



## **PUBLIC CONSULTATION PAPER**

**No. 1/2025**

### **PROPOSED REGULATORY FRAMEWORK FOR OFFERING AND DEALING IN TOKENISED CAPITAL MARKET PRODUCTS**

The Securities Commission Malaysia (SC) invites your written comments to this consultation paper. Comments are due by **16 June 2025** and should be sent to:

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This Public Consultation Paper is dated 6 May 2025

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## **PART A: GENERAL**

### **1. INTRODUCTION**

- 1.1. The SC is cognisant of the rapid evolution and growth of technology and innovation in relation to various capital market products and services. In this regard, the SC has observed a growing interest among capital market participants who wish to offer tokenised capital market products or carry out regulated activities relating to tokenised capital market products.
- 1.2. In general, capital market participants are keen to explore the tokenisation of capital market products due to the benefits that such technology brings, such as, asset programmability through automated processes, fractionalisation of assets, reduction in the settlement time, increased operational efficiency, immutability of records and increased potential for innovation.
- 1.3. In developing and regulating the capital market, the SC has adopted a regulatory neutrality approach where *'like product and like services will be regulated similarly regardless of the underlying technology'*.
- 1.4. In other words, regulations should be designed and applied in a way that does not unfairly favour or disadvantage any particular technology, business model, or market participant. Regulatory neutrality aims to create a level playing field whereby businesses can compete fairly, and investors can benefit from such innovation.
- 1.5. Therefore, it has been the SC's policy that our laws must be technology agnostic, in that it should not give preference to any particular technology. By observing this policy, our laws should remain relevant and adaptable in a rapidly evolving technological landscape.
- 1.6. Notwithstanding the above, the SC has observed that the offering of tokenised capital market products in Malaysia is still relatively at a nascent stage. Further, the SC recognises that opportunities arising from these technological advancements also come with new risks, including:

- (a) **Technology and cyber risk**, such as, blockchain forking, network outages and cyberattacks;
- (b) **Anti-money laundering (AML) risk** arising from potential misuse of anonymity features of the technology;
- (c) **Operational risk** particularly relating to the processes for transferring and recording token ownership, and the maintenance of 'on-chain' records; and
- (d) **Legal risk** concerning the enforceability of rights and obligations embedded in a token.

1.7. As such, in line with the SC's mandate to promote the development of the capital market, the SC seeks to develop a regulatory framework that will balance promoting innovation with ensuring proper safeguards are in place to protect the integrity of the capital market and investors' interest.

1.8. In this regard, this Consultation Paper (CP) is intended to generate discussions and seek public feedback in relation to further development of the SC's regulatory framework for the offering of tokenised capital market products and the carrying out of any regulated activities relating to such products.

## 2. WHAT IS A TOKENISED CAPITAL MARKET PRODUCT?

2.1. Currently, the *Capital Markets and Services Act 2007* (CMSA) defines 'capital market product' as—

- (a) securities;
- (b) derivatives;
- (c) a private retirement scheme;
- (d) a unit trust scheme;
- (e) any product or arrangement which is based on securities or derivatives, or any combination thereof; and
- (f) any other product which the Minister may prescribe as a capital market product.

2.2. Each capital market product mentioned in paragraph 2.1 above, is defined under section 2 of the CMSA.

2.3. A 'tokenised capital market product' refers to a digital representation of any of the capital market products listed above (including the rights attached to it). This involves the adoption of distributed ledger technology (DLT) to create a digital representation of the capital market product, usually in the form of a token. Tokenisation helps to create a digital record of the capital market products (digital twin) that is cryptographically secured, without the need for it to be managed by a central intermediary.

2.4. For the purpose of this CP, tokenised capital market products are to be distinguished from digital tokens and digital currencies which are prescribed as securities under the *Capital Markets and Services (Prescription of Securities) (Digital Currency and Digital Token) Order 2019* (Prescription Order 2019). These digital tokens and digital currencies are currently subject to a separate existing framework. Examples of such

products are utility tokens (such as \$BID and \$FRAC) and cryptocurrencies (such as Bitcoin and Ethereum).

