



هيئة تنظيم
مركز قطر للمال
QATAR FINANCIAL CENTRE
REGULATORY AUTHORITY

Investment Token Rules 2024 (TOKN)

Version No. 1

Effective 1 September 2024



هيئة تنظيم
مركز قطر للمال

QATAR FINANCIAL CENTRE
REGULATORY AUTHORITY

Investment Token Rules 2024

QFCRA Rules 2024-2

made under the

Financial Services Regulations

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Chapter 1 General

1.1.1 Name of Rules

These Rules are the *Investment Token Rules 2024*.

1.1.2 Commencement

These Rules commence on 1 September 2024.

1.1.3 Glossary

The Glossary at the end of these Rules is part of these Rules.

1.1.4 Effect of definitions, notes and examples

- (1) A definition in the Glossary also applies to any document made under these Rules.
- (2) A note in or to these Rules is explanatory and is not part of these Rules. However, examples and guidance are part of these Rules.
- (3) An example is not exhaustive, and may extend, but does not limit, the meaning of these Rules or the particular provision of these Rules to which it relates.

Note Under FSR, article 17 (4), guidance is indicative of the view of the Regulatory Authority at the time and in the circumstances in which it was given.

Chapter 2 Regulated Activities involving investment tokens

2.1.1 Investment tokens

- (1) **Investment token** means a token which falls within subrule (2) (but see rule 2.1.3 (1) (b)).
- (2) A token representing a right mentioned in subrule (3) represents that right for the purposes of the FSR and any other relevant Regulations and Rules and any such Regulations and Rules apply to the token as if it were that right.

Note 1 Consequently:

- activity carried on in relation to an investment token is a regulated activity if it would be a regulated activity were it to be carried on in relation to the right in question (but see the prohibition of activity in relation to certain tokens in rule 2.1.2 and the power of the Regulatory Authority to prohibit other activity in relation to investment tokens under rule 2.1.3 (1) (a)); and
- if an investment token represents an investment within the meaning given by Article 110 of the FSR it is treated as being an investment for the purposes of the FSR and any other relevant Regulations and Rules.

Note 2 If an investment token is a permitted token, the ownership and transfer of the token and the right it represents is governed by the Digital Asset Regulations 2024. If an investment token is subject to the law of another jurisdiction (for example, because the token is generated in another jurisdiction) the ownership and transfer of the token and the right it represents will be governed by the applicable law of that jurisdiction.

- (3) The rights referred to in subrule (2) are:
 - (a) rights in a **specified product**;
 - (b) rights in an approved derivative within the meaning of rule 1.2.1 of the *Derivatives Markets and Exchanges Rules 2023*, that is not itself a specified product;

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- (c) rights in or derived from an Islamic financial contract mentioned in rule 1.1.5 (b) or 1.1.6 (1) (b) of the Islamic Banking Business Prudential Rules 2015;
 - (d) any right that:
 - (i) is substantially similar in nature to; or
 - (ii) has a substantially similar purpose or effect as, a right mentioned in paragraphs (a) to (c).

2.1.2 Prohibiting activity in relation to certain tokens

No activity may be carried on in or from the QFC in relation to a token that:

- (a) does not represent a right in any property (other than the token itself); or
- (b) is a substitute for, or represents, currency, or can otherwise be used as a means of payment.

Note A token such as is mentioned in this rule is also an excluded token by virtue of the Digital Asset Regulations 2024. Excluded tokens may not be generated in the QFC by token generators licensed by the QFC Authority.

Examples

A cryptocurrency token that is used as an alternative to fiat currencies but is not issued or backed by any governmental authority and does not represent any 'off-chain' property, is an example of an excluded token.

A token commonly referred to as a stablecoin is an example of an excluded token. This is because a stablecoin is regarded as a substitute for currency that can be used as a means of payment.

However, a token representing a right to a commodity, such as a precious metal, is not an excluded token even though it may be tradeable.

2.1.3 Power to prohibit certain activities and to designate tokens as excluded tokens

- (1) The Regulatory Authority may, by notice published on an approved website:
 - (a) designate that an activity carried on in relation to an investment token, or category of investment tokens, may not be carried on in or from the QFC; and
 - (b) designate tokens representing a right, or category of rights, mentioned in rule 2.1.1 (3) as excluded tokens.

Note 1 An excluded token is not a permitted token and therefore a right designated in a notice under this rule may not be tokenised in the QFC.

Note 2 For the meaning of *approved website*, see the *Interpretation and Application Rules 2005*, rule 3.1.2.

- (2) The Authority may amend, withdraw or substitute a notice.

