

HONG KONG VIRTUAL ASSET REGULATION UPDATES 2025-2026

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Agenda

- Proposed AMLO licensing/registration regimes for VA dealing, advisory, management & custodian services
- Changes to VATP regulation
- Regulatory relaxations for SFC-licensed/registered intermediaries (SFC-regulated intermediaries)
- Stablecoin regulation under the Stablecoins Ordinance & recent HKMA/SFC relaxations
- Recent SFC enforcement action - Saxo Capital Markets
- Hong Kong Government's 2026/27 Budget proposals & tax transparency

4 New VASP Licensing/Registration Regimes

1

VA Dealing

Aligned with Type 1

2

VA Advisory

Aligned with Type 4

3

VA Management

Aligned with Type 9

4

VA Custodian

New standalone regime

- Each activity = a “VA service” requiring a VA service provider (**VASP**) licence or registration
- Regimes will replace SFC-imposition of VA-specific licensing/registration conditions
- Single AMLO bill expected in LegCo in 2026, with separate consultations on detailed requirements to follow

Definition

- Aligned with SFO RA Type 1 - dealing in securities
- Covers making, offering to make, or inducing another to enter an agreement to acquire, dispose of, subscribe for or underwrite VAs
- Originally proposed 2nd limb covering derivatives & structured products referencing VAs was removed
 - These products generally fall within SFO RAs Type 1, Type 2 (futures) or Type 11 (OTC derivatives)
- VA definition excludes securities & futures contracts
 - dealing solely in tokenised securities is out of scope



Scope of activities

VA dealing covers:

- VA-to-VA & VA-to-fiat conversions, spot trading, & VA brokerage & block trading
- services provided physically or online
- advisers taking orders to buy or sell VAs
- asset managers placing orders with dealers when managing client VA portfolios

May cover payment service providers facilitating VA transactions, eg VA-fiat conversion services

Proposed exemptions

- Transactions conducted through SFC-regulated VA dealers
- Transactions conducted as principal & intra-group transactions
- VA use as payment for goods or services
- Incidental exemption - dealing by SFC-regulated VA managers solely for VA management purposes
- HKMA-licensed stablecoin issuers conducting regulated stablecoin activity
- Distribution of VAs generated as rewards for ledger maintenance or transaction validation
- VA issuers dealing in VAs they created or minted, via SFC-regulated intermediaries or offered exclusively to professional investors



Specific requirements

- Non-bank licence applicants must be a HK-incorporated company or an overseas company registered under the Companies Ordinance
- Client VAs must be custodied with SFC-regulated VA custodian service providers
- Retail clients limited to highly liquid VAs (large-cap, included in two acceptable indices) & stablecoins of HKMA-licensed stablecoin issuers
- VA dealers must use an omnibus account with an SFC-licensed VATP
- Minimum paid-up share capital: HK\$5 million
- Minimum liquid capital: up to HK\$3 million, depending on business model - SFC may require more

Definition & scope

- Covers advice on whether, which, when or on what terms VAs should be acquired or disposed of, & issuing analyses or reports
- Technology neutral - advice given via algorithms or AI language models is covered
- Generic factual information / tools objectively filtering information for self-directed research are out of scope
- Advising on tokenised securities = SFO RA Type 4
- Advice on VA derivatives/structured products generally falls under SFO RAs Types 4, 5 or 11
- A Type 4 licence holder/registrant providing VA advice cannot rely on a 'wholly incidental to RA4' exemption - VAs are a distinct asset class

Key exemptions

- Advice to wholly-owned group companies on own assets only
- Acts wholly incidental to licensed VA dealing or fund management
- Solicitors, barristers & CPAs acting incidentally to professional practice
- Registered trust companies discharging duties
- Advice via generally available publication or broadcast
 - Scope attracting scrutiny given influencer activity & inadequate disclosure of conflicts of interest - SFC conducting a holistic review



Financial Resources

- **Not holding client assets:** minimum liquid capital: **HK\$100,000**
- **Holding client assets:**
 - minimum paid-up share capital: **HK\$5M**
 - minimum liquid capital: **HK\$3M**
- A corporation licensed/registered for Type 4 & VA advisory will not face double regulatory capital requirements
- Where a corporation holds multiple RA or VA service licences/registrations, the highest applicable requirement across all of them applies
- SFC retains discretion to impose additional requirements where warranted



