

Guidelines for Utilizing RWA Tokens Supplementary Documents

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日本暗号資産ビジネス協会
Japan Cryptoasset Business Association

Background and Purpose of Guidelines for Utilizing RWA Tokens



Background

By having **tokens** represent property rights related to tangible assets and intangible assets (hereinafter referred to as “**Real World Assets**”), the technological foundation for building the social infrastructure of capitalism, which is the transfer of property rights, is being prepared in the digital world.

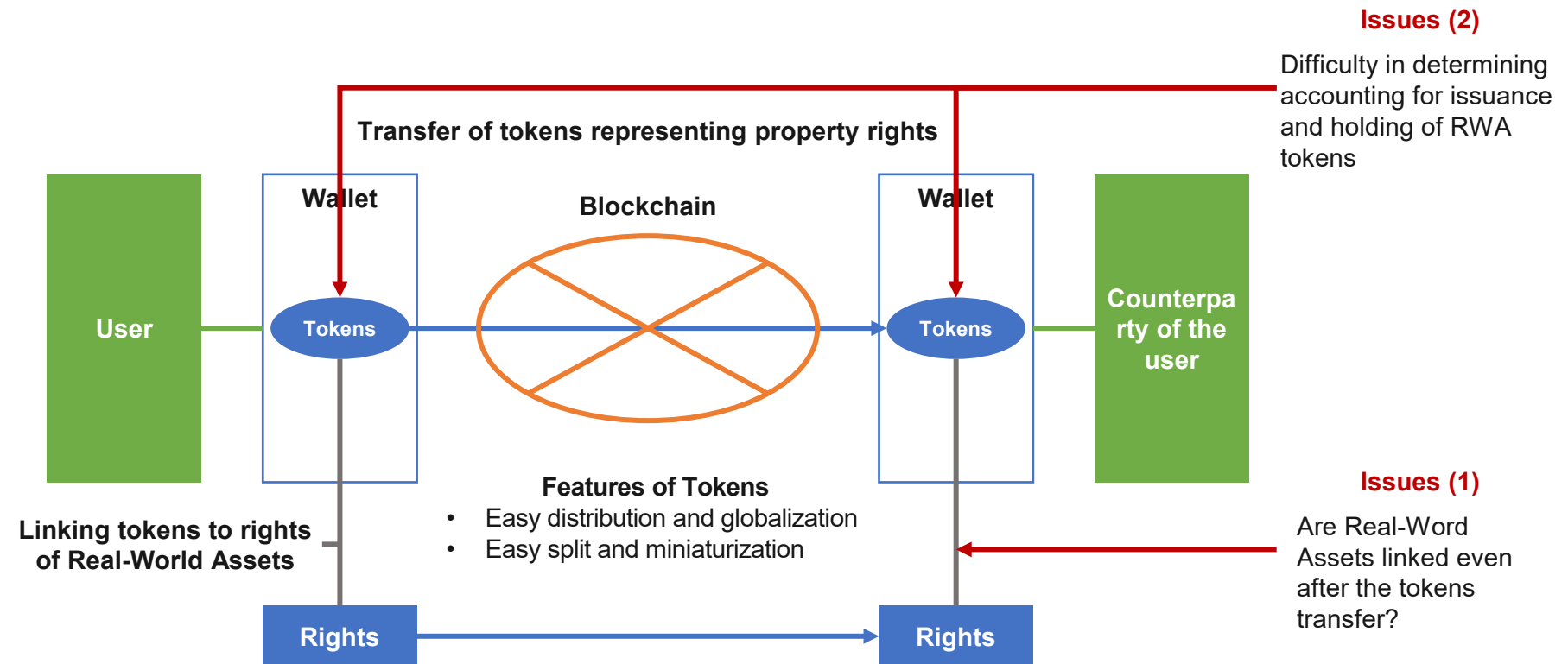
Purpose

For the purpose of promoting the use of **tokens** that are linked to Real World Assets (**RWA**) that have the following issues, the “**Guidelines for Utilizing Real World Assets (RWA) Tokens**” will be made, which summarizes the issues and other measures to resolve these issues.

