would have the most useful legal framework for tokenised collateral anywhere.

⑥ Keep Raising the Bar

None of this is an argument for lower standards. It is an argument for the right ones.

The Aave Protocol has undergone some 65 independent security audits. In July 2026, Aave DAO tokenholders adopted two new standards, the Aave Risk Framework and the Technical Asset Listing Framework, which set public requirements for every collateral asset, bridge and chain the protocol supports. Aave Labs holds a SOC 2 Type II attestation. None of that was required by regulation, and all of it is public and verifiable. Standards set this way can keep pace with technology in a way a fixed certification regime cannot.

The Opportunity

Europe has everything it needs to lead onchain finance: world-class builders, a head start in regulation, and a policy agenda, the Savings and Investment Union, that onchain markets can directly serve. The MiCA review can turn that head start into leadership, or it can wall Europeans off from the infrastructure the rest of the world is building on.

We want Europe, where Aave began, to lead. Our full response sets out how, question by question. We look forward to working with the European Commission, the European Supervisory Authorities and the European Central Bank to get it right.

[Read Aave Labs' full response to the MiCA review](#)

