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Security token offerings:
The next phase of
financial market evolution?



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Since the advent of Bitcoin in 2009, the profile of blockchain – a combination of distributed ledger technology (DLT) with a variety of block-based encryption technologies – has soared. While there has been a great deal of volatility and speculation in certain virtual assets and other blockchain-related financing, including a high profile peak in 2018, there is now wide consensus regarding the value of blockchain and other forms of DLT in finance. While Facebook’s announcement of Libra was probably the highest profile example, the most important examples going forward are likely to come as blockchain plays an increasing role in financial infrastructure such as securities settlement, in monetary and payments systems through central bank digital currencies, and in the context of liquidity and access to financing through tokenization, in particular security token offerings. Going forward, the real value of the underlying technologies of Bitcoin and cryptocurrencies comes in the form of its role in security, in transparency, in permanence, each of which is essential to financial markets efficiency, trust and confidence, as well as safety and soundness.

Security Token Offerings (STOs) combine the technology of blockchain with the requirements of regulated securities markets to support liquidity of assets and wider availability of finance. STOs are typically the issuance of digital tokens in a blockchain environment in the form of regulated securities. The blockchain environment enhances securities regulatory objectives of disclosure, fairness and market integrity and supports innovation and efficiency through automation and “smart contracts”. In terms of the token aspect, an STO is essentially the digital representations of ownership of assets (e.g. gold, real estate) or economic rights (e.g. a share of profits or revenue).

The goal of this publication is to serve as a guide to promoting deeper discussion and fostering the active participation of all stakeholders in the future evolution of the industry.



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Evolution and history of STOs

An STO is essentially a regulated offering of securities using blockchain technology. It thus involves the creation of digital blockchain tokens. These digital blockchain tokens can be created (“coined”), transferred, bought, sold and destroyed (“burned”) based on the computer code rules of their blockchain. The blockchain could be specially created for the transaction or it could use an existing system, such as Ethereum or Hyperledger. It may also include transfer and other controls to enable regulatory compliance. In order to be sold as securities to investors, the tokens must meet the requirements under applicable securities laws such as the Securities and Futures Ordinance (Cap. 571) (SFO) in Hong Kong or the Securities Act of 1933 in the United States. Issuers of tokens must factor in relevant legal and regulatory requirements, as do brokers and exchanges. Besides securities laws, issues such as transferability, electronic transactions obligations, custody regulation, insurance and stamp duty can also arise. STOs may be listed on an exchange and may be restricted only to professional or accredited investors. The key difference with other forms of securities lie in the technology underlying the structure, namely blockchain. STOs are often digital representations of other assets or instruments such as stocks, bonds, real estate, intellectual property, etc.

Similar to the concept of an Initial Public Offering (IPO), a company can raise funds by creating and issuing a new coin to investors. This idea was initially expressed in the context of ICOs or “initial coin offerings”. An ICO often involves issuing a

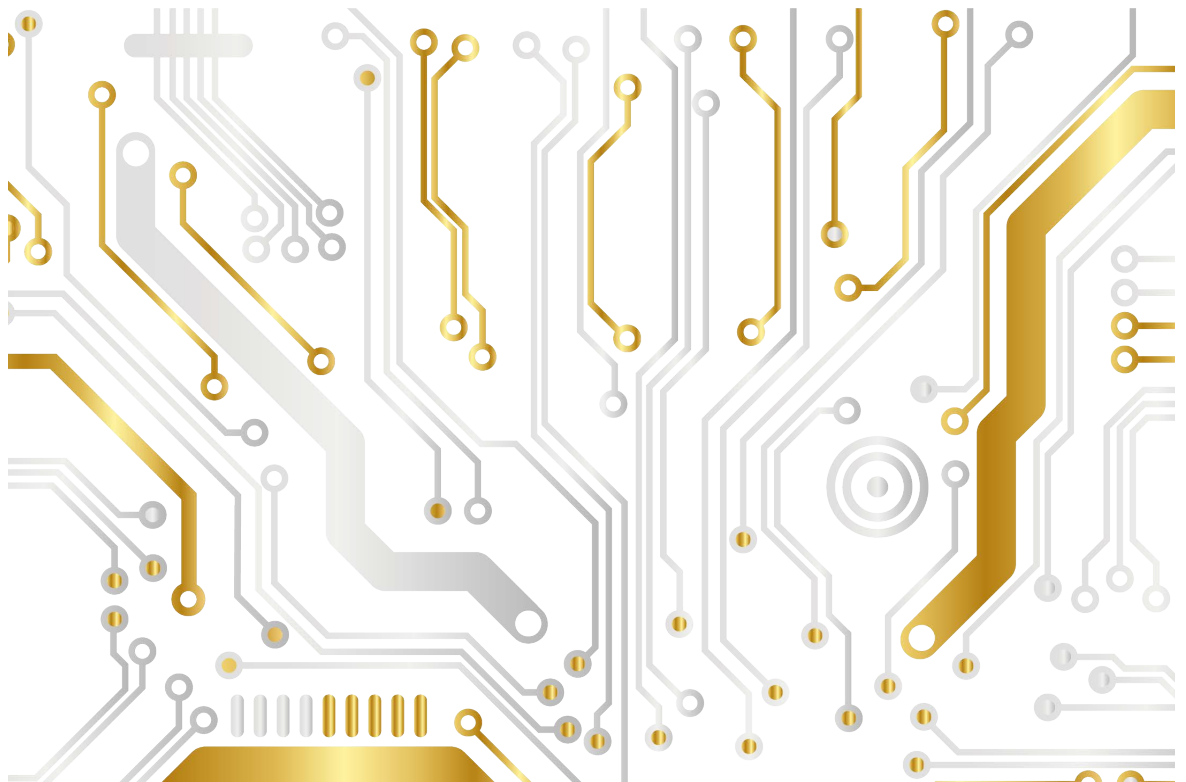
virtual asset that can be used on a platform or within an ecosystem that is yet to be built – in that respect, it can assist in raising funds for the creation of a blockchain or funding a blockchain-related venture, whether business or otherwise. Navigating securities laws has been critical, particularly for genuine “utility” virtual assets that are not intended to operate as investments, but more akin to a pre-paid digital coupon. However, certain assets were intended not to fall under securities regulation (or they simply failed to comply), despite the fact that many were in fact investment products.

