



## PUBLIC CONSULTATION PAPER

No. 3/2025

### PROPOSED AMENDMENTS TO GUIDELINES ON RECOGNIZED MARKETS - DIGITAL ASSET EXCHANGE

The Securities Commission Malaysia (SC) invites your written comments to this consultation paper. Comments are due by 11 August 2025 and should be sent to:

Email: [aFINity@seccom.com.my](mailto:aFINity@seccom.com.my)

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This Public Consultation Paper is dated 30 June 2025

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## **PART A: GENERAL**

### **1. INTRODUCTION**

- 1.1 As part of its commitment and efforts in fostering innovation while safeguarding investors, the SC introduced a regulatory framework for the offering and trading of digital tokens and digital currencies (collectively referred to as “digital assets”) as early as 2019<sup>1</sup>. With this move, Malaysia emerged as one of the earliest countries in the region to establish a specific regulatory framework on digital assets, providing both regulatory clarity and protection in a rapidly evolving space.
- 1.2 Globally, we have observed various developments in digital asset investments. In 2024, the total digital asset market capitalisation nearly doubled, reaching a peak of USD3.91 trillion in mid-December, with USD17.4 trillion of total trading volume among top 10 global exchanges<sup>2</sup>. Investors have also poured in over USD100 billion into digital asset-related exchange traded funds (ETFs)<sup>3</sup>. Notably, Bitcoin alone has reached over USD2 trillion in global market capitalisation - comparable to the top 10 publicly listed companies. This reflects the growing and broadening adoption of digital assets across the investment landscape, and the resilience of digital assets despite macroeconomic volatility and evolving regulatory landscape.

#### **Development of Regulated Digital Asset Exchanges in Malaysia**

- 1.3 In Malaysia, the regulated digital assets exchanges (DAXs) have continued to develop since their registration in 2019. Trading activity has generally mirrored global crypto trends – reaching a peak during the “crypto summer” in Q2 2021, then slowing amid the “crypto winter” in 2022 to 2023. Activity rebounded in 2024, driven by renewed and increased global interest and adoption. That year, total trading value reached a record high of RM13.9 billion which is an increase by 2.6 times compared with 2023.

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<sup>1</sup> Digital currency and digital tokens that fulfil certain criteria as prescribed under the Capital Markets and Services (Prescription of Securities) (Digital Currency and Digital Token) Order 2019 is specified as securities for purposes of securities laws.

<sup>2</sup> See <https://www.coingecko.com/research/publications/2024-annual-crypto-report>

<sup>3</sup> See <https://www.bloomberg.com/news/features/2024-12-22/bitcoin-surges-etfs-explode-the-defining-trades-of-2024>

- 1.4 We also observed increased participation from the traditional intermediaries, such as brokers and fund managers, who are now offering digital asset products and services. This includes the launch of digital asset funds, the inclusion of digital assets into fund portfolios, and the offering of digital assets derivatives. Notably, Malaysia is also the first country in the world to establish a Shariah-compliant framework for the trading of digital assets. In addition, ancillary digital activities such as staking using a proof of stake model on a blockchain network was also determined to be Shariah-compliant.