2.1.4 Declaration of regulated activities of operating an investment token exchange and clearing and settling transactions

- (1) For FSR, article 23 (2), the following activities are regulated activities:
 - (a) operating an investment token exchange; and
 - (b) clearing and settling transactions in investment tokens by way of business.
- (2) A firm operates an *investment token exchange* if the firm, by way of business, operates a system which brings together multiple third party buying and selling interests in investment tokens, in accordance with the system's non-discretionary rules, in a way that results in a contract in respect of such investment tokens.
- (3) A firm does not carry on the regulated activity of operating an investment token exchange if it operates a facility which is merely an order-routing system where buying and selling interests in, or orders for, investment tokens are merely transmitted but do not interact.

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- (4) This rule applies only in relation to an investment token that:
- (a) is a permitted token; and
 - (b) is specified by the Regulatory Authority, by notice on an approved website, as an investment token in relation to which either or both the activities of operating an investment token exchange and clearing and settling transactions in investment tokens may be carried on.

Note For the meaning of *approved website*, see the *Interpretation and Application Rules 2005*, rule 3.1.2.

- (5) Whether a service is provided by way of business is determined by FSR, article 25 and any Rules made under that article.

2.1.5 Providing and arranging custody services relating to investment tokens

- (1) A firm carries on the regulated activity of providing custody services in relation to investment tokens if the firm holds or controls investment tokens.
- (2) A firm holds or controls investment tokens if:
 - (a) it holds or controls them in the manner specified by Rule 6.1.5 of INMA; or
 - (b) it is treated as holding or controlling them by virtue of subrule (3).
- (3) A firm which holds or controls the means by which its clients' investment tokens may be recorded and transacted on token infrastructure is treated as holding or controlling investment tokens.

Example

A company that holds or safeguards the private keys for its clients' investment tokens is providing custody services in relation to those tokens and consequently in relation to the rights represented by those tokens.

- (4) For FSR, article 23 (2), arranging the provision of a service referred to in subrule (3) by way of business constitutes the regulated activity of arranging the provision of custody services.

Chapter 2 Regulated Activities involving investment tokens

- (5) Whether a service is provided by way of business is determined by FSR, article 25 and any Rules made under that article.

Note See INMA Chapter 6 for detailed provisions applying to firms providing custody services.

Glossary

(see r 1.1.3)

distributed ledger technology means a technology that enables the operation and use of distributed ledgers, and for this definition:

- (a) ***distributed ledger*** means an information repository that keeps records of transactions and that is shared across, and synchronised between, a set of distributed network nodes using a consensus mechanism; and
- (b) ***distributed network node*** means a device or process that is part of a network and that holds a complete or partial replica of records of all transactions on a distributed ledger.

excluded token has the meaning given by Article 9 (2) of the Digital Asset Regulations 2024.

the FSR means the Financial Services Regulations.

investment token has the meaning given by rule 2.1.1 (1).

investment token exchange means a firm falling within rule 2.1.4 (2).

permitted token has the meaning given by Article 9 (1) of the Digital Asset Regulations 2024.

the QFC means the Qatar Financial Centre.

regulated activity has the meaning given by the FSR and includes any activity declared to be a regulated activity by Rules made by the Regulatory Authority.

specified product means

- (a) the following products specified as such in Part 3 of Schedule to the FSR:
 - (i) shares;
 - (ii) debt instruments;
 - (iii) credit facilities;
 - (iv) warrants;
 - (v) security receipts;
 - (vi) units in a collective investment fund;

- (vii) options, futures, and contracts for difference;
- (viii) contracts of insurance;
- (ix) deposits; and
- (x) any right in any of these things; and
- (b) anything designated as such for the purposes of the FSR by Rules made by the Regulatory Authority.

token means a unique electronic data unit that:

- (a) is cryptographically secured;
- (b) is a digital representation of real or personal property rights, including contractual rights; and
- (c) is capable of being issued, transferred or stored using distributed ledger technology or other similar technology.

token infrastructure means the distributed ledger technology or other similar technology used to issue, transfer and store a token.

Endnotes

1 Abbreviation key

a	=	after	ins	=	inserted/added
am	=	amended	om	=	omitted/repealed
amdt	=	amendment	orig	=	original
app	=	appendix	par	=	paragraph/subparagraph
art	=	article	prev	=	previously
att	=	attachment	pt	=	part
b	=	before	r	=	rule/subrule
ch	=	chapter	renum	=	renumbered
def	=	definition	reloc	=	relocated
div	=	division	s	=	section
g	=	guidance	sch	=	schedule
glos	=	glossary	sdiv	=	subdivision
hdg	=	heading	sub	=	substituted

2 Rules history

Investment Token Rules 2024

made by

Investment Token Rules 2024 (QFCRA Rules 2024-2)

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3 Amendment history