

## Opening Remarks at Project Ensemble Sandbox Launch Ceremony

**Ms Julia Leung**  
**Chief Executive Officer**

**28 August 2024**

Good afternoon, Eddie, Howard, ladies and gentlemen. I'm delighted to join you all today to launch the Project Ensemble Sandbox and take this big step forward to build and scale the tokenisation market in Hong Kong.

As a champion of responsible innovation and a key member of Project Ensemble Architecture Community, Team SFC is very pleased to join the HKMA to co-lead the tokenisation initiatives for the asset management industry. We welcome and fully support the HKMA's Project Ensemble to build the grand architecture for Hong Kong's tokenisation market and connect all essential pieces in order for tokenised transactions to achieve scale and settle at warp speed. This is exactly what the word "ensemble" suggests.

And today, to play this ensemble together, I'm glad that we have brought together diverse local and international industry participants, stakeholders and experts across regulatory, banking, digital asset and technology sectors.

### **Project Ensemble as innovative financial infrastructure**

As you know, Project Ensemble is a critical piece of architecture being built to drive the scaling of our tokenisation ecosystem in its next phase of development. It is a centrepiece of the city's innovative financial infrastructure that will prove pivotal in future-proofing our financial system.

The endeavour to tokenise central bank money and bank deposits at the wholesale level would be empowering for the overall tokenisation initiative. With tokenised money and deposits used for tokenised asset transactions, we would make a stride forward to unleash the envisioned full potential of tokenisation, such as atomic payment and settlement for tokenised assets, which global consultants estimate to reach multi-trillion US dollars in scale by 2030.

But first, we must build an architecture that can achieve interoperability between traditional financial ecosystem and the new ecosystem on blockchain, as well as that amongst financial institutions. Today's launch of the Sandbox marks an important effort by the regulatory community through the use cases to drive a common standard for the settlement of tokenised assets in the Hong Kong market and beyond.

### **Sandbox as a critical step towards scaling**

The tests in the Sandbox will focus on four main themes – namely, green and sustainable finance, trade and supply chain finance, fixed income and investment funds, and liquidity

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Note: This is the text of the speech as drafted, which may differ from the delivered version.



management. Of these themes, the SFC will co-lead the tokenisation initiatives for the asset management industry under the category of fixed income and investment funds. The SFC has provided regulatory guidance to the industry on tokenised securities-related activities as well as authorised investment products. We are among the first to set clear regulatory expectations in this area. The guidance has encouraged the issuance of pilot cases of tokenised financial products, including green bonds, commercial papers, warrants, aircraft leasing funds, as well as authorised retail products.

These pilots have demonstrated cost savings and efficiency gains in different phases of the product life cycle. They also point to the hurdles in reaping the full benefits of on-chain primary issuance, secondary market trading, custody and hypothecation during the full product life cycle.

This is where today's Sandbox comes in. The participating financial institutions in this category have proposed innovative use cases to achieve scale and interoperability within the Hong Kong market and across markets. The use cases will help us identify hurdles, drive a common industry standard, and pilot-test interbank settlement of tokenised asset transactions through tokenised money. In the process, the SFC will work closely with the HKMA to guide the industry and address concerns that arise from these cases.

## **Closing**

Ladies and gentlemen, 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. What this project sets out to achieve is ambitious, given its potential to speed up the settlement cycle of our financial markets and disrupt existing market practices.

As I join hands with Eddie to unveil the Sandbox today, I feel that the task ahead of us is both exciting and daunting. It's exciting because just like building a new house from the ground up, we need to engineer an alternative financial ecosystem from scratch. At the same time, it's daunting because we need to bridge the new system and the traditional financial system whose tools, wiring and skillsets are entrenched.

But we are not alone on this journey. Project Ensemble Architecture Community represents communal efforts and is supported by an impressive cross-section of financial professionals, technology experts, academics and international organisations as represented in this room today. You are all at the forefront of this tokenisation journey, both locally and internationally. So, let's leverage this combined brainpower and technological prowess and start playing the ensemble in the Sandbox.

Thank you.