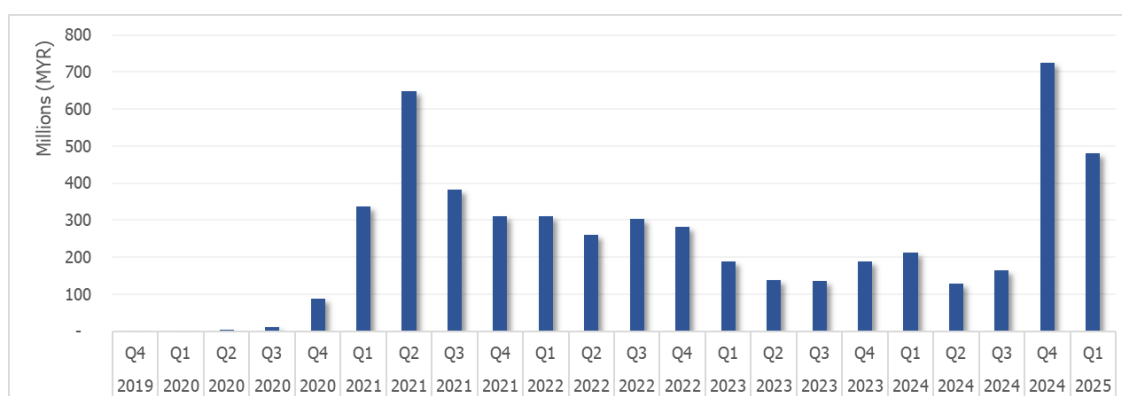


Figure 1 Total Trading Value on Regulated DAXs in Malaysia, Q4 2019 – Q1 2025

- 1.5 The current regulatory framework includes, among others, the requirements for DAXs to only offer certain types of digital asset that meet the minimum criteria as specified by the SC. Further, the DAXs would also need to get the SC's concurrence before offering the digital asset. The SC also have the power to impose any additional terms and conditions or direction to the DAXs. The current clear regulatory framework has significantly contributed to the growth of the sector by providing appropriate safeguards which so far insulated Malaysia from major crypto-related scandals and collapses, such as Terra Luna and FTX.
- 1.6 Additionally, Malaysia also has a vibrant digital asset and Web3 ecosystem. The presence of global players such as Coingecko (a leading crypto-asset data aggregator) and Etherscan (a widely used Ethereum blockchain explorer) also reflects the country's strong digital asset and blockchain literacy.
- 1.7 Despite the above factors, the trading value of local regulated DAXs remains modest relative to traditional securities and global crypto-asset markets. In 2024, the total

trading value on Malaysia's regulated DAXs accounted for 1.1% of the total equities trading value on Bursa Malaysia, and 0.0014% of top 10 global crypto exchanges.

- 1.8 In initiating the current regulatory framework, the SC has adopted a prescriptive regulatory approach whereby existing fintech players were allowed to continue to offer their services under the new regulated environment subject to meeting the prescribed eligibility criteria. This approach is intended to allow the market for this emerging asset class to evolve organically in a responsible manner with high degree of oversight and guidance by the SC and undertaken in a collaborative manner with the industry players. At present, regulated digital asset trading is primarily driven by retail investors, with institutional participation still limited, though showing signs of growing interest in the sector.
- 1.9 The low level of institutional involvement extends across the ecosystem, including the provision of crypto-related products and services, as well as investment in the asset class. This is largely attributed to factors such as risk appetite, and ongoing concerns about credibility and trust.
- 1.10 Regulated DAXs also face stiff competition from unregulated platforms and avenues, which are often perceived to be more attractive due to factors like broader token offerings and better pricing.
- 1.11 Despite current challenges, regulated DAXs play a crucial role in enabling responsible access to digital asset investments by offering a secure and well-regulated environment for both retail and institutional investors. There is significant growth potential in the Malaysian market, particularly onshoring investors who currently trade through offshore and unregulated platforms. To this end, the industry needs to move from an entrepreneur-led industry to a more institutional-led industry to enhance credibility and instil confidence towards the market. This will be further discussed in detail below.
- 1.12 Malaysia's progress in developing a Shariah compliant digital asset framework, along with its expertise in the digital asset ecosystem, positions the market well for crypto market development, especially in the Islamic finance segment.

## **Regulatory Enhancement to Strengthen Regulated DAXs in Malaysia**

- 1.13 To further enhance and facilitate sustainable growth of digital assets in Malaysia, the regulatory framework for DAXs needs to be strengthened. This is intended to enhance competitiveness to our regulated digital asset market and better serve investors' needs, whilst ensuring there is adequate investor protection which is crucial towards fostering responsible and sustainable growth and confidence in the capital market.
- 1.14 Set against the above, the SC is currently undertaking a comprehensive review of the *Guidelines on Recognized Markets* (RMO Guidelines) in relation to DAXs.
- 1.15 Our review of the DAX framework is focused on strengthening the operational resilience of the DAXs with the view to enable DAXs to offer a wider range of digital assets and products to investors. This strengthening will encourage a wider participation of investors and promote greater interaction between DAXs with the broader ecosystem of the Malaysian capital market such as dealings with licensed persons and other recognized market operators (RMOs).
- 1.16 Set against this backdrop, the revised DAXs framework will be focusing on the following:
- (a) **Encouraging a more competitive DAX market:** facilitating wider range of digital assets to be offered on a DAX whilst ensuring investors are protected;
  - (b) **Enhancing investor protection:** strengthening the requirements in relation to safeguarding of clients' asset and control measures in addition to enhancing governance framework, as well as stronger regulatory oversight; and
  - (c) **Strengthening the resilience and integrity of DAX operators:** strengthening the requirements relating to financials, shareholding and management proficiency of DAXs. This is to promote confidence and greater interaction between DAXs and the broader ecosystem of the Malaysian capital market such as dealings with licensed persons and other RMOs.