Definition & scope

- Defined by reference to SFO RA Type 9 - asset management
- Covers carrying on a business of managing a portfolio of VAs for another person
- Key determinant: whether provider has **discretionary power** over the VAs
- Covers fund management & discretionary accounts such as investment mandates or model portfolios
- A firm delegating investment management function remains subject to the licensing/registration requirement
- A sub-manager carrying on business in HK must also be independently licensed



Key Boundary Clarifications

- Managing a portfolio investing in products referencing/ or exposed to VAs (eg derivatives, structured products, VA spot & futures ETFs) falls within Type 9, not VA management
 - Mixed portfolios holding VAs & reference products require both licences/registrations
- Managing portfolio investing in VA-proprietary trading companies, or funds of funds investing in VA funds is out of scope
- Inadvertent or involuntary acquisition of VAs, promptly disposed of, may not amount to VA management, but a decision to retain them will
- A fund accepting VAs for subscription/redemption or using VAs for settlement requires a licence/registration if the manager exercises discretionary power over the VAs

VA Management Services

No De Minimis Threshold

- Current 10% de minimis threshold under SFC/HKMA Joint Circular is removed
- Any VA exposure requires a licence/registration

Key Exemptions

- Services to wholly-owned group companies
- Acts incidental to licensed VA dealing
- Solicitors, barristers, CPAs & trust companies acting incidentally

Key Requirements

- Flexibility to appoint **any** qualified global custodian for private fund VAs
- Self-custody of unsupported new tokens permitted up to a threshold
- **Not holding client assets:** HK\$100,000 liquid capital
- **Holding client assets:**
 - HK\$5M paid-up capital
 - HK\$3M liquid capital



Definition & scope

- Defined as safekeeping **instruments enabling transfer of clients' VAs**, including private keys or similar instruments (eg smartcards or authentication credentials)
- Technology neutral – key test: can provider **unilaterally transfer** client VAs? Assessed case by case
- Originally proposed broader limb (safekeeping VAs) was dropped
- Custody solely of tokenised securities is outside scope (these are not VAs)

VA Custodian Services

Who requires a licence/exemption

- Associated entities of SFC-licensed VATPs providing custodian services, SFC-licensed Type 13 corporations, banks & subsidiaries of locally incorporated banks & stored value facilities **that safekeep private keys (or similar instruments)** enabling client VA transfers
- SFC-licensed/ registered fund managers that self-custody fund VAs by safekeeping private keys (or similar instruments)

Proposed exemptions

- Custody wholly incidental to a licensed VA service or regulated activity for which entity is regulated, provided private keys are not safekept
- Companies providing custody only for group companies
- Legal & accounting professionals holding back-ups of keys, or court-appointed administrators
- HKMA-licensed stablecoin issuers custodying only the stablecoins they issue



Specific requirements

- Individuals with more than a clerical role - senior management, key access holders, multi-signature staff - must be licensed representatives/relevant individuals
- May rely on overseas group resources without separate licensing/registration, provided HK-regulated entity retains independent unilateral control to move client VAs
- Overseas group members may not market VA custodian services to the HK public
- Staking services permitted subject to robust safeguards; no restriction on VA types custodied subject to due diligence
- Must establish a token admission committee & engage an external assessor to review internal controls before licensing/registration
- Baseline minimum paid-up share capital of HK\$10M & minimum liquid capital of HK\$3M - highest of the 4 regimes (note banks are subject to Banking Ordinance requirements)

Common Requirements



Across all 4 VASP regimes

- Compliance with CDD & record-keeping requirements in Schedule 2 to AMLO
- Fit-&-proper test for licence/registration applicants, substantial shareholders & relevant individuals
- Proper corporate governance structure, & personnel with adequate knowledge, experience & passed regulatory papers
- Risk management policies proportionate to the scale & complexity of the business
- Duty to act honestly, fairly, with due skill, care & diligence, in clients' & the market's best interests
- Investor protection safeguards - knowledge assessment, training, risk profiling, exposure limits, suitability, conflicts management
- Submission & updating of prescribed information; records accessible to SFC/HKMA; audited accounts (other than for banks)
- No deeming arrangement - each regime takes full effect on commencement; expedited licensing/registration available for entities already regulated by SFC or HKMA

