Banking, Finance & Capital Markets Briefing: Special Edition

Blockchain in the financial sector: implementing the DLT Pilot Regime in Greece

A. **Background: The DLT Pilot Regime**
B. **Implementation in Greece**

A. Background: The DLT Pilot Regime

1. In 2020, the EU Commission presented the EU Digital Finance Package emphasizing the importance of blockchain / Distributed Ledger Technology (**DLT**)[1] and other technological developments such as AI for the European financial sector.
2. The Digital Finance Package included a proposal for a DLT Pilot Regime. Regulation 2022/858 (the **Regulation**)[2] introduced the pilot regime which came into effect in March 2023.
3. The use of a Pilot Regime (or 'sandbox') was preferred over other options, as it allows market participants to test the use of blockchain in the financial sector and authorities to gain a better understanding of the possibilities and drawbacks of this technology. Safeguarding investor protection, market integrity, financial stability and risk mitigation are high priority considerations.
4. The Regulation provides for the operation of the so-called DLT Market Infrastructures. These may be:
   a. DLT multilateral trading facilities, which only admit for trading DLT Financial Instruments, ie financial instruments that are issued, recorded, transferred and stored on blockchain;
   b. DLT settlement systems, which settle transactions in DLT Financial Instruments; or
   c. a combination of the above.

[1] 'Distributed ledger technology – DLT' is a wider category including 'blockchain'; however blockchain has prevailed in technological developments and the term has generally been accepted on an international level. Therefore, although not identical, it is our view that the that the preference of one term over the other does not imply any legal or practical differentiation.

[2] Regulation (EU) 2022/858 of the European Parliament and of the Council of 30 May 2022 on a pilot regime for market infrastructures based on distributed ledger technology and amending Regulations (EU) No 600/2014 and (EU) No 909/2014 and Directive 2014/65/EU.

5. The operation of DLT Market Infrastructures requires prior specific permission by the competent authorities and ongoing compliance with the rules introduced by the Regulation.
6. The Regulation defines 'Financial Instruments' in accordance with MIFID[3]. However, not all financial instruments fall within the Pilot Regime. Only the following may be admitted to trading or recorded on a DLT Market Infrastructure:
   a. shares, if the market capitalization of their issuer does not exceed the amount of €500m;
   b. bonds, other forms of securitized debt, including depositary receipts or money market instruments, if their value does not exceed the amount of €1bn; and
   c. units in collective investment undertakings, if the market value of the assets under management does not exceed the amount of €500m.
7. In addition, the Regulation limits the total value of all DLT Financial Instruments admitted to trading or recorded on a DLT Market Infrastructure to the amount of €6bn.
8. In October 2023, the ESMA published an interim report. After 2026, an overall evaluation of the functioning, participants and value of the DLT-based financial markets in the European Union, the related risks, technical issues and so on, may lead to proposals for the amendment of the Pilot Regime.

B. Implementation in Greece

1. Although the Regulation applies directly to member States, national measures facilitate its application. In this regard, part D of the newly adopted Greek Law 5113/2024 (the **Law**), published on 21 June 2024, provides for measures implementing the DLT Pilot Regime in Greece.
2. The Law goes beyond the DLT Pilot Regime in that it does not follow the limitation of the Regulation as to the financial instruments falling within its scope. It amends significant pieces of Greek legislation to allow the incorporation of blockchain in the financial markets and the operation of sociétés anonymes.
3. The Law applies to both 'traditional' Central Securities Depositories and new DLT Market Infrastructures.
4. The existing definition of 'Financial Instruments' given in Law 4514/2018 transposing the MiFID Directive is broadened to also include instruments issued by the use of blockchain, while 'DLT Financial Instruments' are all financial instruments under Law 4514/2018 (ie all transferable securities such as shares and bonds) which are issued, registered, transferred or stored by the use of blockchain.
5. According to the Law, DLT Financial Instruments may be registered on:
   a. DLT Market Infrastructures; or
   b. Central Securities Depositories.

[3] Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

6. All rights stemming from DLT Financial Instruments are represented by these instruments only and possible existing titles cease to incorporate *in rem* rights; however, representation by DLT Financial Instruments may be replaced by incorporation to securities or entries with a Central Securities Depository.
7. DLT Financial Instruments are transferred by an entry with the Central Securities Depository or the DLT Market Infrastructure. As regards the issuer, the beneficiary of DLT Financial Instruments is the person registered with the Central Securities Depository or the DLT Market Infrastructure.
8. The Hellenic Capital Markets Commission is the competent authority for the implementation of the DLT Pilot Regime.
9. The Law amends Law 4548/2018 on Sociétés Anonymes and submits to its scope shares and bonds issued or recorded on blockchain. The new provisions regulate the issuance, replacement and transfer of these securities, as well as the issuance of bond loans on blockchain and the proof of shareholder status holders of DLT shares.
10. Law 4099/2012, transposing the UCITS Directive, is also amended to provide for the possibility of issuing, recording, transferring and storing units of undertakings for collective investments in transferable securities (UCITS) using blockchain.
11. Finally, the Law provides that all laws and regulations on transferable securities apply to DLT transferable securities as well.



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