

Liechtenstein – The First Country with a Blockchain Law

Blockchain Technology – More than just Cryptocurrencies

When encountered with the term blockchain, one automatically thinks of the cryptocurrency bitcoin. But blockchain is much more than bitcoin, it is a new technology with the potential of making far-reaching changes to vast areas of our society and economics. Its numerous possible applications have put blockchain technology back into the public eye. Liechtenstein is the first country in Europe which has decided to create legal certainty by issuing a blockchain law.



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New technologies are constantly changing society and economics. When telephones hung on the wall and the receivers were connected to the apparatus by a cable, no-one could envisage a mobile phone revolution: The constant willingness to glance at your smartphone is one of today's significant social characteristics, as well as being reachable in any location and at any time, not to mention gaining instant access to the latest world news. Digitalisation is not limited, however, to the telecommunications sector but encompasses all areas of life and economics in today's society. Motorcar manufacturers are working on automated vehicles, transport companies are considering supplying goods by drone, and in the manufacturing industry, robots are finding more and more applications. Within the framework of advancing

digitalisation, blockchain technology shows itself as the latest development, which perhaps retrospectively could be described as a technological revolution.

Blockchain technology as the motor of a new innovation wave

Blockchain is still largely equated with cryptocurrencies. This impression has come about because bitcoin is one of the first applications of blockchain technology that has become widely known. The possible applications of blockchain are, however, far more extensive, almost unlimited, because blockchain is, more or less, a public ledger which stores all transactions decentralised on the participants' computers. Transactions are coded, structured in blocks and chained together, which gave rise to the term blockchain.

The advantage of blockchain lies in the fact that the information stored cannot be falsified and does not have an expiry date. Whether it be currency, knowledge or goods, blockchain allows business activities to be conducted directly without the necessity of an intermediary. Many transactions using cryptocurrency no longer require a bank as an intermediary because payments are made directly between business partners, thus reducing considerably the administrative effort.

The applications of blockchain, however, extend far beyond transactions, including e.g. so-called smart contracts, which are software-based renting contracts, the regular supply of goods or services but also the delivery of goods and components by logistic companies or the seamless documentation in the used-car market, where all the information from the manufacturer, garages and insurers is stored.

Its liberal economic structure and short administrative routes have induced a number of blockchain-technology companies to consider Liechtenstein as their location. In 2017 alone, the "Regulatory Laboratory", the competence centre at the Financial Market Authority in Liechtenstein, supported over 100 fintech enterprises by providing regulatory advice in regard to the founding of a company. The vast majority of these companies were considering new business areas in the financial-services sector. Other companies are developing innovative business models outside the financial services using blockchain technology.

The government's intention to foster the location and development of new companies by offering an attractive framework has started to take hold. The associated hope is that blockchain technology could be the motor for a new innovative wave of development.

Improved customer protection and reduced reputation risk

Liechtenstein encourages innovation within the framework of blockchain technology, but is also aware of the necessity for regulatory measures, which minimise the risk connected with this technology. Liechtenstein is the first country in Europe to initiate a blockchain law which provides at its core legal certainty for providers and users of blockchain business. Because of the high innovative speed of blockchain technology and its varied applications, a white paper, in the form of an abstract, was presented to interested parties in the second half of 2018, in order to ensure its validity for generations of follow-on technology. Consequently, the law uses the term "Transaction Systems

Based on Trustworthy Technology” (in German: “Vertrauenswürdige Technologien” abbreviated to VT Systems). Since blockchain technology is already actively being used in Liechtenstein, the law will set out the conditions which apply to activities of blockchain systems in order to increase customer protection, on the one hand, and reduce the reputation risk for Liechtenstein, on the other. Bearing in mind the great importance of the financial-services sector, this fundamental law should assist in bridging the gap between established companies and blockchain applications.

