

Luxembourg Bill of law to allow issuance of securities in DLT

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What happened before the Bill of Law 7637? On 1 March 2019, a new article 18 *bis* was inserted in the Law of 1 August 2001 on the circulation of securities (the “**2001 Law**”) stating in essence that account keepers may hold securities accounts (i.e. accounts where securities are credited or debited) and register securities within or through secure electronic registration devices, including distributed electronic ledgers or databases (see our previous publication in this respect on our website).

What does the Bill of Law 7637 add? In line with the 2019 amendment, on 27 July 2020, the Luxembourg government presented a Bill of Law 7637 (the “**Bill of Law**”) to amend the Law of 5 April 1993 on the financial sector and the Law of 6 April 2013 on dematerialised securities (the “**2013 Law**”).

By using the same terms as for the modernisation of the 2001 Law, the key objective of the Bill of Law is expressly to recognise the possibility to issue dematerialised securities through distributed electronic registers or databases (being the terminology used by the Luxembourg legislator to ensure technological neutrality vis-à-vis the different types of technologies that may be used, such as blockchains).

To achieve this while providing additional legal certainty, the Bill of Law proposes the introduction of a new definition for “issuance account” in the 2013 Law. An issuance account would be defined as an account held by a settlement provider or central account keeper recording the dematerialised securities issued by an issuer. This definition further specifies that issuance accounts may be held within or through secured electronic registration devices, including distributed electronic ledgers or databases. With the Bill of Law, it would therefore be possible in the future to rely on distributed ledger technologies (“**DLT**”) for both securities accounts and also issuance accounts in the context of an issuance of dematerialised securities.

The Bill of Law also intends to broaden the scope of services which may be rendered by providers that can act as central account keepers under the 2013 Law. For non-listed debt securities, the Bill of Law proposes to open the role of central account keeper to EEA investment firms and credit institutions, to the extent that they meet the appropriate technical and organisational requirements to carry out such activities.

Why is this important? The Bill of Law reflects the intention of the Luxembourg legislator to modernise the 2013 Law and to create a fully-fledged legal framework for both the issuance and circulation of dematerialised securities through DLT.

With this Bill of Law, Luxembourg continues to foster the use of new technologies in financial services and position itself as the go-to market for fintech businesses and issuers willing to use new technologies for issuing their securities.

For any further information please contact us or visit our website at www.elvingerhoss.lu.

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