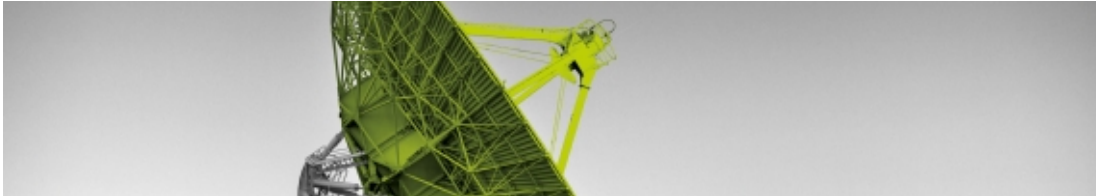


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Luxembourg Newsflash - 30 July 2020

## Issuance of dematerialised securities using blockchain technology – New draft legislation published!

On 27 July 2020, the government has introduced a draft bill n°7637 in Parliament (the “Draft Bill”), which – if adopted – will modernise the law of 6 April 2013 on dematerialised securities, as amended (the “2013 Law”), in order to facilitate the use of distributed ledger technology when issuing dematerialised securities.

Last year, the Luxembourg legislator had already amended the law of 1st August 2001 on the circulation of securities and other financial instrument (the “2001 Law”) by a law of 1st March 2019 in order to clarify that account keeping institutions such as banks could offer securities accounts operated using distributed ledger technology and a number of related items, including confirmation that successive registrations of securities using distributed ledger technology have the same effects as transfers between securities accounts (e.g. regarding transfer of ownership).

The purpose of the new draft bill is essentially to introduce two changes:

### **1. Clarification that issuance accounts for dematerialised securities may also be kept using distributed ledger technology**

When issuing dematerialised securities, it is necessary to keep a record of the number and type of securities issued in a so-called issuance account in order to enable the central account keeper or liquidation organism to verify that in securities accounts there are not more securities in circulation than securities issued. The issuance account is not a securities account, but simply a record kept for the purposes of making the aforementioned reconciliation verifications. The central account keeper or liquidation organism whose duty it is to make these verifications will be able to keep these records using distributed ledger technology. As a result all elements linked to an issuance of dematerialised securities can be kept using distributed ledger technology in the future, i.e. not only securities accounts (already possible since 2019 by virtue of the 2001 Law) but also issuance accounts.

## 2. Broadening of type of entities able to act as central account keeper for debt securities

Currently, only certain regulated Luxembourg service providers can act as central account keepers under the 2013 Law. Moreover, they require a specific additional license in order to be able to perform this function. This situation will remain unchanged in relation to equity securities. However, for (non-listed) debt securities, the scope of regulated service providers able to act as central account keepers will be broadened. In the future this function can be performed by any credit institution or investment firm authorised in a Member State of the European Economic Area, provided that they have appropriate control mechanisms and IT security arrangements for the purpose of keeping issuance accounts and performing the relevant tasks linked thereto such as the aforementioned reconciliation verifications. As a result issuers of non-listed debt securities governed by Luxembourg law will have a larger choice of service providers for this aspect of an issuance.

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