Powers & penalties across the 4 Regimes

- Offence to actively market VA service to HK public without a licence or registration
- Unlicensed/unregistered VA service or active marketing - HK\$5M fine & 7 years' imprisonment
- Non-compliance with AML/CFT requirements - HK\$1M fine & 2 years' imprisonment
- Fraudulent or deceptive conduct - HK\$10M fine & 10 years' imprisonment
- Disciplinary sanctions - suspension, revocation, reprimand, pecuniary penalties up to HK\$10M
- Appeals heard by the AML/CFT Review Tribunal established under AMLO

Changes to VATP Regulation

Shared Order Books

- Nov 2025 Circular allows VATP operators to integrate order books with overseas affiliated VATPs (**OVATPs**) into a pooled Shared Order Book for cross-platform matching and execution
- Aim: connect HK with deeper liquidity
- 1st step: limited to intra-group (affiliated) liquidity only
- Shared Order Book must be jointly managed by the licensed VATP operator & OVATP licensed in home jurisdiction
- OVATP jurisdiction must be FATF or FATF-style member, with regulation aligned with FATF & IOSCO market abuse & client protection standards
- Governed by Shared Order Book Rules covering pre-funding, order placement, execution, novation, settlement & default management

Changes to VATP Regulation

Shared Order Books

Trading, Settlement & Financial Safeguards

- Only fully pre-funded orders accepted; settlement assets must be held with a custodian designated by licensed VATP operator or OVATP
- Settlement governed by a delivery-versus-payment mechanism
- OVATP trades must be settled at least daily; intraday settlement is required to keep unsettled trade exposure within a defined limit
- Reserve fund required in HK for client compensation, at least equal to the unsettled trade limit
- Insurance or compensation arrangement also required for potential loss of settlement assets

Changes to VATP Regulation

Shared Order Books

Surveillance, Client Protection & SFC Approval

- Unified market surveillance run jointly with the OVATP across the Shared Order Book, not split by client jurisdiction
- RO or MIC designated to oversee surveillance
- Shared Order Book data provided to the SFC on request
- Retail access permitted only with clear disclosure of overseas jurisdiction risks & client's express election to participate
- Prior written SFC approval required to operate a Shared Order Book

Changes to VATP Regulation

Relaxation of the staking prohibition

- VATP Guidelines prohibit VATPs from using client VAs to generate returns, preventing staking by licensed VATPs
- Staking means committing client VAs to a validator under a proof-of-stake mechanism, with distribution of generated returns
- 2 SFC circulars issued 7 April 2025 relaxed the prohibition on staking
 - Circular on staking services provided by VATPs - sets licence conditions for offering staking
 - Revised circular on SFC-authorized funds with VA exposure - allows staking through licensed VATPs or authorized institutions (updated on 27 May 2026)
- SFC's prior approval required in both cases; changes respond to investor demand & network security benefits

VATP Staking Conditions



Conditions imposed on licensed VATPs

- VATP must retain full control over all withdrawal mechanisms for staked client VAs
- Internal controls required to prevent fraud, error & unauthorised activity, & manage conflicts of interest
- Retail clients must acknowledge they understand the risks before staking begins
- Blockchain protocol selection must be overseen by the token admission & review committee
- VATP must continuously monitor protocol updates & risks to staked assets

VATP Staking Conditions



Client disclosure, approvals & records

- Website/app disclosure of staking rules, VAs covered, 3rd parties involved, & risks
- Disclosure of lock-up periods, returns, unstaking process, fees, & loss-handling arrangements
- Staking only on client's standing authority or one-time written instruction; terms confirmed before & after staking
- Staking must be reflected in client account statements
- Records of staking activity kept for at least 7 years
- Prior SFC approval needed to introduce or discontinue retail staking per protocol; advance notice suffices for professional-investor-only staking
- Material non-compliance with staking terms must be promptly reported to the SFC

