

## NEWSFLASH

### Luxembourg's New Law: A Game Changer for Crypto Assets & Green Bonds

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#### INTRODUCTION

Luxembourg enacted the Law, aligning its legal framework with key European regulations on crypto-assets and European Green Bonds. This comprehensive legislation positions Luxembourg as a leading jurisdiction in regulatory compliance and innovation.

#### 1. CRYPTO-ASSET REGULATION (MICA)

The Law implements Regulation (EU) 2023/1114, establishing a unified framework for issuing, trading, and providing crypto-asset services in the EU. Key features include:

- **CSSF Supervision:** The Commission de Surveillance du Secteur Financier (CSSF) is designated as the authority to oversee compliance, with powers to monitor activities and disclosures, and enforce sanctions to ensure market integrity and consumer protection.
- **Authorization and Licensing:** Entities wishing to provide crypto-asset services must obtain authorization as Crypto-Asset Service Providers (CASPs) from the CSSF.
- **Investor Protection:** Requirements for transparency, governance, and conduct of business obligations aim to safeguard investors.

#### 2. EUROPEAN GREEN BONDS (EUGB)

To promote sustainable finance, the Law implements Regulation (EU) 2023/2631, introducing uniform standards for labeling bonds as European Green Bonds. Key measures include:

- **Compliance Oversight:** The CSSF ensures issuers meet reporting and disclosure requirements, while the European Securities and Markets Authority (ESMA) supervises external reviewers.
- **Transparency Requirements:** Issuers must publish fact sheets, allocation reports, and impact assessments to maintain investor confidence.

#### 3. ENHANCED CSSF POWERS AND SANCTIONS

The Law bolsters the CSSF's enforcement capabilities under Regulations (EU) 2023/1113 and 2023/1114:

- Supervisory and Investigative Powers: Access to documents, data, and communication records; onsite inspections; freezing or seizing assets; and suspending non-compliant activities.
- Enforcement and Sanctions: Administrative actions such as warnings, public reprimands, and orders to cease violations; financial penalties up to EUR 15 million for crypto-asset market violations; and criminal sanctions including prison sentences for insider trading or market manipulation.

#### **4. AML/CFT UPDATES FOR CRYPTO-ASSETS**

The Law amends the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) framework under the Law of November 12, 2004, adapting it to crypto-assets and self-hosted wallets. Key changes include:

- Inclusion of CASPs: Crypto-Asset Service Providers are now obliged entities under AML/CFT regulations.
- Enhanced Due Diligence: Requirements for transfers involving self-hosted wallets and transactions exceeding EUR 1,000.
- Cross-Border Relationships: CASPs must verify non-EU entities' AML/CFT compliance and obtain high-level approval before establishing correspondent relationships.
- Transition for VASPs: Virtual Asset Service Providers registered by December 30, 2024, will be treated as CASPs until July 1, 2026, or until fully authorized under MiCA.

#### **5. MODERNIZATION OF THE FINANCIAL SECTOR LAW (LFS)**

The annex of the Financial Sector Law has been amended to include:

- Issuance of Electronic Money Tokens: Digital representations of fiat currency.
- Issuance of Asset-Referenced Tokens: Tokens referencing multiple assets.
- Provision of Crypto-Asset Services: Activities such as trading, custody, and transfers.

These updates align Luxembourg with EU standards and ensure comprehensive oversight of crypto-asset activities.

#### **6. UPDATES TO THE PAYMENT SERVICES LAW**

The Law revises the Law of November 10, 2009, on Payment Services to reflect:

- Regulation (EU) 2023/1113: Extending traceability rules to crypto-assets.
- Regulation (EU) 2021/1230: Modernizing cross-border payment frameworks.
- Enhanced CSSF Supervision: For entities offering currency conversion services.

#### **Why These Changes Matter**

These reforms not only align Luxembourg's legislation with evolving EU standards but also reinforce its commitment to market integrity, consumer protection, and sustainability. By integrating crypto-assets, green finance, and enhanced AML/CFT measures into a cohesive regulatory framework, Luxembourg is strengthening its position as a forward-looking global financial hub.