

**Luxembourg, 22 January 2021**

**Luxembourg's legal framework now recognises the use of DLT technology to issue and settle dematerialised securities**

Bill 7637 (to be referred to as the **Blockchain II Act 2021**) was approved by the Luxembourg Parliament on 21 January 2021. The Blockchain II Act 2021 enables (a) the issuance of dematerialised securities directly in DLT (distributed ledger technology) systems and (b) in case of unlisted debt securities, opens the central account keeper role to EU credit institutions or investment firms.

***Issuance of dematerialised securities***

With its amendment to the Dematerialised Securities Act 2013, the Blockchain II Act 2021 recognises that central account keepers or settlement organisations may use DLT systems to record issuances of dematerialised securities (that is, dematerialised securities representing debt, equity, listed or unlisted).

Operating in a DLT set-up, the central account keeper or settlement organisation will operate a wallet (in the form of a DLT or Blockchain address) to record dematerialised securities that will be settled like native tokens.

As such, a dematerialised security may thus exist entirely in a DLT environment as a native token that can be issued and settled in a fully-fledged DLT environment.

It should be noted that, already prior to the Blockchain II Act 2021, the Luxembourg legal framework allowed the use of DLT technology to record the issuance of, and settle, registered or immobilised securities in a DLT environment.

### ***Central account keeper role***

The Blockchain II Act 2021 also provides that EU (including Luxembourg) credit institutions and investment firms will not need to hold an additional central account keeper licence to provide central account keeping services for unlisted debt securities (that is, debt securities not admitted to trading in EU trading venues).

However, these EU (including Luxembourg) credit institution and investment firms will have to meet certain operational conditions to provide central account-keeping services.

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