



Hong Kong SFC & FSTB Consult on Licensing Regime for Virtual Asset Dealing Service Providers

Hong Kong's Financial Services and the Treasury Bureau (**FSTB**) and Securities and Futures Commission (**SFC**) issued a ["Public Consultation on Legislative Proposal to Regulate Dealing in Virtual Assets"](#)¹ on 26 June 2025 proposing a new licensing regime regulating Hong Kong virtual asset (**VA**) spot traders. It draws heavily on the licensing regime for VA trading platforms (**VATPs**) under Hong Kong's Anti-Money Laundering and Counter-Terrorist Financing Ordinance (the **AMLO**) and the licensing regime for traditional intermediaries offering VA dealing services in Hong Kong.

The deadline for commenting on the consultation paper's proposals is 29 August 2025, and comments can be sent by email to vadealing-consult@fstb.gov.hk or through the link on the SFC's webpage at <https://apps.sfc.hk/edistributionWeb/gateway/EN/consultation/doc?refNo=25CP6>. The regulators state in the consultation paper that they aim to introduce a bill on the proposed licensing regime for VA dealing service providers into the Hong Kong Legislative Council as soon as practicable.

The FSTB and SFC are separately [consulting on a proposed regulatory regime for providers of VA custodian services](#)² which is following the same timeline and is covered in a separate Charltons newsletter.

1. The 2024 FSTB Consultation on Licensing VA OTC Traders

The current consultation builds on a [2024 public consultation](#) on a licensing regime for over-the-counter (**OTC**) trading of VAs (the **2024 Consultation**) that received broad support. That consultation was initiated due to a perceived need to broaden regulatory supervision beyond VATPs (i.e. crypto exchanges) given concerns that VA OTC shops were channeling funds to fraudulent schemes.

The current consultation makes a number of observations regarding the 2024 Consultation, which are summarised in the table below:

¹ See the full consultation paper at: <https://apps.sfc.hk/edistributionWeb/api/consultation/openFile?lang=EN&refNo=25CP6>

² See the FSTB/SFC Public Consultation on Legislative Proposal to Regulate Virtual Asset Custodian Services at https://www.fsb.gov.hk/fsb/en/publication/consult/doc/VACUSTODY_consultation_paper_en.pdf

Modus operandi	VA dealing activities in Hong Kong are not limited to physical settings (i.e. coin shops and ATM networks) as thought at the time of the 2024 Consultation. They also have a substantial online presence and are conducted through broker-dealer-type establishments, operations with both a physical and online presence, digital-only platforms, payment service providers and VA card networks.
Services involved	VA dealing activities in Hong Kong are not limited to simple services, such as small-scale conversions and same-name transfers. They also involve complex and diverse services, such as block trading, conversions for trade settlement purposes, and asset management-related activities.
Clientele	Although Hong Kong VA dealers mainly serve individual investors, some dealers mainly serve institutional investors (including family offices), small-and-medium enterprises, trading firms, market-makers, etc. whose needs may be different to those of individual investors.
Custody	The 2024 Consultation did not cover service providers' custody or escrow arrangements for clients' VAs. However, it seems that custody of client assets is a prerequisite for more complex activities, such as VA dealing activities.

2. Scope of 2025 Proposed Licensing Regime for Providers of VA Dealing Services

Providing a VA dealing service

The proposed licensing regime would require all Hong Kong VA dealing service providers to be licensed by or registered with the SFC. The activity of "providing VA dealing services" would be defined as:

"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 to offer to enter into an agreement ...

- for or with a view to acquiring, disposing of, subscribing for or underwriting VAs; or
- the purpose or pretended purpose of which is to secure a profit to any of the parties from the yield of VAs or by reference to fluctuations in the value of VAs".

The new licensing regime would cover all VA dealing services, whether they are provided via a physical outlet or online. It would require the licensing of providers of both simple and complex dealing services, including VA to VA and VA to fiat conversions, brokerage and block trading activities, and of advisers on buying or selling VAs, and asset managers who place orders to dealers in managing their clients' VA portfolios. The definition captures business activities involving spot trading of VAs.

The term "by way of business" will not include peer-to-peer trading of VAs between individuals when no intermediary is involved. This scope aligns with international standards, including the recommendations set by the FATF.

Licensing requirement for existing licensed/registered intermediaries

Existing intermediaries licensed by or registered with the SFC that provide Hong Kong VA dealing services and SFC-licensed VATPs (irrespective of whether they conduct off-platform transactions), unregulated VA dealing operators, and VA fund managers would all be required to obtain a licence or registration for the new regulated activity, although an expedited approval process would be available to existing intermediaries as discussed below.

Where a licensed VA dealing service provider holds client VAs with a third party entity, the third party entity will be required to be a licensed or registered VA custodian in Hong Kong under the proposed new licensing regime for providers of VA custodian services, which is currently being consulted on.

3. Eligibility for Licensing as a VA Dealing Service Provider

The consultation proposes the following key eligibility requirements for licensing.

Incorporation

In order to apply for a VA dealing service provider licence, applicants (other than banks) must 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).

All applicants would have to identify suitable premises for storing books and records.

Fit and Proper Requirements for VA Dealing Service Providers

All licence applicants and relevant persons (including substantial shareholders and individuals performing the VA dealing service) would have to satisfy fit-and-proper tests in the same way as other regulated entities under the AMLO.

