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ikr: Report and Motion on the Blockchain Act adopted

Vaduz (ots) -

On 7 May 2019, the Government adopted the Report and Motion on the creation of a Law on Tokens and Trustworthy Technology Service Providers (Token and TT Service Provider Act; TVTG), frequently referred to as the "Blockchain Act".

Blockchain technology was initially developed for Bitcoin, a private digital monetary system. However, the technology can be used far beyond Bitcoin. Blockchain technology is important because of its ability to record "information" digitally, in effect preventing information from being copied or manipulated and ensuring that it can be transferred securely between persons. It is likely that it will be possible in future to record a wide range of assets or - more generally - rights on blockchain systems and that a large number of services related to these digitised rights will be offered. This creates new opportunities in fields such as financial services, logistics, mobility, energy, industry, and the media. These applications are grouped together under the term "token economy".

Great potential for the token economy

Because of the rapid pace of development of blockchain technology and its areas of application, it is very important to draft a law abstractly enough to ensure that it remains applicable for subsequent technology generations. That is why the term "transaction systems based on trustworthy technologies (TT systems)" is used for blockchain systems in this law. Due to the enormous potential of blockchain as a basic technology, the Government has decided to create a legal basis for the areas of application of the token economy and not only to regulate current applications, in particular crypto-currencies or initial coin offerings (ICOs). The goal is to ensure that a new law does not have to be created for every case of application, but also to create legal certainty for the many cases which are only just beginning to emerge in practice and are likely to develop in the near future. However, the Government is leaving open the option of regulating applications close to the financial market in a further step.

New law creates legal certainty and strengthens customer protection

The increasing spreading of blockchain applications has already raised questions in connection with customer protection or asset protection, as well as with misuse for money laundering or other criminal purposes. These risks are to be countered with clear regulation. As blockchain technology is already being actively used in Liechtenstein, the Government aims to clarify with this law the applicable requirements for important activities on TT systems. This improves customer protection and clarifies open questions in the application of laws currently in force - especially in the area of due diligence - in order to ensure compliance with international standards and a comprehensive and effective fight against money laundering.

The possibility of representing rights in tokens raises fundamental legal questions which must be clarified for the general legal certainty of users on TT systems and TT service providers. The main focus is on the fundamental aspects of a token economy, such as the creation of tokens and their safe custody. Another example is the legal effect of a token transfer in relation to the right represented. The TVTG is therefore introducing a new legal object in the form of the "token" to enable the representation of the "real" world via tokens with legal certainty on TT systems.

To clarify how securities can be represented and transferred purely digitally, e.g. in a token on a TT system, the legal concept of "uncertificated right" is also being introduced in Liechtenstein law and, simultaneously, a connection is being created between securities law and the TVTG. Uncertificated rights are dematerialised securities in which the functions of the certificate are replaced by an entry in the book-entry register.

Adequate regulatory system for token economy created

The consultation process showed a great deal of national and international interest in this proposal. Many of the substantive submissions concerned issues under civil law and the envisaged registration and supervision system. As a result, the structure of the proposal has now been adjusted by creating a clear division between the civil and public law parts and by further detailing and explaining the definitions. The registration and supervision system has been strengthened and specified in more detail.

The Government is convinced that this will create an adequate regulatory system that effectively addresses the risks, creates the necessary legal certainty, and at the same time facilitates the positive development of the token economy.

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