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| **BILL ON THE DISTRIBUTED LEDGER TECHNOLOGY LAW OF 2021** | |
| **The present English text is for informative purposes only and is not legally binding. The legally binding document is in the Greek language.** | |
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| **BILL ON THE DISTRIBUTED LEDGER TECHNOLOGY LAW OF 2021** | | |
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| **PART I – INTRODUCTORY PROVISIONS** | | |
| Preamble  For the purposes of:  (a) Facilitating the application of distributed ledger technology (“DLT”), including blockchain technology, in a technologically neutral manner which achieves a balance between the need to promote and properly use new technologies and enhance innovation and the need to prevent money laundering and safeguard the rights of consumers.  (b) Promoting innovation and growth, while at the same time affording protection to investors as well as consumers.   (c) Applying the principle of technological neutrality while at the same time providing legal certainty, to promote the proper use of smart contracts in Cyprus.  The House of Representatives enacts as follows: | | |
| Summary title | 1. This Law may be cited as The Distributed Ledger Technology Law of 2021. | |
| Interpretation | 1. In the present law, unless otherwise defined in the text: | |
|  |  | «permissioned DLT» means a DLT system where only authorized network participants may effect changes or create records in the distributed ledger according to their own encoded specifications, and where tokens are created through authorized nodes. This can take the form of a public permissioned DLT or of a private permissioned DLT· | |
|  |  | «blockchain» is a type of DLT, which records data in chronological order in blocks that are connected together, and as such, is consensus based, decentralized, mathematically verified in nature and depends primarily on cryptography· | |
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|  |  | «exchange of cryptoassets for other cryptoassets» means concluding purchase or sale contracts concerning cryptoassets with third parties against other cryptoassets by using proprietary capital· | |
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|  |  | «exchange of cryptoassets for an official currency of a country» means concluding purchase or sale contracts concerning cryptoassets with third parties against an official currency of a country that is legal tender by using proprietary capital· | |
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|  |  | « public permissioned DLT» means a DLT system which is openly readably by the public and only authorized network participants can effect changes or create records in the distributed ledger· | |
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|  |  | «public permissionless DLT» means a DLT system which is openly readable by the public and in which all the network participants can effect changes or create records in the distributed ledger, and where tokens are created through participating nodes· | |
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|  |  | «public key» means a publicly available element of cryptographic data in the form of an alphanumeric character string, or any substantially similar analogue, which is disclosed publicly and contains or references encoded information about an asset, such as its ownership, value and transaction history, and which together with the private key, allows for disposal/transfer of tokens· | |
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|  |  | «Court» means the District Court· | |
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|  |  | «native token» means an asset or property that is issued directly on one or more DLT Systems or platforms, and is designated for ownership and electronic transmission· | |
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|  |  | «qualified electronic seal» has the meaning conferred to the same term by EU Regulation no. 910/2014, as implemented by Law 55(I)/2018·  «qualified electronic signature» has the meaning conferred to the same term by EU Regulation no. 910/2014, as implemented by Law 55(I)/2018·  «qualified electronic time stamp» has the meaning conferred to the same term by EU Regulation no. 910/2014, as implemented by Law 55(I)/2018· | |
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|  |  | «mining» means the process by which a DLT system with a consensus mechanism is constructed and validated, and which may introduce new cryptoassets into a DLT system, where miners receive a reward for validating transactions·  «smart contract» means a set of coded computer functions with regards to cryptoassets, which is finalized and executed through DLT in an automated electronic or digital form through executable instructions for actions, ommissions or tolerances, which are based on the occurrence or nonoccurrence of specified conditions, according to terms which are recorded directly in codes, programming commands or programming language·  «Securities and Exchange Commission» means the Commission established by Law 64(I)/2001· | |