**Guidance to paragraph 2.4**

Under the *Prescription Order 2019*, 'digital token' means a digital representation which is recorded on a distributed digital ledger whether cryptographically-secured or otherwise but does not include shares, debentures or units in a unit trust scheme.

Whereas, 'digital currency' means a digital representation of value which is recorded on a distributed digital ledger whether cryptographically-secured or otherwise, that functions as a medium of exchange and is interchangeable with any money, including through the crediting or debiting of an account.

The *Prescription Order 2019* sets out that certain types of digital currencies and digital tokens that fulfil the specific criteria are prescribed as securities. These products are subject to the *Guidelines on Digital Assets* and *Guidelines on Recognized Markets*.

2.5. Capital market products may be represented digitally under the following arrangements:

(a) Digital twin representation token

This structure enables a capital market product in its traditional form to be represented as a digital copy on a distributed ledger thereby, allowing the digital twin to be recorded and managed on the blockchain. Essentially, it is a capital market product that has a tokenisation wrapper.

The crucial difference between capital market products in its traditional form and tokenised capital market products is the underlying technology of the structure, i.e., distributed ledger technology such as blockchain.

As illustrated in diagram 1 below, the token created on-chain acts as a digital twin representation of an existing capital market product that is present off-chain.

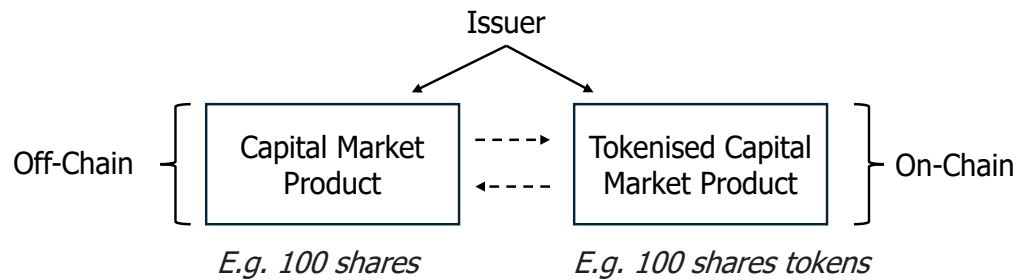


Diagram 1

(b) Native tokens

This structure allows for more novel forms of tokens, whereby the token itself is the capital market product. Unlike digital twin representation tokens, native tokens are issued directly on a distributed ledger without an 'off-chain' equivalent and therefore, exists solely on the blockchain. Regulation of such tokens would include the regulation of the DLT network.

- 2.6. The SC has adopted a phased approach in facilitating the offering and dealing in tokenised capital market products. As part of the next steps to further develop the existing regulatory framework, this CP is intended to discuss the proposed framework for the offering and dealing of digital twin representation tokens only.
- 2.7. Given the increased complexity and risk associated with native tokens, further time and consideration are needed to develop an appropriate regulatory framework for native tokens.

## Consultation Question

Question 1 : Please provide your comments and views on the proposed phased approach, i.e., the SC's current focus on digital twin representation tokens, and to only consider the introduction of a regulatory framework for native tokens in the future. Do you agree or disagree with this approach? Please elaborate your comments.

Question 2 : If you have issued or have been involved in the issuance of any tokenised capital market product, please provide your experience of such issuances, including, the type of capital market product that was tokenised, the tokenisation process and offering process as well as the challenges faced.

In particular, please also provide your comments on the following:

- (a) What was the value proposition of the tokenised capital market product issued?
- (b) What were the regulatory, legal, or technological impediments encountered? Please specify the key issues.
- (c) What were the main risk areas identified, and what mitigation measures were implemented to address those risks?



## **PART B: PROPOSED REGULATORY FRAMEWORK**

### **3. THE FRAMEWORK**

- 3.1. The proposed framework (Framework) seeks to promote responsible innovation, i.e., facilitating innovation while ensuring investors' interest are not compromised by such innovation.
- 3.2. Therefore, the Framework sets out the proposed requirements on governance, risks management, and disclosure relating to issuing tokenised capital market products and carrying out regulated activities relating to tokenised capital market products.
- 3.3. As mentioned in paragraph 2.6 above, the Framework is only applicable to the tokenisation of capital market products under a digital twin model.

