Tokenisation Q&A

March, 2025

1. What is Tokenisation?

Tokenisation refers to the process of converting the ownership of various assets or rights—including financial assets, physical assets, and even intangible assets—into digital tokens on a blockchain, enabling these assets to be traded or transferred in token form.

2. What is a Tokenised Class?

A tokenised class is an investment fund class in which ownership is represented by digital tokens on a blockchain. Each token (or a fraction of a token) corresponds to a unit or share of the fund class, offering investors a digital proof of ownership.

3. Can I subscribe the tokenised class? How to subscribe?

Both retail and institutional investors can subscribe the tokenised class. Investors may only subscribe for, or redeem, tokenised class in the form of Tokens via eligible distributors. In doing so, investors of Tokens will need to open an investment account with their eligible distributor(s) in which the record of Tokens beneficially owned by such investors will be reflected. An eligible distributor will (a) hold appropriate digital wallets with the Token Custodian to receive, hold and manage relevant entitlements with respect to Tokens as a nominee for its end investors; and (b) hold a fiat currency settlement account for its end investors to house, remit and receive (as applicable) the subscription moneys and redemption proceeds in respect of the Tokens.

4. What are the differences between tokenised class and non-tokenised Class?

Differences	Non-tokenised Class	Tokenised Class
Transparency	Transaction records, holding status, and fund operations are usually centrally managed by the fund management institution, with limited information disclosure. Investors may find it difficult to obtain complete information in a timely manner.	Relying on the public and immutable ledger characteristics of blockchain, all transactions and ownership changes are recorded on the distributed ledger, resulting in higher information transparency.

Ownership	The fund management company or the custodian institution records the investors' holding status through paper or electronic certificates, and investors own assets in the form of fund class units or shares.	The ownership of assets is stored on the blockchain in the form of digital tokens, representing the investors' shareholdings in the fund class.
Infrastructure	It relies on traditional financial systems such as banks, custodian institutions, and registration and settlement institutions for asset management and transaction processing.	It operates relying on blockchain technology, and the transaction process is automated without the need for traditional intermediary institutions.
Accessibility	It can only be purchased or redeemed through traditional financial channels such as banks, securities companies, or fund companies, and is subject to more time restrictions.	In addition to traditional channels that comply with regulatory requirements, investors can also trade on virtual asset trading platforms, improving accessibility.

5. What are the similarities between tokenised class and non-tokenised Class?

Similarities	Non-tokenised Class	Tokenised Class
Underlying Assets	primarily invest in securities like stocks and bonds.	

6. What are the potential advantages and risks of tokenised class?

Potential Advantages:

- **Broader Investment Participation**
  By significantly lowering entry barriers, tokenised classes enable a diverse group of investors, including those from emerging markets, to participate, thereby fostering a more inclusive financial ecosystem.
- **Enhanced Operational Efficiency**
  Leveraging blockchain technology streamlines fund management processes and substantially reduces administrative and operational costs. The use of smart contracts to automatically enforce predefined terms minimizes reliance on intermediaries, reducing human errors and speeding up transaction processing.
- **Increased Transparency**
  With every transaction recorded on a decentralized ledger, investors can access real-time data on asset history and authenticity, thereby reducing the risk of fraud and mismanagement.
- **Improved Liquidity and Trading Flexibility**

