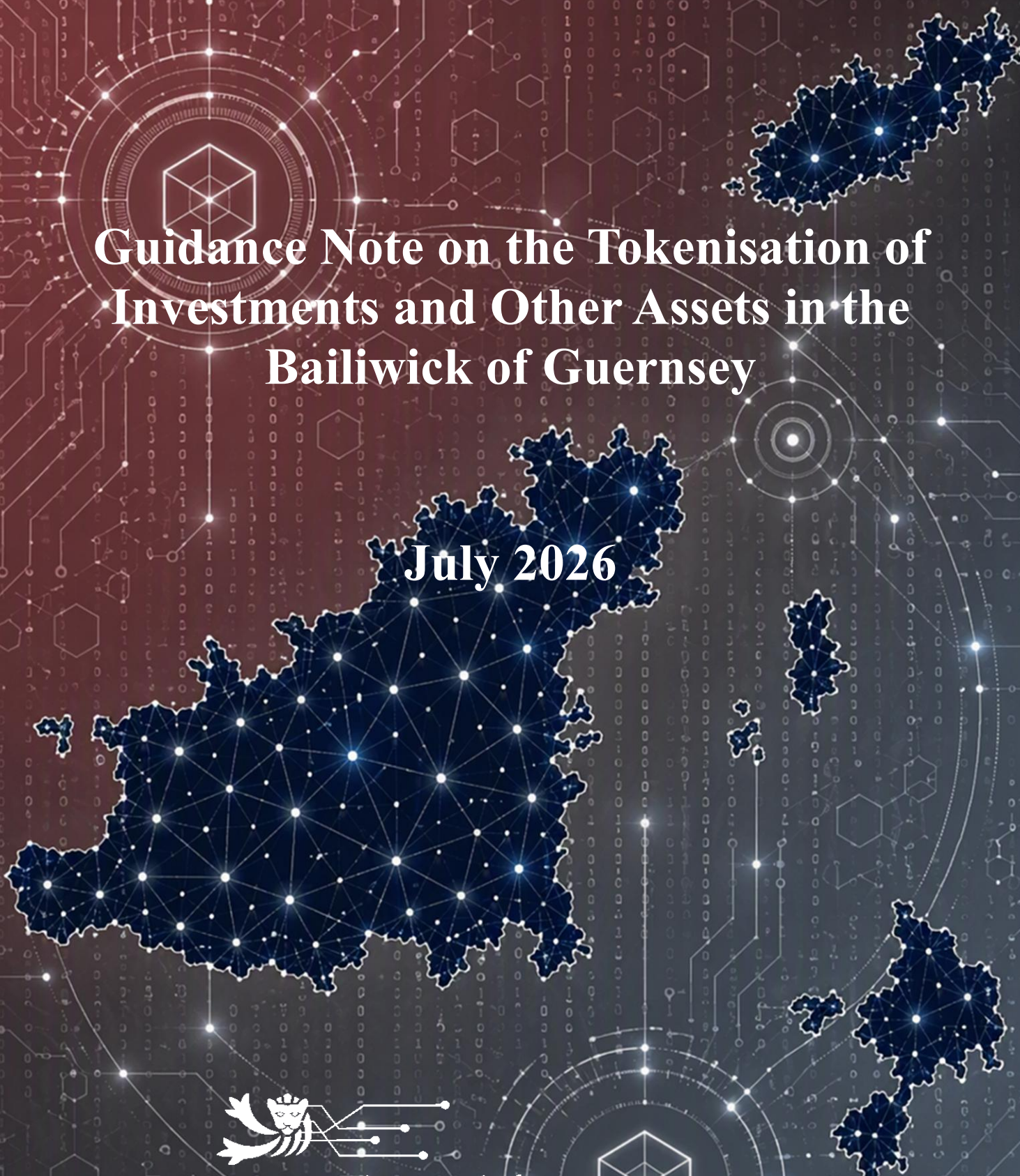




Guidance Note on the Tokenisation of Investments and Other Assets in the Bailiwick of Guernsey

July 2026



**Guernsey Financial
Services Commission**

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1. Purpose

This guidance note sets out the Guernsey Financial Services Commission's ("the Commission") expectations for tokenised investments, including collective investment schemes ("CIS" or "funds"), securities, and real-world assets. It may also apply to persons providing services in relation to such products in or from within the Bailiwick of Guernsey ("the Bailiwick").