#### **4. COMPLIANCE WITH EXISTING REGULATORY REQUIREMENTS**

- 4.1. The Framework must be read together with other relevant laws and guidelines including the *Capital Markets and Services (Prescription of Securities) (Digital Currency and Digital Token) Order 2019*, *Guidelines on Recognized Markets*, *Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework*, *Guidelines on Collective Investment Scheme*, etc.
- 4.2. Given that a tokenised capital market product is a digital copy of an existing capital market product on the blockchain, it is proposed that capital market participants who intend to offer or deal in any tokenised capital market product must ensure compliance with the existing requirements relating to such products as specified under the relevant securities laws and SC's guidelines.
- 4.3. For example, where an issuer wishes to offer a tokenised bond, the issuer must first issue the bond traditionally in compliance with the requirements under the *Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework* (LOLA Guidelines). The issuer then needs to ensure, that the issuance of the bond token and the distribution are in compliance with the additional requirements relating to technology risk and disclosure as set out under the Framework.
- 4.4. Similarly, a unit trust management company who wishes to offer tokenised retail fund or wholesale fund, must ensure that the underlying fund is in compliance with the *Guidelines on Collective Investment Schemes* and *LOLA Guidelines*, as the case may be, in addition to the requirements under the Framework. Additionally, the agents distributing the tokenised funds, must ensure compliance with the additional requirements that are applicable to licensed persons or registered persons in dealing with tokenised capital market products as set out under Part B of this CP.

## 5. APPLICABILITY

- 5.1. The Framework is intended to apply to capital market participants who wish to offer or carry out any regulated activity or capital market services relating to, as the case may be, tokenised capital market products. Capital market participants refer to the following entities—
- (a) an issuer of a capital market product. For example, a bond issuer, a unit trust management company issuing unit trust schemes, an ECF issuer, a P2P issuer, etc.;
  - (b) a recognized market operator (RMO);
  - (c) a Capital Markets Services Licence (CMSL) holder; and
  - (d) a registered person.
- 5.2. For the purposes of this CP, the term '*capital market participants*' shall refer to persons as set out under paragraph 5.1 above.
- 5.3. The scope of obligations for each capital market participant within the Framework will depend on their role and how their activity relates to the tokenised capital market product. This CP will discuss these obligations in two parts:
- (a) **Part 1** – obligations of issuer and RMO; and
  - (b) **Part 2** – obligations of licensed and registered person carrying out regulated activities relating to tokenised capital market products.

## **PART 1: OFFERING OF TOKENISED CAPITAL MARKET PRODUCTS**

### **6. OBLIGATIONS OF ISSUER AND RMO**

6.1. In an evolving technology landscape, it is pertinent that issuers and RMOs seeking to adopt DLT to tokenise or facilitate the tokenisation of capital market products, understand and have the necessary proficiency in utilising DLT, as well as implement appropriate safeguards and measures to manage the risks associated with the use of such technology.

#### *General obligations*

6.2. In this regard, the SC proposes that the responsibilities of an issuer who wishes to offer tokenised capital market product or an RMO who wishes to facilitate the offering of tokenised capital market products on their platform must:

- (a) ensure compliance with existing requirements relating to the underlying capital market product as set out in the relevant laws, rules and guidelines in addition to complying with the requirements relating to tokenisation as set out under the Framework;
- (b) put in place mechanisms to ensure consistency in the legal and beneficial title of the tokens with the underlying capital market product;

#### **Guidance to subparagraph 6.2(b)**

The DLT record of the tokenised capital market product may not function as the final and authoritative record confirming ownership due to requirements that may exist under other relevant laws applicable to the underlying capital market product.

For example, in the case of tokenised shares, section 50 of the *Companies Act 2016* provides that the register of members serves as *prima facie* evidence of any matters inserted in the register as required or authorised by the *Companies Act*

2016. As such, the mere transfer of the token representing the share between a transferor and transferee will not constitute a transfer of ownership of the share to the transferee, unless and until the transferee's name is entered into the register of members.

