



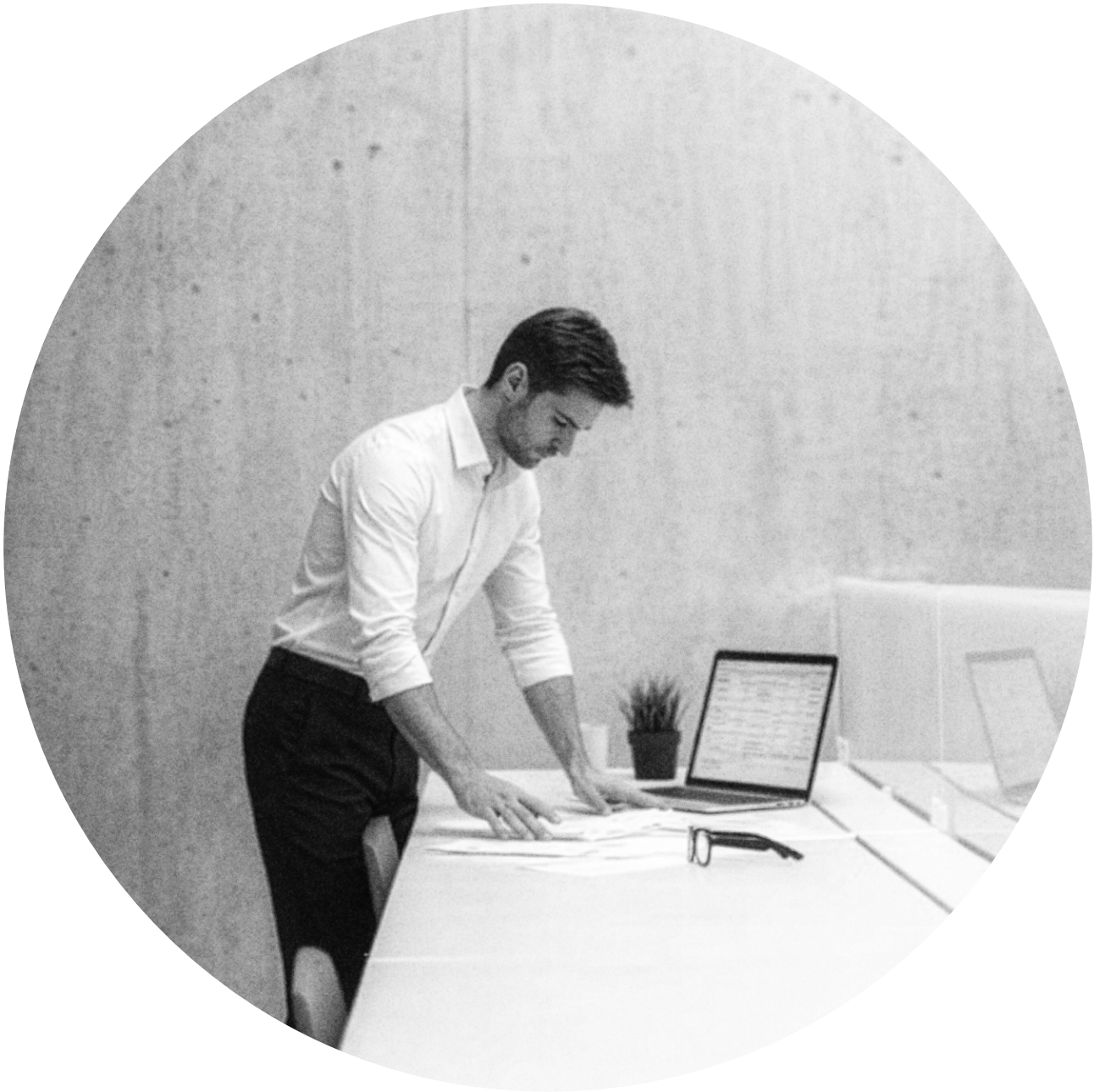
From Rulemaking to Real-World Compliance

Q1 2026 Crypto Regulatory Update

Author:
Andreas Katelari
Senior Compliance Officer

Cense AG | The Crypto Compliance Report
Q1 | Jan–Mar 2026





Executive Summary



Q1 2026 marked a global shift from crypto regulatory design to implementation, supervisory convergence and integration into traditional financial frameworks. Across major jurisdictions, including the EU, US, Switzerland, Asia and Australia, regulators are moving beyond rulemaking toward operational enforcement, licensing and practical application.