For the avoidance of doubt, this guidance note does not apply to stablecoins.

Appendix A provides a non-exhaustive summary of potential benefits and risks of tokenisation, while Appendix B provides illustrative use-cases for tokenisation in the Bailiwick.

2. Introduction

Tokenisation is the process of converting ownership interests in a physical asset into digital representations that can be issued, transferred, and/or managed using distributed ledger technology ("DLT"). This technology has the potential to reshape how money moves, how assets are traded and settled, and how legal contracts are executed.

In general, tokenisation does not alter the underlying regulatory expectations applicable to investments. The Commission applies the principle of *same activity, same risk, same regulatory outcome*.

While tokenisation offers a range of potential benefits, it also gives rise to risks. These risks may fall into existing risk taxonomies (for example, legal, operational, financial crime or technology risks) but may also be more novel or technology-specific requiring new or enhanced controls to manage them.

Any use of tokenisation is expected to comply with the Bailiwick's applicable legal and regulatory framework, including requirements designed to protect investors and counter financial crime.

3. Legal and regulatory framework

The Protection of Investors (Bailiwick of Guernsey) Law, 2020 permits tokenisation of Category 1 (CIS) and Category 2 (general securities and derivatives) controlled investments.

Guernsey has a strong legal foundation for digital finance activity, with existing legal and regulatory frameworks supporting innovation in digital finance, notably:

- The Electronic Transactions (Guernsey) Law, 2000 and the Electronic Transactions (Electronic Agents) (Guernsey) Ordinance, 2019 confirm the legal position in respect of electronic instruments, records and contracts, and that their electronic nature, or the fact that a contract is formed or executed by a computer program or other form of electronic agent, does not deny their legal effect, validity, enforceability or admissibility.

- Companies (Guernsey) Law, 2008 and the Limited Partnerships (Guernsey) Law, 1995 permit company records, including registers of members or limited partners, to be maintained in electronic form, provided they are capable of being reproduced in hard copy (for membership registers) or in a legible form (for registers of partnership interest) on request. Accordingly, where such records are natively issued and maintained on a blockchain, a parallel off-chain register is not required under Guernsey law.
- The Lending, Credit and Finance (Bailiwick of Guernsey) Law, 2022 (“LCF Law”) provides a framework for virtual asset service providers (“VASPs”), while the Protection of Investors (Bailiwick of Guernsey) Law, 2020 (“the POI Law”) provides a framework for entities wishing to carry on controlled investment business in or from within the Bailiwick. Controlled investment business may be summarised as conducting a restricted activity in connection with a controlled investment, by way of business. Schedule 1 to the POI Law sets out what constitutes controlled investments, separating them into two categories, Category 1 (CIS) and Category 2 (general securities and derivatives). Schedule 2 to the POI Law sets out the activities that constitute restricted activities.
- The Handbook on Countering Financial Crime (AML/CFT/CPF) (“the Handbook”) recognises the importance of digital finance and provides clarity on how digital tools such as electronic verification systems and digital signatures can be used in complying with the requirements of Schedule 3 to the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 (“Schedule 3”) and the rules in the Handbook.

This guidance note complements the existing legal and regulatory framework, providing additional focus and regulatory clarity around the tokenisation of investments and other assets in the Bailiwick.

4. Distributed Ledger Technology

The register of holders’ interests¹ in a Bailiwick registered or authorised fund, or a Bailiwick issued security, may be maintained using *public* or *private* DLT, and tokens issued as a digital representation of the ownership of such interests.

