

SFC & FSTB Issue Conclusions on Licensing VA Dealing and Further Proposals on Licensing VA Advisory and Management Service Providers

In December 2025, the Financial Services and the Treasury Bureau (**FSTB**) and the Securities and Futures Commission (**SFC**) published¹ consultation conclusions on their proposed licensing regime for providers of virtual asset (**VA**) dealing services and a further consultation on proposed licensing regimes for VA advisory and VA management service providers (**Further Consultation**). The proposed licensing regimes are aligned with those for regulated activities Types 1, 4 and 9 under the Securities and Futures Ordinance (**SFO**).

The FSTB and SFC simultaneously published their consultation conclusions on a proposed licensing regime for providers of VA custodian services, which is the subject of a separate newsletter. The proposed regimes will extend the current licensing framework under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) (**AMLO**) to regulate VA dealing, VA advisory, VA management and VA custodian services as separate regulated activities. The FSTB and SFC propose to introduce a bill into the Legislative Council in 2026 regulating the four activities.

Comments on the Further Consultation should be submitted by 23 January 2026.

LICENSING REGIME FOR VA DEALING SERVICES

The key features of the proposed licensing regime for VA dealing services are set out below.

1. Scope and Definition of VA Dealing Services

The scope of VA dealing services will be revised to align with Type 1 regulated activity (dealing in securities) under the SFO. The definition will cover any person, by way of business, making or offering to make an agreement with another person, or inducing or attempting to induce another person to enter into or offer to enter into an agreement, with a view to acquiring, disposing of, subscribing for, or underwriting VAs.

The consultation conclusions on regulating VA dealing (**VA Dealing Consultation Conclusions**) confirmed that activities involving derivatives and structured products referencing VAs generally fall within Type 1 regulated activity, Type 2 regulated activity (dealing in futures contracts) and Type 11 regulated activity (dealing in OTC derivative products or advising on OTC derivative products) under the SFO. The originally proposed limb (b) of the definition of VA dealing services—which captured these activities—has therefore been removed from the final definition.

The definition of “virtual asset” under section 53ZRA of the AMLO expressly excludes securities and futures contracts. Therefore, the licensing regime will not cover providers dealing solely in tokenised securities.

Activity-Based Approach under VA Dealing Consultation Conclusions

The proposed regulatory framework adopts an activity-based approach, regardless of transaction purpose. According to the Consultation Paper on Licensing VA Dealing² (**VA Dealing Consultation Paper**) the new licensing regime will cover all VA dealing services, whether they are provided via a physical outlet or online and will require the licensing of providers of VA to VA and VA to fiat conversions, spot trading of VAs, and VA brokerage and block trading activities. Advisers on buying

or selling VAs that take orders to purchase and sell VAs, and asset managers who place orders to dealers in managing their clients' VA portfolios, will also require a VA dealing licence. Payment service providers that facilitate transactions involving VAs may be required to obtain a licence or registration if their activities fall within the definition of VA dealing services. For example, offering conversion services would amount to the making of, or offering to make, agreements with others for the purpose of acquiring or disposing of VAs, and would therefore require licensing.

The provision of margin trading in VAs would fall within the scope of VA dealing services as trading services in VAs are provided. Whether margin trading will be an activity that can be conducted by SFC-regulated VA dealing service providers, and the applicable regulatory requirements, will be assessed by the FSTB and SFC taking into account various factors such as client credit risk, liquidity risk and concentration risk, capital requirements, risk capital charges and operational controls requirements. The FSTB and SFC will also consider whether to allow activities such as VA staking and VA borrowing and lending.

Whether peer-to-peer transactions, or the provision of decentralised or technological services require a VA dealing service provider licence or registration will depend on the substance of the service provided, whether they fall within the meaning of VA dealing services under the AMLO, and whether the service is carried on as a business.

2. Exemptions

The exemptions being considered include:

- Transactions conducted through SFC-regulated VA dealers;
- Transactions conducted as principal;
- Intra-group transactions;
- Use of VAs by a purchaser of goods or users of services as a means of payment for such goods or services;
- SFC-regulated VA managers which perform the act of dealing solely for the purposes of providing VA management services (incidental exemption);
- Stablecoin issuers licensed by the Hong Kong Monetary Authority (**HKMA**) conducting regulated stablecoin activity;
- Distribution of VAs generated as rewards for ledger maintenance or transaction validation; and
- VA issuers in relation to their activities regarding VAs created or minted by them if conducted through SFC-regulated intermediaries or offered exclusively to professional investors.

