

BLOCKCHAIN RECOGNISED BY LUXEMBOURG LAW

On September 27, 2018, the Ministry of Finance introduced a bill of law with the parliament (the “**Government Bill**”) having as purpose to amend the law of 1 August 2001 on the circulation of securities as amended (the “**Law**”).

It is reminded that the Law applies to securities in the broadest sense of the term that are deposited or held on a securities account with an account keeper and that are or have been declared fungible, materialised or dematerialised, in bearer, order or registered form, Luxemburgish or foreign, and regardless of the form in which they have been issued according to the law that applies to them.

The Law applies exclusively to securities booked on a securities account and which are transferred by book transfer.

The purpose of the Government Bill is to enable financial market participants to take full advantage, in full legal certainty, of the opportunities offered by new technologies in the area of securities circulation.

In view of recent technological developments, it is proposed to modernize the existing legal framework by specifying in the Law that securities may also be registered and transferred using secured electronic registration mechanisms based on the blockchain technology of registers.

Secured electronic recording devices can be used for the issuance and circulation of securities. The accounts keeper may use these mechanisms for the holding of the securities accounts and make the related entries. It will record the issuances and transfers.

For reasons of technological neutrality, these devices may be centralized devices or distributed devices of the blockchain type, the purpose of the Government Bill being to validate in principle (provided that the provisions of the Law are respected) the recourse to this type of technology by the accounts keepers.

With this Government Bill, Luxembourg which has a history of being open to new financial innovation shows once again its capacity to be proactive in order to match with the markets expectations.



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