Blockchain at the European Level

Abstract

The objective of this master thesis is to provide a basic overview of the blockchain technology, its features and its potential utilization, including an overview of European legal regulations that might be applicable to the technology, under certain conditions. In the first chapter, the master’s thesis sets forth the legal framework of the EU primary law that establishes or can establish the EU’s competence to act in the matters of blockchain technology, depending on its legal qualification (especially in the context of the internal market – namely the free movement of services and capital).

The second and third chapters provide essential description of features of blockchain and cryptocurrency and related services. A more detailed description is provided in Annexes I-IV of this thesis. Further, the legal status and applicable regulation of cryptocurrencies are assessed at the European and national levels and in terms of other global jurisdictions. The assessment also includes the recent CJEU’s judgment in the case Hedqvist, according to which bidirectional exchange services (purchase of cryptocurrency for fiat currency and vice versa) are to be exempted from VAT obligation under the VAT directive. In line with the CJEU’s reasoning and the Advocate General’s opinion, this judgment may significantly affect the future development of the interpretation of legal status of cryptocurrencies and blockchain in general. Apart from cryptocurrencies, an analysis of smart contracts, including potential issues which might occur from the legal point of view, is provided as well. In particular, these issues will concern the procedural legal questions.

The fourth chapter lays down ten most significant and interesting aspects of the blockchain technology which, under certain circumstances, can be considered as beneficial and advantageous, however, some can also represent potential complications or weak spots that need to be addressed to enable widespread implementation of the technology in the day-to-day processed of businesses and general population to even be considered.

Key Words: blockchain, cryptocurrency, payment services, internal market, currency, legal tender, smart contracts, Bitcoin, Ethereum, Hedqvist