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“On Crypto-Assets”

Newsletter



Draft Law No. 08/L-295 “On Crypto-Assets”

On March 12, 2024, Draft Law No. 08/L-295 “On Crypto-Assets” was proposed to the Assembly of Kosovo (the **Draft Law**). This Draft Law aims to regulate the licensing, authorization, and supervision of operators involved in the issuance, distribution, trading, and storage of crypto assets.

The Draft Law is partially aligned with Regulation (EU) 2023/1114 of the European Parliament and of the Council of May 31, 2023, on markets in crypto-assets and amends Regulations (EU) No. 1093/2010 and (EU) No. 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937.

Key Concepts Defined in the Draft Law

- **Real Asset:** Any currency, share, quota, physical asset, or other real value, excluding crypto-assets, which can be exchanged in real or digital markets.
- **Virtual Asset/Crypto-Asset:** A digital representation of value or right that can be transferred or stored electronically using Distributed Ledger Technology (DLT) or similar technology.
- **White Paper:** A comprehensive document that describes the technical and economic aspects of a crypto-asset.
- **DLT (Distributed Ledger Technology):** A decentralized database in which information and data are securely recorded, consensually verified, and distributed synchronously through a network of multiple nodes or other technical means, where all copies of the distributed database are considered original.
- **Digital Token:** A digital marker directly dependent on DLT technology, categorized exclusively as:

- o Digital payment tokens
- o Digital land titles
- o Digital token services
- o Digital asset tokens

Regulatory Highlights

The Draft Law emphasizes the obligations of operators to ensure transparency, security, and integrity in the crypto-asset markets, focusing on consumer protection. Key takeaways include:

- **Licensing and Authorization:** Operators must obtain proper licensing or authorization to engage in issuing, trading, distributing, or storing crypto-assets or related services. The Central Bank of Kosovo, in collaboration with the Financial Intelligence Unit (FIU) and Tax Administration of Kosovo (TAK), is responsible for licensing operators.
- **Market Abuse Prevention:** The Draft Law establishes regulations to prevent market abuse, explicitly prohibiting money laundering and the financing of terrorism.
- **Sanctions and Penalties:** Breaches of the Draft Law’s provisions will incur administrative sanctions. Violations amounting to criminal offenses will lead to criminal liability and penalties, including fines or imprisonment, as outlined in the Criminal Code of the Republic of Kosovo.

The proposed Draft Law aims to create a robust regulatory framework to foster the safe and transparent operation of crypto-asset markets in Kosovo.

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