- (c) be able to demonstrate sufficient understanding and proficiency in utilising DLT, implementing the relevant governance measures and safeguards to ensure operational soundness of the tokenisation process including the management of minting and burning of tokens during subscription and redemption.

#### **Consultation Question**

- Question 3 : (a) Please provide comments and views on the above-mentioned proposed obligations on the issuer and RMO. Do you foresee any implementation issues and challenges in fulfilling these obligations? If yes, please describe your specific issues and challenges.
- (b) In your view, are there any other additional general obligations that should be imposed on issuers and RMOs relating to the offering of tokenised capital market products?

#### *Permitted type of DLT*

- 6.3. The SC notes that there are namely two types of DLT networks. These are private networks and public networks. The risks between these types of DLT networks differ depending on the network that is adopted.
- 6.4. For instance, while public networks offer transparency and broad accessibility, they may present higher cyber risks, such as vulnerability to 51% attacks (where a group of persons or entities gain majority control of the hashing power thus empowering them to alter or manipulate the blockchain or malicious network forks). In contrast,

private networks offer greater control and customisation but may face challenges related to interoperability with other systems or networks.

- 6.5. For the purposes of the Framework, the SC proposes that an issuer and an RMO must assess the blockchain network used in light of the intended use, compliance requirements and ensure there are proper controls in place to address the risks that may arise from the blockchain network used. For instance, an issuer and an RMO should not use public-permissionless blockchain without the necessary and proper controls in place.

<b>Consultation Question</b>	
Question 4	(a) Which type of DLT network would your entity prefer to adopt (e.g. private network, public network or any specified network)? Please elaborate the reasons for your preference.  (b) What factors should be considered in determining a suitable network?
Question 5	: What type of controls and safeguards will your entity implement to address the risks that may arise from the use of DLT network? Please describe the specific controls and safeguards.

#### *Record and Register*

- 6.6. As tokenised capital market products under digital twin representation model will have both off-chain and on-chain records, the issuer and RMO shall be held accountable to ensure compliance with the requirements relating to records and register as provided under the relevant laws, rules and guidelines relating to the underlying capital market product.
- 6.7. To ensure that the issuer and the RMO must comply with their relevant requirements, the issuer and the RMO must—

- (a) establish systems and controls for the maintenance of accurate and up to date records of tokens representing capital market products held in relation to the investor;
- (b) develop and implement policies and procedures to ensure robust management and operational soundness of the record keeping system for ownership including reconciling the on-chain and off-chain record to ensure consistency and finality;
- (c) ensure that records of the token holders' ownership interests in the capital market product are accurate, properly secured and maintained; and
- (d) ensure the adoption of DLT is in compliance with the requirement to maintain a record or register of shareholders, bondholders or unit holders, as the case may be, under the CMSA and the relevant guidelines.

<b>Consultation Question</b>	
Question 6	<p>(a) Please provide comments and views on the above-mentioned proposed requirements, including the requirement to maintain dual records, both on-chain and off-chain. Do you foresee any implementation issues and challenges in complying with these requirements? If yes, please describe your specific issues and challenges.</p> <p>(b) Other than the obligations set out in paragraph 6.7 above, what would be the other appropriate steps that can be adopted by your entity?</p>

*Disclosure requirements relating to tokenised capital market products*

- 6.8. In addition to existing disclosure requirements relating to the underlying capital market product, the SC proposes that an issuer intending to offer tokenised capital market products, must include the following information in the relevant disclosure document:

- (a) how a tokenised capital market product derives its value;
- (b) the representation of ownership of the tokenised capital market product;
- (c) the tokenisation arrangement including whether the off-chain or on-chain record and settlement are taken to be final and official (including how the underlying capital market product will be immobilised);
- (d) where any benefit (e.g. dividends, bonus units, or any other benefits related to the tokenised capital market product) is accredited through the tokenised capital market product, the value and how it would be valued or redeemed;
- (e) business continuity plans for events concerning DLT such as cyber security attacks;
- (f) the type of blockchain network and the characteristics of the same; and
- (g) associated risks in relation to the tokenisation process and technology being used for example, cyber security risk, system outage, possibility of undiscovered technical flaws, etc.

