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## **New step forward in the adoption of the regulation on a Pilot Regime for market infrastructures based on the blockchain technology**

**In December 2021, the Council of the European Union endorsed the European Commission's proposal to create a provisional regulatory framework to test the use of distributed ledger technologies (DLT) in market infrastructures. The European Parliament's Committee on Economic and Monetary Affairs has adopted the text that should enter into force by the end of 2022.**

### **Next steps in the European roadmap**

The creation of a pilot regime for market infrastructures based on blockchain technology has just passed several major milestones: a provisional political agreement on this draft regulation was adopted after trilogue negotiations on 24 November 2021 between the Presidency of the Council and the European Parliament's negotiators. This agreement was endorsed by EU ambassadors on 21 December 2021. The European Parliament's Committee on Economic and Monetary Affairs (ECON) voted on this draft legislation on 13 January 2022. The Pilot Regime regulation will have to be formally adopted by the European Parliament at a plenary session and by the Council in the coming months. It will then be published in the Official Journal of the European Union. It should enter into force before the end of the second half of 2022, and shall apply nine months later.



The European Securities and Markets Authority (ESMA) has also invited stakeholders to submit their comments on the adaptation of the regulatory technical standards developed under MiFIR to this new pilot regime by 4 March 2022.

## Encourage innovation

On 24 September 2020, the European Commission published a proposal for a regulation allowing the creation of a pilot regime for market infrastructures based on DLT technology, as part of a series of measures on digital finance aimed at boosting innovation while ensuring investor protection and market integrity.

This transitional regime of targeted exemptions to the MiFID II and Settlement Finality Directives, as well as to the Central Securities Depositories Regulation (CSDR), aims to take advantage of the opportunities offered by the emergence of crypto-assets qualifying as financial instruments (security tokens).

The AMF welcomes the fact that the European Union is setting up a regime that will create a testing ground for the use of blockchain technology in the field of financial instruments, which is crucial for keeping up with financial innovations on a global scale. In a [legal analysis on 6 March 2020](https://www.amf-france.org/en/news-publications/news/legal-analysis-application-financial-regulations-security-tokens-and-precisions-bulletin-board) URL = [https://www.amf-france.org/en/news-publications/news/legal-analysis-application-financial-regulations-security-tokens-and-precisions-bulletin-board], the AMF had identified some regulatory obstacles to the development of business models based on the use of blockchain technology for the trading and settlement-delivery of listed financial instruments. It had therefore proposed the creation of a digital lab that would enable to waive certain regulatory requirements at European level in order to test projects involving security tokens.

## A three-year exemption

The pilot regime will be set up for three years and could be extended for three more years. It will be monitored closely by each national authority and ESMA, which will ensure the harmonisation of the system across the EU and draw up a detailed report on the pilot regime at the end of the three-year period. Based on this assessment by ESMA, the European Commission will have to submit a report to the Council and Parliament on the costs and benefits of extending, amending or ending the regime.



**Read more**

## Proposal for a regulation on a pilot regime for market infrastructures based on

distributed ledger technology

Text of the provisional political agreement reached between Council and

Parliament on DLT

ESMA : Call for evidence – Pilot Regime

Legal analysis on the application of financial regulations to security tokens and

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