

online version

## Hong Kong to License Virtual Asset Advisory & Asset Management Services

*The Financial Services and the Treasury Bureau (FSTB) and the Securities and Futures Commission (SFC) have published their consultation conclusions on standalone licensing regimes for virtual asset (VA) advisory and management service providers with the necessary amendments to the AMLO to be introduced to Legco in 2026.*

### FSTB and SFC Issue Consultation Conclusions

In May 2026, the FSTB and SFC published their [Consultation Conclusions on the Legislative Proposal to Regulate Virtual Asset Advisory Service Providers and Virtual Asset Management Service Providers](#) setting out the final proposals for dedicated licensing regimes for VA advisory and VA management service providers under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) (AMLO), which already hosts the virtual asset trading platform (VATP) licensing regime implemented in June 2023. The regulators intend to introduce the necessary amending legislation into the Legislative Council in 2026.

Together, the new licensing regimes for VA dealing and VA custodian services (detailed in our [January 7](#) and [January 12](#) newsletters, respectively) and the additional licensing regimes for VA advisory and management services will constitute a comprehensive VA service provider regime.

### Hong Kong's Proposed VA Advisory Licensing Requirements

#### What constitutes 'advising on virtual assets'?

'Advising on virtual assets' will be defined to mirror the scope of Type 4 regulated activity (advising on securities) (RA4) under the SFO. The proposed definition covers carrying on a business in Hong Kong of:

- a. giving advice on whether, which, the time at which, or the terms or conditions on which, VAs should be acquired or disposed of; and
- b. issuing analyses or reports for the purpose of facilitating recipients to make decisions on whether, which, the time at which, or the terms or conditions on which, VAs should be acquired or disposed of.

The substance of an activity, rather than its label or outward description, will determine whether a licence is required. Content described as 'educational', general market commentary or research will require a licence if it constitutes advice on the acquisition or disposal of VAs in substance. The same principle applies to trading signals, mirror trading and copy trading strategies which provide information, trading signals or alerts on when to buy, sell or hold VAs, each of which is expressly stated to constitute advising on VAs.

Like the SFO's licensing regime, the VA advisory regime will apply to advice on VAs irrespective of the form in which it is provided, whether oral or written, and regardless of the channel through which it is delivered, whether physical or electronic. The VA advisory regime is also intended to be technology neutral. Providing VA advisory services through algorithms or artificial intelligence (AI) language models does not alter the character of the activity. More significantly, providing technology tools that generate advice on VAs for use by others, for example, a tool capable of making specific recommendations based on a user's investment profile, or one that alerts users as

to when VAs should be acquired or disposed of, will itself amount to the provision of VA advisory services. Firms developing or distributing these tools will need to assess their exposure to the licensing requirement with some care.

The regime will not, however, capture the provision of generic factual information about VAs or the VA market, nor tools that objectively filter such information to assist self-directed research. VA custodian or dealing service providers that merely inform clients of deadlines for exercising governance rights, hard fork events, or airdrop distributions are similarly out of scope, provided no advice concerning acquisition or disposal is involved.

## **Interface with the SFO and Treatment of Related Products**

The AMLO's definition of 'virtual asset' expressly excludes securities and futures contracts. Advising solely on tokenised securities therefore falls within RA4 under the SFO rather than the VA advisory regime.

Advising on derivatives and structured products referencing VAs will generally fall within RA4, Type 5 regulated activity (advising on futures contracts) (**RA5**) and/or Type 11 (dealing in OTC derivative products or advising on OTC derivative products) under the SFO. Where, however, a VA-related product is structured as a spot contract in VAs, advice on that product will require a VA advisory licence.

A question that arose during the consultation was whether an entity holding both an RA4 licence under the SFO and providing advice on VAs would require separate licensing under the VA Advisory Regime even where the VA advice is provided concurrently with securities advice as part of portfolio management. The regulators have confirmed that a 'wholly incidental to RA4' exemption would not be appropriate. VAs are a distinct asset class from securities, and the advice on each is analytically separate even where delivered simultaneously. This position is consistent with the existing requirement for separate licences for RA4 and RA5 under the SFO.