Initial Exchange Offerings (IEOs) are essentially ICOs that list directly on a virtual asset exchange, in some cases being a regulated sponsor-based platform. ICOs emerged after the successful global issuance of Ethereum in 2014. With the application of cryptocurrency’s DLT under Blockchain, numerous ICOs were launched successfully within a short period of time and it became even more popular during 2016. Unfortunately, the ease with which money was raised also attracted market participants with bad motives who took advantage of the unregulated ICO market to scam investors. A few major scams made headlines and investors experienced tremendous losses in a number of high profile scandals. Around the same time, crypto exchange trading platforms stepped in to fill a role of traditional securities distributors and play to conduct due diligence services on the crypto asset to ensure the credibility of the project, and the first IEO was launched. Having that said, the IEO has not addressed the fundamental concern




on the stability and credibility of the coin itself especially the coin is not backed by underlying assets and hence the value is highly subject to speculation.




To protect investors from scams and other forms of market misconduct, securities and other financial regulators around the world have focused heavily on the implications of cryptocurrencies, other forms of blockchain based digital assets and ICOs. The International Organization of Securities Commissions (IOSCO) has been coordinating global cooperation on

relevant securities regulatory and supervisory approaches, with the Financial Action Taskforce (FATF) focusing on money laundering and other forms of criminal and terrorist use of the financial system. Today, regulators are becoming increasingly comfortable with blockchain and its uses but prefer financial structures to be brought within the regulatory environment. STOs bring together the benefits of blockchain for financing but in a regulated environment, with the possibility of exchange based and asset backed structures increasing potential appeal.



Differences between ICO, IEO and STO

	 Initial Coin Offering	 Initial Exchange Offering	 Security Token Offering
How does it work?	<p>A coin typically represents a contractual bundle of rights (e.g. right to use a platform) stored on a blockchain initiative. The proceeds are commonly used to develop the platform and/or for other capital expenditure needs.</p> <p>Coin holders do not necessarily have a claim to any assets of the company. The coin's value is typically dependent upon the rights represented by the token and the development status of any underlying project. Coin holders may also benefit if there is an appreciation in any secondary market price of the token. The issuer usually prepares a whitepaper detailing the idea of the project, financial or other conditions that are necessary for the project, the portion of offering and the duration of the project.</p>	<p>Issuer issues a coin/token via a virtual asset exchange.</p> <p>In an unregulated environment, the exchange trading platform performs limited due diligence on the coin issuer as well as provides the trading platform for investors in trading the coin/token.</p>	<p>A token represents entitlement to ownership of an asset or equity or debt security of the issuer.</p> <p>Diligence requirements depend on venue and jurisdiction of listing.</p> <p>The issuer may charge or pledge the underlying security/asset under custody of a credible intermediary (e.g. custodian). Certain terms of the token would be coded into the token.</p> <p>Disclosure documentation requirements depend on venue and jurisdiction of listing</p>
What are the benefits to issuers?	<p>Issuers have the flexibility to choose their ICO structure, including static pool, with price and quantity of offering pre-set; dynamic pool with varying price but pre-set quantity or dynamic pool with the price pre-set but the quantity of token varies.</p>	<p>The due diligence performed by a third party is intended to provide credibility to the offering by mitigating risk that the offering is a scam.</p>	<p>Security tokens are most similar to analog securities. By tokenizing illiquid assets such as private company shares, real estate or intellectual property rights, the original owner of the illiquid assets can monetize such assets in whole or in part through an STO with much lower transaction costs.</p>

 Initial Coin Offering	 Initial Exchange Offering	 Security Token Offering
<p>What are the problems?</p> <ul style="list-style-type: none"> The offering may not be regulated so there is limited protection under relevant securities laws and regulations. 	<p>ICOs are often not registered as securities although many have subsequently been determined to be investment products. Securities sold as part of an ICO that are in fact illegal unless they meet regulatory requirements (e.g. securities regulation).</p> <ul style="list-style-type: none"> Not all jurisdictions regulate virtual asset exchanges. Therefore, the exchange trading platform may not be licensed with local regulator and/or the offering may be unregulated. In an unregulated regime, standards of diligence and disclosure may vary and investors protection under the existing securities laws and regulations may be limited. Internationally, the trend is towards regulation of exchanges and custody for virtual assets whether securities or otherwise, both from the standpoint of protecting participants from misconduct as well to increasing user confidence and trust. Sponsor-based regimes also exist in certain jurisdictions, mimicking traditional securities markets. This essentially relies on a trusted third party to complete a number of diligence and compliance procedures and effectively stand behind the project. 	<p>The STOs are now subject to existing securities regulations in many jurisdictions including the U.S., U.K and Hong Kong. However, it is still not common for major securities exchanges to launch an STO.</p>

Are Security Tokens securities?

One of the vital features of Security Tokens is that they normally fall under the remit of current securities regulatory frameworks in most countries. Although the definition of securities varies from jurisdiction to jurisdiction, the well-known U.S. Howey Test provides a foundation for general understanding. Building on a case in 1946 between the Securities and Exchange Commission (SEC) in the USA, and Howey, two Florida-based corporations, the Howey test is a functional test as to whether an investment is in fact a security and thus subject to the U.S. securities laws. The four elements include:









1. It is an investment of money or other forms of assets
2. There is an expectation of profit from the investment
3. The investment of money is in a common enterprise, meaning that investors pool their assets together to invest in a project
4. The profit comes from the effort of a promoter or third party, which is entirely out of the investors' control.

Security Tokens – as investment products – are generally assumed to meet these: a Security Token representing a share of an issuer's profit or cash flow or their assets are very likely, in substance, regardless of the contractual form, to fall under the definition of securities.



