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

20 April 2026

Circular on secondary trading of tokenised SFC-authorised investment products

1. This circular sets out the requirements under which the Securities and Futures Commission (**SFC**) would consider allowing secondary trading of tokenised SFC-authorised investment products (**Tokenised Products**)[1] by the public in Hong Kong.

2. This circular should be read in conjunction with (i) the Circular on tokenisation of SFC-authorised investment products; and (ii) the Circular on intermediaries engaging in tokenised securities-related activities (collectively, **Tokenisation Circulars**). Capitalised terms used in this circular shall have the same meaning as those defined in the foresaid circulars.

A. Background

3. In recent years, Hong Kong has become a hub for financial innovations including tokenisation, supported by the Government, local authorities and the industry. In particular, progress on Tokenised Products has been encouraging since the SFC published the Tokenisation Circulars in November 2023.

4. To catalyse the next phase of growth and enhance market scalability, the SFC allows secondary trading of Tokenised Products to improve their tradability and further integrate them with the broader Web3.0 ecosystem in Hong Kong. To this end, the experiences of Hong Kong's robust exchange-traded fund market and SFC-licensed virtual asset trading platform operators (**SFC-licensed VATPs**) have provided useful references and laid a solid foundation over the past several years.

5. Drawing on these experiences, the SFC sets out in this circular the requirements for secondary trading of Tokenised Products, covering the operation of the trading channel, fair pricing, liquidity provision, disclosure, client onboarding and notification. These requirements aim to support fair and orderly secondary trading of Tokenised Products.

6. These requirements are principally designed to facilitate on-platform secondary trading of SFC-authorised open-ended funds. We may consider accepting other types of products with modified requirements as appropriate.

B. Requirements for secondary trading of Tokenised Products

7. Product Providers should ensure that the underlying products meet the applicable requirements in the relevant rules and regulations, as well as product codes (including eligibility of Product Providers, product structure, investment and operational requirements, disclosure and ongoing compliance obligations).

[1] These include tokenised classes of SFC-authorised investment products.

Trading channel

8. Secondary trading of Tokenised Products may be offered to retail investors by means of on-platform trading (i.e. on-screen auto-matching trading) provided by SFC-licensed VATPs.

9. On-platform trading of Tokenised Products should follow the existing trading operation, rules and risk control measures applicable to SFC-licensed VATPs' on-platform trading of virtual assets under the Guidelines for Virtual Asset Trading Operators (**VATP Guidelines**).

10. For on-platform trading of Tokenised Products, an SFC-licensed VATP should execute a trade for a client only if the client's account with the platform operator has sufficient capital or product holdings of equivalent trading fungibility to cover that trade.

11. Before launch, Product Providers should work with the relevant SFC-licensed VATPs as appropriate to test the on-platform trading arrangements for their Tokenised Products and ensure that these arrangements, including operational processes, risk controls and system readiness, are satisfactory.

Fair pricing

12. SFC-licensed VATPs should implement effective risk management and supervisory controls to ensure fair pricing of Tokenised Products for on-platform trading. These controls should include:

    a) alerting investors where the price to be executed would deviate significantly from the product's real-time or near real-time indicative net asset value (**NAV**) per unit, based on a threshold reasonably set considering the product's features (**Price Deviation Alert**)[2];

    b) informing investors that they may choose to subscribe or redeem at NAV (ie, to engage in primary subscription or redemption, instead of secondary trading) and the resulting implications[3]; and

    c) implementing system controls, automated pre-trade and regular post-trade monitoring as set out in paragraph 11.13 of the VATP Guidelines, and other controls reasonably designed to prevent excessive price fluctuations (eg, trading bands based on the product's last executed price with cooling-off periods) and market manipulation, and to identify any suspicious market manipulative or abusive activities.

[2] SFC-licensed VATPs should ensure that the Price Deviation Alert is displayed on their investor trading interfaces when the price to be executed deviates from the indicative NAV by more than the prescribed threshold.
[3] The reminder should state that, where applicable, such subscriptions and redemptions are subject to (i) normal dealing windows (eg, open only from Monday to Friday); (ii) the use of liquidity risk management tools; and (iii) forward pricing that subscriptions and redemptions of fund units are executed at the next calculated NAV which may be higher or lower than the prevailing secondary market prices.