- 1.17 In this regard, this Consultation Paper (CP) seeks to obtain public feedback on the proposals to enhance the regulatory framework for DAXs which will be effected by way of amendments to the *RMO Guidelines*.
- 1.18 Separately, to bolster and to further reinforce the focuses outlined above, the SC is also in the midst of exploring additional measures to the existing framework towards enhancing the breadth and depth of regulated DAXs.
- 1.19 Among others, in line with the SC's regulatory principle of "*same activities, same risks, same regulatory outcomes*", the SC is exploring certain liberalisation to the digital asset listing process on DAXs coupled with enhancing investor protection through potential inclusion of DAXs as members of the Financial Markets Ombudsman Service (FMOS). This is intended to enhance the dispute resolution mechanism for investors utilising DAX platforms and ensure parity with the requirement imposed on other capital market intermediaries carrying on the same risk. Additionally, the SC is currently evaluating the applicable fees for DAXs, taking into account the different categories of shareholders, such as institutional versus individual shareholders. These proposals will be further discussed in the future once it is finalised.

## **PART B: THE PROPOSED AMENDMENTS TO RMO GUIDELINES IN RELATION TO DAX**

### **PART 1**

#### **Enhancing Requirements relating to Safeguarding Client Assets and Governance**

##### **2. Requirements for Investors Protection – Governance and Controls**

- 2.1 The SC is cognisant of recent global failures experienced by digital asset exchanges. Such incidents have resulted in the erosion of investor confidence and trust in the financial services ecosystem. It also demonstrated the importance of ensuring that digital asset exchanges are subjected to adequate safeguard and governance controls.
- 2.2 In response to these concerning precedents as well as trends and developments noted in this area, the SC is proposing to further enhance the operational governance and controls of regulated DAXs in the Malaysian market to ensure that they are subjected to requirements which commensurate with the risks that are associated with its operations.

##### *Security and Segregation of Assets*

- 2.3 Currently, DAX operators are required to segregate investors' assets from their own inventory including having internal measures to protect against the risk of loss, theft or hacking. Further, DAX operators are also required to have in place risk management measures to safeguard investors' assets from inappropriate use through necessary governance and approval processes.
- 2.4 While the existing requirements set out the baseline for asset security and segregation, the SC is of the view that further measures must be put in place to ensure that investors' assets that are held by DAXs are safeguarded from loss.
- 2.5 In this regard, the SC proposes to enhance the requirements relating to asset security and segregation by introducing the following new requirements:



- (a) at least 90% of the investors' digital assets must be held in offline wallets (i.e. cold wallets) for each type of digital asset listed on its platform;
- (b) the remaining investors' digital assets held in online wallets (i.e. hot wallets) must be fully collateralised with equivalent amount in the DAX's own offline wallet;

**Guidance to subparagraph 2.5(a) and (b)**

Illustration:

*Table 1*

<b>Digital Asset</b>	<b>Total Units of Investors' digital assets held by DAX</b>	<b>Minimum Units of Investors' digital assets to be in offline wallet (i.e. cold wallet)</b>
BTC	1	0.9
XRP	10,000	9,000
ETH	50	45

Using the example in Table 1, the balance of the investor's digital assets being held in the online wallet is 0.1BTC + 1,000 XRP + 5 ETH.

Accordingly, the DAX operator must maintain in its own offline wallet, as a collateral, an inventory of digital assets where the value of the digital assets must be equivalent to 0.1BTC + 1,000 XRP + 5 ETH.

