SECURITIES AND FUTURES COMMISSION
證券及期貨事務監察委員會

Revised on 20 April 2026

Circular on tokenisation of SFC-authorised investment products

1. This circular sets out the requirements under which the Securities and Futures Commission (SFC) would consider allowing tokenisation of investment products authorised by the SFC under Part IV of the Securities and Futures Ordinance for offering to the public in Hong Kong.

Tokenisation of SFC-authorised investment products

A. Background

2. Tokenisation of investment products refers to the creation of blockchain-based tokens that represent or aim to represent ownership in an investment product. The tokenised product can then be recorded digitally on the blockchain, offered directly to end-investors, distributed by SFC-licensed intermediaries, or traded among the blockchain participants where allowed.

3. Some market participants in Hong Kong have already started or are exploring tokenisation of securities and other investment products, with potential benefits of increasing product efficiency, bringing down operational costs by reducing reliance on intermediaries and reaching end-investors via new channels.

4. In light of market demand and to facilitate market development, the SFC has been assessing various proposals on tokenisation of SFC-authorised investment products, for example, some for primary dealing of a tokenised product (ie, subscription and redemption) and some for secondary trading of a tokenised product on an SFC-licensed virtual asset trading platform.

5. By adopting a see-through approach, the SFC is of the view that it is appropriate to allow primary dealing of tokenised SFC-authorised investment products, as long as the underlying product can meet all the applicable product authorisation requirements and the additional safeguards to address the new risks associated with the tokenisation arrangement (as set out in paragraphs 10-19 below).

6. Secondary trading of tokenised SFC-authorised investment products on an SFC-licensed virtual asset trading platform operator is allowed, subject to the satisfaction of measures to promote fair pricing, orderly trading, liquidity provision and appropriate disclosure, as well as compliance with other requirements as set out in the Circular on secondary trading of tokenised SFC-authorised investment products. *Amended*

7. In light of the evolving Web3 ecosystem, the SFC will keep in view and continue to engage with market participants to explore more advanced features of tokenised SFC-authorised investment products that deliver tangible economic benefits. *Amended*

B. Requirements for primary dealing of tokenised SFC-authorised investment products

8. Product providers of tokenised SFC-authorised investment products (Product Providers) should ensure that the underlying products should meet the applicable requirements in the relevant rules and regulations, and product codes (including eligibility of Product Providers, product structure, investment and operational requirements, disclosure and ongoing compliance obligations).

9. Additional requirements set out below, as well as the relevant requirements in the Circular on intermediaries engaging in tokenised securities-related activities issued by the SFC (Tokenised Securities Circular), should also be satisfied.

Tokenisation arrangement

10. Product Providers should remain and be ultimately responsible for the management and operational soundness of the tokenisation arrangement adopted and record keeping of ownership, regardless of any outsourcing arrangement[1].

11. Product Providers should ensure that proper records of token holders' ownership interests in the product are maintained and the tokenisation arrangement is operationally compatible with service providers involved[2].

12. Product Providers should have appropriate measures in place to manage and mitigate cybersecurity risks[3], data privacy, system outages and recovery, and maintain a comprehensive and robust business continuity plan.

13. Product Providers should not use public-permissionless blockchain networks without additional and proper controls (eg, Product Providers to impose additional control by using a permissioned token)[4].

14. Product Providers should confirm and, upon SFC's request, demonstrate to the SFC's satisfaction the management and operational soundness of the tokenisation arrangement, record keeping of ownership and the integrity of the smart contracts[5].

15. Product Providers should, upon SFC's request, obtain third party audit or verification on the management and operational soundness of the tokenisation arrangement, record keeping of ownership and integrity of the smart contracts.

16. Product Providers should, upon SFC's request, obtain satisfactory legal opinion to support its application.

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[1] Given that these tokenised products are offered to the public in Hong Kong and the importance of maintaining proper records to reflect investors' ownership, the Product Provider should remain fully responsible, despite any outsourcing arrangement such as those envisaged under 6.8 of the Code on Unit Trusts and Mutual Funds. For factors of consideration, please also refer to Part A of the Appendix to the Tokenised Securities Circular, where applicable, when formulating the tokenisation arrangement.

[2] Product Providers are not expected to issue tokenised SFC-authorised investment products in bearer form.

[3] For example, the tokenisation arrangement can incorporate a burning and re-issuance mechanism, with an aim to mitigating hacking risk and theft.

[4] Please also refer to paragraphs 9 and 14 of the Tokenised Securities Circular.

[5] Product Providers should confirm and demonstrate to the SFC that, at a minimum, they comply with the requirements as set out in paragraphs 10 to 13 above and the smart contracts are not subject to any contract vulnerabilities or security flaws with a high level of confidence.

Disclosure

17. The offering documents of a tokenised SFC-authorised investment product should set out clearly:

    (a) the tokenisation arrangement[6], particularly, with clear disclosure on whether off-chain or on-chain settlement is final;

    (b) the ownership representation of the tokens (eg, legal and beneficial title of the tokens, ownership of / interests in the product); and

    (c) the associated risks with the tokenisation arrangement such as cybersecurity, system outages, the possibility of undiscovered technical flaws, evolving regulatory landscape and potential challenges in application of existing laws.

Intermediaries

18. Distributors of tokenised SFC-authorised investment products (including Product Providers who distribute their own products[7]) should be regulated intermediaries such as SFC-licensed corporations or registered institutions, and comply with the applicable requirements under existing rules, codes and guidelines (eg, conduct client onboarding requirements and suitability assessment on their investors).

Staff competence

19. Product Providers should confirm to the SFC that they have at least one competent staff with relevant experience and expertise to operate and/or supervise the tokenisation arrangement and to manage the new risks relating to ownership and technology appropriately.

C. Prior consultation or approval

20. For new investment products that have tokenisation features and plan to seek the SFC's authorisation, prior consultation with the SFC is required.

21. Prior consultation is also required for tokenisation of existing SFC-authorised investment products and/or material changes to the tokenisation arrangements of tokenised SFC-authorised investment products. Such change(s) may require prior approval[8].

Amended

22. Given the rapidly evolving nature of the subject, the SFC may provide further guidance or impose additional requirements for tokenised SFC-authorised investment products, where appropriate.

[6] Please also refer to paragraphs 19-20 of the Tokenised Securities Circular.
[7] Please also refer to paragraph 15 of the Tokenised Securities Circular.
[8] For example, prior approval should be obtained before adding the disclosure of new tokenised unit/share class of an SFC-authorised fund in the Hong Kong offering documents and offering it to the public in Hong Kong. No prior approval is required for adding another tokenised unit/share class to the same fund if the tokenisation arrangement is substantially the same as the existing one.

23. If you wish to seek clarification of any aspects of this circular, please contact the relevant case team member of the Investment Products Division.

Investment Products Division
Securities and Futures Commission