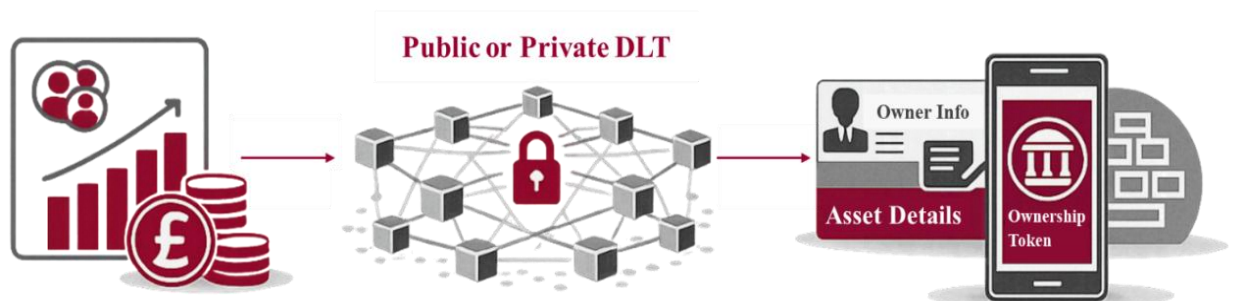


Figure 1: Tokenisation through DLT

¹ For example, shares in a company, units in a unit trust, partnership interests in a limited partnership.

5. Tokenisation of Controlled Investments

a) Tokenisation of funds

A token issued solely as a digital representation of an investor's interest in a registered or authorised fund would not constitute a virtual asset under the LCF Law.

Where a public or private DLT is used to tokenise units, shares, or partnership interests in a fund:

- The fund must comply with existing POI Law provisions and all applicable underlying rules and guidance. This includes requirements relating to custody, segregation of assets, record keeping, and the safeguarding of assets and data, irrespective of whether such activities are conducted on-chain, off-chain, or through hybrid arrangements.
- The licensed Designated Administrator of the fund remains responsible for administering the fund in accordance with applicable legislation even where aspects of administration or record-keeping are supported by DLT or third-party technology providers. The fund's nominated firm remains responsible for meeting the requirements of Schedule 3 and the rules on the Handbook for investors into the fund.
- Likewise, all licensed service providers to the fund, are required to comply with the Bailiwick's anti-money laundering ("AML"), countering the financing of terrorism ("CFT") and countering the financing of proliferation of weapons of mass destruction ("CPF") regime, irrespective of whether DLT or other technology solutions are used.

b) Tokenisation of securities

Where a token has the features of a Category 2 controlled investment, it should be treated as such under the POI Law and will be subject to the same regulatory expectations, including those set out in this guidance note.

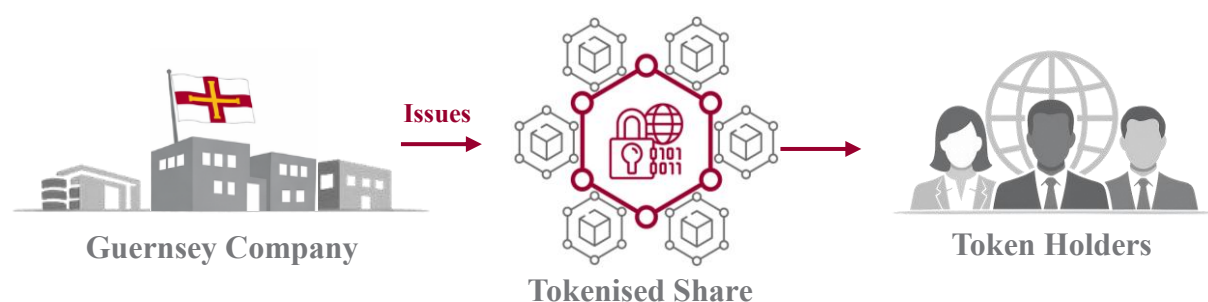


Figure 2: Example of a tokenised security

As the digital transformation of financial products and services continues, the issuance and use of tokenised securities is becoming increasingly common.