13. Similarly, when SFC-licensed corporations or registered institutions facilitate trading of Tokenised Products for their clients on SFC-licensed VATPs (**Connecting Brokers**)[4], they should ensure that the Price Deviation Alert is displayed to investors on their trading interfaces, and inform investors the primary market alternative as described in paragraph 12(b).

14. The SFC may request a demonstration of the trading interface, the Price Deviation Alert and/or other relevant interfaces.

Liquidity provision

15. Product Providers should:

    a) use their best endeavours to arrange that each Tokenised Product has at least one market maker and at least one market maker of the Tokenised Product will give not less than three months' notice prior to terminating the market making arrangement;

    b) closely monitor the secondary trading activities and liquidity of their Tokenised Products, maintain close dialogue with market makers they have engaged, establish appropriate business contingency plans[5], and take necessary remedial actions in the best interests of investors;

    c) appoint distributors for their Tokenised Products, who should be SFC-licensed corporations or registered institutions, and are expected to process creation and redemption requests from third-party investors, save for certain remote scenarios[6]; and

    d) put in place arrangements with SFC-licensed VATPs to facilitate the transfer of Tokenised Products across primary and secondary markets (eg, tokens created in the primary market can be readily traded in the secondary market, and tokens purchased in the secondary market can be redeemed in the primary market).

16. SFC-licensed VATPs[7] should:

    a) conduct due diligence and regular monitoring of the performance of all market makers of the Tokenised Products admitted to their platforms against the agreed terms; and be reasonably satisfied that such market makers remain competent and properly resourced to duly discharge the market making functions;

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[4] Connecting Brokers generally refer to entities which direct clients' secondary trading orders to SFC-licensed VATPs. Connecting Brokers are expected to comply with paragraph 18 and Schedule 7 of Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

[5] For example, established contingency plans as to (i) whether trading halt in secondary market for Tokenised Products is needed when primary dealing is suspended; and (ii) arrangements to secure and activate backup market makers if needed, particularly under extreme market conditions.

[6] Please refer to the scenarios set out in Question 1 of the Frequently Asked Questions on Exchange Traded Funds and Listed Funds.

[7] Market making programmes are generally administered by platform operators, including admission of market makers. As some market makers may enroll in market making activities of a particular product by directly engaging platform operators without engaging its Product Provider, the primary responsibilities of admitting market makers and monitoring their performance are placed on platform operators.

b) ensure that all market makers admitted to their platforms maintain appropriate commitment to bid-ask spreads, quote size of market making orders, minimum time for which a market making order is maintained, and participation rates;

c) liaise with market makers admitted to their platforms to rectify when they fall short of the obligations; and

d) specify in their arrangements with market makers: (i) the eligible criteria and obligations applicable to market making for Tokenised Products; and (ii) the arrangements in the event that a market marker is no longer available for a particular product.

17. Distributors and market makers should ensure compliance with applicable laws, rules, regulations and conduct requirements administered or issued by the SFC (and/or other regulatory authorities where applicable).

18. Where remunerations and/or incentives are provided by Product Providers and/or SFC-licensed VATPs to market makers to support market making activities of Tokenised Products, the Product Providers and/or SFC-licensed VATPs should comply with all applicable laws and regulations to uphold market integrity and prevent market misconduct. These include the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission, as well as relevant provisions in the Securities and Futures Ordinance.

Disclosure

19. The offering documents, including the product key facts statement (**KFS**), of a Tokenised Product offering secondary trading should set out clearly:

a) the associated risks with secondary trading of the Tokenised Products, such as liquidity and price deviation risks (potentially very thin trading and large premium/discount to NAV, particularly outside normal operating hours of the Hong Kong financial market and during weekends), price fragmentation risks (including different trading prices across different trading channels), and market maker reliance risks;

b) the key information of the trading channel (eg, operational flow, settlement process, settlement time, pre-funding requirement, differences between the secondary and primary markets, and whether the Tokenised Products can be traded interchangeably across trading channels[8]), market making arrangement (including any incentive schemes[9] provided by the Product Provider and/or SFC-licensed VATPs to market makers), and indicative ranges of the fee items applicable to secondary trading, along with a remark directing investors to the websites of the relevant SFC-licensed VATPs for details on the secondary trading arrangements (also see paragraph 20(a));

[8] For the avoidance of doubt, units of Tokenised Products can also be transferred, for example, to support the trading of Tokenised Products interchangeably across trading channels.
[9] Such disclosure should aim to help investors appraise of the liquidity, supply and demand dynamics of the Tokenised Products on SFC-licensed VATPs.

c) the circumstances under which secondary trading of the Tokenised Products may be suspended;

d) the list of market makers for the Tokenised Products (with a remark directing investors to a website for the latest list), and any affiliated entities of the Product Providers acting as the market makers, along with disclosures on the associated potential conflicts of interest.