Staking by SFC-Authorised VA Funds

Requirements for fund managers

- Staking must be consistent with the fund's investment objective & strategy
- Robust internal controls required to manage staking risks & conflicts of interest, with proper custody arrangements
- Due diligence & ongoing monitoring required of staking counterparties & service providers
- Offering documents & Key Facts Statements must disclose staking extent, risks & features
- If staking will result in material change in risk profile or strategy, investors must receive reasonable notice; manager must consider need for shareholder approval
- Enhanced reporting - interim/annual reports must disclose staked VAs as proportion of NAV, & related revenue & expenses
- Fund must consult the SFC & obtain approval before engaging in staking



SFC Circular of 11 February 2026

- Under VATP Guidelines, group companies of a VATP operator cannot ordinarily conduct proprietary trading on the operator's platform
- Circular creates an exception for affiliated market makers (**AFMMs**) subject to conditions
- Terms & conditions are imposed on VATP operator's licence where AFMM participation is permitted



Conflicts of interest controls (Condition 1)

Functional independence

- Organisational & administrative segregation from the VATP operator's environment
- Robust conflicts of interest policies, with a Responsible Officer or Manager-in-Charge responsible for managing AFMM conflicts
- Data security policies & information barriers preventing AFMM access to confidential client & system data
- Periodic reviews of access logs to ensure information barriers remain effective



Order handling & client disclosure

- Client orders must have priority over AFMM orders at the same price level
- Post-trade data must indicate, trade-by-trade, which trades were executed by the AFMM
- Technical access - market data feeds, connectivity, order type availability - must be identical for the AFMM & other market makers
- Clients must be told of the AFMM's presence, role & associated risks
 - Including any preferential arrangements, order book access differences, & extra services provided either way



Ongoing obligations

- AFMM orders & trades must be captured in the VATP's market surveillance systems
- Immediate reporting to SFC of material breaches or regulatory action against the AFMM
- Annual independent professional review of compliance, reported to the SFC

Pre-commencement steps

- Before commencement, VATP operator must:
 - Notify the SFC in writing (signed by MIC of Overall Management Oversight)
 - Submit independent professional firm report confirming compliance with AFMM Terms & Conditions
 - Provide a declaration of effective policies & an undertaking to immediately suspend AFMM activity if any breach has significant client impact



Framework overview

- SFC 11 February 2026 Circular sets out its approach to permitting SFC-licensed VATP operators to offer VA perpetual contracts (**VA Perps**)
- Interested VATP operators are invited to submit proposed structures for discussion incorporating the safeguards & investor protection mechanisms set out in the circular

VA Perpetual Contracts



What are VA Perps?

- Traded on-platform, track an underlying asset or index, with no expiry date (or spot contracts with automatic rollover)
- Incorporate a price convergence mechanism via periodic funding rate payments between long & short holders to keep contract price aligned with spot market price
- Leveraged contracts, but client loss is limited to the margin posted
- Designed so the VATP has no credit exposure to any participant
- Where margin is insufficient, positions are liquidated via pre-specified loss allocation mechanisms, such as backstop liquidity, reserve/insurance funds, & closing out opposite positions where applicable



Who can trade & eligible reference assets

- Restricted to professional investors
- VATP must assess client derivatives knowledge (under paras 5.1A & 5.3 of SFC Code of Conduct) before trading VA Perps
- Reference asset must be:
 - a VA already available for retail spot trading on the platform OR
 - an index of such VAs administered in compliance with IOSCO Principles for Financial Benchmarks
- If spot trading in a reference asset is suspended, trading of the corresponding VA Perp is expected to be suspended too



Trading, settlement & key parameters

Requirements include:

- Transparent, comprehensive rules governing fair trading, position margining, default management, liquidation & loss allocation
- Orderly trading & settlement even under extreme but plausible stressed conditions
- Regular stress testing of trading systems to ensure operational resilience
- Key Parameters (mark price, reference price, funding rate, valuation) must be transparent, reliable & verifiable & made available to clients in real time
- Funding rate payments must be settled at least once every 24 hours, with inputs, calculation windows & settlement frequency disclosed to clients