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|  |  | «electronic seal» has the meaning conferred to the same term by EU Regulation no. 910/2014, as implemented by Law 55(I)/2018·  «electronic signature» has the meaning conferred to the same term by EU Regulation no. 910/2014, as implemented by Law 55(I)/2018·  «electronic time stamp» has the meaning conferred to the same term by EU Regulation no. 910/2014, as implemented by Law 55(I)/2018·  «private permissioned DLT» means a DLT system that is not accessible by the public but only by specific authorized network participants who can effect changes or create records according to their own encoded specifications· | |
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|  |  | «private key» means a unique element of cryptographic data in the form of an alphanumeric character string, or any substantially similar analogue, which may be used for the decoding of data or information, thus conferring control over a cryptoasset and permitting transfers or other dealings in cryptoassets to be cryptographically authenticated by electronic signature·  «consumer» means any natural person, who is acting for purposes which are outside his or her trade, business, craft or profession·  «Central Bank» means the Central Bank of Cyprus which was established under section 3 of the Central Bank of Cyprus Laws of 1963 to 2001, in accordance with Articles 118 to 121 of the Constitution of the Republic of Cyprus· | |
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|  |  | «transferrable security» has the meaning conferred to the same term by s. 2 of the Law which provides for the provison of Investment Services, the Exercise of Investment activities, the Operation of Regulated Matrkets and Other Related Matters, as amended from time to time·  «node» means a device and data point acting as a participant in a DLT system·  «operation of a trading platform for crypto-assets» means managing one or more trading platforms for crypto-assets by an operator engaged in such trade or business, within which multiple third-party buying and selling interests for crypto-assets can interact in a manner that results in a contract, either by exchanging one crypto-asset for another or a crypto-asset for an official currency of a country that is legal tender· | |
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|  |  | «non-native token» means property that is meant to represent or is linked to conventional assets external to a DLT System, converted into digital format, or token representation of such, for ownership and electronic transmission. The non-native token can represent all or some of the attributes of the underlying asset or ownership· | |
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|  |  | «consensus mechanism» means rules and procedures by which an agreement among DLT network nodes is achieved with regard to transactions·  «cryptoasset service provider» means any person whose occupation or business is the provision of one or more cryptoasset services to third parties on a professional basis·  «exchange platform» or «trading platform» means any trading and/or exchange platform or facility, operating in or from Cyprus and licensed by the Cyprus Securities and Exchange Commission, on which exchange services are performed in accordance with the rules of the platform or facility·  « wallet» means an application, software program or device that stores public and private keys and interacts with DLT systems to enable users to send, receive and monitor their cryptoassets· | |
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|  |  | «advanced electronic seal» has the meaning conferred to the same term by EU Regulation no. 910/2014, as implemented by Law 55(I)/2018·  «advanced electronic signature» has the meaning conferred to the same term by EU Regulation no. 910/2014, as implemented by Law 55(I)/2018·  «DLT system» means a digital system based on DLT or blockchain·  «distributed ledger technology» or «DLT» means an information store that keeps records of transactions and is shared across a set of DLT network nodes and synchronized between the DLT network nodes using a consensus mechanism· | |
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|  |  | «hybrid token» means a token whose nature may change over time or a token which may have attributes of a utility token and/or transferrable security token and/or payment token, and in such a case its categorization is effected on a case-by-case basis· | |
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|  |  | «cryptoasset services” means services or activities performed in relation to cryptoassets in the course of a trade or business including but not limited to the following:   1. the custody and administration of cryptoassets on behalf of third parties· 2. the operation of a trading platform for cryptoassets· 3. the exchange of cryptoassets for an official currency of a country· 4. the exchange of cryptoassets for other cryptoassets· 5. the execution of orders for cryptoassets on behalf of third parties· 6. placing of cryptoassets· 7. the reception and transmission of orders for cryptoassets on behalf of third parties· 8. providing advice on cryptoassets· and 9. providing portfolio management on crypto-assets· | |
