



**Jersey Financial  
Services Commission**

## **Tokenisation of real world assets (RWAs)**

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# Table of contents

Glossary.....3

Supporting links.....3

1 Executive summary .....4

2 Background.....4

3 Scope of this guidance note .....4

4 Our approach: substance over form .....5

5 General requirements for issuers of tokenised RWAs.....5

6 Further requirements for the issuers of tokenised RWAs under COBO .....6

7 Stablecoins .....7

8 TCB and Jersey-resident director on issuer’s governing body .....7

9 Ongoing reporting requirements.....8

## Glossary

Term	Definition
AML/CFT/CPF	Anti-money laundering/countering the financing of terrorism/countering proliferation financing.
Authorised participant	<p>An authorised participant is an organisation that has the right to purchase from, and redeem tokens with, the issuer. An authorised participant must be formally approved, and accordingly on-boarded by the issuer.</p> <p>The authorised participant must be of reputable standing, and subject to regulation (as applicable) in a jurisdiction that does not feature within Appendix D2 of the JFSC's AML/CFT/CPF Handbook.</p>
Equivalent jurisdiction	As set out within 1.9.2 and 1.9.3 of the AML/CFT/CPF Handbook.
IC/TO	Initial coin/token offering.
AML/CTF/CPF	Anti-money laundering/countering the financing of terrorism/countering proliferation financing.
Stablecoin	Stablecoins are tokens whose value is tied to and is fully collateralised by a fiat currency and/or liquid equivalents.
TCB (trust company business)	Subject to any Order under Article 4 of the FS(J) Law, has the meaning given at Article 2(3) of the FS(J) Law. Persons carrying on trust company business may also be referred to as 'Trust and company service providers' or 'TCSPs'.
Token	A virtual asset that operates on an existing blockchain network instead of their own.
Tokenised RWAs (real world assets)	Blockchains allow existing real world assets to be 'tokenised'. This tokenisation process allows the conversion or replication of tangible physical assets into digital tokens.
Virtual asset	A digital representation of value that can be digitally traded or transferred and can be used for payment or investment purposes.
White paper	A detailed document outlining the technical, financial and strategic aspects of a tokenisation project, including the benefits, risks and implementation plan for potential investors and stakeholders.

## Supporting links

[Securities issues by Jersey Companies](#)

[Application process for issuers of initial coin and token offerings](#)

[Checklist for issuance of tokenised real world assets](#)

## 1 Executive summary

- 1.1 This guidance on the tokenisation of real world assets (**RWAs**) addresses the growing trend of representing physical and traditional financial assets as digital tokens on a blockchain.
- 1.2 This note clarifies the application and consent process for tokenising RWAs, ensuring a proportionate regulatory framework that upholds investor protection and market integrity.
- 1.3 Issuers must meet specific requirements, including company incorporation in Jersey, compliance with AML/CFT/CPF standards, and independent verification of underlying assets.
- 1.4 This guidance is essential for navigating the regulatory landscape and mitigating financial crime risks associated with tokenisation. We will periodically review and update this guidance to maintain its relevance.

## 2 Background

- 2.1 Tokenisation is the process of issuing a digital representation of an asset, typically on a blockchain.
- 2.2 The tokenisation of real world assets is steadily progressing on a global scale, influencing traditional finance and investment sectors. Various assets, including real estate, fine art, commodities, securities, and intellectual property rights, are being tokenised.
- 2.3 This process allows for fractional ownership and increased liquidity, making these assets more accessible to a broader range of investors. The shift towards tokenisation improves accessibility and efficiency, offering new opportunities for asset managers and altering our interaction with tangible assets in the digital age.
- 2.4 In general, tokenisation has the potential to significantly transform asset ownership and investment, enhancing market efficiency and inclusivity.

## 3 Scope of this guidance note

- 3.1 Tokenised RWAs are blockchain-based tokens that represent physical and traditional financial assets including (but not limited to) securities, bonds, commodities, currencies and units in a fund.
- 3.2 To date, we have not issued any specific guidance on the tokenisation of existing RWAs. The purpose of this guidance note is to clarify the application and consent process that we will adopt for future applications relating to the tokenisation of RWAs.
- 3.3 We have seen an increasing number of applications and enquiries on the tokenisation of RWAs such as equities, bonds, and units in a fund. We have seen less of an uptake in the non-fungible tokens (NFTs) market which is seen as a distinct genre. Tokenised RWAs are more likely to be fungible and a replication of an existing financial asset rather than an altogether new asset class.
- 3.4 This guidance note is limited in its application to the issuance of tokenised RWAs and is not relevant for applications related to the issuance of virtual assets. For the issuance of virtual assets, please refer to [the application process for issuers of initial coin and token offerings](#). Where an existing virtual asset (or basket of existing virtual assets) is tokenised, this guidance note should also be applied.
- 3.5 The objective of this guidance note is to introduce a proportionate regulatory framework for tokenised RWAs while maintaining a high level of investor protection, market integrity and transparency by clearly setting out our regulatory expectations. This framework also aims to mitigate the risks of financial crime by tailoring the guidance note to the unique characteristics

of tokenisation.