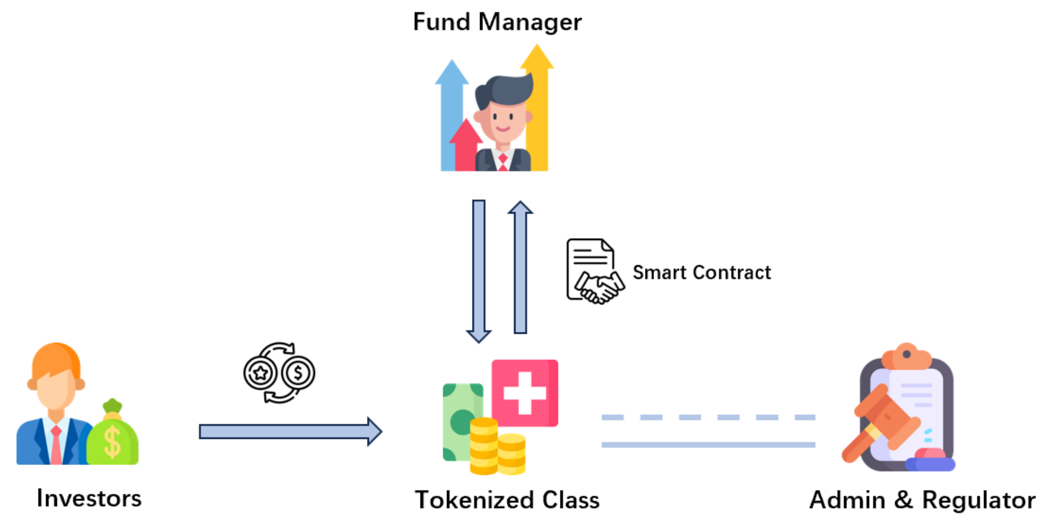
Tokenised classes can be traded on virtual asset exchanges, potentially allowing 24/7 market activity. This continuous trading capability provides investors with enhanced liquidity and more flexible options for entering or exiting positions.

Potential Risks

- **Uncertainties in Blockchain Technology**
  As blockchain is still evolving, it may face security vulnerabilities, network forks, and other technical challenges that could affect the stable operation of tokenised classes.
- **Digital Asset Security Concerns**
  The loss or theft of private keys can lead to unauthorized access and irreversible asset loss, posing a significant risk to investors.
- **Regulatory Uncertainty**
  With regulatory frameworks continuously evolving across different jurisdictions, there is potential for additional restrictions and challenges in the issuance, management, and overall operation of tokenised classes.

7. How is a class tokenised?

By using smart contracts on a blockchain, a fund class can be tokenised. The digital tokens that represent fractional ownership of the fund class are created and managed by these smart contracts. Real-time insight into transactions and holdings is made possible by these tokens, which facilitate transparent ownership tracking on an immutable ledger. The rules and procedures governing the fund class's operations are automated and enforced by the smart contracts. Furthermore, the blockchain publishes important information and facts about the fund class, guaranteeing accessibility and openness for all members.



8. How are tokens stored?

Tokens are stored in a "blockchain wallet". A blockchain wallet is usually a software application used to store users' "private keys" and related digital assets, and to facilitate the transfer of assets on the blockchain.

For tokenised class, fund managers may provide different wallet solutions to meet the needs of investors for securely holding and managing their tokens. These wallet solutions may vary in terms of security level, ease of use, and investor preferences. Here are some examples of wallet solutions:

- **Custodial wallet:** The fund manager or a third-party custodian provides a wallet and manages the private key on behalf of the investor. This is suitable for investors who prefer simple operations and do not want to bear the responsibility of managing their own private keys.
- **Non-custodial wallet:** A wallet is provided to the investor, who can manage the private key on their own. This type of wallet offers more independence and is in line with the decentralized nature of blockchain technology, but requires investors to take full responsibility for protecting the private key.

Risk Disclosure and Disclaimer

Investing involves risks, including the possible loss of principal. Investing in emerging markets involves additional risks, such as higher market volatility and lower trading volumes. Therefore, investors may be exposed to a higher risk of losses compared to investing in mature markets. Please carefully consider the investment objectives, risk factors, as well as fees and expenses of the fund before investing. These and other information are set out in the relevant fund constitution. Please read the fund constitution carefully before investing. Bosera Asset Management (International) Co., Ltd. is not operated, endorsed, issued, sold or promoted by the index provider (applicable only to ETFs and index funds). For details of the index provider (including any disclaimers), please refer to the offering documents of the relevant Bosera Asset Management (International) Co., Ltd. Source of Information: The fund performance and index information (if applicable) are provided by Bosera Asset Management (International) Co., Ltd. and the relevant index provider respectively.This website is compiled by Bosera Asset Management (International) Co., Ltd. and has not been reviewed by the Securities and Futures Commission.