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|  |  | «exchange services» means the exchange of cryptoassets for an official currency of a country or the exchange of cryptoassets for other cryptoassets·  «user» means any person who uses or otherwise participates or engages with cryptoasset services and/or disposes over cryptoasset tokens, who may have direct or indirect ownership or control rights or otherwise, and includes but is not restricted to miners, consumers, oracles, persons with governance, compliance, regulatory or other functions·  «utility token» means a type of cryptoasset which is intended to provide digital access to a service, good, or product, and is accepted by the issuer of the token or participants in the ecosystem of that token·  «payment token» means a token, which is the digital representation of value and may be used as a means of payment or as consideration for the provision of goods or services, which is not issued under the authority of a central state authority, and which does not give rise to a claim on the issuer, if any·  «security token» means a token which constitutes a transferrable security which is either created in a DLT platform or it is underlying and represented digitally and in such case the token may have all or some of the attributes of the underlying transferrable security· | |
|  |  | « token» or «cryptoasset» means a digital representation of value or rights which may be transferred and stored electronically, using Distributed Ledger Technology or similar technology and it is not :   1. issued or guaranteed by a central bank or a public authority· 2. a digital representation of an official currency of a country or electronic money, and thus does not have legal status of an official currency of a country or money· 3. legal tender, whether or not denominated in legal tender.   A token or a cryptoasset may fall within the categories below:   1. Payment token· or 2. Utility token· or 3. Security token· or 4. Hybrid token   A token or a cryptoasset may be native or non-native.  A token or a cryptoasset may be identified by reference to:   1. Private key· and/or 2. Public key. | |
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| Scope of application | 1. (1) This Law applies to the: 2. Property Status of tokens· 3. Records in blockchain or other DLT· and 4. Smart Contracts   (2) This Law does not regulate or restrict the areas below, unless any activity or otherwise that relates to them falls within or is covered by any of the provisions of this Law:   1. User-controlled wallets 2. Mining 3. Running a node 4. Buying or selling tokens by a consumer 5. The issuance of payment tokens   (3) Terms and expressions contained in any other law where the context allows may be interpreted in accordance with the provisions of the present Law so as to allow for their application to DLT where appropriate.  It is provided that the present Law shall apply in accordance with the provisions of the Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007, as amended from time to time.  (4) Unless otherwise and/or specifically provided in any other law, the provision of exchange services or investment services or investment activities or investment services with regards to cryptoassets or the provision of cryptoasset services or the activities of cryptoasset services providers or the operation of a trading platform for crypto-assets are subject to any secondary legislation that may be enacted by the Securities and Exchange Commission pursuant to relevant discretionary powers vested therein.  It is provided that before the issuance of secondary legislation by the Securities and Exchage Commission subject to the provisions of this section, which may afftect the competencies of the Central Bank, mandatory consultation shall be carried out with the Central Bank. | |
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| **PART II – PROPERTY STATUS OF TOKENS** | | |
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| Rights to tokens | 1. (1) The tokens irrespective of whether they are digitally or non-digitally native, are personal, movable property of the person they belong to . | |
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|  | (2) In relation to non-digitally native tokens, the owner of the token has the same rights in the underlying asset as in the token. | |
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|  | (3) The token may be owned jointly by more than one person or possessor of a private key or private keys. | |
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|  | (4) The token may relate to a right or a specific set of rights over the underlying asset or to a specific characteristic / attribute of the asset. | |
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| Evidence of ownership | 1. (1) The following constitute rebuttable presumption of evidence of the ownership of a token: 2. Registration in the name of a specific person, natural or legal, in a blockchain or other DLT system; or 3. The possession of one or several private keys that are connected to the token. | |
|  | (2) Evidence or testimony showing that a private key is possessed, or a record in DLT or blockchain is made, as a result of piracy, deceit, fraud, theft, error resulting in transfer of funds to unknown or unintended addresses, loss of private keys by their legitimate owner or as a result of a double spending of a token, may rebut the rebuttable presumption of evidence of legal ownership of a token. | |