This transition is taking place against a backdrop of continued volatility in crypto-asset markets, influenced by broader macroeconomic conditions and evolving global dynamics. These factors have reinforced regulatory focus on risk management, investor protection and financial stability, particularly in areas such as stablecoins, custody and market conduct.

In the European Union, the focus has been on regulatory layering, with MiCA now interacting directly with PSD2, AMLA and tax reporting regimes. The treatment of stablecoins as potential payment instruments, combined with enhanced conduct standards and centralised AML oversight, reflects a move toward a multi-framework supervisory environment.

In the United States, regulators have taken a decisive step toward clarity through joint SEC–CFTC guidance, alongside progress in stablecoin rulemaking under the GENIUS Act. This signals a shift from enforcement-driven oversight to a more coordinated and innovation-friendly approach.

Switzerland continues to refine its mature framework by strengthening custody and investor protection standards, while supporting the institutionalisation of crypto within traditional financial services.

Across Asia, leading hubs such as Hong Kong, Singapore and others are focused on execution and market development, including stablecoin licensing, product expansion and tokenisation initiatives, all within strict regulatory guardrails.

In Australia, regulatory momentum is driven by AML expansion, upcoming licensing requirements and legislative progress, signalling a transition toward full integration of crypto into the financial services regime.

Overall, the global direction is clear: crypto-assets are no longer treated as a standalone sector, but are increasingly governed through overlapping regulatory regimes covering payments, AML, prudential supervision, conduct and tax reporting. For firms in the financial sector and especially companies that engage directly with crypto assets and crypto assets service providers, this creates both greater clarity and increased complexity, requiring a holistic, cross-regulatory approach to compliance.

Europe


Q1 2026 marked a decisive shift in the EU from crypto rulemaking to operational implementation, supervisory convergence and regulatory layering. The interaction between MiCA and existing financial regulation is now being tested in practice, with stablecoins (EMTs) at the centre of this transition.



The expiry of the EBA's transitional regime on 2 March 2026 has made the MiCA-PSD2 interplay fully operational, bringing certain crypto activities, particularly EMT-related transfers and custodial wallet services, within the payments regulatory perimeter. As a result, some CASPs now face dual regulatory obligations under both MiCA and PSD2, significantly impacting business models, licensing strategies and bank relationships. For financial institutions, this introduces a dual assessment challenge, requiring crypto firms to be evaluated both as CASPs and, in some cases, as payment institutions.

At the same time, ESMA's MiCA knowledge and competence guidelines signal the professionalisation of the crypto sector, introducing minimum standards for staff engaging with clients. CASPs must now demonstrate structured training, governance and oversight frameworks, aligning crypto conduct requirements more closely with traditional financial services while addressing crypto-specific risks.

Beyond MiCA, Q1 2026 highlights the emergence of a multi-layered EU regulatory architecture for crypto-assets. The EBA is strengthening supervisory convergence, particularly for significant stablecoin issuers, while the newly established Anti-Money Laundering Authority (AMLA) is introducing centralised AML oversight, explicitly treating crypto



as a high-risk sector. In parallel, new reporting frameworks such as DAC8/CARF are increasing transparency and data obligations across the market.

National developments further demonstrate how crypto is being embedded into existing financial ecosystems. In Luxembourg, the CSSF has clarified that crypto-assets can be integrated into regulated fund structures, subject to strict exposure limits, governance requirements and licensing implications, extending crypto compliance obligations to asset managers, depositaries and fund structures.