- 3.6 This guidance note will be reviewed and updated periodically where appropriate.

## 4 Our approach: substance over form

- 4.1 Our position is to assess each application on a case-by-case basis with an overarching principle of substance over form. For example, we are likely to consider the issuance of a tokenised equity differently from the issuance of a tokenised bond.
- 4.2 Therefore, in addition to this guidance note, an issuer of a tokenised RWA should consider the appropriate regulations which apply to the service and/or activities of the business. For example, the tokenisation of units in a fund will be subject to the existing Jersey funds regulatory regime. Tokenised RWAs may take many different forms such that the applicant must consider the relevant sections of our Securities Issues by Jersey Companies<sup>i</sup> guidance. The relevant sections will vary on a case-by-case basis.

## 5 General requirements for issuers of tokenised RWAs

- 5.1 Each application shall be reviewed on a case-by-case basis which means our request for information will be directed by the nature and content of each application. However, to provide a streamlined application process, the following set of requirements will apply to all issuers of tokenised RWAs. The list below is not exhaustive and additional information may be requested to support the application. The issuer will need to:
- 5.1.1 be incorporated as a Jersey company or Jersey limited liability company (LLC)
  - 5.1.2 be administered through a trust and company service provider (TCSP) licensed by the JFSC under the [Financial Services \(Jersey\) Law 1998 \(FS\(J\) Law\)](#), to carry out trust company business (TCB)
  - 5.1.3 appoint and maintain a Jersey-resident director on the governing body of the issuer, who is a natural person and a principal person of the TCB appointed by the issuer
  - 5.1.4 receive consent under the [Control of Borrowing \(Jersey\) Order 1958 \(COBO\)](#) from the JFSC before it undertakes the token issuance
  - 5.1.5 apply all relevant AML/CFT/CPF requirements to persons that either purchase tokens from, or sell tokens back to, the issuer of those tokens and perform enhanced measures where higher AML/CFT/CPF risks are identified, to effectively manage and mitigate those higher risks
  - 5.1.6 develop and implement policies, procedures and controls including those in relation to conduct, customer due diligence and transaction monitoring, screening, suspicious activity reporting and record keeping
  - 5.1.7 monitor the implementation of those policies, procedures and controls, and enhance them if necessary
  - 5.1.8 arrange for all smart contracts (deployed in the year) to be audited and the results to be made public
  - 5.1.9 independently verify underlying assets by a qualified third party and publish those results within three months of the end of the issuer's financial year end
  - 5.1.10 prepare and submit an information memorandum (which may be in the form of a white paper) to the JFSC, which complies with certain content requirements for a prospectus issued by a company under the [Companies \(Jersey\) Law 1991](#) or the [Limited Liability Companies \(Jersey\) Law 2018](#)

- 5.1.11 ensure that any marketing material (including the information memorandum) is clear, fair and not misleading
- 5.1.12 consider the intended purpose of the tokens against activities detailed within the [Sound Business Policy](#)
- 5.2 Any entity selling tokenised RWAs may be obliged to bring risk warnings to the attention of any direct customer. These risk warnings may be bespoke, based on the product offering, and may include disclosures relating to the underlying technology and the token's price difference compared to the price of the underlying asset.
- 5.3 If the rights of the token differ to the rights of holding the underlying asset, this should be clearly disclosed to the buyer. For example, the holding of a tokenised equity share may not include the same voting rights and qualification for dividends as holding the untokenised equity share. In this case, the applicant must detail who has received those rights and how those rights are being exercised. Who is voting? And what is being done with the receipt of distributions?