- (c) where the DAX operator and/or its affiliate companies offer digital asset services in other jurisdictions, the DAX wallet address and trust account for local transactions shall be distinct and separate from its foreign digital asset transactions; and
- (d) DAX operators must perform daily reconciliation on its asset holdings (including investors' assets).

Consultation Question
<p>Question 1 : Please provide your comments and views on the proposed requirements relating to asset security and segregation:</p> <p>(a) Do you foresee any implementation issues or challenges in complying with the additional requirements? If yes, please describe your specific issues or challenges.</p> <p>(b) Are there any other alternative measures that you would propose towards ensuring investors' assets are adequately safeguarded from loss other than those proposed in paragraph 2.5 whether due to misuse or insolvency of the DAX? If yes, please describe how your proposal is able to meet the SC's intended outcome.</p>

*Governance Controls*

2.6 In addition to the above, the SC is also proposing to enhance the requirements and obligations relating to governance of the DAXs. In this regard, the SC proposes to introduce the following new requirements towards ensuring that the framework and controls established by a DAX are effective:

- (a) DAX operators must appoint an independent and qualified party to carry out an audit on the effectiveness of the measures and controls relating to investors' asset segregation. Such audit must be carried out on a periodic basis, at least once a year;
- (b) DAX operators must appoint auditors registered with the Audit Oversight Board to conduct its annual financial audits;
- (c) DAX operators must maintain direct access to its wallet addresses free from influence or control of any external parties (including from its affiliate companies);

**Guidance to subparagraph 2.6(c)**

Direct access shall mean where a DAX has operations in any other foreign jurisdiction (including where operations are by its affiliated or related companies), the governance controls vis-à-vis access to the digital assets within the local DAX's purview shall not be dependent on the decision of any other entities.

- (d) DAX operators must put in place effective policies and procedures to manage the risk of loss or misuse of investors' assets including facilitating the return of investors' assets in the event of the DAXs' insolvency;
- (e) DAX operators must identify a member of its senior management who is a resident of Malaysia with the relevant capability, knowledge, experience and authority to be responsible for the administration of the access to the wallet addresses. Among others, this would relate to mitigating the risk of loss or misuse of customers' assets and facilitating movement of digital assets as set out in subparagraph 2.6(d); and
- (f) DAX operators that facilitate the custody of digital assets on behalf of its investors must either be registered as a digital asset custodian (DAC) or engage a DAC registered with the SC to provide the custody service.

**Consultation Question**

Question 2 : Please provide your comments and views on the proposed requirements relating to governance controls:

- (a) Are there any additional or alternative measures to ensure proper governance and probity of the DAXs? If yes, please provide examples and justifications.
- (b) Do you foresee any implementation issues or challenges in

complying with the proposed requirements, including those you have suggested? If yes, please describe your specific issues or challenges.

- (c) To address any possible or perceived conflict of interest of DAX operators undertaking both DAX and DAC services, please provide your comments on whether DAX operators should only be allowed to provide digital assets custodial services through an external DAC (which must be registered by the SC). Please provide the reasons for your view.

## **PART 2**

### **Enhancing Requirements on DAX Operators**

#### **3. Requirements to Operate a DAX**

- 3.1 While the SC aims to foster a more competitive environment and more diversification in digital asset offerings, as well as to enable a wider range of investors to invest in digital assets offered through DAXs, such growth is contingent on the support of the wider financial services sector.
- 3.2 To realise this potential, DAXs must showcase greater financial and operational integrity and resilience. This needs to be coupled with robust investor protection mechanisms to instil investor confidence. Ultimately, these efforts will foster greater participation and involvement in trading through or with DAXs as well as enhance the ecosystem for further business and operational development of DAXs.