Overall, the EU direction is clear: crypto is no longer treated as a standalone asset class, but as part of an interconnected regulatory framework spanning prudential supervision, payments regulation, AML oversight and capital markets rules. For firms in the financial sector and especially companies that engage directly with crypto assets and crypto assets service providers, this means navigating a convergence of regulatory layers, each with distinct but overlapping compliance expectations.

No Action Letter on the Interplay between MiCA and PSD2

On 12 February 2026, the European Banking Authority (EBA) issued a pivotal Opinion clarifying expectations following the expiry of its June 2025 No-Action Letter (NAL) on 2 March 2026. This marks a significant shift in how EMTs are treated where they intersect with PSD2.

While EMTs are classified as crypto-assets under MiCA, their use in payment contexts brings them within the scope of PSD2 as “funds,” creating a dual-regulatory obligation. During 2025, the EBA’s NAL provided temporary relief to address this overlap. That transitional period ended in March 2026.

From March 2026 onwards, CASPs conducting EMT-related payment activities must either comply fully with PSD2 requirements or cease those activities altogether.

The June 2025 NAL had introduced a nine-month supervisory grace period, which included:

- Temporary exemption from PSD2 authorisation for EMT-related payment services;
- Clarification that only specific activities (notably transfers and custodial wallets functioning as payment accounts) fall within the PSD2 perimeter;
- Deferral of dual licensing requirements under MiCA and PSD2 and;
- Encouragement for national competent authorities (NCAs) to adopt streamlined authorisation processes.

With the expiry of this regime, the EBA’s February 2026 Opinion establishes a clear supervisory framework built around three scenarios:

- Fully Authorised or PSP-Partnered CASPs: These firms may continue EMT-related payment services without restriction, provided they maintain full compliance with both MiCA and PSD2.
- CASPs with Pending PSD2 Authorisation: These firms may continue operating only under strict supervisory conditions, including:
 - Submission of a complete and credible application;
 - No material breaches of MiCA or AML requirements;
 - Ongoing engagement with regulators.

Under the relevant scenario, the CASPs will also face constraints, such as restrictions on expanding services or onboarding new clients.

- Non-Compliant CASPs: These firms are expected to cease EMT-related payment activities immediately and implement orderly client offboarding.

This development underscores the increasing complexity of the EU regulatory environment for digital assets, particularly where crypto activities intersect with traditional financial regulation. A more harmonised long-term solution is expected under the forthcoming PSD3 / Payment Services Regulation (PSR) package, which is likely to further align the treatment of stablecoins with the broader payments framework.

For banks, the main implication is that some CASPs now need to be assessed through two lenses at once: MiCA as a crypto regime, and PSD2 as a payments regime. That changes onboarding, safeguarding analysis, fraud controls, account-access decisions and documentation.

Where a firm is within the PSD2 payment-institution perimeter, the access-to-accounts rule in Article 36 PSD2 becomes relevant: access to payment account services must be objective, proportionate and non-discriminatory, and refusals must be duly motivated to the competent authority. That is narrower and more precise than saying “all crypto exchanges transferring stablecoins are PSPs” or “all refusals must be explained to the central bank”.



MiCA knowledge and competence guidelines

On 28 January 2026, ESMA published the official translations of its MiCA knowledge and competence guidelines, triggering the countdown to their application on 28 July 2026.

The guidelines establish minimum standards for the knowledge and competence of staff providing crypto-asset services under MiCA, with a strong emphasis on investor protection and supervisory convergence across the EU.

The guidelines apply to personnel providing information or advice on crypto-assets or related services, whether through direct client interaction or structured communication channels. Firms must ensure that such staff have an appropriate understanding of crypto products, associated risks, market functioning and applicable regulatory requirements.

A central principle is proportionality: competence requirements must align with both the complexity of the products offered and the role performed. Staff providing investment advice are therefore subject to higher standards than those delivering general information.

Core knowledge areas include:

- Characteristics and risks of crypto-assets, including volatility, liquidity, and technology-related risks;
- Functioning of distributed ledger technology and custody models;
- Market structure and pricing dynamics;
- Regulatory frameworks, including MiCA and consumer protection requirements and;
- Risks related to fraud, cyber threats and operational failures.

