# Tether CEO warns EU stablecoin rules may trigger wave of bank failures



Tether CEO Paolo Ardoino has raised significant concerns regarding the stability of Europe's financial system, forecasting a potential wave of bank failures due to a combination of risky lending practices and new cryptocurrency regulations. In an interview with the "Less Noise More Signal" podcast, Ardoino critiqued the European Union's regulatory framework for stablecoins, suggesting it compels companies like Tether to allocate a substantial portion of their reserves—up to 60%—into uninsured bank deposits.

Ardoino presented a hypothetical scenario in which Tether, with a stablecoin pegged to 10 billion euros, could be vulnerable by holding as much as 6 billion euros in small banks that offer minimal protection. He pointed out that the insurance scheme in Europe guarantees only up to 100,000 euros per depositor, which he described as insufficient. “If you have 1 billion euros, that’s like spitting on a fire,” he remarked, emphasising the inadequate cover against potential insolvency.

As observed by Ardoino, European banks operate under a fractional reserve system, allowing them to lend out a significant proportion of their deposits. “They can lend out 90% of it to people that want to buy a house, start a business, and all of that,” he explained. In his scenario, the potential for banks to lend out 5.4 billion euros could exacerbate vulnerabilities within the banking sector.

Drawing parallels to the collapse of Silicon Valley Bank in 2023, Ardoino warned that European institutions might be at risk of similar failures. He noted that a significant event, such as a 20% redemption, could leave banks short by billions, thus risking not only their own stability but also that of stablecoin issuers dependent on these banks for liquidity.

“As a stablecoin issuer, you go bankrupt—not because of you, but because of the bank,” he stated. He added that a bank's failure could incorrectly tarnish the reputation of stablecoins, prompting government narratives to label them as “very dangerous.”

Regulatory measures intended to bolster banks' liquidity within the European Union may inadvertently create “huge systemic risk,” Ardoino posited. He particularly pointed out that major European banks, such as UBS, would not handle stablecoins, compelling issuers to bank with smaller institutions, which increases overall risk.

These comments come as Tether prepares to launch a new stablecoin product in the United States and continues to diversify its investments, including a recent increase in its stake in the Latin American agricultural producer Adecoagro. As regulatory landscapes shift, the implications of Ardoino’s warnings will be closely monitored by financial analysts and stakeholders in the cryptocurrency market.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://cointelegraph.com/news/mica-regulation-systemic-risk-banking-system-tether-ceo> - This article discusses Tether CEO Paolo Ardoino's concerns that the European Union's Markets in Crypto-Assets (MiCA) regulation poses systemic risks to both stablecoins and the broader banking system, particularly due to the requirement for stablecoin reserves to be held in EU bank accounts.
2. <https://cointelegraph.com/news/mica-systemic-banking-risks-stablecoin-tether-ceo> - In this piece, Ardoino highlights the potential systemic risks introduced by MiCA's bank reserve requirements for stablecoin issuers, emphasizing the need for dialogue with regulators to address these concerns.
3. <https://www.cointribune.com/en/crypto-why-mica-regulation-alarms-tethers-ceo/> - This article elaborates on Ardoino's criticism of MiCA's mandate for stablecoins to hold 60% of their reserves in uninsured cash deposits, suggesting that such a requirement could expose stablecoins to risks similar to those faced by Silicon Valley Bank.
4. <https://www.unlock-bc.com/126350/steering-digital-dollar-exclusive-interview-tether-ceo-paolo-ardoino/> - In this interview, Ardoino discusses his concerns about MiCA's requirement for stablecoins to hold 60% of their reserves in uninsured cash deposits, drawing parallels to the collapse of Silicon Valley Bank in 2023.
5. <https://www.acryptofinance.com/tether-ceo-decries-eu-mica-leaves-stablecoins-vulnerable-to-systemic-banking-risks/> - This article covers Ardoino's critique of MiCA's bank reserve requirements, highlighting the potential for stablecoin reserves to become part of bank balance sheets, raising concerns about systemic risks if banks face financial instability.
6. <https://digitalpoundfoundation.com/tether-ceo-highlights-potential-risks-in-new-european-crypto-rules/> - This piece discusses Ardoino's warning that MiCA's bank reserve requirements could introduce systemic risks, emphasizing the need for stablecoin issuers to diversify holdings into safer securities like government bonds or treasury bills.
7. <https://www.coindesk.com/markets/2025/05/03/like-spitting-on-a-fire-tether-ceo-slams-eu-deposit-protections-amid-bank-failure-warnings> - Please view link - unable to able to access data