#### *Capital Adequacy Requirements*

- 3.3 Since 2019, DAX operators are required to have a minimum paid-up share capital of RM5 million. Subsequently in 2022, for DAXs operating a Digital Broker model, an additional requirement to maintain a minimum shareholders' funds of RM5 million was introduced. These financial requirements were imposed to manage the inherent and heightened risks associated with operating a DAX.
- 3.4 Among others, the risks include risk relating custody of the assets, counterparty risk, cybersecurity risk driven by growth trends, liquidity and volatility risks inherent to asset class.
- 3.5 The SC has noted that as the market grows, the exposure to inherent and new risks underscore the necessity for stronger capital adequacy requirements, encompassing a higher paid-up share capital and maintaining a minimum shareholders' funds. The higher capital adequacy requirements are intended to serve as a crucial signal to the wider ecosystem of the enhanced credibility and resilience of DAXs.

3.6 In this regard, the SC is proposing to increase the financial requirements as follows:

- (a) **Paid-up Share Capital:** Minimum RM15 million; and
- (b) **Shareholders' Funds:** The higher of the following must be maintained at all times:
  - (i) Minimum of RM5 million, or in the case of a DAX operator operating a Digital Broker model, minimum of RM7 million; or
  - (ii) 25% of the DAX's operating expenses.

**Guidance to paragraph 3.6**

In respect of the minimum requirement of shareholders' funds, the amount must be maintained in the form of cash or liquid assets (excluding digital assets) and held separately from the company's operating accounts.

The operating expenses referred to in subparagraph 3.6(b)(ii) must be calculated on a rolling 12-month basis and substantiated by the DAX operator upon request by the SC.

Note: In the case where existing licensed or registered persons who are already subjected to capital adequacy requirement under the relevant laws or guidelines, intends to operate a DAX, the higher capital adequacy requirements shall apply to the licensed or registered persons.

3.7 To allow sufficient time for existing DAXs to familiarise and meet with the proposed financial requirements in paragraph 3.6, existing DAXs are required to meet the financial requirements within one year from the issuance date of the revised *RMO Guidelines*.

- 3.8 Notwithstanding the above, the SC may at any time impose additional financial requirements or other terms and conditions on any DAX operator, commensurate with the nature, operation and risks posed by the DAX operator.

Consultation Question	
Question 3	<p>(a) Please provide comments and views on the proposed capital adequacy requirements. Do you agree with the proposed higher capital adequacy requirements? If no, please provide the justifications for your view including any issues or challenges in complying with these requirements.</p> <p>(b) In your view, should there be any other capital adequacy requirements that should be imposed? Please provide the reasons for your view.</p>

*Competency Requirements for Shareholders of DAX operators*

- 3.9 To further spur the growth of the industry, the SC would like to encourage greater institutional participation via equity shareholding. We believe such institutional shareholders offer significant advantages that could benefit the industry such as the ability to provide larger capital injection as well as expertise and technical know-how which lends credibility and stability to the markets. In turn, this will attract further investment and partnership opportunities with DAXs. Institutional shareholders' involvement such as venture capitals and private equity firms, licensed or registered person or holding companies, may also strengthen corporate governance of the DAX contributing to longer-term success and resilience.
- 3.10 Notwithstanding the above, in the case where the DAXs remain anchored by majority individual shareholders, the SC expects greater demonstration of capability and experience to bolster the objective of creating sustainable and resilient DAXs.
- 3.11 Set against the above backdrop, the SC proposes that, in the case of DAX operators that are owned by individuals, two of its shareholders whose total shareholding forms the majority (51% or more) in the company, must meet the following requirements:

- (a) each of the two shareholders have at least five years of relevant experience in capital market or digital asset business each; and
- (b) at least one of the two shareholders have direct experience in securities exchange or derivatives exchange or broker/trading business.

<b>Consultation Question</b>	
Question 4	: Please provide comments and views on the proposed requirements relating to shareholders. Do you foresee any implementation issues or challenges in complying with these requirements? If yes, please describe your specific issues or challenges.

#### *Key Persons Requirements*

- 3.12 Similarly, to supplement the operations of the DAX, the key persons as specified in Chapter 4 of the *RMO Guidelines* are expected to have the necessary credentials to support their probity, reputation and competency. Therefore, the SC is proposing to require all members of the Board of the DAX to complete the Securities Industry Development Corporation's Capital Market Director Program.
- 3.13 Additionally, the responsible person of a DAX operator must have a minimum 5 years of experience in regulated financial services or digital assets business with the appropriate qualifications and skillset.

