# VALUATION ALERT ISSUE 001/2025

## Real-World Assets (RWA) Valuation

In the rapidly evolving world of finance and technology, real-world assets (RWA) tokenisation is proving to be a forthcoming uptrend. By utilising blockchain technology, this approach allows tangible assets such as real estate, commodities, and fine art to be digitised and divided into digital tokens. These tokens can then be traded on decentralised platforms, increasing accessibility to previously illiquid assets and democratising investment opportunities for a wider audience.

Amid the uptrend of RWA tokenisation, RWA valuation is in demand as a cornerstone of the tokenisation process, for price setting and attestation of asset values. This article presents several simple Q&As which introduce RWA, tokenisation and the position of RWA valuation in asset digitisation.

**Q1: What are real-world assets? Why are they tokenised?**

Tokenised RWA are digital tokens built on blockchain technology that represent physical or traditional financial assets, including cash, commodities, equities, bonds, credit, artwork, and intellectual property. The tokenisation of RWA represents a major transformation in how these assets are accessed, traded, and managed, opening new possibilities for blockchain-driven financial services as well as diverse non-financial applications rooted in cryptography and decentralised consensus. It is widely believed that the future of finance will be on-chain, with hundreds of blockchains supporting trillions of dollars' worth of tokenised RWA. These assets will operate on a shared foundation of blockchain and distributed ledger technology networks, seamlessly connected through a universal interoperability standard.

**Q2: What are the key benefits of tokenising real-world assets?**

Tokenised assets offer numerous advantages, including enhanced liquidity, broader accessibility, transparent on-chain management, and reduced transactional friction compared to traditional assets. For financial assets, RWA tokenisation further simplifies operations by consolidating distribution, trading, clearing, settlement, and safekeeping processes into a single layer. This creates a more efficient on-chain financial system with lower counterparty risk, enabling the more efficient mobilisation of capital.

Key benefits of tokenising real-world assets include:

- Enhanced liquidity: Tokenisation converts traditionally illiquid assets, such as real estate or fine art, into easily tradable digital tokens, enabling quicker and more seamless transactions.
- Fractional ownership: High-value assets can be divided into smaller portions, allowing investors to participate with lower capital and making investment opportunities more inclusive.
- Global accessibility: Blockchain facilitates borderless trading, enabling investors from around the globe to participate without being restricted by geographical barriers.
- Transparency and security: The decentralised nature of blockchain ensures that all transactions are transparent, immutable, and traceable, enhancing trust and security.
- Cost efficiency: By removing intermediaries, tokenisation reduces transaction costs and simplifies asset management processes.
- Diversification opportunities: Tokenisation allows investors to diversify their portfolios by acquiring tokens from various asset classes.
- Faster transactions: Smart contracts automate processes, significantly accelerating asset transfers and compliance checks.

**Q3: Which asset classes are good for tokenisation?**

Assets that are high in value and require substantial capital for ownership are among the most suitable for tokenisation. Real estate is a notable example, as tokenising property enables fractional ownership, making it accessible to investors who might otherwise be unable to enter the market. Tokenisation simplifies the complexities of property management and sales, creating investment opportunities in both residential and commercial sectors worldwide.

Beyond real estate, other high-value assets such as fine art, collectibles, and commodities like gold or oil are also ideal for tokenisation. This process not only enhances liquidity but also ensures the authenticity and provenance of assets, which is particularly important in markets like art and antiques.

Tokenisation can also extend to intellectual property, stocks, and venture capital interests, allowing investors to acquire smaller portions of high-value assets or projects. As the practice continues to develop, an increasing number of asset classes are likely to be tokenised, broadening the possibilities for digital ownership and trading in a globally connected marketplace.

**Q4: Are there any significant uptrend of tokenisation in certain asset classes?**

Tokenisation is disrupting the art industry. In recent years since the pandemic, the global art market showed resilience during the pandemic, with online sales rapidly increasing and more collectors turning to art as a safe haven investment.