## **Exemptions from Hong Kong's VA Licensing Requirement**

The exemptions broadly mirror those available under RA4 and include the following:

- Advice provided solely to wholly-owned group companies (applicable only in respect of that group company's own assets, not its client assets). As for the equivalent RA4 exemption, this will apply to a corporation advising its wholly-owned subsidiary, its holding company which holds all its issued shares, or a wholly-owned subsidiary of that holding company, in respect of that group company's assets;
- Acts wholly incidental to licensed VA dealing or solely for the purposes of licensed VA fund management;
- Solicitors, counsel and certified public accountants acting wholly incidentally to their professional practice;
- Acts wholly incidental to a registered trust company's discharge of duty; and
- Advice provided through a generally available publication or broadcast.

The scope of the last-mentioned exemption has attracted particular attention in the context of digital channels and the growing phenomenon of 'influencers' - content creators who provide investment commentary through social media, podcasts and similar platforms, often in return for remuneration from financial services intermediaries or token issuers. The SFC has acknowledged investor protection concerns arising from such activities, noting practices including inadequate disclosure of conflicts of interest, promotion of potentially unsuitable products, and the labelling of specific investment advice as 'education'. The SFC has been engaging with market participants since September 2025 and will conduct a holistic review of the existing regimes under both the SFO

and the proposed VA service provider regimes (**VASP Regimes**) to address influencer activities, with public consultation to follow if a broader framework is proposed.

## **SFC-licensed VA Advisers' Financial Resources Requirements**

The financial resources requirements for VA advisory service providers will align with those for RA4 licensed corporations. The proposed requirements are:

- For those not holding client assets: a minimum required liquid capital of HK\$100,000.
- In all other cases: a minimum paid-up share capital of HK\$5 million and a minimum required liquid capital of HK\$3 million.

A corporation licensed for both RA4 under the SFO and VA advisory services under the AMLO will not be subject to double regulatory capital requirements. Where a corporation also holds licences for other regulated activities or VA services, it will be subject to the highest applicable requirement across all such activities and services. The SFC retains discretion to impose additional financial resources requirements where warranted.

## **Other Regulatory Obligations of Licensed VA Advisers**

Currently, SFC-licensed corporations and registered institutions (**SFC-licensed Intermediaries**) distributing VAs must comply with the SFC/HKMA [Joint Circular on Intermediaries' Virtual Asset-related Activities](#) of December 2023 as amended by their [Supplemental Joint Circular on Intermediaries' Virtual Asset-related Activities](#) of September 2025 (as amended, the **VA Joint Circular**). The requirements cover product due diligence, suitability obligations, disclosure requirements and assessing clients' knowledge of VAs. Licensed intermediaries' staff must have adequate VA knowledge and competence before conducting VA-related activities. The regulatory obligations of licensed VA advisory service providers under the AMLO will be broadly similar to those of RA4-licensed intermediaries under the VA Joint Circular.

## **Hong Kong's Proposed VA Management Service Provider Licensing Regime**

### **What constitutes VA management?**

'Virtual assets management' will be defined as carrying on a business in Hong Kong of providing a service of managing a portfolio of VAs for another person (e.g., where a firm is given discretionary power to make investment decisions in VAs for a fund) and is modelled on Type 9 regulated activity (asset management) (**RA9**) under the SFO. The key determinant is whether the service provider has discretionary power to make investment decisions in respect of the VAs in the portfolio. The regime covers both fund management and discretionary accounts in the form of investment mandates or pre-defined model portfolios.

A firm that has full discretionary power on behalf of a fund but delegates its investment management function to a third party is nonetheless required to be licensed. The third party sub-manager, if carrying on a business in providing VA management services in Hong Kong, must also be licensed independently.

Several boundary questions arose during the consultation and have been addressed in the conclusions:

- Managing portfolios investing in products with exposure to or referencing VAs (including derivatives, structured products, VA spot ETFs and VA futures ETFs) falls within RA9 under the SFO rather than the VA Management Regime. A portfolio of both VAs and such reference products would require both a VA management licence and an RA9 licence.
- Managing portfolios investing in companies whose principal business is proprietary trading in VAs, or managing a fund of funds investing in underlying VA funds, does not require a VA

management licence, as the service in substance amounts to the management of a portfolio of securities.

- Where a portfolio inadvertently acquires VAs due to an unexpected or involuntary event, and all reasonably practicable steps are taken to dispose of those holdings promptly, this may not amount to carrying on a VA management business. A deliberate decision to retain such holdings would, however, require a licence.
- A fund that accepts VAs for subscription or redemption, or uses VAs to settle investment transactions, will require a VA management licence where the fund manager exercises discretionary power over the VAs concerned, including decisions as to conversion or retention.

