



Press Release

BAI welcomes breakthrough for introduction of crypto funds in Germany

- Bundestag finalizes eWpG with extension to crypto fund units;
- Important signal for fund domicile Germany after Special-AIFs were already able to invest in crypto assets;
- Fund management of blockchain-based crypto securities register possible in the future

Bonn, May 7, 2021. To the **Bundesverband Alternative Investments e.V. (BAI)**, the central representative of the alternative investments industry in Germany, the Electronic Securities Act (eWpG) passed in the Bundestag yesterday constitutes a milestone for the blockchain strategy of the federal government.

On the final straight of the legislative procedure, the eWpG was granted a fundamental upgrading. After the hearing in the finance committee, the door was opened for real crypto funds, i.e. issued on the blockchain, so that another milestone regarding the German blockchain strategy has been reached. Since the catalogue of investments for special-AIFs has been recently extended with crypto assets through the Fund Jurisdiction Act (Fondsstandortgesetz), it was merely consequent that funds itself are transferred into the blockchain and are not just allowed to acquire crypto assets.

To BAI Managing Director **Frank Dornseifer**, the law represents one of the most important components towards the digitalization of the German capital market: “Thanks to the commitment of the rapporteurs of the parliamentary groups, Germany is now back in the game in order to help shape the digitalization of the capital market in a leading role. The dematerialization of securities in Germany was in for a long time and hence duty. The actual boost to innovation, namely the introduction of crypto securities, which are issued and managed on a – mostly DLT-based - crypto securities register, is now extended to units of funds. And this is a huge success. The law now unfolds a real broad and signal effect which is essential from a location point of view. We need a regulatory framework the industry is able to fill.”

The central element of the law on the one hand is the admission of digital securities, meaning that the paper-based requirement of certification is not valid anymore. Prospectively, emitters have a

right to choose and old stock can be transferred into digital form. This can be done via blockchain technology but is not limited to it. The issuance can be carried out through electronic securities registers which can be managed in form of a central register or as a crypto securities register. Another special feature is that those registers can not be controlled by Clearstream, however, they can be managed by the issuers themselves – for their own securities – in case permission has been granted by the BaFin.

The use of blockchain or distributed ledger technology in the European Union is common for years. Electronic or blockchain-based securities registers are already actively used in European countries, among others by large banks and the German stock exchange. Luxembourg is one of the pioneers, e.g., with FundsDLT. Mutual funds want to use this technology because of its efficiency and costs. Germany would not have been able to stand on the sideline for much longer while technology and industry are further developing dynamically in other jurisdictions. According to the BAI, the elaborate system of central depository which is prevailing in Germany cannot be conserved further.

Frank Dornseifer further comments: “New technologies will only gain ground in Germany as long as they are not forced by regulatory measures to operate overseas. With the electronic securities and the new electronic or cryptocurrency register a new path is embarked upon which does not just meet the needs of new technologies, especially the blockchain technology, but also implies a pragmatic and legally watertight approach for markets, transactions, and users.”

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