CASPs are required to implement robust internal frameworks to ensure ongoing compliance. These include, among others, the following:

- Defined entry standards (education, training or relevant experience);
- Continuous professional development and training programmes;
- Regular assessments to ensure knowledge remains current and;
- Comprehensive record-keeping to evidence compliance with supervisors.

ESMA places accountability on firms, not individuals, for meeting these standards. NCAs are expected to assess how effectively CASPs embed these requirements into governance structures, HR processes and internal controls.

The guidelines also make clear that crypto-assets demand a higher baseline of risk awareness than traditional financial instruments. As such, firms cannot rely on existing MiFID-style training frameworks without adapting them to address crypto-specific risks.

Overall, the guidelines signal a broader professionalisation of the EU crypto sector, aligning conduct and competence standards more closely with traditional financial services while recognising the distinct risk profile of digital assets.

EU system-level developments

EBA – Crypto supervisory convergence

The EBA's [2026 Work Programme](#) and draft Single Programming Document 2027–2029, published in late January 2026, confirm that crypto-assets, particularly ARTs and EMTs, are now a core supervisory priority.

Key focus areas include:

- Supervisory convergence across EU Member States;
- Enhanced oversight of significant ART/EMT issuers;
- Use of intervention powers where risks emerge;
- Establishment of a dedicated crypto-asset committee.

The EBA is positioning itself as a central authority in ensuring consistent supervision of stablecoins across the EU, reducing fragmentation and increasing scrutiny on large issuers.

New AML authority takes over crypto oversight.

From 1 January 2026, the new EU Anti-Money Laundering Authority (AMLA) took over most of the EBA's AML/CFT responsibilities as part of the [Single AML Rulebook](#).

In Q1 2026, AMLA published its Single Programming Document 2026–2028, which confirms a strong focus on crypto-assets.

Key initiatives relating to crypto include:

- Strategic analysis of MiCA's impact on the crypto market;
- Thematic reviews of CASP AML/CFT compliance;
- Creation of a Financial Intelligence Unit (FIU) expert network on crypto-assets and;
- Participation as observer in CASP supervisory colleges.

AMLA has also launched:

- A data collection exercise to identify approximately 40 high-risk entities for future direct supervision (from 2028);
- Draft RTS on risk assessment and selection methodology, expected to be adopted by the European Commission in Q1 2026 and;
- Consultations on cooperation and transfer of supervisory powers.

Crypto-assets are now explicitly treated as a high-risk AML sector, with centralised EU-level supervision being built. This represents a major shift from fragmented national AML oversight to a more integrated supervisory model.

DAC 8/CARF: New crypto reporting obligations

From 1 January 2026, the Crypto-Asset Reporting Framework (CARF) under DAC8 became effective, introducing new tax reporting obligations for crypto-asset service providers.

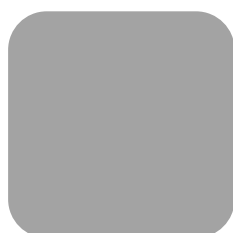
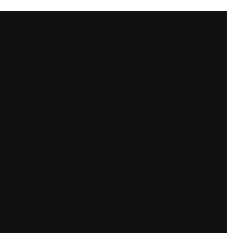
These rules require firms to:

- Collect and report user transaction data;
- Share information with tax authorities across jurisdictions and;
- Align with international standards developed by the OECD.

CARF adds a new compliance layer alongside MiCA and AMLA, significantly increasing:

- data collection requirements;
- reporting obligations and;
- cross-border transparency.

For many firms, this represents a shift toward full financial transparency of crypto transactions, similar to traditional financial accounts.





Luxembourg: Crypto enters the funds and asset management perimeter

In February 2026, the CSSF updated its [FAQ](#) on crypto-assets and undertakings for collective investment (UCIs), providing important clarifications on how Luxembourg funds may gain exposure to crypto-assets and under what conditions.

