

online version

Hong Kong SFC Expands VATPs' Permitted Products and Services

On 3 November 2025, Hong Kong's Securities and Futures Commission (**SFC**) issued the [Circular on Expansion of Products and Services of Virtual Asset Trading Platforms](#) to allow SFC-licensed virtual asset trading platforms (**VATPs**) to diversify the range of products and services they offer. The SFC's stated aim in implementing the initiative is to cater to the varying needs of different investor groups while maintaining a focus on market growth and the implementation of robust measures to protect retail investors, as outlined under Pillar P of the [SFC's ASPIRe Roadmap](#) published in February 2025.

Terminology

"Digital assets" include virtual assets, tokenised securities (which are a subset of a broader set of digital securities), and stablecoins which are defined in the Circular as follows:

- **"virtual assets"** are as defined in section 53ZRA of Hong Kong's Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) and include stablecoins;
- **"tokenised securities"** are traditional financial instruments (e.g., bonds or funds) that are "securities" as defined in section 1 of Part 1 of Schedule 1 to Hong Kong's Securities and Futures Ordinance (**SFO**) which utilise distributed ledger technology (**DLT**) or similar technology in their security lifecycle;¹
- **"digital securities"** are "securities" as defined in section 1 of Part 1 of Schedule 1 to the SFO that utilise DLT or similar technology in their security lifecycle. Digital securities which are not tokenised securities may be structured in more bespoke, novel or complicated forms. Some may exist exclusively on a DLT-based network with no links to extrinsic rights or underlying assets, and may have no controls to mitigate the risks that ownership rights may not be accurately recorded. Some of them may fall under the definition of an interest in a collective investment scheme (**CIS**). For example, digital securities which are not tokenised securities may include tokenisation of fractionalised interests in real world or digital assets such as artwork or land in a manner different from a traditional fund but such that the arrangement would amount to a CIS, or tokenisation of a profit sharing arrangement which is not in the form of traditional securities;² and
- **"stablecoins"** are as defined in section 3 of Hong Kong's Stablecoins Ordinance (Cap. 656), and include stablecoins issued by issuers licensed under the Stablecoins Ordinance and stablecoins issued by unlicensed issuers.

Hong Kong SFC-licensed VATPs: Token Admission Requirements

The SFC has broadened the range of products that SFC-licensed VATPs are allowed to offer by:

- removing the requirement for virtual assets, including stablecoins, to have a 12-month track record period before they can be offered to **professional investors**; and
- allowing stablecoins issued by a stablecoin issuer licensed under the Stablecoins Ordinance to be offered to **retail investors** whatever their track record (i.e. the 12-month track record requirement does not apply to stablecoins issued by licensed stablecoin issuers).

The changes are reflected in an amendment to the licensing conditions for VATPs (as set out in [Appendix I to the Circular](#)) but are not reflected in changes to the [Guidelines for Virtual Asset Trading Platform Operators](#) (VATP Guidelines).

The Circular also confirms that the 12-month track-record requirement of paragraph 7.6(c) of the VATP Guidelines does not apply to tokenised securities or other digital securities.

However, the 12-month track-record requirement still applies to retail offerings of all other virtual assets.

Despite the removal of the 12-month track record requirement for virtual assets offered to professional investors, VATPs are still required to comply with the due diligence obligations of paragraph 7.6 of the VATP Guidelines. A VATP must perform all reasonable due diligence on all virtual assets (including stablecoins) before including them for trading (whether by professional or retail investors) and ensure that they satisfy the admission criteria set by the VATP's token admission and review committee.

The SFC has also introduced new obligations for VATPs to disclose on their website and mobile application (where applicable) which virtual assets (including stablecoins) admitted for trading by professional investors do not have a 12-month track record and to enhance the risk disclosures for these virtual assets.

Hong Kong SFC-licensed VATPs: Distribution of Digital Asset-related Investment Products and Tokenised Securities

The standard VATP licensing conditions restrict VATPs to operating a centralised VATP for the trading of virtual assets on their platform and conducting off-platform virtual asset trading and incidental services. To broaden the permitted range of VATPs' products and services, the SFC is proposing to amend the standard licensing conditions to allow VATPs to:

- distribute investment products with exposure to digital assets (**Digital Asset-related Investment Products**) and tokenised securities in compliance with existing laws, codes, guidelines and regulations;* and

** Relevant laws, codes, guidelines and regulations include (without limitation): the SFC's [Code of Conduct for Persons Licensed by or Registered with the SFC](#); [Guidelines on Online Distribution and Advisory Platforms](#); [Joint Circular on Intermediaries' Virtual Asset-related Activities](#) (22 December 2023) and [Supplemental Joint Circular on Intermediaries' Virtual Asset-related Activities](#) (30 September 2025); [Circular on SFC-authorised Funds with Exposure to Virtual Assets](#) (7 April 2025); [Circular on Intermediaries Engaging in Tokenised Securities-related Activities](#) (2 November 2023); [Circular on Tokenisation of SFC-authorised Investment Products](#) (2 November 2023); and section 19 of the SFO.*

- open a trust account or client account in the VATP's name with the custodian of the Digital Asset-related Investment Product or tokenised security for the purpose of holding the Digital Asset-related Investment Product or tokenised security on its clients' behalf, as is required by some distribution agreements.

In relation to client securities to which the Securities and Futures (Clients Securities) Rules (Cap. 571H) (the "CSR") apply (e.g., interests in a CIS authorised by the SFC under section 104 of the SFO), the Circular notes the requirement under section 5 for the deposit or registration of client securities and securities collateral. The SFC confirms in the Circular that the depositing of SFC-authorised tokenised funds units or shares with an authorised financial institution, an approved custodian or another intermediary licensed for dealing in securities in accordance with section 5 of the CSR will not breach the VATP Guidelines.

The revised VATP licensing conditions are set out in [Appendix II](#) and [Appendix III](#) to the SFC Circular. Licensed VATPs who are interested in conducting these activities should apply to the SFC for the modification of their licensing conditions.

Hong Kong SFC-licensed VATPs: Providing Custody for Client Virtual Assets and Tokenised Securities Not Traded by the VATP

VATPs are not currently permitted to offer custody services through their associated entities for virtual assets that are not traded on their platforms. However, VATPs wanting to provide custody services through their associated entities for clients' virtual assets and tokenised securities that are not traded on their platforms can now apply to the SFC to modify their licensing conditions to allow them to do so.

VATPs allowed to provide these custody services will have to ensure that their associated entities comply with the VATP Guidelines and the SFC's [Circular on Intermediaries Engaging in Tokenised Securities-related Activities](#), including their custody-related requirements. For example, VATPs are required to monitor and assess developments — including technological advancements, the stability of relevant DLT networks, and emerging security threats — that could impact the digital assets they hold in custody. They must also maintain effective internal controls, technology infrastructure, and anti-money laundering monitoring and market surveillance tools to manage any risks associated with these digital assets.

VATPs that have not undergone the second phase assessment may be allowed to provide custody for tokenised securities on a case-by-case basis. They will need to demonstrate to the SFC that they have effective procedures in place to protect clients' assets, for example administrative controls for transfer restrictions and whitelisting of client wallet addresses or wallet addresses used for deposit and withdrawal. However, these VATPs must complete the second phase assessment before applying to the SFC to provide custody services for other virtual assets not traded on their platform.

1 See the [SFC Circular on intermediaries engaging in tokenised securities-related activities](#) issued on 2 November 2023

<https://apps.sfc.hk/edistributionWeb/gateway/EN/circular/doc?refNo=23EC52>

2 Ibid.

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