



## **BLOCKCHAIN IV LAW : DRIVING DIGITALIZATION IN THE SECURITIES ISSUANCE INDUSTRY**

Digital innovation in the financial sector thrives in Luxembourg. The new Blockchain IV law, adopted by the Luxembourg law maker on 19 December 2024, is another testament to this.

The Blockchain IV law builds on the pillars of a pre-existing legal framework consisting of the first Blockchain law adopted in distant 2013-which made Luxembourg one of the EU pioneers in recognizing dematerialized securities-passing through the Blockchain II and Blockchain III laws in between, and culminating with the Blockchain IV law right before the year end of 2024.

In essence, the Blockchain IV law broadens the scope of the existing legal framework to include equity securities alongside debt securities, allowing for enhanced management of share and unit registers as well as fund unit operations (such as issuance, conversion or redemption) via distributed ledger technology (DLT), which is expected to benefit the fund industry and transfer agents. Additionally, the new law streamlines payment mechanisms for issuers-allowing them to efficiently handle security-related obligations like dividend payments-boosting overall operational efficiency.

Most notably, however, the new framework provides additional options in relation to custody of dematerialized securities. It will be now possible to employ a control agent for DLT securities issuance and entrusting such agent with the maintenance of the issuance account, tracking the securities' chain of title, and the reconciliation of the issued securities. This optional regime provides issuers with an alternative to the traditional two-tier holding structure, which involves central account keepers and secondary account keepers.

As with previous generations of the Luxembourg blockchain laws, the Blockchain IV law is expected to have significant implications for the Luxembourg financial sector (including the investment funds industry) by providing, among others, legal certainty and operational flexibility, enabling tokenisation of financial instruments to optimise distribution chains, reduce costs, and streamline transactions.



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