<b>Consultation Question</b>	
Question 5	: Please provide comments and views on the proposed requirements relating to key persons. Do you foresee any implementation issues or challenges in fulfilling these requirements? If yes, please describe your specific issues or challenges.



## **PART 3**

### **Liberalising Digital Asset Listing Process on DAX**

#### **4. Revised Framework for Digital Asset Listing Process**

- 4.1 Presently, a DAX operator is required to assess any digital asset that is proposed to be offered for trading on its platform in accordance with the minimum criteria as prescribed within the *RMO Guidelines*. Upon conducting the necessary assessment, the DAX must obtain the SC's concurrence for the assessment before the digital assets can be finally offered on its platform.
- 4.2 The reasoning behind the requirement stated in paragraph 4.1 is to ensure that investors are protected by only having access to digital assets that meets the eligible criteria. Further, this requirement also serves to ensure that DAXs as first line of defence against bad actors, understand the SC's expectations in their assessments of digital assets.

#### *Criteria for Listing of Digital Asset*

- 4.3 However, as part of the initiative to liberalise the market and promote faster time to market, the SC is proposing to revise the existing framework by removing the requirement to obtain the SC's concurrence for digital assets to be offered for trading on a DAX (Liberalised Listing Framework). In this regard, the DAX shall solely be accountable to assess and permit such types of digital assets traded on its platform.
- 4.4 For the purposes of the Liberalised Listing Framework, the SC is proposing to introduce the following criteria that must be assessed by the DAX operators before permitting the offering of the digital asset on their platform:
- (a) the digital asset fulfils the criteria as specified in paragraph 15.19 of the *RMO Guidelines*;

- (b) the underlying protocol, network and application must have undergone security audits, and the audit results must be made available to the public; and
- (c) the digital asset must have been traded for at least one year on any Virtual Asset Service Provider (VASP) that is in compliance with the *FATF Recommendations 2012* which may include the status of the VASP registered, authorised, licensed or regulated by a regulatory authority having similar regulatory authority or function as the SC.

4.5 Notwithstanding the above, in the absence of a standard token taxonomy, the SC also notes that certain type of digital assets possesses inherent characteristics that can pose significant risks to investor welfare or macro policy stability. As such, the SC is seeking views for listing the following types of digital assets which may be considered to be of higher risk:

- (a) digital assets intended to enhance user anonymity and transaction confidentiality (i.e. privacy coins) – the lack of transparency aspect in certain digital assets appeal to individuals involved in unlawful conduct which may result in the increased risk of money laundering and terrorism financing;
- (b) digital assets intended to follow internet trends or popular culture that builds on community support (i.e. meme coins) – this is due to the risk of everchanging internet trends and pop culture interests which may potentially result in the heightened risk of market volatility and market manipulation;
- (c) digital assets intended to maintain a stable value to a reference asset, currency or commodity (i.e. stablecoins) – these assets may still be susceptible to price volatility within the market, are subject to pegging mechanisms solely controlled by the issuer and may pose as a threat to financial stability which is within the regulatory ambit of Bank Negara Malaysia;

- (d) digital assets intended to provide benefits to the holders or investors to be used within the DAX and its related or affiliated entities or exchanges – this has the potential increased risk of conflict of interest; and
- (e) digital assets which have been recently circulated that may not have market demand yet, namely nascent utility tokens – this is due to the possibility that such nascent tokens will carry distinct and higher risks such as:
  - (i) regulatory reach to issuers of the protocol or network;
  - (ii) market risk;
  - (iii) liquidity risk;
  - (iv) concentration and distribution risk;
  - (v) project and token economics risks; and
  - (vi) technology and cyber risk.

**Guidance to subparagraph 4.5(e)**

For the purposes of this CP, 'nascent utility token' shall mean a digital token that comprises of the following characteristics:

- (a) digital token representing a utility such as a right to a service or goods that can be redeemed on a specified platform or protocol;
- (b) digital token has not been traded prior to its listing on any DAX platform or listed or traded in other trading venues but without large trading volumes; and
- (c) digital token's utility is complete and ready-to-use whereby holders of the digital token can exercise the right to the service or good at any given time and fully redeem the specified service or good (in circumstances with more than one services or goods, the core service or good),

However, this will not include utility tokens that are offered on the SC's regulated Initial Exchange Offering (IEO) platforms.