The implications of the token being considered a Category 2 controlled investment under the POI Law are:

- Any person carrying out a restricted activity, in or from within the Bailiwick, in respect of a token considered to be a Category 2 controlled investment falls within scope of licensing under the POI Law.
- The Prospectus Rules and Guidance, 2025 (“Prospectus Rules”) will apply to any offering, unless the offer is exempt under these rules². The Prospectus Rules require that certain minimum disclosures are made to investors in a circulated prospectus (refer to Section 9 for more information on disclosures).
- Where a Bailiwick-based legal person or legal arrangement (e.g., a company, trust) is required to appoint a Bailiwick-licensed corporate service provider to provide corporate administration in respect of traditional securitisation structures, this will continue to be the case for the issue of tokenised securities. In such cases, the issuer will fall within scope of the licensed firm’s AML/CFT/CPF obligations.
 - Where any secondary trading occurs in regulated markets via regulated brokers obligated to undertake CDD on investors, the Bailiwick-licensed corporate service provider would be responsible for undertaking CDD, and Enhanced CDD where relevant on issue and redemption.

6. Tokenisation of real-world assets

Tokenisation of real-world assets can make these assets easier to buy, sell or transfer. It may also facilitate improved investor access, including through fractionalisation of assets and more efficient distribution. This can broaden access to assets that may otherwise be less readily accessible. Real-world assets can be both tangible and intangible assets.

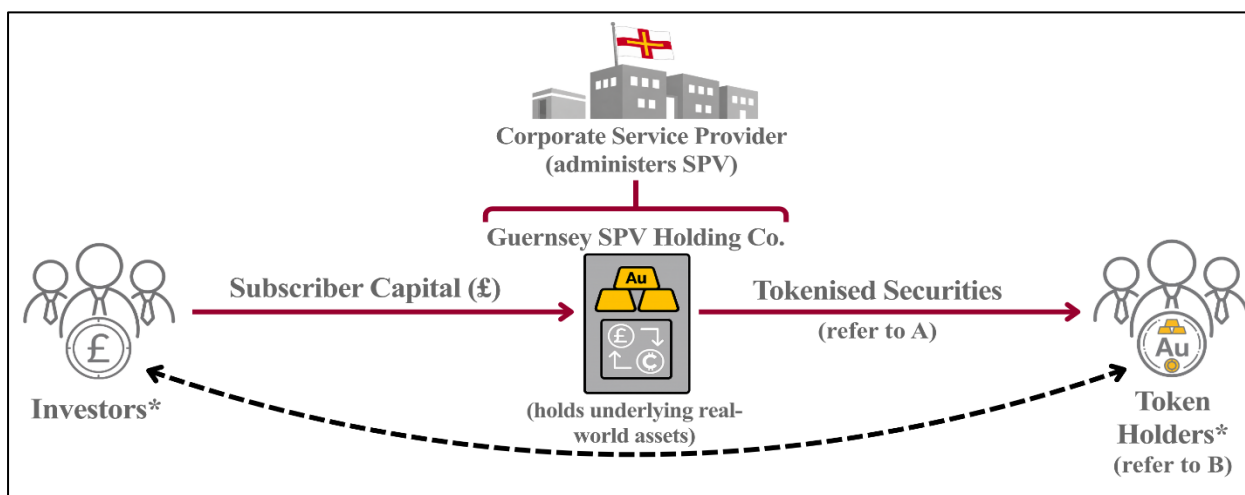
Examples may include commodities (such as gold or other precious metals), real estate, and traditional financial instruments.