The STO landscape

Regulatory landscape of virtual asset trading platform in major markets

Country/Region	Status	Examples of license	Examples of regulated virtual asset trading platform
US	 Allowed,  regulated	<ul style="list-style-type: none"> • BitLicenses issued by New York State's Department of Financial Services¹ A person (whether an individual or a company) that engages in Virtual Currency Business Activity requires a BitLicense. Under 23 NYCRR 200.2(q) of the New York Financial Services Law, Virtual Currency Business Activity can fall into one of five types of activities involving New York or New Yorkers: <ul style="list-style-type: none"> – receiving Virtual Currency for transmission or transmitting Virtual Currency; – storing, holding, or maintaining custody or control of Virtual Currency on behalf of others; – buying and selling Virtual Currency as a customer business; – performing exchange services as a customer business; or – controlling, administering, or issuing a Virtual Currency. 	<ul style="list-style-type: none"> • Coinbase
UK	 Allowed,  regulated	<ul style="list-style-type: none"> • Cryptoasset registration - virtual asset service providers and money laundering regulations (5MLD) registered by Financial Conduct Authority²: A firm or sole practitioner who by way of business provides one or more of the following services, including where the creator or issuer of any of the cryptoassets involved, when providing such services: <ol style="list-style-type: none"> a. exchanging, or arranging or making arrangements with a view to the exchange of, cryptoassets for money or money for cryptoassets, b. exchanging, or arranging or making arrangements with a view to the exchange of, one cryptoasset for another, or c. operating a machine which utilises automated processes to exchange cryptoassets for money or money for cryptoassets. 	<ul style="list-style-type: none"> • Archax, Gemini
Hong Kong	 Allowed,  regulated	<ul style="list-style-type: none"> • Licensed virtual asset trading platform under type 1 license (dealing in securities) and type 7 license (automated trading services) of the Securities and Futures Commission³ • The license regulates the activities of the operator of a centralized online trading platform in Hong Kong which provide trading in security token 	<ul style="list-style-type: none"> • OSL received an approval-in-principle from Securities and Futures Commission
Singapore	 Allowed,  regulated	<ul style="list-style-type: none"> • Digital payment token services license under Payment Services Act (PSA) by Monetary Authority of Singapore (MAS)⁴. • The license generally covers the provision of services facility allowing purchase and sale of any digital payment token in exchange for money or other digital payment token. 	<ul style="list-style-type: none"> • Few companies have submitted license application to Singapore MAS and were granted with exemption from holding relevant digital payment token service licenses for specified period.⁵

¹ https://www.dfs.ny.gov/apps_and_licensing/virtual_currency_businesses

² <https://www.fca.org.uk/firms/financial-crime/cryptoassets-aml-ctf-regime>

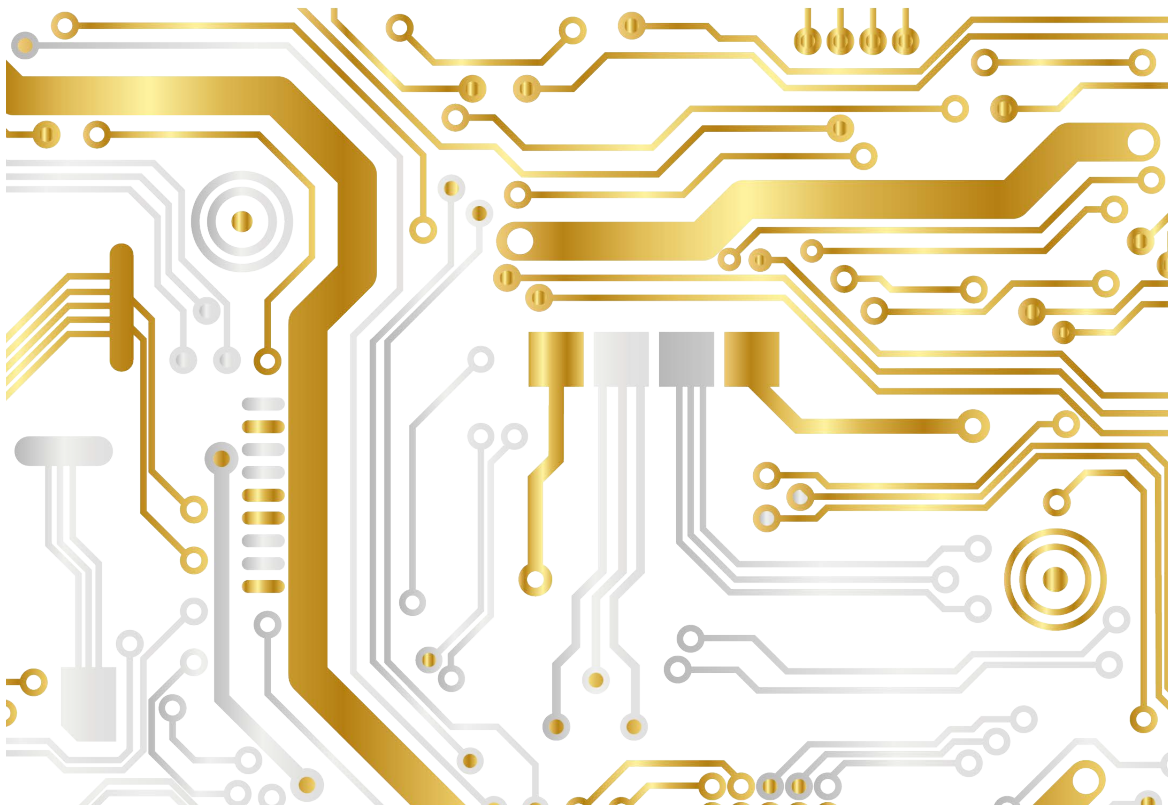
³ [https://www.sfc.hk/web/EN/files/ER/PDF/20191106%20Position%20Paper%20and%20Appendix%201%20to%20Position%20Paper%20\(Eng\).pdf](https://www.sfc.hk/web/EN/files/ER/PDF/20191106%20Position%20Paper%20and%20Appendix%201%20to%20Position%20Paper%20(Eng).pdf)

