



## WG CASP – Regulatory

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# **MiCA and CASP registration in Luxembourg Luxembourg as a Strategic Hub for Crypto-Asset Services and Web3 Innovation**

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### **MiCA and CASP registration in Luxembourg**

### **Luxembourg as a Strategic Hub for Crypto-Asset Services and Web3 Innovation**

As already highlighted in a previous paper published by this LetzBlock Working Group in collaboration with ALCO (Association of Luxembourg Compliance Officers), Luxembourg has long established itself as a major European financial centre, having attracted a significant number of financial institutions, particularly in the wake of Brexit. Large banking groups have been interested in Paris and Dublin. Still, Luxembourg has attracted a substantial number of investment firms, insurance providers, and lending institutions, all of which have contributed to the country's economic recovery from the pandemic.

The objective of the present paper is to clearly demonstrate the advantages of Luxembourg from a regulatory standpoint for FinTech companies and Crypto-Asset Service Providers (CASPs), particularly in the context of the Markets in Crypto-Assets Regulation (MiCA) and the CASP registration framework established by the Luxembourg financial regulator, the CSSF. The strategic approach of Luxembourg is known to be characterised by proactive regulatory clarity, comprehensive legal frameworks, and constructive dialogue with the regulatory authorities. These qualities position the country quite uniquely in Europe. By highlighting these advantages, this paper aims to inform CASPs seeking regulatory certainty, operational support, and long-term sustainability within the evolving European crypto-assets ecosystem.

Beyond its traditional financial strengths, Luxembourg has also emerged as a leading jurisdiction for financial innovation. Its proactive and technology-friendly regulatory environment has enabled the development of a vibrant FinTech ecosystem, supported by both regulatory clarity and institutional support. This ecosystem encompasses a diverse array of global players—from recognised payment institutions such as PayPal to blockchain platforms like Bitstamp and bitFlyer—underscoring Luxembourg's ability to integrate innovation within a stable and internationally recognised financial framework.

In this context, Luxembourg's evolving engagement with digital assets and blockchain technologies positions the country as a credible and forward-thinking host for Web3 initiatives. From tokenisation and smart contracts to decentralised finance (DeFi), Luxembourg is progressively integrating these innovations into its financial landscape. Several investment funds domiciled in the country have already obtained CSSF approval to pursue digital asset strategies, reflecting both regulatory openness and operational maturity.

Luxembourg has demonstrated having a number of structural assets to help it establish itself as a benchmark jurisdiction in the European crypto-asset ecosystem. The solidity of its institutional framework, the stability of its macroeconomic environment, and the reputation of its financial center for regulatory rigor and innovation are all differentiating factors.

High-performance infrastructures, a government commitment to digitalisation, and an active policy to support innovation (such as the Luxembourg House of Financial Technology (LHoFT), Ministry of the Economy support, a sandbox framework, etc.) make Luxembourg's technological environment especially favorable for the development of digital projects. The former prime minister of Luxembourg and Minister for Digitalization, Xavier Bettel, stated that "Technologies such as blockchain have the potential to revolutionise for the better large parts of our economy". According to his words, the groundwork was established today to determine the best course of action for developing blockchain competency and then take the required steps to promote the widespread use of blockchain for the benefit of the nation as a whole.

On the legal front, Luxembourg has demonstrated its ability to adapt rapidly to technological change. It is one of the pioneering jurisdictions in Europe to have recognised, through legislation, the legal value of blockchain technology in the context of the transmission of financial securities (amendment of the 2001 law on the circulation of securities in 2019). This anticipation testifies to a strong strategic positioning on issues linked to distributed ledger technologies.

The CSSF is traditionally known for its open and collaborative approach as a major lever for regulatory competitiveness. The authority's commitment to supporting innovative players while ensuring the robustness of the prudential framework is recognised within the ecosystem. As an example, Luxembourg's financial regulator has notably adopted a proactive and collaborative approach, aiming to support innovation while maintaining robust regulatory oversight at the same

time. The recent publication from the CSSF, related to clear notification and application forms for CASPs, demonstrates the Luxembourg regulator's commitment to providing procedural clarity and regulatory certainty. This transparency, along with structured guidance, significantly facilitates market entry and compliance for both new and existing players in the crypto-assets environment, thereby enhancing the attractiveness of Luxembourg as a regulatory jurisdiction within the European market.

Moreover, Luxembourg benefits from the advantageous transitional period established under MiCA. CASPs operating in Luxembourg before 30 December 2024 are granted an extended transitional regime until 1 July 2026, providing them with ample time to transition easily and strategically align with MiCA requirements. This contrasts favourably with the shorter transitional periods established by other EU Member States. Such extended transitional provisions offer significant strategic and operational benefits, allowing Luxembourg-based CASPs sufficient time to navigate compliance complexities and strengthen their market positions within a harmonised European regulatory framework.

Luxembourg offers a combination of regulatory clarity, supportive institutional infrastructure, and advantageous transitional arrangements, making the country a compelling choice for CASPs seeking to thrive in the evolving European crypto-asset landscape. By leveraging these strengths, Luxembourg is once again on track to solidify its reputation as a reputable jurisdiction for innovation, fostering sustainable growth and enhanced competitiveness in the Web3 and crypto-asset ecosystem.