<b>Consultation Question</b>	
Question 7	<p>: Please provide your comments and views on the above-mentioned proposed requirement for issuers to disclose additional information, specifically:</p> <ul style="list-style-type: none"> <li>(a) Are there any additional disclosures that are necessary to enable investors to make an informed investment decision?</li> <li>(b) Do you foresee any implementation issues or challenges in complying with the proposed additional disclosure requirements, including those you have suggested above? If yes, please describe your specific issues and challenges.</li> </ul>



## 7. OBLIGATIONS OF RMO

- 7.1. An RMO intending to facilitate the offering of tokenised capital market products on their platform, shall remain responsible for the overall operation of the tokenisation arrangement notwithstanding any outsourcing to third-party vendors or service providers.
- 7.2. In addition to complying with the existing requirements applicable to RMOs, the SC proposes that RMOs who wish to facilitate the offering of tokenised capital market products on their platform must comply with the following:
- (a) the RMO must ensure that its issuer’s disclosure document lodged with the RMO includes the additional disclosures set out in paragraph 6.8 above; and
  - (b) in the case where an RMO is required to maintain a register, the RMO must develop and implement policies and procedures to ensure robust management and operational soundness of the record keeping system for ownership including reconciling the on-chain and the off-chain record and whether the off-chain or on-chain record and settlement are taken to be final and official; and
  - (c) for custodial arrangements, the RMO must take into account the features and risks of the tokenised capital market product in considering the most appropriate custodial arrangement for the tokenised capital market product to manage ownership and technology risks as well as ensuring compliance with existing regulatory requirements; and
  - (d) the RMO must implement adequate key administrative controls and business continuity plans for DLT-related events such as cyber security attacks and technology incidents.

<b>Consultation Question</b>	
Question 8	: (a) Please provide your comments and views with regard to the above-mentioned proposed obligations of an RMO. Do you foresee any implementation issues or challenges in fulfilling these obligations? If yes, please describe your specific issues

and challenges.

- (b) Other than the obligations imposed on a RMO as set out in paragraph 7.2 above, what would be the other appropriate steps that that can be adopted by your entity?
- (c) What other additional obligations that you think should be imposed, if any?

- 7.3. In the case of an existing RMO, the RMO may facilitate the offering of tokenised capital market products on their platform. However, this is only limited to tokenising the product for which the platform is registered for.

**Guidance to paragraph 7.3:**

For example, a P2P operator may only facilitate the offering of tokenised investment notes on its platform. Where the P2P operator wishes to facilitate the offering of tokenised shares, the P2P operator must first apply to be registered as an ECF operator.

Similarly, an IEO operator may only facilitate the offering of digital tokens on its platform. The IEO operator must also be registered as a P2P operator if it wishes to facilitate the offering of tokenised investment notes.

## **8. TECHNOLOGY RISK MANAGEMENT**

- 8.1. The SC is cognisant of the new technology risks that would be present in relation to tokenised capital market products, that may not have been present in regard to capital market products in its traditional form.
- 8.2. Accordingly, issuers and RMOs must ensure that their Technology Risk Management Framework encapsulates considerations of blockchain technology across its governance, technology risk management, technology operations management, technology service provider management and cyber security management. Such considerations may include but is not limited to—
- (a) Security of the DLT network and node management;
  - (b) Robustness and integrity of smart contract deployed;
  - (c) Interoperability of tokenisation arrangement with back-end systems and third-party service providers; and
  - (d) Data privacy.
- 8.3. Currently, the SC has introduced the *Guidelines on Technology Risk Management* (GTRM). The outcome desired by the SC for the Guidelines is two-pronged, that is for all capital market entities to have a robust and sound technology risk management framework which promotes strong oversight of technology risk in the capital market entity, and ultimately for the capital market to be cyber resilient. In this regard, RMOs are already subjected to the GTRM.
- 8.4. Nevertheless, the framework under the GTRM is universal and may be applicable even to an issuer in relation to the issuance of a tokenised capital market product. The relevant requirements imposed under the GTRM will ensure that the issuer has in place a robust and sound framework to manage its technology risk.