⁴ <https://sso.agc.gov.sg/Acts-Supp/2-2019/Published/20190220?DocDate=20190220>

⁵ <https://www.mas.gov.sg/regulation/payments/entities-that-have-notified-mas-pursuant-to-the-ps-esp-r>

Certain jurisdictions are also implementing legislation to recognise Security Tokens more formally, remove hurdles from the implementation of DLT in the traditional securities sector and implement related protections. Two recent examples include the Liechtenstein Blockchain Act, which deals with the subject of linking “real world” assets with virtual assets

and providing a legal architecture for “digital twins”, and the German ministerial draft law for the introduction of securities in electronic form. Whilst different in scope and coverage, they each provide a glimpse into future legal and regulatory models for grappling with the implementation of DLT and other technologies in the securities sector.





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Benefits to markets, issuers and investors

STOs open an innovative platform and ecosystem allowing issuers to raise funds and investors to invest into the business projects. With the use of DLT and smart contracts, markets, issuers and investors benefit from wider fund raising and investment opportunities, in particular via enhancing liquidity.

Issuers (e.g. asset owners and entrepreneurs)

For asset owners, STOs open the opportunity to trade their assets online, to use the benefits of blockchain / DLT to generate funds and liquidity. STOs offer an opportunity for assets owners to make their illiquid tangible and intangible assets tradable, increasing liquidity. Traditionally, paintings, antiques and real estate are illiquid and they are often traded through auction or agent. Without digitalization, it is difficult to fractionalize ownership among different investors and the buy and sale transaction (e.g. exit price, timing of sale) would not be complete until consensus is obtained among all owners at the same time. Also, the specifications of each of the assets might not be standardized and presented in the same format, which may negatively impact valuations and investor interest. Lastly, certain illiquid assets may be very valuable, limiting potential investors to a small pool. Many investors may not have the ability to invest such a high amount of money and may not want to focus on one particular asset even they expect the return can be attractive. STOs allow the flexibility on spitting the illiquid asset into smaller tradable fractions in the form of tokens, not dissimilar to

asset-backed securities or allowing the creation of investment pools, akin to an investment fund.

With STOs, the issuers might be able to raise liquidity without selling the entire asset. Given the characteristic of security tokens, theoretically, an infinite amount of tokens can be issued and the assets can now be owned by potentially large numbers of investors. Asset owners can utilize this divisibility of STOs to raise funds from various parties but keeping the majority ownership of the asset. Also, smart contracts – essentially automated instructions for actions embedded in the blockchain system and/or the digital asset themselves - can also be used to store the specification, such as valuation reports or authentication proofs, and are available to all of the investors. Given the information is stored via DLT, in properly designed systems, risks of fraud should be reduced through the central design features of permanence, transparency and security. This is also applicable to real estate which the owner might sell a portion of its rental income by Security Token without going through complex listing such as a Real Estate Investment Trust (REIT).

And for entrepreneurs, especially start-up companies, STOs provide an opportunity to raise funds, other than from traditional fund raising channels, such as share issuance and bonds. This can be particularly important for small or newly established ventures, where investors increasingly prefer the potentially higher liquidity of exchange-traded STOs. In addition, STOs are often issued at a lower cost, making it a more widely viable financing technique for smaller and new companies.

Another advantage of Security Tokens is that all of the ownership records are recorded. In an appropriately designed system, all previous owner information and transaction records can be stored the distributed ledger in a permanent, secure and transparent manner, providing issuers with full records of their assets owners and enhanced efficiency for any regulatory needs.

Investors

Currently, investors are mostly limited to investing in a company through acquiring its shares or bonds. STOs potentially allow a much greater variety of assets for investors, particularly accredited professional investors. As mentioned above, assets such as collectable, real estate and intellectual property are now being able to be tokenized into fractional investments. Investors can limit their investment risk by purchasing tokens which represent a small portion of the painting or antique. In other words, STOs allow an alternative opportunity for portfolio diversification, investment, trading and even hedging.

Also, investors can benefit from a more transparent disclosure of the status, the specification and valuation report for the underlying assets of the investment, given all the information would be embedded to the smart contract and there would be impractical to change the particulars on the distributed ledger.

Investor protection

Importantly, however, STOs are not without risk, as with any investment product or structure. For example, while risk of fraud is reduced, it nonetheless remains, albeit with greater regulatory protection and remedies. Hype cycles certainly continue. As such, it is important that the usual investor protection standards that apply to traditional securities also extend to security token issuance and secondary market trading.



The typical STO process

Launching an STO

Security tokens can vary significantly. As such, any launch must be tailored to the nature of the security in question. For example, launching a tokenized fund will involve different processes to issuing a tokenized share.

However, at a high level, launching an STO involves multiple processes and that can be generalized in the following phases.

Phase 1 - Preparation

With the idea/ business plan developed, the issuer prepares investor information (a “deck”) aiming at its target investors. The investor deck should contain information outlining the business plan, profit forecast, capital requirement, and independent valuation.

The requirements for the relevant offering document will depend on the jurisdiction(s) of targeted investors, the issuer and any intermediaries (e.g. brokers), and the nature of the security token. For example, in Europe, several countries offer exemptions allowing an issuer to raise a certain amount of capital without having to issue a statutory prospectus. While in the US it is possible provide less fulsome disclosure by restricting the sale to accredited investors only. In some jurisdictions, there may be mandatory disclosures even for exempt offers.

In any event, material information and provisions relevant to a prospective investor’s decision to participate should generally be included to address contract law and other broader legal and regulatory principles.

Phase 2 - Designing the offering

Issuers decide the structure of the token, including the quantity, value of each token, soft capitalization, embedded rights and duration of the offering.

Also, due to regulatory differences, issuers must select the appropriate jurisdiction for incorporation and sale of the offering and appoint legal professionals to support on legal matters.