20. SFC-licensed VATPs and Connecting Brokers should maintain or provide access to online dedicated interfaces (eg, website or app) to:

a) disclose information on the details of secondary trading arrangement of the relevant Tokenised Products, including trading channel, market making arrangement (including any incentive schemes provided by the Product Provider and/or SFC-licensed VATPs to the market makers), eligibility criteria of market makers, fee schedules, and price quotation/bid-ask spread[10];

b) disseminate (i) real-time or near real-time indicative NAV[11] per unit (typically updated at least every 15 seconds during trading hours); and (ii) last NAV[12] per unit of the Tokenised Products, with the data source and update frequency; and

c) highlight the associated risks prominently to clients intending to participate in secondary trading of the Tokenised Products, such as liquidity and price deviation risks (potentially very thin trading and large premium/discount to NAV, particularly outside normal operating hours of the Hong Kong financial market and during weekends), price fragmentation risks (including different trading prices across different trading channels) and market maker reliance risks. SFC-licensed VATPs and Connecting Brokers should obtain client confirmation that they understand these risks, before onboarding them for secondary trading of the Tokenised Products.

Notification

21. Generally, Product Providers should give the SFC early alerts of any untoward circumstances relating to the Tokenised Products under their management, including without limitation, any issues which may adversely affect the operations, secondary trading and liquidity of their Tokenised Products (including receipt of any resignation notice of the last market maker).

22. Product Providers should immediately notify the SFC and investors as soon as practicable if (i) dealing in the Tokenised Products on the primary or secondary markets ceases or is suspended; or (ii) market making activities cease, are disrupted or are suspended. In such notification, Product Providers should include an assessment of the

[10] SFC-licensed VATPs and Connecting Brokers are reminded to observe other existing disclosure requirements, in addition to those as set out in paragraph 20.
[11] Indicative net asset value (iNAV) refers to an indicative, real-time estimate of the per-unit net asset value of a Tokenised Product, calculated during the product's trading hours on SFC-licensed VATPs and typically based on the most recently available market prices of the product's underlying portfolio constituents.
[12] Last net asset value (last NAV) refers to the latest official per-unit net asset value of a Tokenised Product, calculated in accordance with its constitutive documents as at the relevant valuation point of the last primary market dealing day.

impact of the event on the Tokenised Products under their management, remedial actions and an appropriate contingency plan.

C. Prior consultation, application and approval

For Product Providers

23. For new investment products that will have tokenisation features (primary dealing and/or secondary trading) and need the SFC's authorisation, prior consultation with the SFC is required.

24. For existing SFC-authorised investment products that will introduce tokenisation features (primary dealing and/or secondary trading), prior consultation and approval from the SFC are required.

25. The SFC will assess each application on a case-by-case basis. Given the evolving tokenisation market landscape, the SFC may provide further guidance or impose additional requirements where applicable.

26. Product Providers should engage in prior consultation with the SFC for any subsequent proposed material changes to the secondary trading arrangement previously approved by the SFC, eg, trading mechanism, Price Deviation Alert, market making arrangement and addition of trading channels.

For intermediaries engaging in secondary trading of Tokenised Products

27. Intermediaries, including SFC-licensed VATPs and those intending to engage in over-the-counter secondary trading of the Tokenised Products, should notify and discuss their proposals with their case officers in the SFC[13] prior to engaging in secondary trading business for the first time[14]. If material changes are subsequently made to the arrangements communicated, they should also notify their case officers at the SFC and, where applicable, the HKMA.

28. If you wish to seek clarification of any aspects of this circular, please contact us.

Investment Products Division
Securities and Futures Commission

Intermediaries Division
Securities and Futures Commission

Supervision of Markets Division
Securities and Futures Commission

[13] Registered institutions are reminded to also notify the Hong Kong Monetary Authority in accordance with the *Circular on intermediaries engaging in tokenised securities-related activities*.
[14] Such notification should be made as soon as practicable. For example, when the Product Providers prior-consult the SFC in accordance with paragraphs 23-26, the relevant SFC-licensed VATPs, SFC-licensed corporations and registered institutions should notify the SFC (and the HKMA, where applicable) in parallel.