The update confirms that crypto-assets are now formally integrated into the Luxembourg funds framework, but under strict limits and governance requirements.

For UCITS, direct investment in crypto-assets remains prohibited. However, indirect exposure is permitted up to 10% of NAV, provided it is achieved through eligible instruments such as listed securities or derivatives.

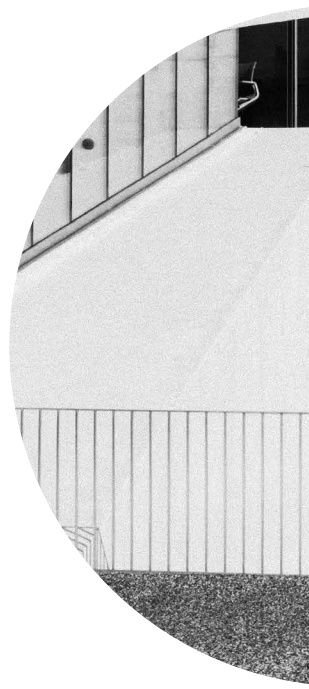
For retail AIFs, the CSSF allows direct investment in crypto-assets up to 10% of NAV. Exposure above this threshold is possible, but only subject to additional authorisation and enhanced supervisory scrutiny. Professional investor AIFs benefit from greater flexibility, but remain subject to robust risk management, governance and disclosure obligations.

Where crypto exposure of Professional Investors AIFs becomes material (e.g. exceeding the 10% threshold), firms may need:

- an extension of their AIFM licence or;
- additional approval from the CSSF.

Switzerland

In Q1 2026, Switzerland's crypto regulatory focus has shifted toward strengthening custody standards and supporting the institutionalisation of digital assets within the financial system. FINMA's updated guidance clarifies that crypto-assets must be held under robust, bankruptcy-remote custody arrangements, with expectations aligned to traditional financial asset protection standards, including strict requirements on segregation, governance and the use of prudentially supervised custodians, both domestically and abroad.



These developments take place against a broader trend of institutional integration of crypto, with banks and financial institutions expanding crypto services and leveraging regulated infrastructures. Overall, Switzerland is moving toward a model of institutional-grade crypto finance, where innovation continues within a clearly defined and supervisory-compliant environment.

FINMA Custody and Safeguarding Guidelines

In January 2026, FINMA issued updated supervisory guidance clarifying expectations for the custody of crypto-based assets. The guidance reinforces that crypto custody must meet standards equivalent to traditional financial assets and highlights specific risks for distributed ledger technology (DLT), such as cyber threats, private key compromises, operational failures and bankruptcy scenarios. It stresses the need for robust technical infrastructure, internal expertise and strong governance to mitigate these.

The guidance confirms that crypto-assets held on behalf of clients must be segregated and protected in the event of insolvency, building on the framework established under the Swiss DLT Act.

FINMA expects institutions to ensure that:

- Crypto-assets are held with prudentially supervised custodians, either in Switzerland or abroad;
- Client assets benefit from bankruptcy-remote segregation, ensuring they are not part of the custodian's estate in insolvency and;
- Custody arrangements are supported by robust operational controls, including secure key management and clearly defined ownership structures.

For foreign custodians, FINMA introduces an explicit expectation of regulatory and legal equivalence. Supervision must be comparable to Swiss standards, and the applicable legal framework must provide effective insolvency protection. FINMA acknowledges that certain jurisdictions, including the EU under MiCA, may meet these requirements in specific cases.

Limited exceptions may be permitted where alternative arrangements exist, provided that:

- Clients are fully informed of the associated risks and;
- Additional safeguards are implemented.

The guidance applies broadly across the financial sector, including:

- banks and securities firms holding crypto-assets in custody;
- portfolio management activities, requiring client-level asset segregation and/or;
- collective investment structures and structured products, where custody and risk management expectations apply at the product level.



Importantly, the guidance does not introduce a new licensing regime. Instead, it reflects a technology-neutral application of existing regulatory frameworks, including the DLT Act and prior FINMA guidance.