Real-world assets can be tokenised through digital tokens that represent:

- an interest in an intermediary legal person or arrangement (typically a Guernsey special purpose vehicle (‘SPV’) such as a holding company, trust, or similar vehicle that holds the underlying asset and issues tokens representing rights in that entity or its assets). This is akin to 5b above; or
- a claim that derives its value from an underlying asset; or
- direct / native legal ownership interest in that asset itself³.

² Primary exemptions are available for offers to Professional Investors, 200 or fewer non-sophisticated investors, and listed securities.

³ For the purposes of this guidance note the Commission considers direct / native Tokenisation to be where the token is not issued by an intermediary entity holding the underlying asset.



* Same parties – investors receive tokens in exchange for capital.

A. SPV holds real-world assets on its balance sheet, issuing securities (for example, loan notes, shares) to investors in tokenised form.

B. Legal title moves with the token. On-chain register is evidence of ownership. The token is the security.

Figure 3: Tokenisation of a real-world asset through a Guernsey SPV Holding Company

Native / direct tokenisation of real-world assets

Firms considering native / direct tokenisation of real-world asset are encouraged to discuss plans with the Commission so that the appropriate licence requirements can be confirmed.

Where a firm undertakes native / direct tokenisation of real-world assets, the token holder's rights are intended to be equivalent to holding the asset (or a fractional interest in it) directly. The token is serving as the mechanism through which ownership or entitlement is recorded, transferred, or exercised. In effect, the token represents a direct, legally binding claim on the underlying asset. Examples may include directly tokenised physical metals or real estate and are possible only when permitted within a jurisdiction's relevant legal framework.

Such activities *may* fall within the scope of the LCF Law and the associated VASP licensing framework. When confirming whether activities fall within the LCF Law, consideration should be given to whether, for example, any of the following services or activities in relation to virtual assets⁴ are being provided⁵ through direct tokenisation:

- exchange between virtual assets and fiat currencies
- exchange between different forms of virtual assets
- transfer of virtual assets
- safekeeping or administration of virtual assets, including arrangements enabling control over such assets

⁴ A virtual asset is a digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes. Virtual assets do not include digital representations of fiat currencies or Category 2 (general securities and derivatives) controlled investments.

⁵ Refer to Section 17 of the LCF Law for further details.

- participation in, or provision of, financial services related to the issuance, offer, sale, distribution or ongoing trading of virtual assets, whether by the issuer or third-party service providers.

7. Blended or multi-asset tokens

Blended or multi-asset tokens are tokenised representations of diversified portfolios comprising multiple underlying assets. Typically, they are structured using an SPV, with the token conferring a legal or contractual claim on the SPV, which in turn holds the portfolio of multiple assets. In some circumstances, where the legal and jurisdictional framework allows, it may be possible to issue tokens that represent a direct interest in the underlying portfolio of assets themselves.

In either case, firms are encouraged to engage with the Commission at an early stage to clarify the appropriate regulatory classification and treatment. Depending on the specific features of a structure, it may display characteristics of a CIS – particularly where the underlying portfolio is subject to active management – in which case it would be regulated accordingly.

8. Risk exposures

Tokenised funds and/or securities may give rise to the same risks as traditional structures, including legal, operational, technological, and cyber risks. Tokenisation may amplify these risks or cause risks to manifest in ways that are unique to the technology used. These include risks arising from increased interdependencies, novel operational processes, and reliance on third-party service providers.

Where DLT is used as the register of holders' interests, additional risks and challenges may arise, for example:

- Limitations on the ability to amend the register or to reverse incorrect entries;
- Interruption or failure of the technology, which may prevent access to the register;
- Interoperability and scaling risks where tokenised arrangements interact with other networks or traditional market infrastructure;
- Risks arising from increased dependence on third-party service providers, including outsourcing and concentration risks; and
- Risks associated with token burning, freezing, or the reversal or reissuance of tokens.