Phase 3 - Selection of service providers, including blockchain platform, technology and financial intermediaries

In this stage, issuers select a blockchain platform, create the security token, and reissue to the intended investors. Some blockchain platforms also provide digital wallets for investors for storage of the token. Issuers would need to assess the listing rules of the blockchain platform.

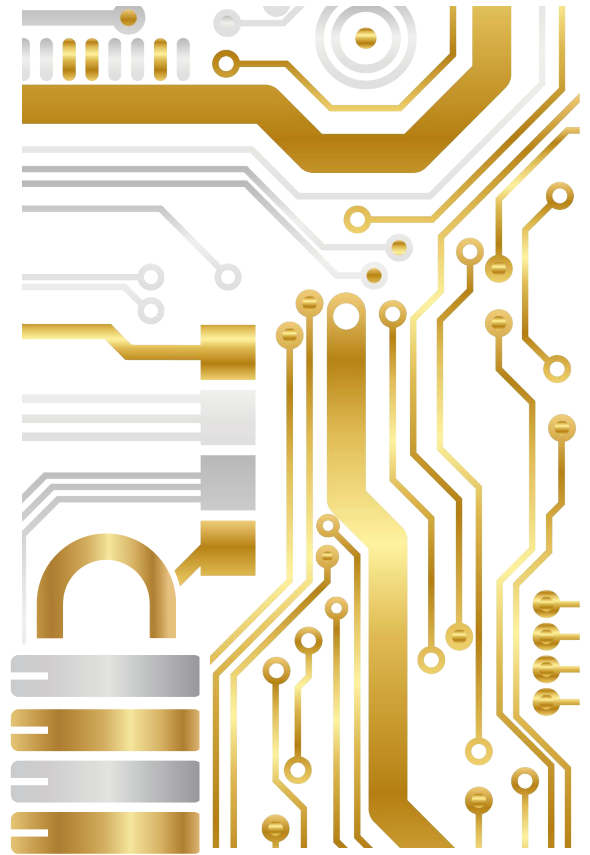
Issuers should also appoint a reputable services provider to hold the underlying assets in custody, keep and facilitate cash flow received and market the token. Distributors of the token (i.e., the brokers) should conduct thorough due diligence on the issuer and the investor information to ensure accuracy and completeness of information.

Phase 4 - Capital raising

With the assistance of the brokers, the Issuer identifies their target investors, hold roadshows, meetings and distribute the deck to the target investors. Certain jurisdictions might require pre- approval from the relevant authority for marketing activities. The brokers would then collect the funding from the investors and distribute the tokens to the investors.

Phase 5 - Listing of security on the trading venue

Depending on the trading platform, usually, the issued token would be sold to a special purpose vehicle ("SPV") and reissued on the trading platform. Issuers might also conduct further marketing activities and appoint a market maker to boost liquidity. Listing rules, including due diligence and material disclosure standards, qualification of intermediaries/professional parties, investor eligibility, initial, annual listing and trading fees, minimum size of issuance of token should be clearly stated. Liquidity is often one of the significant incentives for investors.





Challenges for the future development of STOs

As discussed above, there are numerous reasons why STOs are still at a relatively early stage of development. The following are some of the major challenges encountered by STOs:

No Uniform Definition and Classification

According to research by Cambridge Centre for Alternative Finance (CCAF)⁶ in analysing 23 selected jurisdictions and international organizations, there are at least 8 different terminology taxonomies as of February 2019 referring to crypto assets.

With respect to different types of tokens, i.e. payment tokens, utility tokens and security token, CCAF has found that only seven jurisdictions out of 23 have such distinctions and explicit classifications; and the remaining either do not distinguish, or classification. And 80% of the sampled jurisdictions assess a digital asset's category on a case-by-case basis without a uniform standard.

Legal Protection of Cryptoassets

Although the identity of the investor might be recorded in the smart contract, the position on whether virtual assets constitute "property", the definition of ownership and requirements for the assignment of the virtual assets may lack legal clarity or involve overlapping and even conflicting laws. It is essential for holders to have certainty as to whether they have proprietary interests and if their legal rights are enforceable.

Regulation Over Crypto-related Intermediaries

Although an increasing range of digital asset intermediaries, market infrastructure providers, issuers and promoters are subject to regulation, certain activities related to crypto business remain unregulated. For example, P2P exchange services and decentralized exchange services which promote buying and selling of tokens, mining pools and cloud mining services which facilitate mining of crypto-assets. Without generalized protocols or legislation, investors' might experience loss or ambiguity when executing trades.

Paper-Based Processes

Many jurisdictions have paper-based requirements as part of securities offerings (and later transactions) that pose a hurdle to the adoption of STOs. For example, stamp duty procedures in Hong Kong have traditionally been problematic for the potential issuance of shares on blockchain.

A range of legal and regulatory hurdles and enablers for STOs were identified by the Asia Securities Industry & Financial Markets Association in its 2019 report.⁷

⁶ Global Cryptoasset Regulatory Landscape Study, *Cambridge Centre for Alternative Finance*, 2019

⁷ <https://www.asifma.org/wp-content/uploads/2019/11/tokenised-securities-a-roadmap-for-market-participants-final.pdf>