FINMA expects firms to take prompt action to assess and align their custody arrangements, including:

- conducting gap analyses against supervisory expectations;
- ensuring board-level awareness and oversight and;
- implementing necessary remediation measures within a reasonable timeframe.

While no formal deadline has been imposed, the guidance signals near-term supervisory expectations, with institutions expected to demonstrate progress in 2026. This development underscores a broader shift in Switzerland toward institutional-grade crypto standards, with custody emerging as a central supervisory focus.

Key implications include:

- Increased scrutiny of cross-border custody arrangements;
- Elevation of custody from an operational issue to a legal and governance priority and;
- Alignment of crypto custody requirements with traditional asset protection standards.

Institutionalisation of crypto in Swiss finance

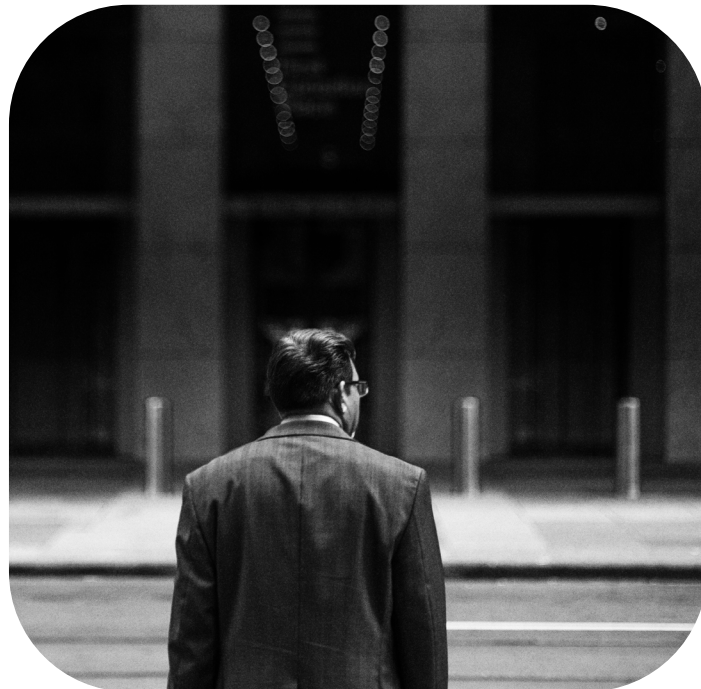
A notable Q1 2026 trend is the continued integration of crypto into mainstream financial services, including:

- Banks expanding crypto custody and trading services;
- Greater use of regulated infrastructures for digital assets and;
- Ongoing development of tokenised assets and blockchain-based financial products.

This reflects Switzerland's long-standing approach of enabling innovation within a clear and enforceable regulatory perimeter. Switzerland is moving beyond early adoption toward institutional-grade crypto finance, where traditional financial institutions play a central role.

United States

Q1 2026 marked a significant turning point in the US crypto regulatory landscape, with policymakers and regulators moving away from 'regulation by enforcement' towards a more structured, innovation-friendly framework. Building on key 2025 developments, including the GENIUS Act (stablecoin framework) and ongoing market structure legislation, US authorities focused on interpretive clarity, inter-agency coordination and implementation of stablecoin rules.



SEC & CFTC – Joint interpretive guidance and token taxonomy

The most significant development was the joint SEC–CFTC interpretive [release](#) on 17 March 2026, which provides the clearest federal position to date on the classification of crypto-assets.

