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First Vote on Blockchain Law IV – Major Upsides to be expected for Issuers and Investors alike

On 19 December 2024, the Luxembourg Parliament held its first vote on Bill No. 8425 (the “Bill”), commonly referred to as “Blockchain Law IV.” This legislative proposal aims to further modernise the legal framework for dematerialised securities and enhance Luxembourg’s position as a leading financial centre embracing distributed ledger technology (“DLT”).



1. Key Highlights of Blockchain Law IV

Blockchain Law IV introduces a series of innovations to the existing legal framework, including:

1. Creation of the role of control agent: This role serves as an alternative to central account keepers for the issuance and management of dematerialised securities. The control agent is tasked with maintaining issuance accounts, reconciling securities, and leveraging DLT for secure information sharing among market participants.

2. Inclusion of equity securities: The proposed law expands the application of DLT to equity securities, in addition to debt securities. This extension is expected to benefit the fund industry and transfer agents by enabling the use of DLT to manage share and unit registers, as well as fund unit operations.

3. Optimised payment mechanisms: The Bill introduces simplified mechanisms for issuers to fulfil payment obligations related to securities, such as the payment of dividends, further facilitating operational efficiency.

4. Simplified issuance, holding, and reconciliation of securities: The Bill streamlines the processes for the issuance, holding, and reconciliation of dematerialised securities. By leveraging DLT, these operations become more efficient, reducing the need for intermediaries and enabling faster and more secure transactions.

2. Implications and Next Steps

With the first vote now complete, Blockchain Law IV is one step closer to becoming a cornerstone of Luxembourg's innovative financial technology regulation. To expedite its adoption, the Chamber of Deputies has requested a waiver from the Council of State to bypass the mandatory second vote, which is to be expected.

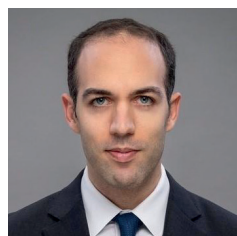
3. Conclusion

Blockchain Law IV represents a significant step towards enhancing efficiency, transparency, and security in financial markets through the use of cutting-edge technology, which is thus likely beneficial for issuers and investors alike. As the legal framework evolves, Luxembourg solidifies its position as a leader in integrating technological innovation into its financial ecosystem.

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