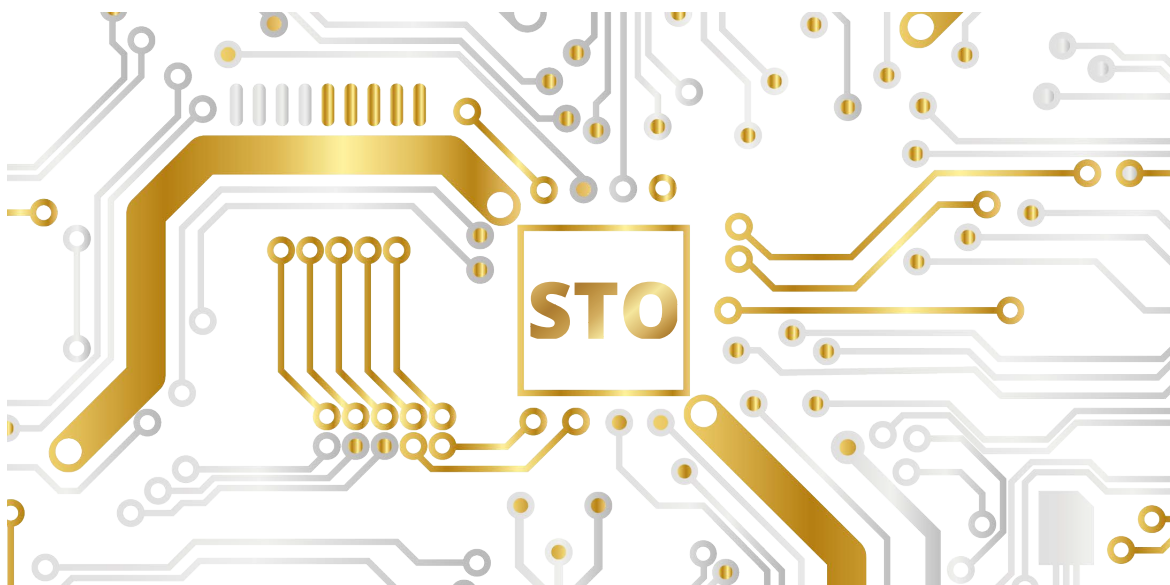
Accounting and Valuation

Despite the fact that Security Tokens are often backed by actual assets, the valuation for the virtual assets remains difficult. With uncertain liquidity, accounting professionals have difficulty in ascertaining the fair value of the Security Token. And due to the unique design and structure of each Security Token, it is difficult to find a referencing token for valuation.

Anti-Money-Laundering and Counter-Financing of Terrorism and Know-Your-Client

From the regulators' perspective, one of the main concerns of cryptocurrency in general is that initial purchasers and subsequent traders

may not have undergone an anti-money-laundering and Know-your-client process and transactions may not be subject to ongoing AML/CTF monitoring. As a result, regulators are increasingly establishing licensing regimes for cryptocurrency operators and requiring them to establish AML/CFT and KYC relevant policy similar to current requirements on traditional financial firms. Practically however, the speedy and around-the-clock nature of these transactions have increased the difficulty for the operators to perform complete KYC or AML/CFT tracking without undermining the efficiency of transactions⁸. The growing sophistication of chain analytics and other solutions is likely to make this less problematic over time, and provide stronger insight into its potential risks than traditional cash.



⁸ [Blockchain & Cryptocurrency Regulation 2020](#), Global Legal Insights, N.D.

Success factors

Despite the fact that STOs provides a significant business opportunity and financial innovation to financial markets, investors and issuers, the structure remains at an early stage. Looking forward, a number of factors will influence its eventual successful emergence:

STO ecosystem and stakeholders

Given that STOs are often asset-backed, they offer the potential to support a wide range of infrastructure and channels that will allow asset owners to digitalize different types of assets. Intermediaries, such as brokers and banks may assist their clients to consider what kind of assets they can digitalize. Service providers such as blockchain solutions services, custodians, valuation agents are also needed to help to shape the landscape of the future STO market.

Regulation

Regulators have yet to provide comprehensive rules and requirements to cover the STO related activities or related issues such as enabling an appropriate linkage between virtual assets and any underlying assets. Given that Security Token trading activity can be borderless, it is essential for global regulators to cooperate in a more consistent approach and method in regulating and supervising STOs. But it is easier said than done.

Trading platform credibility

Uniform and reputable trading platforms are essential for investors to feel confident to transact. Trading platforms need to enhance their credibility, through licensing and establishment of industry protocols covering compliance requirements, custodian best practices, IT and cyber security assurance, accounting and auditing standards, etc.

Investor education

Other than investor protection provided under laws and regulations, more investor education is necessary. In general, retail investors are not familiar with virtual assets. This is already reflected in certain regimes, such as the requirement in Hong Kong to treat virtual assets as “complex products”, which ties into enhanced pre-sales standards for regulated intermediaries.

Benefits to Hong Kong and the Greater Bay Area

Strengthen Hong Kong as leading Fintech hub

With the introduction of a virtual asset-related licensing regime and guidelines by the Security and Futures Commission, Hong Kong is now well positioned to capture the next important wave of blockchain technology adopted in the financial industry. More fintech/blockchain firms globally can be attracted to set up offices in Hong Kong to work with the licensees to strengthen the fintech ecosystem. This also improves the job opportunities to nurture more fintech talent in Hong Kong.

High net worth individual wealth management

Security Tokens and other virtual assets are emerging as a new global asset class offering for professional investors to invest under the current regulatory regime. As an emerging asset class, virtual assets and Security Tokens in particular offer the potential for Hong Kong to strengthen its existing role as a leading fundraising, trading and asset management centre, attracting and retaining more high net worth individual and professional investors to continue investing in Hong Kong.