3. Use of Non-SFC Licensed VATPs or Liquidity Providers

The FSTB and SFC indicated in the VA Dealing Consultation Paper that they would consider permitting licensed or registered VA dealers to acquire or dispose of VAs for clients via non-SFC-licensed VATPs or liquidity providers subject to additional safeguards. Although this proposal received broad support, the VA Dealing Consultation Conclusions refer only to the SFC's recent step of allowing SFC-licensed VATPs to access intra-group liquidity through a shared order book under the [SFC's Circular on shared liquidity by virtual asset trading platforms](#) issued on 3 November 2025. For further information on that circular, please see Charltons' newsletter [SFC Issues Circular on VATPs Shared Order Books](#). Otherwise, the VA Dealing Consultation Conclusions refer VA dealing service providers to the requirements of the [Joint circular on intermediaries' virtual asset-related activities](#) issued by the SFC and the HKMA, as amended by the [Supplemental joint circular on](#)

[intermediaries' virtual asset-related activities \(Joint Circular\)](#), particularly in relation to the requirement for SFC-licensed or registered intermediaries to conduct VA dealing through an omnibus account with an SFC-licensed VATP. The VA Dealing Consultation Conclusions note, however, that the SFC will incorporate market feedback from its engagement with the industry in formulating the final regulatory requirements.

4. Requirement to Use SFC-Regulated VA Custodian Service Providers

The SFC is proposing to require VA dealers to custody client VAs with SFC-regulated VA custodian service providers to ensure proper asset segregation and reduce risks such as insolvency of VA dealing service providers, fraud and cyberattacks.

5. Financial Resources Requirements

VA dealing service providers will be subject to baseline financial resource requirements comprising a minimum paid-up share capital of HK\$5 million and a minimum required liquid capital of up to HK\$3 million, depending on the business model. The SFC will also have flexibility to impose additional financial resources requirements (e.g., excess liquid capital equivalent to at least 12 months of actual operating expenses) where necessary.

6. Hong Kong Incorporation or Registration Requirement for VA Dealers

In order to apply for a VA dealing service provider licence, applicants (other than banks) will have to be either a company incorporated in Hong Kong with a permanent place of business in Hong Kong or a company incorporated elsewhere but registered in Hong Kong under the Companies Ordinance (Cap. 622).

7. VAs Permitted for Trading

The VA Dealing Consultation Paper proposed that the provisions covering the types of VAs that clients would be allowed to trade would follow those applicable to VATPs. This means that retail clients would only be able to trade highly liquid VAs and stablecoins issued by HKMA-licensed stablecoin issuers under the Stablecoins Ordinance. Highly liquid VAs are large-cap VAs included in a minimum of two acceptable indices issued by at least two different index providers, which are independent of each other, the VA issuer and the licensee, where at least one index provider complies with IOSCO's Principles for Financial Benchmarks and has experience in publishing indices for the conventional securities market.

8. Other Regulatory Requirements

As proposed in the VA Dealing Consultation Paper,³ the regulatory requirements for licensed VA dealing service providers will align with those for licensed intermediaries currently providing VA dealing services, including under the Joint Circular. These include the requirements summarised in the table below.

AML/CFT Obligations	Licensed and registered VA dealing service providers will be required to observe the AML/CFT requirements stipulated in Schedule 2 to the AMLO relating to customer due diligence and record keeping.
Knowledge and experience	Licensed and registered VA dealing service providers will need a proper corporate governance structure and personnel with the necessary knowledge and experience to properly discharge their duties.
Risk management	Appropriate risk management policies and procedures will be required for managing money laundering, terrorist financing and other risks.

Financial reporting and disclosure	Licensed and registered VA dealing service providers (except banks) will have to observe prescribed auditing and disclosure requirements in Hong Kong and submit audited accounts.
Conduct of business	Licensed and registered VA dealing service providers will be required to act honestly, fairly, with due skill, care and diligence, in the best interests of their clients and the integrity of the market, and to comply with all statutory and regulatory requirements applicable to their business activities.
Information and notifications	Licensees and registrants will need to submit a wide range of information, including details of their wallet addresses used in their course of business, the scope and nature of the business carried on or to be carried on, and the types of services provided or to be provided, and to update that information.
Record keeping	Licensees and registrants will have to maintain proper records of their business activities, which must be accessible to the SFC's or the HKMA's ongoing monitoring.
Other investor protection safeguards	Licensees and registrants will have to ensure investor protection by assessing clients' VA knowledge, providing training to clients, conducting client risk assessments and risk profiling, setting client exposure limits, ensuring clients' suitability to trade VAs, and preventing, avoiding and disclosing actual or potential conflicts of interest.

The regulators will publish further consultations on the detailed regulatory requirements that will be put in place, including those relating to fitness and properness, conduct and risk management, and AML/CFT controls.

9. Transitional Arrangements

No deeming arrangement will be granted to existing VA dealing service providers. The licensing regime will take full effect on the commencement date of the relevant statutory provisions.