## 6 Further requirements for the issuers of tokenised RWAs

- 6.1 These requirements relate only to the COBO consent granted to the issuer. In some cases, the issuer may also be subject to other Jersey laws or regulations. Therefore, issuers of tokenised RWAs should properly consider all aspects of Jersey law and regulation that might apply.
- 6.2 To ensure consistency and to provide a streamlined application process, the following ongoing requirements will apply to all Jersey-based issuers of tokenised RWAs:
  - 6.2.1 underlying assets are to be independently verified by an appropriately qualified third party annually and the results of this validation made available to the public - this validation should confirm that the tokens are 100% collateralised and ring-fenced
  - 6.2.2 underlying RWAs are to be held by a professional custodian with accountability in an equivalent jurisdiction
  - 6.2.3 assets are to be ring-fenced and not lent out for additional yield unless expressly agreed by the JFSC - acceptable circumstances may include a stablecoin issuer holding highly liquid cash equivalents
  - 6.2.4 appropriate disclosures are to be displayed publicly by the issuer including the performance of the token against NAV
    - 6.2.4.1 Example wording: "In the event that a tokenised RWA trades at a significant premium or discount (i.e. +/- 5 per cent or more for seven consecutive trading days) to the expected price, based on prevailing market prices for the underlying RWA, the issuer will make disclosure of such premium or discount on its website and provide a discussion of the factors that are reasonably believed to have materially contributed to the premium or discount (as applicable)."
  - 6.2.5 where the issuer or custodian ceases business activity, they should provide details of how the underlying assets will be distributed (or otherwise realised) to the holders of the tokens
  - 6.2.6 if relevant, details should be provided on how any income, dividends or other distributions are allocated to the token holders, for example whether this is executed through a smart contract or manually to those wallets holding the token
  - 6.2.7 details should be provided of any additional (or reduced) rights that the holder of the token is granted, for example voting

- 6.2.8 there shall be no change in counterparties of the issuer without prior approval of the JFSC
- 6.2.9 there should be documentation of the key risks and mitigants including considerations around which blockchain the token is to be issued on and the liquidity of the tokens in secondary markets

## 7 Stablecoins

- 7.1 Stablecoins are tokens where value is tied to a fiat currency. For the purpose of this guidance note, stablecoins are not considered virtual assets and the issuance of stablecoins should comply with the stated requirements. We consider stablecoins to be tokens that are fully collateralised by cash or cash equivalents.
- 7.2 In addition to the requirements set out in Sections 5 and 6 above, applications for the issuance of stablecoins should include:
  - 7.2.1 details of the assets being held as collateral, for example cash and cash equivalents, and clear information on the short-term liquidity of those assets
  - 7.2.2 collateral custody arrangements, for example whether there are multiple custodians to reduce any concentration risk
  - 7.2.3 information on who the issuer will directly sell the stablecoin tokens to, for example authorised participants<sup>ii</sup>, and who can redeem their tokens for fiat
  - 7.2.4 details of any de minimis threshold for issuance and/or redemption of the stablecoins
- 7.3 The above list is not exhaustive and we may request additional information in support of the application.

## 8 TCB and Jersey-resident director on the issuer's governing body

- 8.1 The issuer must appoint and maintain a Jersey-resident director on its governing body. The Jersey-resident director must be an officer of the TCB appointed by the issuer, who is a natural person and a principal person of that TCB pursuant to the FS(J) Law.
- 8.2 The issuer must have prior approval of the JFSC before changing the TCB, the Jersey-resident director or specified counterparties of the issuer as set out in the COBO consent.
- 8.3 Before a TCB is appointed by the issuer, and on an ongoing basis, the TCB must take appropriate steps to satisfy itself as to:
  - 8.3.1 the honesty and integrity of the issuer and the persons associated with it
  - 8.3.2 the issuer's approach to acting in the best interests and needs of each of their customers
  - 8.3.3 the adequacy of the issuer's financial and non-financial resources
  - 8.3.4 how the issuer will manage and control its business effectively and ensure that it will conduct its business with due skill, care and diligence
  - 8.3.5 the adequacy and effectiveness of the issuer's arrangements for the protection of client assets and money where it is responsible for the same
  - 8.3.6 the effectiveness of the issuer's corporate governance arrangements
  - 8.3.7 how the issuer ensures that all its systems and security access protocols are

- 8.3.8 what systems the issuer has in place to prevent, detect and disclose financial crime risks such as money laundering, terrorist financing and proliferation financing
  - 8.3.9 the issuer's marketing strategy, including the types of persons to whom the token will be marketed, how it will be marketed, and the jurisdictions in which it will be sold or marketed (including consideration of any relevant laws or restrictions that may apply in other jurisdictions)
  - 8.3.10 the resilience of the issuer and the adequacy of contingency plans for the orderly and solvent wind down of its business
- 8.4 The TCB must ensure that it has the appropriate level of knowledge, skills, and experience to appropriately carry out the above steps and provide the agreed services to the issuer, considering the activities carried on by the issuer.

## 9 Ongoing reporting requirements

- 9.1 The governing body of the issuer must advise us promptly if:
- 9.1.1 it defaults on any tokens issued
  - 9.1.2 an issuer is unable to redeem tokens within a reasonable period - this may happen where a token is held by someone who cannot comply with AML/CFT/CPF requirements

<sup>i</sup> [Securities issues by Jersey Companies — Jersey Financial Services Commission \(jerseyfsc.org\)](http://jerseyfsc.org)

<sup>ii</sup> Authorised participants should be of a reputable standing and regulated (if applicable) and based in jurisdictions that do not feature within appendix D2 of the JFSC's AML/CFT/CPF Handbook.