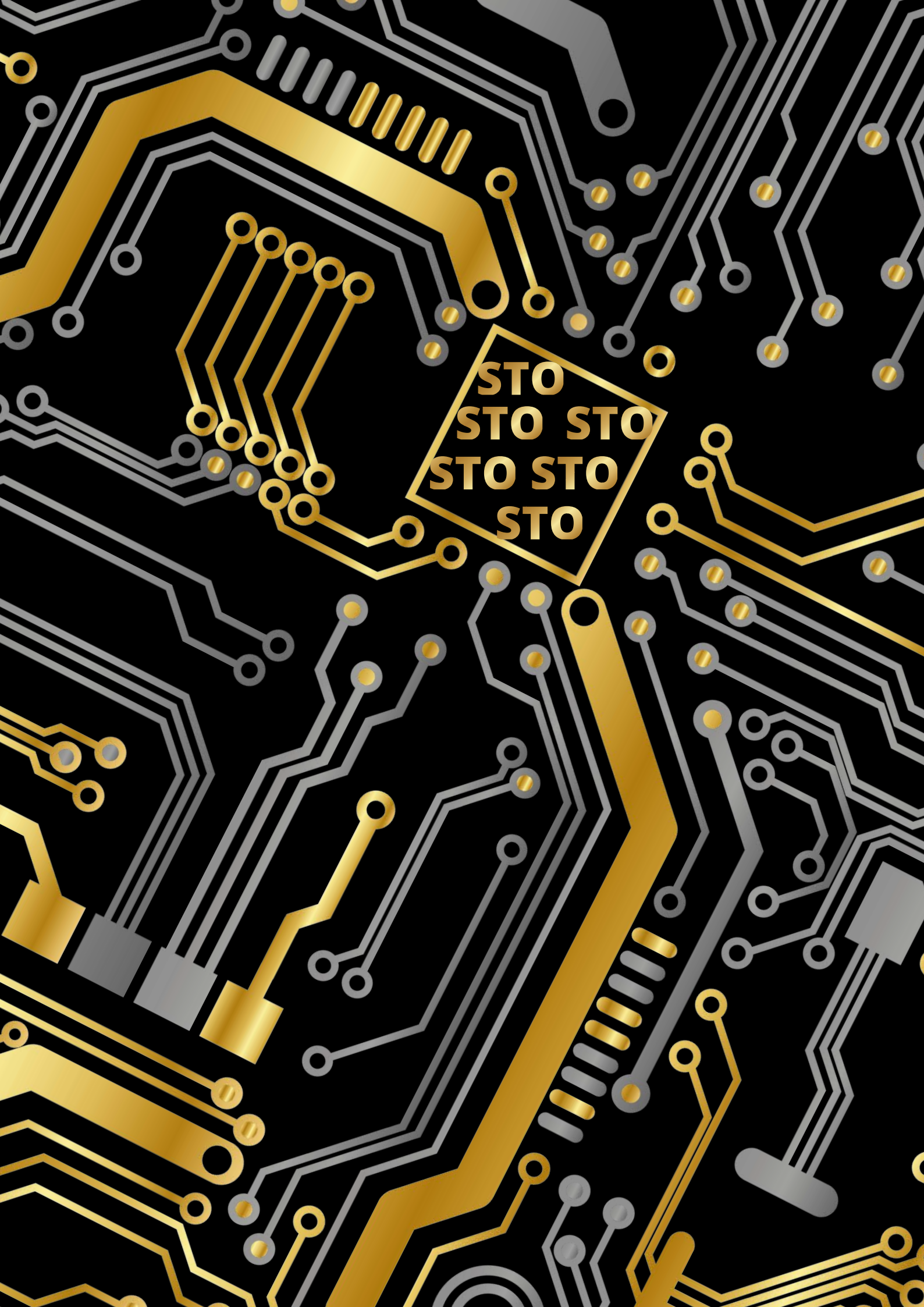
Greater Bay Area integration

Hong Kong can serve as a test bed for the adoption of DC/EP (Digital Currency Electronic Payment), which has multiple general payment-related applications in addition to offering the

possibility to support more streamlined Security Token transactions. Specifically, in the future, Security Token transactions could be settled and traded via DC/EP, further strengthening its offshore RMB hub status and promoting RMB internationalization. Private wealth and private equity funds established in the Greater Bay Area can trade Security Tokens via various types of “Connect Scheme” that has been proven successful by examples as Stock Connect and Bond Connect. More capital in GBA can then access the Security Token trading in Hong Kong and improve the fund-raising liquidity. In addition, Hong Kong can aspire to be the global CBDC (Central Bank Digital Currency)’s foreign exchange clearance hub, leverage on the advent of virtual asset trading platforms.

Green Finance

Globally, different green finance projects, i.e. carbon emission quota trading, waste management, solar energy are undergoing blockchain implementation and testing to leverage blockchain technology to ensure its data’s auditability and validation, and better track its measurement to the ‘green’ goals. These data then become a new digital asset class via smart contract creation and can be traded as Security Tokens in the future. Hong Kong can attract more issuers with such background to fund raise on virtual asset trading platforms, and reach its ambition to become the leading green finance hub.



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Acknowledgments



University of Hong Kong – Asian Institute of International Financial Law (AIIFL)

The Asian Institute of International Financial Law (AIIFL) of the University of Hong Kong (HKU) Faculty of Law, was established in 1999. Since its inception, the Institute's activities have steadily grown in scope, and AIIFL has gained recognition, both locally and internationally, as a leading Asian academic centre in international financial law.

AIIFL serves as the umbrella for the research and academic activities of its Fellows (full-time academics drawn from the Faculty of Law and HKU generally) and its Honorary Fellows (academics and professionals from outside HKU who are associated with the Institute for a period of months or on an on-going basis). The research areas of AIIFL Fellows cover a broad spectrum with particular emphasis on the ongoing reform of corporate and financial law and region throughout the region and around the world. AIIFL pursues institutional collaboration in research and conference activities in four primary areas – financial institutions and markets, focusing on the intersection of finance, technology and regulation; corporate, commercial, trade and economic law; corporate insolvency and restructuring, and competition / antitrust.



