

ADVISORY NOTE

ML/TF risks resulting from the end of the MiCAR Transitional Period and possible mitigating measures

The MiCAR transitional period will end across the EU on 1 July 2026¹. After this date, firms must be authorised as MiCAR-compliant crypto-asset service providers (CASPs) in order to continue providing crypto asset services in the EU.

The purpose of this note is to set out the ML/TF risks resulting from the end of the transitional period and identify mitigating measures that can be taken by the crypto asset sector, AML/CFT supervisors and FIUs to address these risks to ensure a coordinated, forward-looking, and risk-based response to safeguard the integrity of the EU financial system.

The cessation of activities by unauthorised virtual asset service providers (VASPs) and the reconfiguration of the market following the MiCAR authorisation deadline will result in significant structural changes to the EU crypto-asset ecosystem. The exit from the market of unauthorised VASPs, the movement or termination of large volumes of customer relationships and the concentration of crypto-asset activity across a smaller number of authorised CASPs will have a material impact on the functioning of the market.

Where VASP customers transition to other EU CASPs, CASPs should perform individual risk assessments in accordance with a risk-based approach, applying customer due diligence proportionately to identified risks. These clients should not be subject to blanket de-risking.

The table below details the potential ML/TF risks arising from the end of the transitional period along with suggested mitigation measures for unauthorised VASPs, authorised CASPs, AML/CFT supervisors, and FIUs.

ML/TF Risks		Risk mitigation measures
Unauthorised VASPs	• Risk of weakened AML/CFT controls during exit: The compression of timelines for ceasing activities may strain AML/CFT frameworks at a critical juncture. This is particularly relevant for entities previously identified as having AML/CFT deficiencies.	• Robust wind-down and AML/CFT controls: Where, under the applicable national legal frameworks, wind-down plans are established, firms should implement such plans in a structured and well-documented manner to ensure

¹ The MiCAR transitional period refers to the grandfathering arrangement under Article 143(3) of Regulation (EU) 2023/1114 (MiCAR), which allows crypto-asset service providers operating under applicable national law before 30 December 2024 to continue providing services until 1 July 2026.

the orderly cessation of activities. Throughout the wind-down process and until all regulated activities have ceased, firms should maintain adequate AML/CFT governance, resources, and ensure enhanced monitoring.

- **Risk of illicit flow concealment during exit:** Abrupt market exits may reduce transparency over asset flows and customer relationships, creating opportunities for concealment, rapid movement of illicit funds, and sanctions evasion.
- **Maintaining up-to-date customer information and reporting obligations:** Throughout the wind-down process provided for under applicable national legal frameworks, and until all regulated activities have ceased, firms should ensure compliance with AML/CFT obligations, including the requirement to maintain up-to-date customer due diligence (CDD) information and to identify and report suspicious activity.

Authorised CASPs

- **Sudden changes in risk exposure:** Shifts in business models and customer portfolios following authorization decisions may result in materially different risk profiles. This includes potential concentration of higher-risk customers among continuing or newly authorized CASPs.
- **Ensuring transaction monitoring systems are capable of dealing with increased volumes of crypto-asset transfers:** CASPs onboarding new customers from unauthorised VASPs should ensure the scalability of their AML/CFT controls and maintain adequate staffing and system capacity to manage increased workloads.
- **Pressure on transaction monitoring capacity:** Rapid customer inflows may strain transaction monitoring systems and compliance resources and these may require appropriate adjustments to ensure that associated ML/TF risks continue to be managed effectively.
- **Strengthening onboarding and risk integration processes:** Affected CASPs should apply effective CDD and ensure proper integration of incoming customer risk information. VASPs' customers should not be subject to blanket de-risking solely on the basis of their origin, but assessed individually under a risk-based approach, with enhanced due diligence applied where higher risks are identified.

AML/CFT Supervisors

- **Supervisory blind spots during market exit and consolidation:** The simultaneous wind-down of non-authorised VASPs and onboarding of large
- **Risk-based focus on wind-down processes:** Where permitted under applicable national legal frameworks,

customer volumes by CASPs may entail new challenges in supervisory visibility over customer transfers, risk migration, and compliance continuity.

supervisors should prioritise the oversight of exit planning of and customer transfers from unauthorized VASPs, to ensure AML/CFT controls remain effective and that there is full transparency of market changes.

- **Inconsistent application of AML/CFT standards across transitioning entities:** Differences in supervisory approaches during authorisation and wind-down phases may lead to uneven risk mitigation across Member States, increasing opportunities for regulatory arbitrage and illicit exploitation.
- **Enhanced supervisory coordination and continuity of oversight:** Supervisors should ensure close coordination across jurisdictions to maintain visibility over entities exiting the market and those receiving the customers of unauthorised VASPs, including through timely information sharing and coordinated supervisory actions where appropriate, with a view to enabling the identification of material risks across entities and understanding evolving risk patterns. In particular, AML/CFT supervisors should consider how money flows from wind-down processes affect the ML/TF risks of CASPs.

FIUs

- **Emergence of new or shifting typologies linked to mass transfers:** The reallocation of customer bases may be exploited to obscure illicit flows, including through rapid asset movement across multiple CASPs or jurisdictions, which might itself trigger an increased volume of reported activity.
 - **Enhanced cooperation and information exchange:** FIUs could ensure effective cross-border and domestic cooperation to maintain visibility of flows linked to exiting VASPs and/or receiving CASPs, including timely dissemination of intelligence where risks are identified.
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