	Issues	Measures in the RWA Token Guidelines
①	It is difficult to legally ensure the smooth and inexpensive transfer of Real-World Assets linked to the tokens in accordance with the transfer of the token (especially to a third party who is not an interested party)	Arrangement of requirements for the transfer of tokens to be regarded as the transfer of Real-World Assets associated with the tokens concerned (such as the requirements to assert against third parties in the Civil Code)
②	In some cases, it may be difficult for a business operator to receive an accounting audit because the rights and obligations related to the tokens handled are not clear	Arrangement of the rights and obligations of various RWA tokens in practice and preparation of a model of Terms of Use for business that utilize RWA tokens to facilitate accounting audits
③	The amount of property that can be tokenized is limited due to the interpretation that ownership of an immaterial object is not recognized	Identification of institutional issues that should be addressed in the medium to long term, including ownership of immaterial objects

Issues Related to Linking Tokens and Real World Assets

Linking tokens with Real-World Assets (RWA) makes it possible to build a new business model that takes advantage of the characteristics of tokens. However, the following **issues** exist in terms of full-scale utilization of tokens:



Token Types and Positioning of RWA Tokens

- Although there is no definite definition of **RWA Token**, tokens on public blockchains that are linked to RWAs (Real-World Assets,) are not limited to **NFTs**. They can be “electronically recorded transferable rights to be indicated on securities, etc.” (so-called **security tokens**) as defined in the Financial Instruments and Exchange Act, or “electronic payment instruments” (so-called **stablecoins**) and “cryptoasset” as defined in the Payment Services Act.
- Among the tokens that are linked to Real-World Assets, the Guidelines cover **RWA tokens** based on crypto assets and NFTs, excluding security tokens and stablecoins, as described below.

	Types of Tokens			Linkage to Real-World Assets	
	General name	Basis law	Legal name	Yes	None
Digital assets	Security tokens	Financial Instruments and Exchange Act	Electronically recorded transferable rights to be indicated on securities, etc.		Tokens linked to Real-World Assets ≙ RWA Token
	Stablecoin	Payment Service Act	Etelectronic payment instruments		
	Cryptoasset		Cryptoasset	RWA tokens to be handled in the Guidelines	
	NFT	(Some tokens that do not fall under any of the above)			

Assets Linked to Types of Real-World Assets

- With regard to property rights related to Real-World Assets linked to tokens, the Guidelines cover **real property, movables, and claims**, which are expected to have many use cases.
- With regard to “ownership” related to Real-World Assets subject to transfer, etc., consideration is made on the premise of “ownership.”

Example

Property Rights	Rights to things (for ownership)	Real Property		Real-World Assets covered by the Guidelines
		Movables		
	Claims		<ul style="list-style-type: none"> • Right to use • Right to claim delivery 	
	Intellectual Property Rights, etc.			



- Transfer of ownership and assignment of the claims are **effective only by the manifestation of intention of the parties concerned**.
- However, it is not possible to assert the transfer of ownership and assignment of the claims against a third party who is not the party concerned. The requirements that must be satisfied in order for the transfer to be effective against a third party are referred to as "**Requirements to Assert Against Third Parties**."
- **With regard to the following Real-World Assets, it is not feasible to transfer tokens while complying with Requirements to Assert Against Third Parties.** Therefore, it is necessary to **consider other practical methods** for stable transactions.

*As a business, considering the costs and risks, it is possible not to enforce Requirements to Assert Against Third Parties.

	Transfer/Assignment	Requirements to Assert Against Third Parties	Diction of Consideration
Real Property	Manifestation of intention of the parties	Registration of transfer of ownership	<ul style="list-style-type: none"> • Trust (security token) • Right to use ⇒ "claims"
Movables	Manifestation of intention of the parties	Delivery	<ul style="list-style-type: none"> • Possessory right • Right of exchange claims ⇒ "claims"
Claims	Manifestation of intention of the parties	Notification to the debtor from the assignor by certificate with a fixed date or acceptance by the debtor	<ul style="list-style-type: none"> • Special application of the Act on Strengthening Industrial Competitiveness • Prepaid Payment Instruments (not subject to the Requirements to Assert Against Third Parties)

Auditing Issues

One of the reasons that makes it difficult for Web3.0 companies to be audited is the difficulty in determining accounting for token issuance. In particular, it has been pointed out that **it is difficult to identify the legal validity of the transaction itself and the rights and obligations between the issuer and the holder** with regard to the understanding of the actual status of the transaction, which is a prerequisite for consideration in light of existing accounting standards, **in the following areas where there are no specific accounting standards** at present.

