

# Tokenisation of Financial Instruments and Real-World Assets in Malta

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NOTE: These proposals are not binding and are subject to changes and revisions following representations received from industry participants and other interested parties. It is important that persons involved in the consultation bear these considerations in mind.

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## Executive Summary

Tokenisation refers to the digital representation of ownership rights in assets through distributed ledger technology (DLT), enabling issuance, trading, settlement, and record-keeping to be conducted on blockchain-based infrastructures.

International and European developments, including the EU DLT Pilot Regime and global initiatives such as Project Guardian, demonstrate accelerating institutional adoption of tokenisation. Tokenisation is widely viewed as a potential enabler of enhanced market efficiency, transparency, automation, financial inclusion, and cross-border market access.

Against this backdrop, the MFSA is seeking industry and public feedback on market readiness, priority asset classes, infrastructure requirements and other regulatory considerations. In particular, the MFSA is seeking to determine whether tokenisation may be implemented within existing EU legislative frameworks through an application of the technology-neutral principle, or whether targeted interpretative guidance, national measures, or EU-level regulatory developments may be required.

The outcomes of this consultation will inform the MFSA's future policy direction, supervisory priorities, and any necessary regulatory amendments required to support the safe and orderly development of tokenised markets in Malta.

## Introduction

The tokenisation of Financial Instruments and Real-World Assets represents a significant structural innovation in global capital markets. By enabling assets to be digitally represented on distributed ledger technology (DLT), tokenisation allows for programmable issuance, near-instant settlement, enhanced transparency, greater auditability, and fractional ownership of traditionally illiquid assets.

International developments demonstrate growing institutional adoption of tokenisation across asset classes including government and corporate bonds, collective investment schemes, equities, private market instruments, commodities, and real estate.

At European level, the introduction of the DLT Pilot Regime represents a key regulatory milestone in allowing DLT-based trading and settlement systems to operate within a controlled framework, subject to regulatory authorisation and oversight. The regime was intended to function as both an innovation enabler and a regulatory learning mechanism to drive future permanent legislative reform at EU level. In this context, and building on past MFSA initiatives in the area, such as the [Consultation Document](#) and related [Feedback Statement](#) on Security Token Offerings ('STOs'), which was later addressed more comprehensively through the EU DLT Pilot, the MFSA considers it timely and appropriate to formally assess whether tokenised financial instruments and real-world assets could be integrated within Malta's regulated financial ecosystem in a manner that preserves regulatory outcomes while leveraging the operational efficiencies offered by DLT.

The MFSA further recognises that tokenisation does not eliminate existing regulatory obligations but alters the technological medium through which regulated financial activities, such as issuance, custody, trading, settlement, fund administration, and corporate actions, are performed. Tokenisation also triggers an assessment of whether DLT will replace, complement, or reconfigure traditional intermediaries like CSDs custodians and brokers.

The regulatory challenge will lie in ensuring that existing safeguards remain effective and enforceable in DLT-based environments.

## Definitions and Key Concepts

For the purposes of this Consultation Paper, the following definitions shall apply:

**Financial Instrument** shall have the same meaning as defined in Directive (EU) 2014/65.

**Tokenisation** refers to the process of representing rights in a financial instrument or real-world asset in digital form on a distributed ledger through the issuance of cryptographic tokens.

**Distributed Ledger Technology (DLT)** shall have the same meaning as defined in Regulation (EU) 2023/1114 (MiCA).

**Tokenised Financial Instrument** means a Financial Instrument that is issued, recorded, transferred, and settled using DLT.

**Tokenised Real-World Assets** means a digital representation of either (i) direct legal ownership of a Real-World Asset, or (ii) a contractual or beneficial exposure to a Real-World Asset that is issued, recorded, transferred, and settled using DLT and which does not qualify as a Tokenised Financial Instrument.

**Real-World Asset (RWA)** refers to a tangible or intangible asset that exists outside the blockchain environment and whose economic rights are represented on a DLT system.

**Crypto-Asset Service Provider (CASP)** means a legal person or undertaking whose occupation or business is the provision of one or more crypto-asset services within the meaning of Regulation (EU) 2023/1114 (MiCA).

**Investment Firm** means a legal person whose regular occupation or business is the provision of one or more investment services to third parties and/or the performance of one or more investment activities on a professional basis within the meaning of Directive 2014/65/EU (MIFID II)

**Smart Contract** means a self-executing piece of code deployed on a DLT system that automatically executes predefined contractual conditions.

