



HK Government issues Policy Statement on development of Virtual Assets in Hong Kong

On 31 October 2022, the Financial Services and Treasury Bureau (**FSTB**) issued a [policy statement on the Development of Virtual Assets in Hong Kong](#).

The Policy Statement

The Government in cooperation with the Hong Kong Monetary Authority (**HKMA**) and Securities and Futures Commission (**SFC**) will work towards providing a “facilitating environment for promoting sustainable and responsible development of the Virtual Assets (**VA**) sector in Hong Kong”¹. It states its readiness to “calibrate” Hong Kong’s legal and regulatory regime for virtual assets as part of facilitating the aforementioned environment “having regard to the evolving nature and innovative approach of VA”. The Government will monitor international regulatory developments closely and will take into account international developments in developing Hong Kong’s virtual asset regulations. It also noted that it was “ready to engage with global VA Exchanges and invite them to set foot in Hong Kong for new business opportunities”.

Retail Investors’ Exposure to Virtual Assets

The Government recognises that global investors, both institutional and individual, are increasingly accepting of “VA as a vehicle for investment allocation”. The SFC will therefore be conducting a public consultation on how “retail investors may be given a suitable degree of access to VA under the new licensing regime” for VA service providers. The Government also expressed its openness to the possibility of having VA Exchange Traded Funds given that these have allowed retail investors to gain exposure to virtual assets in other markets. The SFC will be issuing a circular on this topic.

Property Rights of Tokenised Assets

The Government also proposes a review on the “property rights for tokenised assets and the legality of smart contracts” given they will not fit squarely into existing private property law categories or definitions.

Stablecoins

The HKMA will be publishing the consultation outcome and next steps of [HKMA’s Discussion Paper on Crypto-assets and Stablecoins](#), released in January 2022, that looked to put in place a “risk-based, proportionate, and agile regime for the regulation of activities related to payment-related stablecoins”, in due course.

The Pilot Projects

In its policy statement, the Government also announced a number of pilot projects.

a) Green Bond Tokenisation

The HKMA's new project will seek to "tokenise Government Green bond issuance for subscription of institutional investors". Their objective will be to test the use of Digital Ledger Technology throughout the bond lifecycle (inclusive of issuance, settlement, asset servicing, secondary trading and redemption) for use within Hong Kong's existing financial infrastructure and legal regulatory environment. This pilot project will "serve as a guide for similar future issuances by market participants".

b) e-HKD

In line with many other jurisdictions around the world, the Hong Kong Government is exploring the launch of a Central Bank Digital Currency - the e-HKD. The HKMA will take a "three rail approach" by exploring the technology and legal foundations in phase one, use cases and designs in phase two, and issuing a timeline for the launch of e-HKD in its third and final phase.

[1] All quotes are taken from *Policy Statement on Development of Virtual Assets in Hong Kong (2022)*

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