General name	Applicable law	Legal name	Accounting standards	
			Holder	Issuer
Security Token	Cabinet Office Order on Financial Instruments Business	Electronically recorded transferable rights to be indicated on securities, etc.	Practical Solutions Report No. 43 "Accounting Treatment and Disclosure of Issuance and Holding of Electronically Recorded Transferable Rights to be Indicated on Securities, etc."	
Stablecoin	Payment Services Act	Electronic Payment Instruments	Practical Solutions Report No. 45 "Immediate Treatment of Accounting Treatment and Disclosure of Specific Electronic Payment Instruments under the Payment Services Act"	
Cryptoasset		Cryptoassets	Issued by others: Practical Solutions Report No. 38 "Immediate Treatment of Accounting for Virtual Currencies under the Payment Services Act "	N/A
NFT	None	None	N/A	

Matters to be Clarified for RWA Tokens

The matters that should be considered, particularly those related to **rights and obligations related to RWA tokens** covered by the Guideline, are as follows.

- **Rights and Obligations:** Rights and obligations owed by the issuer, primary buyers, purchasers and sellers after secondary distribution, transaction platforms, and managers of Real-World Assets, among others
- **Goods or Services to be Provided:** Contents and duration of goods or services to be provided by the RWA token issuer, the relationship between goods or services to be provided and the consideration received by the issuer, and the obligations, including penalties, if the issuer is unable to provide goods or services to the holder
- **Legal Positioning of the Tokens:** The legal status of the token under private law, the classification of the token as a cryptoasset, the nature of the token, its asset characteristics in the case of self-issued tokens, and the applicable laws and regulations governing the exercise of rights or fulfillment of obligations

Availability of the Terms of Use

- Terms of Use are public documents that **can address the rights and obligations of a wide range of parties**, such as Issuer, Primary Buyer, Purchaser and Sellers after Secondary Distribution, Trading Platform, and Managers of Real-World Assets, among others.
- The legal positioning and the process of rights and obligations are also clear in that a **contractual relationship can be formed** by presenting and agreeing to the Terms of Use.

Taking these points into consideration, the Guidelines mainly address the Terms of Use. Since RWA tokens, which are not security tokens, are not disclosed in accordance with the Financial Instruments and Exchange Act, It can also be pointed out that RWA tokens that are not security tokens generally do not disclose information based on laws and regulations, such as disclosures under the Financial Instruments and Exchange Act. This further demonstrates **the significant role that Terms of Use play in understanding rights and obligations** associated with these tokens.

As a reference, the Guidelines **attaches a template of the Terms of Use** that assumes certain use cases.

Issues that require continuous discussion, such as those that are considered to be useful for promoting businesses that utilize RWA tokens, have certain challenges and are expected to take a considerable amount of time to resolve, will be discussed as **medium to long-term issues**.

1. Legal System

(1) How to comply with the requirements to assert against third parties

if **more flexibility** can be achieved in how to meet the requirements **to assert against third parties**, the stability of transactions, as is clarified by law that Real-World Assets are definitively transferred through the transfer of tokens, will improve, and it will be possible to promote business while ensuring the smooth protection of sellers and purchasers of RWA tokens.

(2) Ownership of Immaterial Objects

Immaterial objects such as digital art are not subject to ownership under the Civil Code, and it is often difficult to arrange them as transfer of claims. One possible solution is to **establish a legal system in which Real-World Assets are deemed to have been transferred (in a manner that meets the requirements to assert against third parties) when tokens are transferred, as a general principle** covering various Real-World Assets.

2. International Initiatives

Japanese law does not always apply to cross-border transfers, and it is not easy to secure the legal outcome that Real-World Assets are linked to tokens even after transfer.

(1) International Association for the Unification of Private Law (UNIDROIT)

UNIDROIT, an intergovernmental international organization, launched the Digital Assets and Private Law Project in 2020, and adopted the **UNIDROIT Principles on Digital Assets and Private Law** in May 2023.

(2) ISO/TC307

At present, ISO (International Organization for Standardization)/TC 307 (Expert Committee on Blockchain and Electronic Distributed Ledger Technology) is discussing and studying ways to **record data and information equivalent to Terms of Use in tokens**, but these discussions are at an early stage at present.

Points of Attention

The Guidelines and the attached "Terms of Use" are provided for reference purposes only. If the Guidelines are to be applied to your business, please seek advice from a lawyer or other specialists depending on your business contents.

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