**Token Registry** means a digital register, whether on-chain or off-chain, used to evidence ownership and track the lifecycle of a Tokenised Financial Instrument or a Tokenised Real-World Asset (without prejudice to the legal status of statutory registers under Maltese law (including company law requirements)).

**DLT Market Infrastructure** shall have the same meaning as defined in the DLT Pilot Regime Regulation (EU) 2022/858.

## Objectives of the Discussion Paper

Through this consultation process, the MFSA aims to assess the level of industry interest in Tokenised Financial Instruments and Tokenised Real-World Assets, identify the asset class most suitable for Malta's first tokenisation pilot, and gain a clear understanding of existing infrastructural capabilities, regulatory considerations, and potential operational barriers. The MFSA will follow as much as possible the concept that tokenisation does not inherently change legal nature of an asset.

Several Tokenised Financial Instruments have already been issued in the form of tokenised bonds, tokenised interests in securitisation vehicles, tokenised fund units, and tokenised derivatives linked to single stocks and indices. A number of Tokenised Real-World Assets have also been deployed – it is important to assess the extent to which fractionalisation of Real-World Assets would result in these products qualifying as Financial Instruments.

The MFSA is also keen to obtain the views of the industry on whether new rules are required or whether Tokenised Financial Instruments can be deployed using existing frameworks.

In parallel, the MFSA seeks to gather feedback on the role of Investment Firms, CASP, custodians, fund administrators, crowdfunding service providers, and market operators in supporting the development of tokenised markets, as well as to determine whether any targeted adjustments to the regulatory framework or supervisory approach may be required.

## Risk Analysis

The MFSA recognises that, while tokenisation presents significant opportunities for enhancing market efficiency, accessibility, and innovation, it also possesses inherent risks that must be carefully assessed and mitigated through appropriate regulatory, supervisory, and operational safeguards. These risks arise across technological, legal, market, operational, and financial stability dimensions and are listed hereunder:

- i. Technological and Cybersecurity Risks;
- ii. Legal and Regulatory Risks
- iii. Market Integrity and Investor Protection Risks;
- iv. Custody Risk;
- v. Smart Contract Risk;
- vi. Operational and Governance Risks;
- vii. Liquidity and Market Adoption Risks;
- viii. Financial stability and systemic risks;
- ix. Financial Crime and AML/CFT Risks; and
- x. Supervisory and Enforcement Challenges.

## Mitigation Approach

The MFSA considers that many of the above risks can be mitigated through a combination of:

- i. a phased and proportionate implementation approach;
- ii. robust authorisation and ongoing supervision of relevant service providers;
- iii. clear legal structuring of Tokenised Financial Instruments and Tokenised Real-World Assets;

- iv. strong custody, governance, and operational resilience requirements;
- v. enhanced disclosure and investor protection safeguards; and
- vi. close alignment with evolving EU and international regulatory standards.

This document therefore seeks to gather stakeholder views not only on market opportunities, but also on the effective identification, management, and mitigation of these risks within a Maltese regulatory context.

## Conclusion

The MFSA considers that the tokenisation of Financial Instruments and Real-World Assets presents a strategic opportunity for Malta's financial services sector. While the potential benefits in terms of efficiency, transparency, accessibility, and innovation are significant, these must be carefully balanced against the need to safeguard investor protection, market integrity, financial stability, and compliance with EU and international regulatory standards.

Through this consultation, the MFSA seeks to engage constructively with industry stakeholders and the wider public to ensure that any future policy or regulatory framework for tokenisation is evidence-based, proportionate, technologically neutral, and aligned with Malta's long-term financial sector strategy. The insights gathered will play a central role in shaping the Authority's supervisory approach, informing potential pilot initiatives, and determining the appropriate regulatory path forward for the orderly integration of tokenised markets within the Maltese financial ecosystem.

The MFSA invites comments on all matters in this Consultation Paper, particularly on the specific questions outlined in the following Section. Stakeholders are encouraged to provide clear, detailed feedback and, where relevant, to include alternative proposals.

The MFSA will consider all comments received by **30 June 2026**. All contributions should be sent via email on [fintech@mfsa.mt](mailto:fintech@mfsa.mt).