The government envisages the use of blockchain applications for banks as well as asset administrators and for funds as well as insurance companies. In order to grasp the application potential as completely as possible, the legal construct “token” will be introduced: In contrast to the various current uses of this term, Liechtenstein has defined “token” as “information on a trustworthy technological system” i.e. a new legal element which embodies all forms of rights. Despite the fact that different types of tokens are distinguished internationally, Liechtenstein has waived a corresponding classification. A legal basis will be formed for an extensive application of the “token economy” together with legal certainty for cases which are, in essence, currently recognisable.

Obligation to register and minimum requirements on business activities

The application of blockchain technology in new business fields can only be governed partly by current regulations and thereby represents a potential risk. The Liechtenstein Financial Market Authority, through its “Regulatory Laboratory”, has determined that new fintech companies are willing to be regulated. The underlying reason being the associated legal certainty. The draft of the blockchain law does not envisage regulating technology but considers the regulation of “Trustworthy Technologies” (TT) service providers to be more efficient: The providers of such services should be obliged to undergo a critical examination of their TT systems. The advantage seen in this regulation is that service providers are able

to react swiftly to new developments in the field of TT systems. Minimum requirements for TT service providers resulting from user protection, upholding international standards and maintaining Liechtenstein’s reputation are deemed to be of utmost importance: This includes a clear organisational structure with separate, transparent and coherent areas of responsibility, internal control mechanisms applicable to the field of activity as well as a minimum capital of 100,000 francs or equivalent security.

The government is aware that as a result of these legal requirements, TT service providers are presented with a hurdle which does not exist in other countries. In contrast to providers located abroad, service providers located in Liechtenstein are required to register. Registration and minimum requirements on the field of activity should be seen by customers as a stamp of quality and act as a sales argument. As the time factor often plays an important role in the foundation of a company, the state foregoes an extensive examination of new companies. A less time-consuming

registration procedure by the Financial Market Authority comes into play; it is equally responsible for companies whose business activities do not fall into the field of financial services.

Liechtenstein – The ideal location for innovative ideas

According to the government, the blockchain law should fulfil the role of providing an impulse for innovative business models – irrespective of whether it is an established company or a startup – and an attractive environment for creating the necessary legal certainty. With the backdrop that digitalisation has, and will continue to have, great dynamic influence on the economy and society, the government considers Liechtenstein’s innovative ability to be a central factor in the future development of the country. The government considers Liechtenstein, ultimately through the introduction of the new blockchain law, to be an ideal location for the fulfilment of innovative ideas which can be brought to market fruition.

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Blockchain and Crypto Storage in the Stabiq Treasure House

The Stabiq Treasure House is an absolutely secure place to store valuable objects. Safes and vaults maintain the highest security standards. Individually designed facilities are particularly suited for the safekeeping of gold and precious metals, valuable watches and jewellery as well as exclusive coin collections. The climatised environment provides favourable conditions for the storage of paintings and works of art which can be presented to art-lovers in an exquisite atmosphere of the specially designed showrooms. Blockchain technology also opens new and till now unforeseen possibilities for the Stabiq Treasure House. The application of these innovative technologies extends far beyond the field of digital currencies which is currently still at the forefront. In particular, because blockchain is an electronic ledger of digital data and transactions, numerous opportunities can be developed with respect to valuable objects which are stored in secure safes or vaults.

Trading cryptocurrencies is increasing in intensity and needs to be secured by a physical backup solution. Each crypto wallet has its so-called seed, a private and secret key which permits access to the crypto wallet. It is recommended that wallet and seed are stored separately in a high-security facility – safe from third-party access. Stabiq Treasure House offers state-of-the-art safekeeping solutions. Blockchain application could be of importance for art and valuable objects as a manipulation-secure data bank. Compared to traditional methods, blockchain has considerable advantages, especially in tracing ownership. It is also possible because of the peer-to-peer system of blockchain technology to conduct transactions of works of art directly between participants with no necessity for an intermediary. Blockchain technology apart from cryptocurrency is still at its early beginnings. Thanks to encryption and decentralised distribution of the data bank in a network, blockchain is considered to be forgery-proof which is, especially in the case of valuable objects, of significant importance.

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