The VA Dealing Consultation Conclusions encourage those already engaged in or interested in providing VA dealing services to contact the SFC or the HKMA as soon as possible (e.g., to initiate the pre-application processes). VA dealing service providers who do not contact the SFC or the HKMA for pre-application may have to stop operations on the commencement date of the licensing regime.

10. Expedited Licensing and Registration Process

An expedited approval process will be introduced for SFC-licensed VATPs and licensed corporations and registered institutions currently providing VA dealing services.

11. Licensing Fees

Following the “user-pays” principle, the licence application fee and annual fee for VA dealing service providers licensed by or registered with the SFC will be benchmarked with the relevant fees for Type 1 regulated activity under the SFO.

12. Prohibition on Active Marketing

The legislation will also prohibit a person from actively marketing its VA dealing services, whether in Hong Kong or elsewhere, to the public of Hong Kong, unless the person is licensed by or registered with the SFC for providing VA dealing services. Further guidance on the scope of

“actively market” will be provided to help market participants better understand the regulatory expectations and compliance requirements.

13. Powers of Regulatory Authorities

The SFC will be the standard-setter for regulatory requirements applicable to licensed or registered VA dealing service providers. The SFC will have comprehensive supervisory powers, including the authority to impose, vary or modify licensing and registration conditions; conduct routine inspections of business premises; and investigate suspected breaches of statutory and regulatory obligations. In cases of non-compliance, the SFC would be empowered to impose disciplinary sanctions including civil penalties and suspension or revocation of licences.

The HKMA will act as the frontline regulator for banks and stored value facilities registered to provide VA dealing services, with supervisory responsibility for their VA dealing activities. The HKMA will have powers comparable to those of the SFC, enabling it to conduct routine inspections at registrants’ premises and investigate suspected breaches of statutory and regulatory requirements.

14. Offences under the AMLO

Offences under the AMLO and the maximum penalties are summarised in the table below.

Carrying out, or holding oneself out as carrying out, and actively marketing VA dealing services without a licence or registration	HK\$5 million fine and seven years' imprisonment
Knowingly issuing an advertisement relating to an unlicensed or unregistered person's provision of VA dealing services	Level 5 fine (currently HK\$50,000) and six months' imprisonment
Licensee's or registrant's non-compliance with the statutory AML/CFT requirements	HK\$1 million fine and two years' imprisonment
Fraudulent or deceptive behaviour in transactions involving VA	HK\$10 million fine and 10 years' imprisonment
Making fraudulent or reckless misrepresentations to induce another person to engage in a transaction involving VA	HK\$1 million fine and seven years' imprisonment
Misconduct or fitness-and-properness issues	Suspension or revocation of licence or registration, reprimand, remedial order and/or a pecuniary penalty (not exceeding HK\$10 million)

15. Statutory Appeal

The Anti-Money Laundering and Counter-Terrorist Financing Review Tribunal, established under the AMLO, will handle appeals against decisions of the SFC or HKMA in relation to the licensing regime for VA dealing services.

FURTHER CONSULTATION'S PROPOSED LICENSING REGIMES FOR VA ADVISORY AND VA MANAGEMENT SERVICES

1. Proposed Hong Kong Licensing Regimes

Under the Further Consultation's proposals, any person carrying on a business of providing VA advisory services and/or VA management services in Hong Kong will be required to be licensed by, or registered with, the SFC, subject to a fit-and-proper test and other relevant factors. Only banks will be allowed to register with the SFC to provide VA advisory and VA management services.

VA Advisory Services

"Advising on virtual assets" is proposed to mean:

- giving advice on whether; which; the time at which; or the terms or conditions on which, VAs should be acquired or disposed of; or
- issuing analyses or reports to facilitate recipients' decisions on whether; which; the time at which; or the terms or conditions on which, VAs are to be acquired or disposed of.

VA Management Services

"Virtual assets management" is proposed to mean providing a service of managing a portfolio of VAs for another person (e.g., where a firm is delegated with discretionary power to make investment decisions in VAs for a fund).

No de minimis threshold (e.g., 10% VA exposure) will be set, which is consistent with the licensing regime for asset management under the SFO and VA dealing service provider licensing regime. Any entity which provides asset management services for a portfolio that invests in VAs will need to obtain a licence or registration regardless of the amount of VAs involved.

2. Proposed Exemptions

VA Advisory Service Providers

It is proposed to provide exemptions similar to those applicable to Type 4 regulated activity under the SFO, including for:

- Solely advising wholly-owned group companies;
- Acts wholly incidental to licensed VA dealing or solely for the purposes of licensed VA fund management;
- Solicitors, barristers and certified public accountants for acts wholly incidental to their professional practice;
- Acts wholly incidental to a registered trust company's discharge of duty; and
- Acts conducted through generally available publications or broadcasts.