### **Absence of a De Minimis Threshold**

A notable feature of the regime is the deliberate decision not to set a de minimis threshold. Any entity providing asset management services for a portfolio that invests in VAs, regardless of the proportion of VAs in that portfolio, must obtain a licence or registration. This means that intermediaries currently authorised under RA9 which manage portfolios with VA exposure below the 10% de minimis threshold that has previously guided practice under the VA Joint Circular will be required to obtain a VA management licence once the regime comes into force, and will be subject to the same regulatory standards as those managing portfolios with higher VA exposure.

The rationale is threefold: consistency with the RA9 framework under the SFO; prevention of regulatory arbitrage; and recognition that the inherent risks of VA investment apply regardless of the proportion of VAs in a portfolio. Firms currently relying on the de minimis threshold should take note and commence engagement with the SFC as a matter of priority.

### **Custody of VAs Held for Private Funds**

The question of custody arrangements for private funds was among the most contested issues in the consultation, and the response of the regulators marks a significant departure from the position adopted for VA dealing service providers (which will be required to use SFC-regulated VA custodians).

Under the current regulatory framework, SFC-licensed intermediaries providing VA management services in accordance with the VA Joint Circular may appoint any custodian of their choosing, including those domiciled outside Hong Kong, to safekeep VAs held by the private funds under their management, subject to the requirement that the intermediary has carried out appropriate due diligence on the custodian in question.

Having weighed the competing considerations, including the need for tokens coverage, integrated cross-border settlement, counterparty concentration risk management and the operational constraints particular to private equity and venture capital strategies, the regulators have confirmed that private fund VA management service providers will retain the flexibility to appoint qualified custodians globally. This mirrors the current treatment under RA9, maintaining regulatory parity between traditional and VA fund management.

In recognition of the unique difficulties presented by new tokens not yet supported by any VA custodian, the SFC will permit self-custody by VA management service providers on behalf of the funds they manage in such circumstances, subject to robust self-custody requirements to be prescribed. Providers should note, however, that holding client assets attracts higher financial resources requirements, and that self-custody arrangements that cross the threshold into providing a VA custodian service will require a separate licence under the VA custodian service provider regime.

## **VA Management Service Providers' Financial Resources Requirements**

The financial resources requirements for VA management service providers mirror those proposed for VA advisory service providers: a minimum required liquid capital of HK\$100,000 for those not holding client assets, and a minimum paid-up share capital of HK\$5 million together with a minimum required liquid capital of HK\$3 million in all other cases. The same principles regarding dual licensing and the avoidance of double capital requirements apply.

## **Common Features of the New VA Advisory and Management Regimes**

### **Anti-Money Laundering and Conduct Requirements**

Both regimes require compliance with the AML/CFT requirements in Schedule 2 to the AMLO relating to customer due diligence and record-keeping. Conduct requirements, including know-your-client and know-your-transaction procedures, client suitability assessments, risk profiling, product due diligence, disclosure of conflicts of interest, and investor protection safeguards, will be based on the existing requirements applicable to SFC-licensed Intermediaries under the VA Joint Circular. These existing requirements will form the baseline under the new regimes and will be reviewed and updated in due course, with the SFC intending to consult on proposed regulatory requirements separately.

### **Overseas VA Service Providers and Prohibition on Active Marketing**

Both regimes will prohibit active marketing of VA advisory and VA management services to the public of Hong Kong by any person not licensed or registered for those services. The prohibition will apply whether the marketing activity takes place in Hong Kong or overseas. Overseas market participants are therefore firmly reminded that directing marketing activities at the Hong Kong public will trigger the regulatory requirements of the VASP Regimes. Further guidance on the scope of 'actively market' will be published in due course.

### **Licensing Fees**

Licensing and annual fees for VA advisory service providers will be benchmarked to the fees applicable to RA4 under the SFO (currently HK\$4,740 per application and HK\$4,740 per annum for licensed corporations; HK\$23,500 per application and HK\$35,000 per annum for registered institutions). The same fee structure will apply to VA management service providers by reference to RA9 fees.

### **Relationship Between the VASP Regimes and the Existing VA Joint Circular Framework**

The new VA Dealing, VA Advisory and VA Management Regimes will operate as standalone regimes under the AMLO. They will replace the current practice whereby the SFC imposes VA-specific terms and conditions as licensing or registration conditions on intermediaries licensed under the SFO. Intermediaries currently engaging in VA-related activities pursuant to such terms and conditions will accordingly be required to obtain licences or registrations under the new VASP Regimes. The requirements under the VA Joint Circular will form the baseline requirements under the new regimes once they come into force, to be reviewed and updated thereafter.