Douglas Arner

Kerry Holdings Professor in Law and Director,
Asian Institute of International Financial Law,
University of Hong Kong

Contact: douglas.arner@hku.hk



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Urszula McCormack

Partner
Global Banking & Finance Fintech Sector Lead
King & Wood Mallesons

Contact: urszula.mccormack@hk.kwm.com



HKbitEX

HKbitEX is a leading digital asset exchange headquartered in Hong Kong. HKbitEX is committed to providing a compliant and regulated digital asset spot trading and over-the-counter (OTC) trading platform for global professional investors, and are one of the first organizations in Asia Pacific to apply for a 'virtual asset trading platform license' from Hong Kong's Securities and Futures Commission (SFC), which will further enable regulated, compliant, and secure digital asset trading services to global professional and institutional investors. For more information, please visit <https://www.hkbitex.com.hk/>



Gao Han

Founder & CEO

Contact: gaohan@hkbitex.com.hk



Lin Shi

Chief Development Officer

Contact: lin.shi@hkbitex.com.hk



Ken Lo

Chief Strategy Officer

Contact: ken.lo@hkbitex.com.hk

Deloitte contacts



Robert Lui
Partner,
National Capital Market
Southern China
Tel: +852 2852 6324
Email: rolui@deloitte.com.hk



Wilson Cheung
Director,
Assurance, financial services industry
Hong Kong
Tel: +852 2852 6609
Email: wilcheung@deloitte.com.hk

Office Locations

Beijing

12/F China Life Financial Center
No. 23 Zhenzhi Road
Chaoyang District
Beijing 100026, PRC
Tel: +86 10 8520 7788
Fax: +86 10 6508 8781

Changsha

20/F Tower 3, HC International Plaza
No. 109 Furong Road North
Kaifu District
Changsha 410008, PRC
Tel: +86 731 8522 8790
Fax: +86 731 8522 8230

Chengdu

17/F China Overseas
International Center Block F
No.365 Jiaozhi Avenue
Chengdu 610041, PRC
Tel: +86 28 6789 8188
Fax: +86 28 6317 3500

Chongqing

43/F World Financial Center
188 Minzu Road
Yuzhong District
Chongqing 400010, PRC
Tel: +86 23 8823 1888
Fax: +86 23 8857 0978

Dalian

15/F Senmao Building
147 Zhongshan Road
Dalian 116011, PRC
Tel: +86 411 8371 2888
Fax: +86 411 8360 3297

Guangzhou

26/F Yuexiu Financial Tower
28 Pearl River East Road
Guangzhou 510623, PRC
Tel: +86 20 8396 9228
Fax: +86 20 3888 0121

Hangzhou

Room 1206
East Building, Central Plaza
No.9 Feiyunjiang Road
Shangcheng District
Hangzhou 310008, PRC
Tel: +86 571 8972 7688
Fax: +86 571 8779 7915

Harbin

Room 1618, Development Zone Mansion
368 Changjiang Road
Nangang District
Harbin 150090, PRC
Tel: +86 451 8586 0060
Fax: +86 451 8586 0056

Hong Kong

35/F One Pacific Place
88 Queensway
Hong Kong
Tel: +852 2852 1600
Fax: +852 2541 1911

Hainan

16/F, LanHai Plaza
No. 279 Xinfeng Street
Jiyang District, Sanya City
Hainan 572099, PRC
Tel: +86 898 8861 5558
Fax: +86 898 8861 0723

Hefei

Room 1201 Tower A, Hua Bang ICC Building
No.190 Qian Shan Road
Government and Cultural
New Development District
Hefei 230601, PRC
Tel: +86 551 6585 5927
Fax: +86 551 6585 5687

Jinan

Units 2802-2804, 28/F
China Overseas Plaza Office
No. 6636, 2nd Ring South Road
Shizhong District
Jinan 250000, PRC
Tel: +86 531 8973 5800
Fax: +86 531 8973 5811

Macau

19/F The Macau Square Apartment H-L
43-53A Av. do Infante D. Henrique
Macau
Tel: +853 2871 2998
Fax: +853 2871 3033

Mongolia

15/F, ICC Tower, Jamiyan-Gun Street
1st Khoroo, Sukhbaatar District
14240-0025 Ulaanbaatar, Mongolia
Tel: +976 7010 0450
Fax: +976 7013 0450

Nanjing

40/F Nanjing One IFC
347 Jiangdong Middle Road
Jianye District
Nanjing 210019, PRC
Tel: +86 25 5790 8880
Fax: +86 25 8691 8776

Ningbo

Room 1702 Marriott Center
No.168 Heyi Road
Haishu District
Ningbo 315000, PRC
Tel: +86 574 8768 3928
Fax: +86 574 8707 4131

Sanya

Floor 16, Lanhaihuating Plaza
(Sanya Huaxia Insurance Center)
No. 279, Xinfeng street
Jiyang District
Sanya 572099, PRC
Tel: +86 898 8861 5558
Fax: +86 898 8861 0723

Shanghai

30/F Bund Center, 222 Yan An Road East
Shanghai 200002, PRC
Tel: +86 21 6141 8888
Fax: +86 21 6335 0003

Shenyang

Unit 3605-3606,
Forum 66 Office Tower 1
No. 1-1 Qingnian Avenue
Shenhe District
Shenyang 110063, PRC
Tel: +86 24 6785 4068
Fax: +86 24 6785 4067

Shenzhen

9/F China Resources Building
5001 Shennan Road East
Shenzhen 518010, PRC
Tel: +86 755 8246 3255
Fax: +86 755 8246 3186

Suzhou

24/F Office Tower A, Building 58
Suzhou Center
58 Su Xiu Road, Industrial Park
Suzhou 215021, PRC
Tel: +86 512 6289 1238
Fax: +86 512 6762 3338 / 3318

Tianjin

45/F Metropolitan Tower
183 Nanjing Road
Heping District
Tianjin 300051, PRC
Tel: +86 22 2320 6688
Fax: +86 22 8312 6099

Wuhan

Unit 1, 49/F
New World International Trade Tower
568 Jianshe Avenue
Wuhan 430000, PRC
Tel: +86 27 8526 6618
Fax: +86 27 8526 7032

Xiamen

Unit E, 26/F International Plaza
8 Lujiang Road, Siming District
Xiamen 361001, PRC
Tel: +86 592 2107 298
Fax: +86 592 2107 259

Xi'an

Room 5104A, 51F Block A
Greenland Center
9 Jinye Road, High-tech Zone
Xi'an 710065, PRC
Tel: +86 29 8114 0201
Fax: +86 29 8114 0205

Zhengzhou

Unit 5A10, Block 8, Kailin Center
No.51 Jinshui East Road
Zhengdong New District
Zhengzhou 450018, PRC
Tel: +86 371 8897 3700
Fax: +86 371 8897 3710



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