## Consultation

### I. Strategic Positioning and Market Appetite

**Q1. Asset class prioritisation** Which asset classes (e.g., equities, bonds, money market instruments, fund units, structured products) are most suitable for tokenisation in Malta's financial ecosystem? Please provide examples where possible.

**Q2. Barriers to adoption** What are the main barriers – regulatory, legal, technical, or cost-related – currently preventing the Maltese market from developing the tokenisation of Financial Instruments and Real-World Assets?

### II. Legal and Regulatory Architecture

**Q3. Legal clarity on ownership, finality, and smart contracts** What legal clarifications are needed under Maltese and EU law regarding:

- a. ownership rights in: (i) Tokenised Financial Instruments, including interaction with the Companies Act and Investment Services Act and (ii) Tokenised-Real World Assets;
- b. settlement finality<sup>1</sup> in DLT-based systems, including compatibility with the Settlement Finality Directive; and
- c. enforceability of smart contract terms, particularly in cross-border situations where governing law is uncertain?

**Q4. Regulatory framework gaps** Which parts of the current Maltese or EU legal and regulatory framework (including MiFID II, CSDR, UCITS, AIFMD, and the DLT Pilot Regime) create the most significant obstacles to scalable tokenisation, and where are targeted amendments or national guidance most urgently needed? Please provide examples where possible.

**Q5. Instrument, portfolio, and infrastructure distinctions** How should regulation distinguish between tokenisation at the instrument level (e.g., a tokenised bond or tokenised fund units), and the infrastructure level (e.g., a DLT-native settlement system)? Does the current regulatory framework treat these distinctions adequately, and where does it fall short?

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<sup>1</sup> Settlement Finality shall have the meaning and effect attributed under Directive 98/26/EC and refers to the irrevocability and enforceability of transfer orders within a system.

### III. Market Infrastructure and Interoperability

**Q6. Critical infrastructure requirements** What infrastructure developments are most critical to support large-scale tokenisation in Malta – including token registries, smart contract audit frameworks, on-chain corporate actions, and wallet management?

**Q7. Interoperability** How should the MFSA approach interoperability between DLT platforms?

**Q8. Collateral, rehypothecation, and DLT architecture** Should Tokenised Real-World Assets be recognised as eligible collateral under existing MFSA and ECB frameworks? If collateral reuse or rehypothecation is permitted, which legal frameworks should apply and what safeguards are needed?

### IV. Investor Protection, Risk, and Supervision

**Q9. New and emerging risks** What new risks arising from Tokenised Financial Instruments and Tokenised Real-World Assets are not yet fully captured by existing regulatory frameworks – including smart contract vulnerabilities, oracle manipulation, key management failures, vendor concentration, and cybersecurity exposure – and how should these be addressed?

**Q10. Systemic and market dynamics risks** As tokenised fund and securities markets grow, what new dynamics could emerge around liquidity (including 24/7 redemption pressure), NAV valuation on-chain, and interconnectedness with DeFi protocols or unregulated token markets? How should regulators monitor and manage these risks?

**Q11. Investor protection in tokenised environments** What investor protection measures should be prioritised in tokenised markets, including disclosure requirements, transparency of smart contract logic and token governance, and suitability frameworks for retail versus institutional participants?

### V. Domestic Market Development

**Q12. Issuance frameworks and standardisation** Would standardised on-chain issuance frameworks reduce costs and increase adoption for domestic issuers? What level of technical standardisation would most ease integration with DLT infrastructures?

**Q13. Market-making and liquidity incentives** Would specific incentives for market-making activity on DLT trading venues – or exemptions and proportionality measures within EU law – meaningfully increase adoption? Are there specific MiFID II or CSDR requirements that, when applied to DLT operators, create disproportionate operational or cost burdens that the MFSA should seek to address?

**Q14. Sandbox and regulatory facilitation** Would sandbox-style regimes, innovation hubs, public-private test networks, or regulatory workshops increase experimentation and investment appetite in Malta? Which of these facilitation tools would be most valuable to your organisation, and would you be willing to participate in a pilot project?

## VI. Strategic Outlook

**Q15. International benchmarking and best practice** Which international approaches to tokenisation regulation should the MFSA consider when developing its framework? What aspects are most transferable to Malta's context?

**Q16. Malta's five-year tokenisation horizon** What overall role could tokenisation play in Malta's financial ecosystem over the next five years? Are there asset classes, DLT business models, or market participants not covered in this consultation that the MFSA should consider in its regulatory roadmap?