Margin arrangements & loss allocation

- Automated pre-trade checks required to confirm margin is received in full - no extension of credit for margin
- Acceptable collateral limited to fiat currency, or HKMA-regulated stablecoins & tokenised deposits
- Margin requirements must reflect position concentration risk to facilitate orderly liquidation
- Pre-determined loss allocation hierarchy - order-book liquidation, backstop liquidity, reserve/insurance fund, auto-deleveraging (**ADL**)
- Automated liquidation at pre-defined thresholds, with regular review & testing of margining mechanisms
- Real-time disclosure of insurance fund levels & prompt client notification & warnings of potential ADL if the fund is depleted
- Post-event report to affected clients within 24 hours of ADL or other last-resort tool activation



Surveillance & disclosure requirements

- Surveillance systems must detect VA Perp-specific patterns - index/mark price deviations, funding rate anomalies, liquidation clusters
- Real-time cross-market surveillance required across spot & VA Perps trading
- Comprehensive business continuity plan required for abrupt or abnormal market conditions, to be disclosed to clients
- Website disclosure of all material risk factors (incl. funding rate volatility, liquidation cascades, total loss of investment & forced close-out of non-defaulting clients' positions)
- Detailed disclosure of trading rules, product specifications, fees, pricing methods, leverage options & default management procedures
- Real-time disclosure of all VA Perp transactions, including forced liquidations, across all standard display channels



VA margin financing (11 Feb 2026 circular)

- Relaxes the prohibition on financial accommodation for VA acquisition
- Allows licensed VA dealers to offer margin financing for VA dealing to existing securities margin clients
- Directed at VA dealers offering dealing through licensed VATPs
- Financing must be supported by sufficient collateral & the safeguards set out in the circular
- Credit extension must be assessed on client's financial capability & the quality of posted collateral (securities or eligible VA collateral)
- Senior management is responsible for implementing controls to effectively managing risks arising from VA financing

Relaxations for VA Dealers



VA collateral - eligibility & haircuts

- Only bitcoin & ether are eligible as VA collateral
- A haircut of at least 60% must be applied to their market value
- VA collateral should be valued at the prices the VATP executes client VA orders
- Dealers must document risk assessment methodologies & monitor vulnerable VA exposures in the margin loan portfolio
- SFC Guidelines for Securities Margin Financing apply in full; VA credit forms part of aggregate margin loans
- Repledging, reusing or encumbering VA collateral is prohibited except to enforce collateral on client default



Shared order books (11 Feb 2026 Circular)

- Licensed VA dealers may now route client orders to a Shared Order Book on an agency basis
- Routing permitted only after a thorough risk assessment covering conflicts of interest, settlement mechanics, default management & client protection
- Clear & comprehensive client disclosure required to allow an informed decision on Shared Order Book trading
- Retail clients access to a Shared Order Book requires:
 - the VA dealer to explain the additional risks of cross-border order matching & settlement, including potentially lower client protection in overseas jurisdictions &
 - the client's express election to participate



Safeguarding client VAs on withdrawal (11 Feb 2026 Circular)

- Licensed VA dealers already required to safeguard client VAs against theft, fraud & misconduct
- SFC concern: withdrawal functionality introduces additional cyber & operational risk - risk of impersonation & fraudulent instructions
- VA dealers that permit client VA withdrawals must implement:
 - robust authentication, access controls & security arrangements to prevent, detect & respond to unauthorised withdrawal attempts
 - 24/7 continuous monitoring with effective incident escalation & suspension mechanisms
- VA dealers must work with VATP operators to detect anomalous withdrawal activity
 - eg agreeing withdrawal thresholds or blocking suspicious withdrawal attempts

Hong Kong Stablecoin Regulation



What stablecoins are covered

- Stablecoins Ordinance (Cap. 656) took effect on 1 August 2025
- A Stablecoin is a cryptographically secured digital representation of value that: is used as a medium of exchange; can be transferred electronically; operates on a distributed ledger; & has explicit purpose of maintaining a stable value by reference to a specified asset
- A Specified Stablecoin is one referencing one or more official (fiat) currencies
- HKMA has power to expand the definition, but only fiat-referenced stablecoins are currently in scope
- Commodity-linked stablecoins (eg gold-linked coins) are not currently regulated
- Excludes tokens that are securities/futures, bank deposits, central bank/government tokens, & limited purpose tokens (loyalty points or in-game assets)

