

# **MiCA Regulation – Payment of share capital of SIA with crypto assets – New Opportunities for Entrepreneurs to Use Crypto Assets in Business**

On December 30, 2024, the Regulation (EU) 2023/1114 of the European Parliament and of the Council of May 31, 2023, on markets in crypto assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937, hereinafter referred to as the MiCA Regulation, came into force, introducing a unified legal framework for the crypto asset industry in the European Union.

## **Use of Crypto Assets for Payment of Share Capital of SIA**

To promote the development of the business environment and innovation in Latvia and to make Latvia a more attractive country for investors and crypto asset service providers, thus also encouraging investment inflows and increasing tax revenues, amendments were made to the Commercial Law of the Republic of Latvia regarding the procedure for payment of share capital for limited liability companies, which came into force on December 30, 2024. The amendments stipulate that from now on, the share capital of limited liability companies can also be paid with crypto assets.

The Commercial Law provides for the possibility of paying the share capital of a limited liability company (hereinafter referred to as SIA) in money or in-kind contributions. The use of crypto assets for share capital payment is considered an in-kind contribution, and therefore the legal requirements for the assessment of in-kind contributions apply.

## **Assessment of Crypto Assets and Procedure for Making Contributions**

After the amendments came into force, the inclusion of crypto assets as in-kind contributions to share capital has also been facilitated, allowing founders or shareholders of SIA to prepare their own assessment of the value of crypto assets. However, the law governs that the assessment of the in-kind contribution can be provided by the founders or members who make the respective in-kind contribution, determining the value based on the average price of the respective crypto asset on a crypto asset trading platform maintained in accordance with the MiCA Regulation over a six-month period prior to the assessment.

## **Security Requirements and AML Compliance**

To mitigate risks related to money laundering, identification of beneficial owners, and to ensure the possibility of enforcing claims against crypto assets, a requirement has been established that crypto assets must be invested not in so-called “private wallets,” but in the address of the distributed ledger of the SIA or an account opened with a crypto asset service provider set forth in the MiCA Regulation.

## **Types of Crypto Assets Allowed for Share Capital Payment**

It is important to note that currently, only electronic money tokens or asset-referenced tokens under the MiCA Regulation are allowed for share capital payment, as they are considered more stable and secure crypto assets (see more information on electronic money tokens and asset-referenced tokens on the NORD website).

## **Benefits of Integrating Crypto Assets in**

# Business

The inclusion of crypto assets in the list of permissible means for share capital payment offers several advantages for new entrepreneurs and existing businesses that wish to use modern technologies and alternative financing options.

- Attracting Investors and More Efficient Capital Payment Process

The integration of crypto assets in share capital payment opens new investment opportunities, as it allows attracting investors who operate in the crypto-currency market. This is particularly useful for startups and technology companies that want to reach global investors and attract capital more quickly and efficiently.

- Alternatives to Bank Transfers and Improvement of Efficiency

Traditionally, share capital contributions are made using bank transfers, which can sometimes be time-consuming and subject to bureaucratic hurdles. The use of crypto assets can make this process more efficient by reducing transfer times and allowing entrepreneurs to start their operations more quickly.

- Development of the Digital Economy and Positioning Latvia as an Innovation Hub

Cryptocurrencies and blockchain technologies are becoming increasingly popular, and their inclusion in business promotes the modernization of the financial sector. Share capital payable with crypto assets can serve as a step towards the development of the digital economy in Latvia, as well as create a more favorable environment for innovations.

- International Companies and Latvia as an Attractive Jurisdiction

Latvia can become an attractive jurisdiction for entrepreneurs and investors who want to establish and manage their businesses in the digital environment. This is also evidenced by the growing interest of crypto-currency service providers in obtaining licenses in Latvia. The possibility of using crypto assets as share capital can attract international companies looking for more flexible solutions to start their business.

## Payment of Share Capital for Crypto Asset Service Providers with Crypto Assets

This is also great news for new crypto asset service providers who wish to obtain a license of a crypto asset service provider in Latvia, as the share capital of crypto asset service providers can also be paid with crypto assets, in accordance with the Commercial Law of the Republic of Latvia. According to the requirements of the MiCA Regulation, crypto asset service providers must obtain an operating license and comply with certain capital requirements. Depending on the type of services provided, the minimum share capital can vary from EUR 50,000 to EUR 150,000.

**The spread of crypto assets in the business environment is expanding, creating both new opportunities for innovation and challenges for existing regulatory frameworks and understanding. The NJORD team helps its clients find the most suitable solutions for innovative ideas, business start-ups, and ensuring compliance.**



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