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|  | (3) In the case of subparagraph (b) of paragraph (1), the rebuttable presumption of evidence of ownership may also be rebutted in the instances of:   1. Intermediaries, employees, clients or trustees, who possess a private key or private keys that are connected to the token, on behalf of the legal owner by virtue of contract or otherwise. 2. The possession of a private key or private keys that is or are connected to the token, that is or are governed by representation or agency contract or trust· 3. The possession of a private key by the prior owner of a token after its sale or transfer to the new owner. | |
|  | (4) The rebuttable evidence of ownership of the token may be rebutted with any means of evidence or testimony, that may originate from blockchain or other DLT or outside DLT. | |
| Transfer of ownership of tokens | **6.** (1) Valid transfer of ownership of a token may be effected either in blockchain or other DLT, or off blockchain or other DLT.  (2) Valid transfer of ownership of token on the blockchain or other DLT may be effected through the update of record in blockchain or other DLT, following confirmation from the prior owner of a private key or keys connected to the token through the use of electronic signature or seal or any other technologically functionally equivalent mechanism.  (3) Valid transfer of ownership of token off blockchain or other DLT may be effected without record in blockchain or other DLT or the creation of a new private key being necessary. | |
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| Double spending | **7.** (1) In the case of a valid transfer of a token, the only legal owner of the token is the first new owner.  (2) The prior owner shall not transfer the token to any other person, except for the new owner. | |
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|  | **PART III – RECORDS IN BLOCKCHAIN OR OTHER DLT** | |
| Validity of record in permissioned or permissionless blockchain or other DLT | **8.** (1) Any record or transaction effected in blockchain or other DLT, which is permissioned or permissionless, is valid, unless it is proved that it is the result of error or deceit or fraud.  (2) In case of record or transaction in permissioned or permissionless blockchain or DLT, that is the result of error or deceit or fraud, or in case a Court considers just and equitable, a Court may order any person that may be considered necessary to restitute the record or provide any other remedies for the restitution of the record or the damage caused. | |
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| Proof of registration in permissioned or permissionless blockchain or other DLT | **9.** Subject to the provisions of section 8 a copy or print of record in blockchain or other DLT, which is permissioned or not, is admitted as evidence in all legal procedures as prima facie proof of such record and of the matters to which it relates.  It is provided that for the transformation of any data or information from any programming language or codes to readable form and comprehensible language, expert evidence may be introduced.  **PART IV – SMART CONTRACTS** | |
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| Capacity of smart contracts | **10.** (1) A smart contract may:   1. qualify as legally binding and valid contract, provided that the requirements of the applicable law with regards to the conclusion of a valid contract are complied with· or 2. be part of a broader legally binding and valid contract pursuant to (a) above, and merely execute certain terms of such a contract· or 3. not qualify as legally binding and valid contract pursuant to (a) above or be part of a broader legally binding and valid contract pursuant to (b) above. | |
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|  | (2) The terms of the smart contracts may:   1. be formulated by the parties and embedded on code ·or 2. be pre-defined and existent in the blockchain or DLT and chosen or accepted by the parties. | |
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| Applicable law | 1. (1) The applicable law to smart contracts that qualify as legally binding and valid contracts pursuant to section 10 (1), paragraphs (a) and (b) above, is the law in force that applies to contracts.   (2) Unless otherwise and/or specifically provided elsewhere, the applicable law to smart contracts that do not qualify as legally binding and valid contracts pursuant to section 10 (1), paragraph (c) above, may be defined according to the nature of the transaction. | |
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| Use of electronic signatures | **12.** Where the signature or sealing of contract is required, in relation to smart contracts, electronic or advanced or qualified signature or seal or electronic or qualified time stamp may be used. | |
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| Proof of smart contracts | **13.**  Smart contracts, which are recorded in codes, are to be regarded as written contracts and may be used in Court as evidence.  It is provided that for the transformation of any data or information from any programming language or codes to readable form and comprehensible language, expert evidence may be introduced. | |