Certain technological controls can be implemented to mitigate risks, including, for example:

- The use of automated programmes (often referred to as “smart contracts”) to carry out a transaction after certain conditions are met. This restricts transfer of units or tokens to eligible persons only, and in respect of whom, in the case of funds, the Nominated Firm has completed the necessary CDD and Enhanced CDD where relevant (often referred to as whitelisting);
- Contingency planning and processes to address network issues; and
- Appropriate due diligence, oversight, and contractual arrangements in respect of third-party technology providers.

It is the responsibility of the governing body of each fund or security issuer, together with its regulated service providers, to establish and maintain an appropriate control framework to manage risk exposures, as well as to ensure compliance with applicable legislation, rules, guidance, and the financial crime regime, including the Bailiwick sanctions legislation (for example, related to burning or freezing of tokens). The control framework should be proportionate to the nature, scale and complexity of any tokenised arrangement. Each fund or issuer and relevant service provider should be able to demonstrate the effectiveness of established controls to the Commission on request.

9. Disclosure requirements

The disclosure of relevant risks is already an existing requirement of the Bailiwick's regulatory framework. This section does not introduce new requirements or expectations. Rather, it is intended to highlight that the Commission considers that any new or novel risks introduced by technology related (or enabled) solutions, should form part of existing disclosure requirements.

Clear disclosure of key risks is important to ensure that holders of tokenised funds or securities can make informed investment decisions. The various rules relevant to Guernsey authorised funds contain requirements for the appropriate disclosure of risks in general⁶. Likewise, rules applicable to prospectuses issued in respect of Category 2 controlled investments and registered funds contain similar requirements, as set out in the Prospectus Rules⁷. The term “prospectus” is broadly defined within the Prospectus Rules, and, in the Commission's view, includes electronic disclosure.

The Commission recognises that tokenisation may create or introduce novel risks beyond those associated with traditional (that is, non-tokenised) structures. Risk exposures directly affecting investors and introduced through tokenisation should be transparently disclosed to investors in accordance with disclosure requirements, notably where these are additional to, or differ from, those associated with a traditional issuance.

The following are examples of tokenisation-specific risks that might be relevant to disclose, as applicable:

- Technology-related risks;
- Custody, wallet, and key management risks;
- Legal ownership and enforceability risks, which may vary by jurisdiction;
- Governance and control risks; and
- Operational and business continuity risks.

⁶ The Authorised Collective Investment Schemes (Class B) Rules and Guidance, 2021 (Schedule 1, Section 12); The Collective Investment Schemes (Qualifying Professional Investor Funds) (Class Q) Rules and Guidance, 2021 (Schedule 1, Sections 8 and 9); The Authorised Closed-ended Investment Schemes Rules and Guidance, 2021 (Schedule 1, Section 13).

⁷ Refer to Section 2.22 of the Prospectus Rules.

In addition, the following information may also be relevant for disclosure, as applicable:

- Details on how the underlying real-world asset will be managed; and
- Details of the blockchain used, the “smart contract” standard applied, and where the “smart contract” is controlled from (including its origin).

The above lists are not exhaustive and there are likely to be more specific risks which should be disclosed on a case-by-case basis.

Appendix A: Potential benefits and risks associated with tokenisation

The following table provides an illustrative, non-exhaustive summary of potential benefits and risks associated with tokenisation. The nature and extent of these will depend on the specific structure and design, and firms should consider any additional risks relevant to their circumstances.