Hong Kong Stablecoin Regulation

Who needs a licence

- A licence is required to issue a Specified Stablecoin in HK, or to issue a HK\$-referenced stablecoin outside HK
- 2nd limb is extraterritorial - offshore issuers of HK\$-linked stablecoin must be licensed
- HKMA takes a holistic, fact-specific approach to whether a Specified Stablecoin is issued in Hong - location of: management, incorporation, minting/burning, reserve asset management & bank accounts
- Unlicensed activity, or holding oneself out as licensed, carries up to HK\$5M fine & 7 years' imprisonment, plus a daily HK\$100,000 fine
- 'Holding out' includes active marketing to the Hong Kong public - assessed holistically (language, domain names, dedicated HK marketing plans)

Stablecoin Issuer Eligibility

Incorporation & reserve asset requirements

- Applicant must be a Hong Kong-incorporated company, or an authorized institution (a bank) incorporated outside Hong Kong
- Overseas non-bank entities must establish a Hong Kong subsidiary to apply
- Specified Stablecoins must be backed by reserve assets whose value is **equal to or greater than** the par value of outstanding stablecoins.
- Algorithmic stablecoins, which cannot guarantee full backing, will not be licensed
- Acceptable reserve assets - cash, bank deposits (≤ 3 months), government/central bank debt (≤ 12 months), overnight reverse repos
- Reserves must be held in the referenced currency; mismatches need HKMA approval & protection such as over-collateralisation

Reserve asset management & disclosure requirements

- Public disclosure of reserve management policy & reserve asset risk assessment
- Daily statements of par value of outstanding Specified Stablecoins & market value & composition of reserve assets must be reported to HKMA weekly & published on the issuer's website
- Independent auditor must attest regularly to sufficiency, composition & value of reserve assets: reports must be submitted to HKMA within 1 month of period-end, & published on issuer's website
- Reserve asset policies must be reviewed at least quarterly & approved by the board
- Immediate HKMA notification required for breach of reserve asset requirements, material policy non-compliance or unresolved reconciliation discrepancies

Stablecoin Issuer Requirements

Financial resources & redemption rights

- Non-authorized-institution issuers must maintain minimum paid-up share capital of **HK\$25** million
- Authorized institutions are subject to the Banking Ordinance's capital requirements
- Specified Stablecoins must be redeemable at full face value in the stablecoin reference currency without unreasonable fees or unduly burdensome conditions
- Redemption requests must be honoured within 1 business day, unless HKMA approves a longer period

Stablecoin Issuer Requirements

Insolvency rights, interest ban & disclosure obligations

- On issuer insolvency, holders may direct sale of reserve assets to redeem outstanding Specified Stablecoins pro rata, & to claim any shortfall from the issuer
- Issuers must submit an independent legal opinion confirming these rights to HKMA before licensing
- Licensed issuers are prohibited from paying interest on Specified Stablecoins, or allowing others to do so: interest broadly defined to include any time- or value-based return
- A white paper for each Specified Stablecoin, covering reserve management, redemption rights, terms & risks, must be published on issuer's website
- HKMA must be notified before publication or material amendment of white paper
- Audited financial statements must be submitted to HKMA within 4 months of financial year-end – must cover reserve assets
- Issuers are “financial institutions” under the AMLO - full Schedule 2 AML/CFT compliance, including a Compliance Officer & MLRO

Restrictions on Offering Stablecoins

Who may offer, & to whom

- Only Specified Stablecoins issued by an HKMA-licensed issuer may be offered to the HK public, & only by “permitted offerors”
- Permitted offerors: licensed stablecoin issuers, AMLO-licensed VATPs, SVF licensees, Type 1 licensed corporations, & authorized institutions (banks)
- Unlicensed issuers' stablecoins may be offered by a permitted offeror, but only to professional investors provided the issue itself is not caught by the s. 8 licensing offence
 - allows offer of non-HK\$ referenced stablecoins (eg USDT) to professional investors
- Breach of the offering restrictions carries up to HK\$5M fine, 7 years' imprisonment, & a daily HK\$100,000 fine
- 2 HKMA stablecoin issuer licences issued to HSBC & Anchorpoint Financial Limited (a joint venture including Standard Chartered Bank (HK)). Both planning HK\$ stablecoin launches in H2 2026