With the art industry being a multi-billion-dollar industry that includes the creation, promotion, and sale of artwork, it has traditionally been dominated by a small number of wealthy collectors and institutions.

Tokenisation is transforming the art industry by providing a new way for artists to sell their work and for collectors to invest in art. Tokenisation allows artists to sell fractions of their artwork to a wider audience and create a more secure and transparent sales process, which makes it easier to finance art projects. While the general public that normally wouldn't be able to get involved in the art market, can now participate as fractional owners. This creates a new, more democratic art market accessible to global investors.

**Q5: What are the regulatory challenges in tokenisation?**

The major challenge lies in the lack of clear and consistent regulations across jurisdictions. Different countries have varying approaches to digital assets, with some embracing tokenisation while others impose strict regulations or outright bans.

This creates uncertainty for businesses and investors, as they must navigate complex compliance requirements, from securities laws to anti-money laundering (AML) and know-your-customer (KYC) regulations. To move forward, there must be a concerted effort to establish global standards that balance innovation with consumer protection.

Tokenisation also raises concerns about taxation and investor protections. Governments must find ways to adapt their tax policies to account for tokenised assets, ensuring that transactions are properly reported and taxed without stifling the growth of this emerging market. In addition, as tokenised assets are traded on decentralised platforms, regulators must consider how to enforce rules around market manipulation, insider trading, and fraud prevention. Although challenging, it also presents an opportunity for regulators to create a framework that fosters innovation while protecting investors and maintaining market integrity. As the regulatory landscape matures, tokenisation would become a more stable and trusted component of the global financial ecosystem.

**Q6. Why RWA valuation is in demand and what is the role of valuation in tokenisation?**

Generally speaking, valuation of the RWA could be the first step in the tokenisation process. A professional and well-recognised valuation of the current market values of the RWA is necessary for price setting, structuring of token offerings, etc.

Besides for financial reporting purpose, which is also required for traditional assets, a reliable valuation process provides assurance to investors that the offered tokens reflect the true value of the underlying assets. Further, a professional valuation could be one of the regulatory requirements in the tokenisation process. Subsequently after the initial token offering, authorities may require regular proof of fair values to protect investors and maintain market integrity. After all, accurate and credible valuations help build investor confidence. With the token's value backed by a thorough and professional valuation process, investors can rest assured to opt for digital assets.

**Q7: Are there any valuation standards for RWA valuation?**

Subject to additional compliance requirements imposed by the relevant tokenisation authorities, RWA valuations are normally, like traditional asset valuations, prepared in accordance with the International Valuation Standards issued by the International Valuation Standards Council, and, where applicable, the RICS Valuation – Global Standards (the "Red Book") published by the Royal Institution of Chartered Surveyors.

**Q8: Are intangible assets commonly tokenised and how RWA valuation caters for intangible asset tokenisation?**

Currently, RWA are prevalently related to tangible assets like art collections, real estates, etc. One day when tokenisation is more commonly adopted in the world of finance, intangible assets like patents, trademarks, franchises, goodwill, etc. are also possible to be the underlying assets of tokens. As intangible assets have no easily observable market values that tangible assets tend to have, RWA valuation would certainly be able to help attest and evaluate the value of intangible assets for, among others, financial reporting purpose.

Overall, we believe that RWA valuation is largely conducive to asset tokenisation and the overall well-being of the world of digital finance in the near future. The above table addresses questions frequently asked by token issuers and investors. It does not aim to be complete and may contain omissions.

## Moore Transaction Services

Moore Hong Kong has been actively providing transaction and valuation advisory services to its clients. We are eager to share our insights on the subject matters in this regard, with our team of valuation specialists and transaction advisory experts, who are holders of professional qualifications including Chartered Financial Analyst (CFA), Financial Risk Manager (FRM), Certified Public Accountant (CPA), member of the Royal Institution of Chartered Surveyors (MRICS), Chartered Alternative Investment Analyst (CAIA) and the Certified ESG Analyst (CESGA) designation granted by the European Federation of Financial Analysts Societies (EFFAS).

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