

MiCA and Blockchain IV Law

INCREASED LEGAL CERTAINTY IN THE EUROPEAN AND NATIONAL DIGITAL FINANCE LANDSCAPE

Executive Summary

- The Markets in Digital assets Regulation (MiCA) represents a significant regulatory milestone in establishing a comprehensive framework for digital assets not covered by traditional financial regulations in the European Economic Area (EEA).
- The provisions of MiCA which regulate asset-referenced tokens (ARTs) and electronic money tokens (EMTs) became effective as of June 2024.
- January 2025 marked the full implementation of MiCA, introducing key provisions impacting various classes of digital assets and digital asset service providers (CASPs), with additional investor protection and market stability measures.
- The Luxembourg Parliament has approved a new law to facilitate the use of distributed ledger technology (DLT) for the issuance, holding and transfer of dematerialised securities. The law was published in the official journal on 27 December 2024 and entered into force on 31 December 2024.

As digital finance becomes increasingly important, the European Union (EU) is implementing substantial regulatory measures to regulate digital assets and foster innovation within a secure framework. As an important finance hub, Luxembourg is also adapting its regulatory landscape to meet the growing demand for clarity and security in this rapidly evolving sector.

Two major regulatory developments are expected to shape the European digital finance landscape: the full application of Regulation (EU) 2022/858 (“**MiCA**”) and the Luxembourg law of 20 December 2024 (the “**Blockchain IV Law**”), targeting the use of DLT for issuing and managing securities and further solidifying Luxembourg's position in the digital finance ecosystem.

This GSK Update briefly outlines the main changes introduced by MiCA and the Blockchain IV Law.

I. MiCA

MiCA represents a significant step in establishing a harmonised regulatory landscape for digital assets across Member States.

MiCA aims to create a unified regulatory framework for three primary types of digital assets: asset-referenced tokens (ARTs), electronic money tokens (EMTs), and utility tokens. MiCA also covers entities and individuals offering services related to these assets, including trading, custody, and advisory services.

With MiCA's full implementation in January 2025, digital asset issuers and service providers will be subject to licensing and oversight by national authorities, facilitating a harmonised and secure EU digital market.

Provisions Effective January 2025

The full application of MiCA will require digital asset issuers and service providers (CASPs) across the EEA to adhere to specific authorisation, transparency, and consumer protection standards.

From January 2025, all digital asset issuers must publish digital asset white papers, similar to financial prospectuses, that disclose critical information on each token's function, technology and risks. For ARTs and EMTs, MiCA will also require independent verification and separation of reserve assets, aimed at preserving value stability and mitigating insolvency risks.

Furthermore, CASPs - including exchanges, custodians and brokers - will need authorisation from national authorities, allowing them to operate EU-wide under a



single license. Authorisation requirements include capital adequacy, governance standards, risk management practices, and policies for safeguarding client assets. Licensed CASPs will be under the supervision of the European Securities and Markets Authority (ESMA) and national authorities enforcing compliance through ongoing monitoring.

Furthermore, MiCA introduces stronger consumer safeguards, including standards for advertising digital assets to prevent misleading information and establish procedure for handling consumer compliance efficiently.

These new provisions will not apply to:

- digital assets issued by central banks or public authorities;
- offers of digital assets to the public whose total consideration does not exceed EUR 1.000.000 in 12 months, and
- private offers limited to qualified investors or fewer than 150 persons per Member State.

Furthermore, MiCA does not apply to digital assets that are unique and not fungible with other digital assets, including digital art and collectibles.

II. The Blockchain IV Law

The Blockchain IV Law follows in the footsteps of previous initiatives taken by the Luxembourg legislator. After the adoption of the law of 1 March 2019 (Blockchain I), the law of 22 January 2021 (Blockchain II) and the law of 15 March 2023 (Blockchain III), the Blockchain IV Law seeks to integrate and formalise the use of blockchain technology, specifically DLT, in the management of dematerialised securities, both debt and equity.

The Blockchain IV Law amends the law of 6 April 2013 on dematerialised securities, the law of 5 April 1993 on the financial sector (the “**Financial Sector Law**”) and the law of 23 December 1998 establishing a financial sector supervisory commission.

A new player

The law introduces a new player, the control agent “*agent de contrôle*” (the “**Control Agent**”), responsible for managing and verifying securities accounts through DLT, including maintaining an issuance account and overseeing the entire chain of securities ownership. The role of the control agent is intended to provide a secure alternative for managing digital securities, fulfilling specific requirements for governance structure, security, and technology. The control agent may be a credit institution, investment company, or authorised clearing organisation approved by the CSSF.

Issuers can opt to appoint a Control Agent to maintain the issuer account in or through a secure electronic recording device, including a DLT database, monitor at any time the chain of custody of the securities and ensure that the total issued amount of securities matches the amount held in holder accounts. As a result, issuers can reduce costs and streamline the process for issuing and distributing securities. This option will be complementary to existing systems, giving issuers additional options to use DLT without being required to undergo a full technological transition, nevertheless issuers will still be able to appoint traditional account-holding intermediaries.

The Blockchain IV Law does not require the Control Agent to obtain prior authorisation by the CSSF to carry on the activity of central account keeper. However the Control Agent shall notify the CSSF at least two months before launching their activities. Furthermore, the CSSF will have an expanded oversight role over Control Agents ensuring that they adhere to strict regulations and have adequate internal governance and IT systems and security mechanisms in place to maintain data integrity and manage risks in handling digital securities.

Increased efficiency and transparency

The Blockchain IV Law further introduces new opportunities and structuring methods for Luxembourg's fund industry by enabling the use of DLT for issuing and transferring fund units.



Issuers can now reduce costs associated with issuing, transferring, and monitoring securities, as the decentralised system reduces reliance on intermediaries, which can make the process faster and more efficient for issuers.

III. Main Takeaways

The implementation of MiCA's final provisions in January 2025 marks a new regulatory era for the EU digital market, establishing essential protections for investors and compliance obligations for CASPs and issuers.

This framework, especially relevant to Luxembourg's robust financial sector, provides uniformity across the EU, creating opportunities for investment and innovation in digital assets.

Luxembourg's Blockchain IV Law complements MiCA by providing a legal foundation for DLT within its securities management infrastructure. The Blockchain IV Law, by introducing Control Agents and enabling decentralised securities transactions, allows Luxembourg's financial institutions to utilise DLT's efficiencies while maintaining regulatory integrity. Together, MiCA and The Blockchain IV Law confirm Luxembourg as a leading European hub in the digital finance sector. This dual framework of EU and national legislation fosters a cohesive and secure environment for digital assets, digital securities, and related technologies, aligning Luxembourg's financial landscape with broader EU objectives for innovation and market stability.

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