
dEuro token classification

Public summary

To: DFX AG ("**Customer**")

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1 Introduction & disclaimer

The following is a short summary ("**Summary**") of a memorandum drafted by LEXR for the Customer regarding the classification and the regulatory consequences of such classification of the Decentralized Euro ("**dEuro**") under the framework of the EU Regulation on Markets in Crypto-Assets ("**MiCA**"). Please take note of the following:

- **Legal uncertainty in DeFi:** There continues to be an elevated degree of regulatory uncertainty relating to decentralized financial (DeFi) applications, including the classification of tokens that are emitted based on a programmatic logic of such DeFi applications. As such, there is an elevated risk that European Supervisory Authorities, national competent authorities in the EU or competent courts would come to a different conclusion.
- **No legal advice:** This Summary is not legal advice and the publication of this Summary does not in any way create a legal expectation by any reader to rely on this Summary. Neither LEXR nor the Customer are in any way liable for any damages or costs you may incur out of or in connection with your use of this Summary.
- **Limited scope:** This Summary is limited to the regulatory classification of dEuro under MiCA.
- **Facts:** The Summary is based on the facts as they were made available on <https://docs.deuro.com> on the date of this Summary. Please refer to this website for further facts. Any changes in the facts may change the conclusions of this Summary.

2 Summary

Key facts: We understand that the dEuro is freely transferable as an ERC-20 token and generated by a decentralized and oracle-free protocol ("**dEuro System**") that is not centrally organized or controlled by anyone. The programmatic logic is such that the dEuro is supposed to track the value of the Euro (EUR). Users can mint dEuro by depositing certain collateral in the dEuro System.



Classification: As per our analysis, the dEuro qualifies as a crypto-asset under MiCA. However, due to the decentralized nature of dEuro, the applicability of MiCA is limited, for the following reasons:

- **No applicability of other EU regulations:** MiCA applies only if no other relevant EU regulation is applicable, especially the Markets in Financial Instruments Directive ("**MiFiD II**"). We understand that the dEuro is not considered a financial instrument under MiFiD II because it does not represent ownership nor equity rights in an entity, or involve debt or repayment obligations, or grant rights to acquire or settle in transferable securities. Instead, the dEuro tracks the value of the EUR based on a decentralized stability mechanism.
- **Applicability of the MiCA framework:** Since no other relevant EU regulation applies and as the dEuro, as a freely transferable blockchain-based asset, qualifies as a crypto-asset, the dEuro generally falls within the scope of MiCA.
- **No identifiable issuer:** We understand that there is no identifiable issuer of the dEuro as there is no entity that has central control over the creation of the dEuro. dEuro's minting process is user-driven, the governance is decentralized with mechanisms that prevent centralized control, and no oracle or other centralized entity exercises any control over the dEuro System.
- **Non-applicability of Title II, III and IV MiCA:** Title II, III and IV MiCA do not apply as there is no identifiable issuer.
- **Regulatory consequences:**
 - **No licensing or white paper requirement:** As the relevant articles of MiCA are not applicable, there is no requirement to obtain any sort of license (even if the dEuro were to qualify as an e-money token) or to provide a crypto-asset white paper for dEuro according to Title II, III or IV MiCA.
 - **Crypto-asset service providers:** Crypto assets service providers (CASPs) are independently responsible for complying with their regulatory obligations under MiCA when offering crypto-asset services, including listing tokens such as the dEuro. This includes any duties, particularly those outlined in Title V MiCA, including authorization and operational requirements.

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