The guidance introduces a functional taxonomy of crypto-assets, distinguishing between:

- Digital commodities, which include crypto assets that are intrinsically linked to and derive their value from the programmatic operation of a crypto system that is “functional,” as well as supply and demand dynamics, rather than from the expectation of profits from the essential managerial efforts of others;
- Digital securities, which include crypto assets that are designed to be collected and/or used and may represent or convey rights to artwork, music, videos, trading cards, in-game items, or digital representations or references to internet memes, characters, current events, or trends, among other things;
- Stablecoins are crypto-assets that are designed to maintain a stable value by being denominated in, or pegged to, a fixed value of a single fiat currency and that are intended to be used as a means of payment or settlement. Under the GENIUS Act, such assets must be issued by a permitted payment stablecoin issuer and be backed by high-quality liquid assets on a fully reserved basis, in accordance with the requirements set out in the Act.
- Digital tool, which includes crypto assets that perform a practical function, such as a membership, ticket, credential, title instrument, or identity badge and;
- Digital collectables, which include crypto assets that are designed to be collected and/or used and may represent or convey rights to artwork, music, videos, trading cards, or digital representations or references to internet memes, characters, current events, or trends, among other things.

Crucially, it clarifies that:

- Federal securities laws apply only to digital securities, and;
- Major tokens such as Bitcoin and Ether are generally treated as digital commodities, falling primarily under CFTC oversight (particularly in spot markets).

The release also provides clarity on:

- When a crypto-asset may fall within securities laws (e.g. under the Howey test);
- How assets may transition out of securities classification and;
- Treatment of activities such as staking, mining, airdrops and token wrapping.

This guidance significantly reduces legal uncertainty and aligns SEC and CFTC approaches, providing firms with clearer classification pathways and reduced enforcement risk.

OCC & GENIUS Act: Stablecoin rulemaking advances

On 25 February 2026, the OCC issued a [Notice of Proposed Rulemaking](#) to implement the GENIUS Act for OCC-supervised entities. The proposal establishes a comprehensive framework for payment stablecoin issuance, including:

- 100% reserve backing with high-quality liquid assets (e.g. cash, US Treasuries);
- Clear segregation of reserves;
- Requirements on custody, liquidity and capital;
- Enhanced risk management and governance standards and;
- Restrictions on certain practices (e.g. limitations on yield/interest features).

The Notice of Proposed Rulemaking also includes:

- Streamlined approval processes for affiliated entities and;
- Transitional arrangements for large state-regulated issuers.

A 60-day consultation period is ongoing, with final rules expected later in 2026.

This represents a major step toward formalising stablecoins as a regulated financial product, providing legitimacy and a clear operating framework for banks and issuers.



Asia

In Q1 2026, Asia's leading crypto hubs, Hong Kong and Singapore, continued the transition from regulatory design to practical implementation and market integration. While no major new legislation was introduced, regulators focused on licensing rollout, product expansion and institutional use cases, reinforcing their positions as globally competitive yet tightly supervised crypto jurisdictions.



Singapore: Institutionalisation through tokenisation and infrastructure

Singapore's regulatory framework remained stable in Q1 2026, with no major new rules, reflecting the maturity of its regime. Instead, focus shifted toward scaling institutional use cases and integrating digital assets into financial infrastructure.

Key developments include:

- Continued expansion of Project Guardian, moving from pilot phase toward institutional deployment through the Guardian Wholesale Network. The Project Guardian is public private partnership with the financial industry to test the feasibility of asset tokenisation and decentralised finance (DeFi) applications. It aims to develop a sustainable digital asset ecosystem by creating industry standards for tokenised assets, enhancing market liquidity and ensuring cross-border interoperability.
- Advancement of Project BLOOM, supporting tokenised bank liabilities, programmable compliance and cross-border payment use cases;
- Ongoing implementation of Singapore's stablecoin framework, requiring:
 - Full reserve backing;
 - Independent audits and;
 - Timely redemption mechanisms.

Singapore also maintained alignment with international standards, including adjustments to the timeline for implementing crypto-related bank capital requirements.

Singapore is positioning itself as a leader in institutional-grade digital finance, focusing less on retail expansion and more on tokenisation, interoperability and integration with traditional finance.

Hong Kong: Stablecoin licensing and expansion of regulated services

Hong Kong has emerged as the most execution-focused jurisdiction in Q1 2026, advancing its ambition to become a global virtual asset hub under its ASPIRe roadmap, which is designed to future-proof Hong Kong's virtual asset ecosystem. The roadmap's 12 initiatives include streamlined market access, adaptive compliance and product frameworks, and infrastructure upgrades to bridge TradFi reliability with blockchain efficiency.

