

HKMA Launches Project Ensemble Sandbox to accelerate adoption of tokenisation

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA) hosted today (August 28) the launch ceremony for Project Ensemble Sandbox (the Sandbox) and introduced four main themes of asset tokenisation use cases for the initial round of experimentation (see Annex), marking a significant step forward in the advancement of tokenisation in real-world application within the financial sector.

The HKMA has completed the building and setup of the Sandbox (Note), which is designed to facilitate interbank settlement using experimental tokenised money, focusing on transactions involving tokenised assets. Participating banks from the Project Ensemble Architecture Community (the Community) have connected their tokenised deposit platforms to the Sandbox, paving the way to conduct experiments for both interbank payment-versus-payment and delivery-versus-payment settlement.

After thorough consideration of industry interest, prevailing market trends and potential innovative impact, the initial round of experimentation will cover tokenisation of both traditional financial assets and real-world assets, focusing on four main themes: fixed income and investment funds, liquidity management, green and sustainable finance, and trade and supply chain finance. With a view to strengthening Hong Kong's position as an international financial centre with an innovative spirit to create new economic sectors, the HKMA will continue to actively engage with the industry to gauge interest in tokenisation, develop new themes and identify further use cases for tokenisation.

To support the sustainable development of the tokenised asset market in Hong Kong, an appropriate regulatory framework is essential. The Securities and Futures Commission (SFC), a key member of the Community, plays a crucial role in helping to develop a regulatory framework that will support the sustainable growth of the tokenised asset market in Hong Kong. In addition, the SFC will be co-leading with the HKMA on tokenisation initiatives for the asset management industry to promote wider adoption and ultimately enhancing Hong Kong's position as a premier asset and wealth management centre.

On the international front, the HKMA will also explore collaborating with the Bank for International Settlements Innovation Hub Hong Kong Centre across one or more themes, and engage the central bank digital currency (CBDC) Expert Group to leverage their subject matter expertise to further advance the Sandbox.

The Chief Executive of the HKMA, Mr Eddie Yue, said, "The introduction of the Project Ensemble Sandbox to test tokenisation use cases marks a

significant step forward for the HKMA and the industry to explore the application of tokenisation in real-life business scenarios. Since the launch of Project Ensemble in March, we have been encouraged by the strong interest from the industry in pioneering innovative solutions to redefine the digital finance landscape. The HKMA looks forward to collaborating with the SFC, other central banking institutions, academia, and all relevant industry participants to further drive innovation and progress in the Hong Kong tokenisation market."

The Chief Executive Officer of the SFC, Ms Julia Leung, said "The Sandbox launch today is a clear example of how innovation and regulation can go hand in hand to blaze a new path for our financial markets. As two major architects of Hong Kong's financial markets, the SFC and the HKMA share the same vision and dedication to future-proofing the city's financial system through innovative market infrastructure."

Note: Project Ensemble seeks to explore innovative financial market infrastructure (FMI) to facilitate seamless interbank settlement of tokenised money through wholesale central bank digital currency (wCBDC). Through the Sandbox, the HKMA seeks to examine technical interoperability among tokenised assets, tokenised deposits and wCBDC, while enabling industry participants to conduct end-to-end testing of tokenised asset transactions in practical business scenarios.