

Regulatory News Alert

Distributed Ledger Technology finds its way into Luxembourg Securities Regulation

5 October 2018

Context and objectives

On 27 September, the Chambre des Députés published the Draft Law 7363 amending the 1 August 2001 Law on the circulation of securities.

The draft law aims to enable the stakeholders of the financial market place to benefit within a secured legal framework of the new opportunity offer by the technology

The law of 2001 will be modernize by specifying that securities may be registered and transferred using secure electronic registration mechanisms based on Distributed Ledger Technology like blockchain.

New perspectives in the management of securities account

The law validates the use of Distributed Ledger Technology for the issuance and circulation of securities. The custodian may use these mechanisms to hold the securities accounts and make the related entries. It will record emissions and transfers.

The government in the explanatory statement developed that the management of securities accounts in the blockchain-type registers or ledger books should use the token concept.

The token represents the securities stored as a digital asset in the distributed ledger.

By nature, the token is fungible in the blockchain and the use of these new technologies have no impact on the fungibility of the securities.

This token will be legally bound to the same rights and provide new alternatives for the financial market place stakeholders as to conventional dematerialized or paper securities.



Security and traceability

The future law will provide a clear and secure legal framework for those actors willing to leverage from new technology in the management of securities. The new technology provides also the traceability of the transactions with the blockchain and the impossibility to modify the transactions once being included in the ledger.

How can Deloitte help?

We are helping our clients to define new strategic business model in line with the distributed ledger technology. We provide assistance on activities ranging from strategic considerations to the full implementation of new solutions.

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