### *Revised Disclosure Requirements*

- 4.6 Currently, the *RMO Guidelines* imposes requirements on DAXs to disclose certain information such as material information or changes to the tradeable digital assets, trading information, trading arrangements and market making arrangements.
- 4.7 To supplement the introduction of the Liberalised Listing Framework and in line with the principles and recommendations outlined in the IOSCO Policy Recommendations Report<sup>4</sup>, the SC is proposing that DAXs must ensure the relevant information relating to the tradeable digital assets is made available to the public. Among others, the information must include the following:
- (a) comprehensive description of the digital asset;
  - (b) information on ownership and control of digital asset;
  - (c) information relating to the issuer, its business and management team;
  - (d) risks associated with the digital asset;
  - (e) trading history of the digital asset, including volumes and prices;
  - (f) operational description of the digital asset, including any incidents of manipulation or security failures;
  - (g) digital asset ownership concentration and any options and lock-ups for founding team, insiders and affiliates;

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<sup>4</sup> Policy Recommendations for Crypto and Digital Asset Markets, OICV-IOSCO FR11/2023, Chapter 4, Recommendation 6 on Admission to Trading.

- (h) protocols for transfers; and
- (i) the DAX's treatment of the client's digital asset and their respective rights and entitlements for events such as, but not limited to, hard forks and airdrops.

### Consultation Question

- Question 6 : (a) Please provide comments and views on the proposed digital asset criteria for the Liberalised Listing Framework. Do you foresee any implementation issues or challenges with regard to such criteria? If yes, please describe your specific issues or challenges.
- (b) In your view, are there any other criteria that should be changed, excluded or included? If yes, please describe the specific criteria and what are the risks that such criteria intend to address or mitigate.
- (c) Do you agree with the proposed approach on the Liberalised Listing Framework? Please provide your recommendations and justifications.
- (d) On the digital assets listed in paragraph 4.5, do you agree that such digital assets should be listed despite their higher risk? Please provide your comments and views for listing such digital assets including the risks that they pose and how to best address or mitigate such risks.
- (e) Specifically, in relation to nascent utility tokens, please provide comments and views on whether DAXs should offer the trading of nascent utility tokens. Please provide your comments and views on exclusion of utility token offered on IEO platform from the "nascent utility token" definition. Please provide reasons for your answer.
- (f) Please provide comments and views on the risks highlighted

against nascent utility tokens and the corresponding mitigation and controls that should be included to facilitate the trading of the same on a DAX.

- (g) In your view, with the intent to ensure that the digital assets listed are well governed with mitigated risks, should there be any amendments to the existing criteria prescribed in paragraph 15.19 of the *RMO Guidelines*? Please provide your recommendations and justifications.

For example:

(i) **Profile of founders and senior management**

Should there be an expectation on the DAXs to identify the ultimate beneficial owner of the protocol or network of the token? Please provide reasons and justifications.

(ii) **Compliance with legal and regulatory frameworks**

Should there be an expectation on DAXs to conduct sanction screenings on the token issuers and for DAXs to research and conduct due diligence on the validity of claims on public forums? Please provide reasons and justifications.

- Question 7 : (a) Listing Process Risks and Mitigation - What are the primary risks associated with your digital asset listing process, and what are your recommended mechanisms for risk management?
- (b) Delisting Triggers and Mandatory Delisting - What are the critical factors that should initiate the delisting of digital

assets? What are your proposals for mandatory delisting scenarios and thresholds?

- (c) In encouraging a more competitive DAX market, what other digital asset-related products or services, that the SC should facilitate through a DAX (e.g. crypto derivatives or regulated staking activities). Please provide your comments and views for such products or services including the mitigation of risks that it poses and how to best address or mitigate such risks.

- 4.8 Notwithstanding the above, the SC still reserves the right to direct a delisting of a digital asset where the SC considers it necessary for the protection of investors, the public interest, the proper functioning of a recognized market, or where the SC deems a DAX to be unfit to determine the listing of digital asset on its platform.