	Potential Benefits	Potential Risks
Operational Efficiency	- Automation can facilitate faster and more efficient settlement, reducing operational friction - Potential cost efficiencies and lower transaction costs for investors - Real time or near real time record keeping - Increased accessibility, enabling participation in markets previously closed to some	- New dependencies on technology providers and third parties - Technology failure including coding errors
Transparency and Data	- Streamlined and timely disclosure of information to investors - Improved ownership traceability - Single, shared record of transactions	Potential for inappropriate exposure of complex or ill-suited products to retail investors
Liquidity	- Opportunity for extended or 24/7 market access - Potential for more diversified and personalised portfolios for investors	- Hidden or misunderstood liquidity risks for investors - Limited depth of secondary markets - Potential for high volatility, which may adversely affect liquidity
Governance and Legal Certainty	- Ability to embed governance rules and controls through self-executing contracts (often referred to as “smart contracts”) - Improved traceability may support clarity over rights and obligations	- Challenges with correcting errors or reversing transactions - Potential lack of understanding of content or terms of a so-called “smart contract” embedded on DLT
Compliance and Financial Crime	- Automation may support AML/CFT/CPF controls - Real-time or more granular transaction reporting - Improved auditability and traceability	- Cybersecurity and data security threats - Fraud activity, including exploitation of operational weaknesses - Real-time transfer may present challenges for monitoring

Appendix B: From concept to reality – examples of uses for tokenisation

a. Use of Blockchain for a Private Equity Fund

A Guernsey firm constructs a blockchain network to address the needs of investors seeking greater transparency, security, and efficiency in the private equity market. The network provides real-time insight and transparency to all parties, including the fund managers and investors as well as allowing regulatory access when required.

It is used to manage the administration of a private equity fund, domiciled in Guernsey. The blockchain solution allows the fund to transfer ownership tokens and be managed, serviced, and audited throughout the investment lifecycle on a transparent platform offering "one version of the truth" to participants who gain access via secure means.

b. Issuing tokens to raise capital

A Guernsey technology firm wishes to raise capital by offering equity interests to new investors. Rather than issue shares in traditional format, it chooses to issue them in tokenised form. An offering document, which meets the requirements of the Prospectus Rules, is prepared and provided to potential investors. The tokens that are the subject of the offer will represent the new investors' shareholdings in the firm. The tokens are treated as Category 2 controlled investments, and persons carrying out restricted activities in connection with the tokens would need to be appropriately licensed under the POI Law.

c. Tokenisation to gain exposure to shares listed on a traditional stock market

A firm would like to create a product that gives investors exposure to a publicly listed company, without the investors having to directly acquire shares in that listed company.

It establishes a Guernsey SPV holding company that acquires and owns the shares in the listed company. It contracts with a custodian to hold those shares in safekeeping on its behalf. Investors purchase digital tokens issued by the SPV, which represent ownership rights in the SPV. The value of these tokens is directly linked to the value of the listed company's shares held by the SPV via a redemption mechanism. This helps keep the tokens' value aligned with the real share price of the underlying listed company. Therefore, investors, as token holders in the SPV, gain exposure to the listed company's performance. Token holders have no voting rights in the underlying listed company.

d. Indirect tokenisation using a Guernsey SPV holding company

A firm seeks to offer investors digital exposure to gold through a corporate structure, rather than through direct ownership of bullion. It establishes a Guernsey-domiciled SPV to hold gold. The SPV is administered by a Bailiwick-licensed corporate service provider. Investors subscribe capital to the SPV, which issues its securities directly as tokens on a DLT (instead of issuing security certificates).

Each token represents a share in the SPV, and the on-chain register serves as the record of ownership. Further, a robust control framework is developed to manage inherent risks including

technology failure. Token holders gain indirect exposure to the underlying gold assets through securities in the Guernsey company, rather than through direct ownership of gold itself.

e. Tokenisation for collateral management

A firm would like to enhance the efficiency of its collateral management processes by using tokenised bonds and equities, issued and transferred using DLT. Tokenisation could enable faster transfer and settlement of collateral, or support more efficient mobilisation of assets. This, in turn, may improve liquidity management and operational efficiency.

f. Tokenisation of a structured product

A structured product, backed by yield-bearing assets, is issued through a Guernsey SPV holding company and represented by digital tokens on a distributed ledger. The underlying assets are sourced from regulated financial institutions, with legal arrangements governing the rights of investors. This product bridges on-chain capital with traditional financial structures and, in this case, helps to support efficiency and flexibility.