- 8.5. Set against the above, the SC is proposing for issuers who wishes to offer tokenised capital market products must also ensure compliance with the relevant requirements as set out under the GTRM.

<b>Consultation Question</b>	
Question 9	<p>(a) Please provide your comments and views on the above-mentioned proposed requirements related to technology risk management. Do you foresee any implementation issues and challenges with regard to issuers' complying with the requirements as set under the GTRM? If yes, please describe your specific issues and challenges.</p> <p>(b) Other than the obligations as set out in paragraph 8.2 above, what would be the other appropriate steps that can be adopted by your entity?</p>
Question 10	<p>Among others, the GTRM specifies that capital market participants <i>'must establish a technology audit plan that provides appropriate coverage of critical technology'</i>.</p> <p>Which critical components of the DLT would need to be included in the technology audit plan? Do you foresee any implementation issues or challenges in incorporating such components into a technology audit plan?</p>

## 9. THIRD-PARTY SERVICE PROVIDERS

- 9.1. The SC notes the potential for there to be reliance on third-party service providers for, among others, the developing and maintenance of the DLT network, tokenisation solutions and the custody of tokenised capital market products.
- 9.2. In this regard, the SC proposes that where an issuer or an RMO engages a third-party service provider to manage and maintain the DLT network, the issuer or the RMO must—
- (a) conduct a due diligence on the third-party service provider involved in the tokenisation of the capital market product to ensure that they are competent and are able to carry out their functions as a third-party service provider; and
  - (b) assess the features and manage any risks that may arise from the tokenisation process adopted by the third-party service provider.

<b>Consultation Question</b>	
Question 11	<p>: Please provide your comments and views on the above-mentioned proposed requirements to conduct due diligence on third-party service providers, and assess and manage any risk that may arise.</p> <p>In particular, please share your comments on the following:</p> <ul style="list-style-type: none"><li>(a) What are the key considerations that should be taken into account when conducting the due diligence?</li><li>(b) Do you foresee any implementation issues and challenges with regards to conducting due diligence based on the considerations that you have highlighted? If yes, please describe your specific issues and challenges.</li><li>(c) Other than the obligations as set out in paragraph 9.2 above, what would be the other appropriate steps that can be adopted by your entity?</li></ul>

- 9.3. Notwithstanding any outsourcing to third-party vendors or service providers, the issuer or the RMO intending to facilitate the offering of tokenised capital market products on their platform shall remain responsible for the overall operation of the tokenisation arrangement.
- 9.4. For the purposes of ensuring that issuers and RMOs still retains a level of oversight and accountability in regard to outsourcing arrangements, the SC is proposing that issuers and RMOs shall be responsible for the management and operational soundness of the record-keeping of ownership regardless of their outsourcing arrangements. This is consistent with the current approach on outsourcing that has been imposed on RMOs and CMSL holders.

<b>Consultation Question</b>
<p>Question 12 : Please provide your comments and views on the proposed requirements for capital market participants to remain responsible for the tokenisation arrangement, including the record-keeping of ownership, regardless of the outsourcing arrangements that they may have regarding the tokenised capital market product.</p> <p>(a) Do you foresee any implementation issues and challenges in complying with these requirements? If yes, please describe your specific issues and challenges.</p> <p>(b) Other than the obligation for an issuer and a RMO to be responsible for the management and operational soundness of the record-keeping of ownership, as set out in paragraph 9.4 above, what would be the other appropriate steps that would suit your entity towards meeting a similar objective?</p>

## **10. CONSULTATION WITH THE SC**

- 10.1. Given the nascency of tokenisation adoption and its regulatory framework, it is beneficial for the issuer or RMO operator to engage the SC to identify potential legal, operational, and technological risks relating to the offering of the tokenised capital market. The engagement may highlight the need for additional measures beyond those proposed in this CP.
- 10.2. In this regard, the SC is proposing to make it a requirement for issuers and RMOs to consult the SC prior to offering or facilitating an offer for tokenised capital market products.
- 10.3. An issuer or RMO must be able to demonstrate to the SC's satisfaction its compliance with the requirements as set out under the Framework.
- 10.4. The SC may as it considers necessary direct the issuer or RMO to obtain—
  - (a) 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; and
  - (b) a legal opinion to support its application.