VA Management Service Providers

Exemptions similar to those available for Type 9 regulated activity are proposed, including:

- Providing services to wholly-owned group companies;
- Acts wholly incidental to the VA dealing services of a licensed or registered VA dealing service provider;

- Solicitors, barristers and certified public accountants for acts wholly incidental to their professional practice; and
- Acts wholly incidental to a registered trust company's discharge of its duty.

3. Regulatory Requirements

Common Requirements for VA Advisory and VA Management Service Providers

Both VA advisory and VA management service providers will be subject to requirements broadly aligned with those applicable to Type 4 and Type 9 licensed corporations/registered institutions that provide VA advisory or VA management services under the Joint Circular.

AML/CFT Requirements

VA advisory and VA management service providers will be required to comply with the anti-money laundering and counter-terrorist financing obligations of Schedule 2 to the AMLO relating to customer due diligence and record-keeping.

Financial Resources Requirements

The proposed financial resources requirements for both regulated activities will be a minimum paid-up share capital of HK\$5 million and a minimum required liquid capital of HK\$100,000 (for entities not holding client assets) or HK\$3 million (in any other case).

Additional Requirements

VA advisory and VA management service providers will be subject to requirements similar to those for VA dealing service providers (as set out in paragraph 2.25 of the VA Dealing Consultation Paper), including:

- Knowledge and experience requirements (e.g., passing papers on regulatory knowledge);
- Risk management;
- Financial reporting and disclosure;
- Conduct and business standards;
- Information and notifications;
- Record keeping; and
- Investor protection safeguards (e.g., assessing clients' VA knowledge, providing adequate training to clients, conducting client risk assessments and profiling, ensuring suitability, and managing conflicts of interest).

Custody Requirements for VA Management Service Providers

Under the current regulatory framework, intermediaries providing VA management services pursuant to the Joint Circular can appoint any custodian (including those located outside Hong Kong) to safekeep VAs for the private funds they manage, provided the intermediary has conducted proper due diligence on the custodian in question. Under the proposed licensing regime, the SFC is considering whether VA management service providers should be required to safekeep VAs of the private funds they manage with SFC-regulated VA custodian service providers, or whether they should retain the flexibility to appoint any custodian.

The regulators acknowledge the practical difficulties encountered by private equity and venture capital fund managers in providing custody for newly issued tokens where custody is not supported by SFC-regulated VA custodians. Accordingly, the SFC will consider permitting self-

custody up to a limited threshold without the need to obtain a VA custodian service provider licence or registration.

4. Licensing Fees

The licence application fee and annual fee will be benchmarked with the relevant fees for Type 4 and Type 9 regulated activities under the SFO. The current application fee for a licensed corporation seeking authorisation for Type 4 or Type 9 regulated activities under the SFO is HK\$4,740 per activity, with an annual fee of HK\$4,740. For registered institutions, the application fee for Type 4 or Type 9 regulated activities is HK\$23,500 per activity, with an annual fee of HK\$35,000.

5. Transitional and Expedited Arrangements

No Deeming Arrangement

It is proposed that the new licensing regimes will take effect on the commencement date of the relevant statutory provisions and there will be no arrangements for pre-existing VA advisory service providers and pre-existing VA management service providers to be deemed to be licensed for a transitional period.

Industry Action Required

Entities already engaged in VA advisory and VA management services are encouraged to contact the SFC or the HKMA as soon as possible (e.g. for initiating the pre-application processes) to avoid having to stop providing the relevant services when the new licensing regimes take effect.

Expedited Approval Process

An expedited approval process will be available for entities that have already undergone the SFC's or the HKMA's assessment process relating to their provision of VA advisory services or VA management services and are already engaged in these activities.

6. Prohibition on Marketing

To protect the investing public, unlicensed/unregistered persons will be prohibited from actively marketing VA advisory and VA management services to the Hong Kong public, whether such marketing occurs in Hong Kong or elsewhere. This prohibition will prevent overseas VA advisory and VA management service providers from actively marketing their services in Hong Kong.

7. Powers of Regulatory Authorities, Sanctions and Statutory Appeals

The Further Consultation proposes giving the SFC and HKMA the same regulatory powers as under the licensing regimes for VA dealing service providers and VA custodian service providers. The potential offences under the AMLO and the statutory appeal mechanism to the Anti-Money Laundering and Counter-Terrorist Financing Review Tribunal will also be the same as under the licensing regimes for VA dealing and VA custodian service providers.

1 FSTB and SFC. December 2025. "Consultation Conclusions on Legislative Proposal to Regulate Dealing in Virtual Assets and Further Public Consultation on Legislative Proposal to Regulate Virtual Asset Advisory Service Providers and Virtual Asset Management Service Providers

2 FSTB and SFC. July 2025. "Public Consultation on Legislative Proposal to Regulate Dealing in Virtual Assets"

3 Ibid. at paragraphs 2.24 and 2.25

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