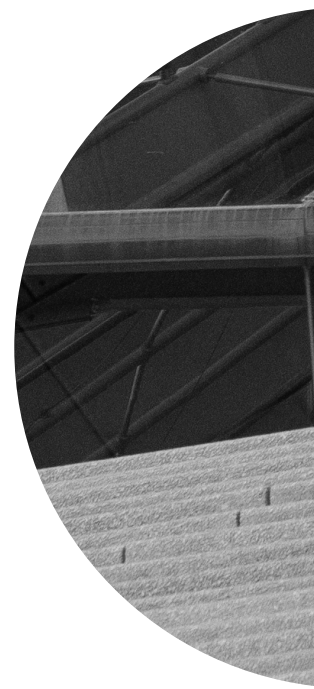
A key milestone was the rollout of the stablecoin licensing regime, with the first licenses expected and partially issued in Q1 2026 under the Stablecoin Ordinance. These licenses are limited in number and subject to strict conditions, including:

- 100% reserve backing with high-quality assets;
- Segregation of reserves;
- Audit and transparency requirements;
- Enforceable redemption rights and;
- Prohibition of yield or interest features.

In parallel, on 11 February 2026, the SFC introduced new [guidance](#) that extends crypto asset services to margin financing for licensed firms providing crypto assets dealing services and to set out a high-level framework to guide crypto asset trading platforms in developing proposals for leveraged products intended for professional investors.

Australia

Q1 2026 marked a critical transition in Australia from regulatory design to active implementation and enforcement readiness in the crypto sector. While no major new laws were enacted during the quarter, regulatory pressure intensified through AML/CTF expansion, upcoming licensing requirements and legislative progress, signalling a move toward full integration of digital assets into the financial system.





AUSTRAC – Expansion of AML/CTF obligations

The most significant development was the expansion of AML/CTF obligations to a broader range of virtual asset services, taking effect on 31 March 2026.

The updated framework extends beyond traditional “digital currency exchanges” to cover:

- Custody and safekeeping of crypto-assets;
- Transfers and exchange services and;
- Facilitation of crypto-related investment exposure.

Firms operating in Australia are now required to:

- Register with AUSTRAC;
- Implement risk-based AML/CTF programs;
- Conduct customer due diligence (CDD);
- Comply with the Travel Rule (for transfers above AUD 1,000);
- Report suspicious and threshold transactions and;
- Maintain detailed records.

In parallel, AUSTRAC consulted in February 2026 on refinements to AML/CTF Rules, including potential exemptions for low-risk activities (e.g. low-value transfers to self-hosted wallets). Australia has aligned more closely with FATF standards, significantly expanding AML coverage and increasing compliance obligations for crypto firms.

AUSTRAC – Expansion of AML/CTF obligations

ASIC maintained its sector-wide no-action position, allowing firms time to determine whether their crypto activities fall within the financial services perimeter. This relief remains in place until 30 June 2026.

During Q1 2026, ASIC reinforced that:

- Many crypto-assets may qualify as financial products;
- Firms may require an Australian Financial Services Licence (AFSL);
- Unlicensed operations, misleading conduct and regulatory perimeter risks remain key supervisory concerns.

Transitional relief also continues for certain activities, including:

- Distribution of stablecoins and wrapped tokens and;
- Use of omnibus custody structures.

The approaching June 2026 deadline creates a clear licensing trigger point, requiring firms to assess their regulatory status and prepare for full compliance.



Cense AG

Registered:

Commercial Register:
Canton Zug, Switzerland
Reg. Number:
CHE-334.198.597

Address:

Neuhofstrasse 22,
6340 Baar, Switzerland

Tel.:

+41 793450689

Email:

contact@cense.com

Start a conversation with cense

Transform your approach to compliant crypto onboarding at speed and scale.

Contact us now