## **PART 2: CARRYING OUT REGULATED ACTIVITIES RELATING TO TOKENISED CAPITAL MARKET PRODUCTS**

### **11. OBLIGATIONS OF CMSL HOLDERS AND REGISTERED PERSONS**

- 11.1. A CMSL holder or registered person intending to carry out regulated activities relating to tokenised capital market products must have the necessary manpower and expertise to understand the nature of such a business, especially the risks relating to ownership and technology, and shall manage such risks appropriately.
- 11.2. Where a CMSL holder or registered person deals in, advises on, or manages portfolios relating to tokenised capital market products, the CMSL holder or registered person must conduct due diligence on the tokenised capital market product, its issuer and the third-party service providers involved in the tokenisation process of the product to ensure that they are able to make an informed investment decision and ensuring the investors' interests are protected.

#### **Guidance to paragraph 11.2:**

For example, a broker may invest in tokenised share offered on a foreign exchange. The broker must ensure that the order is routed through a licensed foreign broker and the exchange is regulated by the relevant regulatory authorities.

A fund manager who invests in tokenised bonds must carry out the relevant due diligence on the issuer of the tokenised bonds to verify their business and proposals. This shall include conducting a due diligence on the features of the tokenisation process in order to assess the features and risks arising from that tokenisation process.

- 11.3. A CMSL holder or registered person must understand and be satisfied with the controls implemented by the issuers and their third-party service providers to manage ownership and technology risks of the tokenised capital market product before engaging in the regulated activity.



11.4. A CMSL holder or registered person must make adequate disclosure of relevant material information relating to the tokenised capital market product and communicate such information in a clear and easily comprehensible manner to their clients, which, among others, shall include–

- (a) whether the off-chain or on-chain settlement of record is final and official, where applicable;
- (b) the limitations imposed on transfers of the tokenised capital market product (if any);
- (c) whether a smart contract audit has been conducted before the deployment of the smart contract (if any);
- (d) the key administrative controls and business continuity plans for DLT related events such as cyber security attacks; and
- (e) the custodial arrangement (if applicable).

<b>Consultation Question</b>	
Question 13	<p>(a) Please provide your comments and views on the above-mentioned proposed requirements imposed on CMSL holders and registered persons.</p> <p>(b) Do you foresee any implementation issues and challenges with regard to such requirements? If yes, please describe your specific issues and challenges.</p> <p>(c) Other than the requirements as set out in this Chapter 11, what would be the appropriate steps that can be adopted by your entity?</p>

## 12. DEALING IN TOKENISED CAPITAL MARKET PRODUCTS

12.1. A CMSL holder and registered person for dealing in securities or fund management may only deal in tokenised capital market products offered on—

- (a) a stock market or derivatives market as set out under section 7 of the CMSA;  
or
- (b) trading platform or counterparty outside of Malaysia—
  - (i) that is registered with, or is regulated by one or more laws of a foreign country giving effect to the Financial Action Task Force recommendations relating to customer due diligence and recordkeeping; and
  - (ii) has risk-based AML/CFT systems and controls that are supervised or monitored by a body empowered by law to supervise and enforce the customer due diligence and record-keeping obligations.

Consultation Question
Question 14 : (a) Please provide your comments and views on the above-mentioned proposed requirement for dealing in tokenised capital market product.  (b) Do you foresee any implementation issues and challenges with regard to the proposed requirements for CMSL holders above? If yes, please describe your specific issues and challenges.



12.2. The requirements under this Part 2 shall similarly be applicable, in the case where the CMSL holder and registered person are dealing in digital tokens or digital currency that are prescribed as securities pursuant to the *Capital Markets and Services (Prescription of Securities) (Digital Currency and Digital Token) Order 2019*.