Licensed Stablecoin Regulatory Relaxations

On 27 May 2026, SFC & HKMA issued circulars providing relaxations for SFC-regulated intermediaries regarding stablecoins issued by HKMA-licensed issuers (Relevant Stablecoins) from Joint Circular requirements

Dealing in Relevant Stablecoins: Key Changes

- SFC-regulated intermediaries may partner with HKMA-licensed stablecoin issuers & with professional-investor-only licensed VATPs to provide dealing in Relevant Stablecoins
- Intermediaries regulated for RAs other than Type 1 (dealing) may now provide dealing in Relevant Stablecoins (but not other VAs) & provide dealing in Relevant Stablecoins for non-Type 1 clients
- VA knowledge test removed for Relevant Stablecoin-only clients & Relevant Stablecoin holdings are excluded from calculation of clients' VA exposure limits
- The high liquidity requirement for VAs traded by retail clients is removed for Relevant Stablecoins;
- Intermediaries can receive/withdraw clients' Relevant Stablecoins through segregated accounts with HKMA-licensed stablecoin issuers
- Material information on Relevant Stablecoins' stabilisation mechanism & redemption arrangements must now be disclosed

Licensed Stablecoin Regulatory Relaxations

Portfolio management & advisory changes

- No Type 9 licence/registration required for managing portfolios comprising only Relevant Stablecoins
- Advising only on Relevant Stablecoins is not restricted to Type 1 and Type 4 clients
- Streamlined suitability assessment introduced: Relevant Stablecoins treated as non-complex products
- High liquidity requirement for retail advisory services disapplied for Relevant Stablecoins
- Disclosure of stabilisation mechanism & redemption arrangements required when advising on Relevant Stablecoins



Saxo Capital Markets HK Limited (Saxo)

- January 2026 - SFC reprimanded & fined Saxo HK\$4M for breaches of the Code of Conduct & Guidelines on Online Distribution & Advisory Platforms in its VA product distribution
- 32 complex VA products, including VA funds not authorised for retail distribution, were made available on Saxo's platform to all clients including retail – contrary to SFC circulars restricting such products to professional investors
- Products were not identified as VA-related due to deficiencies in group-level screening protocols
- Root cause - passive reliance on group-level screening without local customisation, testing or ongoing review

Specific failures

- No VA knowledge test implemented for clients
- Warning statements given for complex/derivative products lacked required VA-specific disclosures
- Inadequate product due diligence: key information documents missing for 11 of 32 products
- Due diligence never extended to the fund managers or custodians behind the VA funds
- For 21 exchange-traded derivative products, client knowledge assessment relied solely on generic self-declaration only — without the targeted derivatives knowledge required



Findings & key takeaway

- Failure to manage & supervise the online platform to ensure compliance with VA product distribution rules
- Failure to ensure suitability, & to provide sufficient information & warnings for complex VA products
- Failure to properly assess & characterise clients' derivatives knowledge & experience
- Reliance on a parent company's systems, however sophisticated, does not discharge local regulatory responsibility
- Key takeaway - compliance obligations cannot be delegated; independent verification & oversight are essential



Market development & tax transparency

- SFC tasked with further enhancing VA market liquidity & facilitating more product offerings & services for professional investors
- Hong Kong will implement the OECD's Crypto-Asset Reporting Framework (**CARF**) & amend Common Reporting Standards (**CRS**)
- Inland Revenue (Amendment) (CARF & Amended CRS) Bill 2026 introduced to Legco on 3 June 2026
- Bill currently before a Bills Committee for clause-by-clause scrutiny
- Part 2 (CARF) commences 1 January 2027; Part 3 (amended CRS) commences 1 January 2028
- Hong Kong has committed to its first automatic exchange of crypto-asset tax information under CARF in 2028