BANKRUPTCY-REMOTE:

The Non-Negotiable Standard for Euro Stablecoins

The crypto winter of the last 2 years saw the cascading collapse of several high-profile crypto custodians and banks, which taught both the traditional and decentralized financial sectors a harsh lesson about digital assets:

Technology alone cannot guarantee stability.

As banks now step into the digital currency space, they must avoid repeating the same mistakes. The emergence of regulated, bank-issued Euro stablecoins marks a crucial evolution - but only if we get the fundamentals right.

The most critical of these fundamentals isn't technological.

It's structural: the bankruptcy-remote arrangement that protects client assets.

While this might seem like an arcane legal detail, it represents the difference between true financial innovation and merely digitising risk.

WHAT INSTITUTIONAL CLIENTS ACTUALLY NEED

They need digital payment solutions that:

WORK WITHIN EXISTING RISK FRAMEWORKS

SATISFY REGULATORS

DELIVER GENUINE OPERATIONAL BENEFITS

The bankruptcy-remote structure uniquely enables all three.

Recent market events make this clear. When several major crypto platforms collapsed, client assets became entangled in **complex bankruptcy proceedings** which will take years to resolve.

These failures highlighted a fundamental flaw:

The lack of proper asset segregation.

The industry's response?

A retreat to the tried-and-true principles of traditional banking - proper asset segregation, regulatory oversight, and clear legal frameworks.

WHAT IS THE RIGHT WAY TO STRUCTURE A STABLECOIN?

This is where bank-issued stablecoins, properly structured, offer a compelling solution.

Take Banking Circle's EURITE (EURI) as an example.

A legal structure that institutional clients can actually trust

By segregating funds in another account, separate from Banking Circle's own assets, Banking Circle creates a legal structure that institutional clients can actually trust. Client funds remain segregated from the bank's balance sheet and protected from any potential issuer distress.
This isn't just a legal nicety, but also a critical prerequisite for serious institutional adoption.

A regulatory landscape that reinforces this approach

The regulatory landscape reinforces this approach. Europe's **Markets in Crypto-Assets Regulation (MiCA)** effectively mandates robust asset segregation for stablecoin issuers.
This isn't regulatory overreach, and rather serves as an inevitable recognition that digital assets need traditional banking safeguards to be viable in regulated markets.

Enabling innovation rather than constraining it

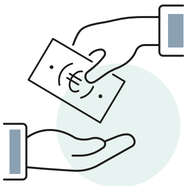
But here's what makes this truly interesting: the bankruptcy-remote structure actually enables innovation rather than constraining it.
For example: EURITE users know their assets are legally protected, and therefore they can fully embrace the operational benefits of blockchain technology - 24/7 settlement, smart contract automation, efficient cross-border payments - without compromising on security.

Creating an infrastructure that can support the next generation of financial services

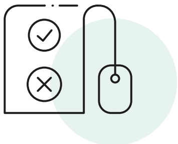
This matters because the future of payments isn't just about speed or technology. It's about creating infrastructure that can support the next generation of financial services while maintaining the stability of the current system. Banks exploring stablecoin issuance must recognise that their competitive advantage lies not in cutting-edge technology, but in their ability to combine innovation with proper risk management.

SETTING THE MARKET STANDARD

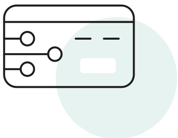
Some argue that such structures add unnecessary complexity. They're wrong. The complexity of a bankruptcy-remote arrangement is precisely what enables simplicity for users. It provides clear answers to fundamental questions:



WHO OWNS THE ASSETS?



WHAT HAPPENS IN A CRISIS?



HOW CAN I BE SURE I'LL GET MY MONEY BACK?

Looking ahead, this approach will likely become the market standard.

As institutional adoption grows, clients will demand the clarity and protection that only proper asset segregation can provide. Progressive banks such as Banking Circle that establish robust bankruptcy-remote structures now will be better positioned to serve this growing market.

The implications extend beyond individual institutions. As central banks develop their own digital currencies, the private sector's experience with bankruptcy-remote stablecoins will inform the design of future financial infrastructure. The mistakes and successes of today's stablecoin issuers will shape tomorrow's payment systems.

For banks considering stablecoin issuance, the message is clear:

The bankruptcy-remote structure isn't optional. It's the foundation that makes institutional adoption possible. Without it you are building on sand.

Critics might say this is just traditional banking wearing blockchain clothes. But that misses the point. The goal isn't to reinvent banking's fundamental protections - it's to extend them into the digital asset space.

The bankruptcy-remote structure represents the best of both worlds: traditional banking's security with blockchain's efficiency.

CONCLUSION: RESPONSIBLE INNOVATION

In the rush to innovate, we cannot forget banking's first principle - protecting client assets.

The bankruptcy-remote structure ensures this principle extends into the digital age. We need to make stablecoins viable for serious institutional use.

For the banking sector at large, this represents another crucial opportunity to get digital assets right. By embedding proper asset segregation from the start, we can build payment infrastructure that delivers on blockchain's promise without compromising banking's foundations.

That's not just good business - it's responsible innovation.