### **Regulatory Powers, Sanctions and Statutory Appeal**

The powers of the SFC and the HKMA, the sanctions regime, and the statutory appeal mechanism will mirror the corresponding provisions applicable to VATPs and VA dealing service providers. Appeals against decisions by the SFC or the HKMA will be heard by the Anti-Money Laundering and Counter-Terrorist Financing Review Tribunal.

## Transitional Arrangements and Next Steps

### No Deeming Arrangement

As with the VA dealing and VA custodian service provider regimes, the regulators will not introduce a deeming arrangement for pre-existing VA advisory and VA management service providers. The regimes will take full effect on the commencement date of the relevant statutory provisions, and entities that have not obtained a licence or registration will be required to cease operations on that date.

The Government and the SFC will consider the appropriate commencement date, taking into account the time needed by market participants to adjust their business models. An expedited approval process will be available for licensed corporations and registered institutions that are already providing VA advisory or VA management services and have undergone the SFC's or HKMA's assessment process.

### Practical Guidance for Hong Kong Market Participants

The regulators' message to the industry is unambiguous: early engagement with the SFC (via [fintech@sfc.hk](mailto:fintech@sfc.hk)) or the HKMA is strongly encouraged, and firms that delay pre-application contact risk material business disruption at the commencement date. The following categories of firm should give particular priority to this exercise:

- VA advisory service providers not currently licensed under the SFO;
- VA management service providers not currently licensed under the SFO;
- SFO RA4 and RA9 intermediaries providing VA services under the VA Joint Circular, who will need to migrate to the new standalone regimes;
- RA9 intermediaries currently managing portfolios with VA exposure below the de minimis threshold, who will for the first time require a VA management licence;
- Developers or distributors of AI-powered or algorithmic tools that provide specific recommendations on VA acquisition or disposal; and
- Overseas VA service providers who market their services to the Hong Kong public.

### Legislative Timetable

The FSTB and the SFC have confirmed their intention to introduce a bill into the Legislative Council in 2026 establishing the licensing regimes for VA dealing, VA advisory and VA management services under the AMLO. A separate public consultation on the specific regulatory requirements applicable to VA advisory and management service providers is anticipated, and market participants should monitor SFC communications closely.

## VA Advisory and Management Licensing Requirements: Analysis and Implications

The proposals described in these consultation conclusions represent a considerable expansion of Hong Kong's VA regulatory framework. Several observations merit particular attention.

First, the regulators' adherence to the 'same activity, same risks, same regulation' principle is applied with notable rigour. The refusal to introduce a 'wholly incidental to RA4' exemption for advisory services, and the absence of a de minimis threshold for management services, signal an intention to bring the full breadth of VA-related advisory and management activity within the regulatory perimeter with limited carve-outs. Firms that have structured their activities on the assumption of regulatory continuity with the VA Joint Circular framework should revisit those assumptions promptly.

Secondly, the technology-neutral character of both regimes has broad implications for the financial technology sector. The position that providing an AI-powered tool capable of generating specific VA recommendations constitutes the provision of VA advisory services extends the regulatory reach significantly beyond traditional advisory relationships. Technology firms, in particular, will need to examine their product offerings with care.

Thirdly, the treatment of influencers and digital channels merits close attention. While a comprehensive framework has not yet been proposed, the SFC's engagement with this question since September 2025, and its acknowledgement of investor protection concerns, suggest that further regulatory action in this space is a question of when rather than whether.

Fourthly, for private fund managers, the decision to permit flexibility in the choice of custodian offers welcome relief from what many respondents characterised as a disproportionately restrictive constraint. The regime's practical workability will nonetheless depend on the detail of the self-custody requirements to be prescribed, and managers should engage early to understand the operational implications.

Finally, the scale and pace of Hong Kong's regulatory programme for virtual assets is notable in the global context. The extension of the licensing framework to advisory and management services, combined with the existing and proposed regimes for VATPs, custodians and dealers, is producing a regulatory architecture of considerable sophistication. Whether the resulting framework can be implemented in a manner that preserves Hong Kong's competitive position as a digital asset hub, whilst affording the investor protections that the SFC regards as non-negotiable, will be among the more closely watched regulatory experiments of the coming years.

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