The SFC's assessment of whether an applicant is fit and proper would take into account all relevant matters, including whether the applicant (or its directors, substantial shareholders or ultimate owners) has been convicted in Hong Kong or elsewhere of a money laundering/terrorist financing offence or a serious offence;³ has been convicted of an offence in which the person is found to have acted fraudulently, corruptly or dishonestly; has been the subject of any bankruptcy or liquidation proceedings; or has failed or may fail to observe the AML/CFT obligations.

The SFC will also conduct a separate consultation exercise on the fitness-and-properness requirements for applicants for the VA dealing service provider licence or registration and their relevant persons covering ability and experience and the conduct and risk management policies and procedures required to be put in place.

Responsible Officer Requirements

Applicants for a VA dealing service provider licence would have to appoint at least two responsible officers approved by the SFC (or at least two executive officers approved by the HKMA in the case of registered institutions) who are responsible and personally accountable for ensuring the licensed or registered entity's (together, "**licensed entity**") compliance with the regime's AML/CFT and other requirements.

Every executive director of a licensed Hong Kong VA dealing service provider would have to be made responsible officers upon approval by the SFC.

Hong Kong AML/CFT Obligations

Licensees or registrants providing VA dealing services would be required to observe the AML/CFT requirements stipulated in Schedule 2 to the AMLO relating to customer due diligence and record keeping.

Other Obligations akin to those of Licensed VATPs & Regulated Intermediaries Offering VA Dealing Services

Licensed/registered virtual asset dealing service providers would additionally be subject to the following requirements which are equivalent to those applicable to SFC-licensed VATPs and traditional intermediaries that offer VA dealing services.

Financial resources	A licensed or registered VA dealing service provider (other than banks which are subject to the HKMA's capital requirements) would be required to have: <ul style="list-style-type: none">• a minimum paid-up share capital of HK\$5 million;• minimum liquid capital of up to HK\$3 million (depending on the business model); and• excess liquid capital equivalent to at least 12 months of its actual operating expenses.
Knowledge and experience	A licensed or registered VA dealing service provider would need a proper corporate governance structure with personnel having the necessary knowledge and experience to properly discharge their duties.
Risk management	Regulated VA dealing service providers would be required to have appropriate risk management policies and procedures for managing money laundering, terrorist financing and other risks.
Financial reporting and disclosure	Licensed or registered VA dealing service providers (except banks) would have to observe prescribed auditing and disclosure requirements in Hong Kong and submit audited accounts.

³ Offences specified in Schedules 1 or 2 to the Organized and Serious Crimes Ordinance (Cap. 455) or similar offences elsewhere

Conduct of business	Licensed or registered VA dealing service providers would 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 notification	Licensees and registrants would need to submit a broad 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 would have to maintain proper records of their business activities, which must be accessible to the SFC's or the HKMA's ongoing monitoring.
Protection of client assets	A VA service provider licensee or registrant must properly protect and segregate client VAs. The requirements may include safekeeping client VAs with a licensed or registered VA custodian in Hong Kong.
Other investor protection safeguards	Licensees and registrants would also 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.

4. Licensed VA Dealing Service Providers - Permitted Activities

VAs Permitted for Trading

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 (essentially only Bitcoin and Ethereum) and stablecoins issued by HKMA-licensed stablecoin issuers under the Stablecoins Ordinance, which takes effect on 5 August 2025. 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.

Regulatory Requirements for other VA Services

Separate sets of regulatory requirements will be provided for other services constituting VA dealing services such as advising on VA, VA asset management, VA staking, borrowing and lending and VA margin trading. Licensed entities will need to ensure compliance with applicable AML/CFT requirements on deposit and withdrawal of client VAs to and from the licensees' wallet addresses and to and from third parties for settlement purposes.

Currently, intermediaries licensed or registered with the SFC are required to conduct their VA dealing activities through an omnibus account with an SFC-licensed VATP,⁴ and client transactions must be executed on the SFC-licensed VATP's platform. SFC-licensed VATPs, on the other hand, must hold client VAs on trust in wallet address(es) established by their associated entity.

The Consultation Paper notes that one option under consideration to attract liquidity to the Hong Kong market is to allow licensed and registered VA dealing service providers to acquire or dispose of VAs for clients via non-SFC-licensed VATPs that are regulated in other jurisdictions or other liquidity providers. This would be subject to appropriate investor protection safeguards being put in place, for example additional counterparty-related or AML-related due diligence, reducing clients' exposure to counterparty risks using back-to-back transactions, ensuring sufficient risk disclosures to clients and requirements for VAs acquired outside Hong Kong to be held by SFC-licensed VA custodians. These investor protection measures would be subject to a separate consultation.

AML due diligence requirements for licensed/registered VA dealing service providers

SFC-licensed VATPs and regulated intermediaries providing VA dealing services in Hong Kong must conduct risk-based transaction monitoring to identify the origin and destination of VAs transferred from or to their customers or other parties and to monitor VA transfer counterparties on an ongoing basis. Regulated VA dealing service providers would be subject to the same risk-based transaction monitoring procedures and would also have to hold client VAs with licensed or registered VA custodians in Hong Kong.

The SFC will only grant a licence and registration after the licensee or registrant providing VA dealing services in

⁴ See the SFC Circular of 22 December 2023 "[Joint Circular on Intermediaries' Virtual Asset-related Activities](#)"

Hong Kong meets the specified requirements. Non-compliance with AML/CFT and other statutory and regulatory requirements will attract disciplinary and investigative proceedings and enforcement actions.

5. Licence period and transitional period

The SFC is proposing to grant open-ended licences or registrations to successful VA dealing service provider applicants so that licences and registrations will continue until they are revoked (e.g. due to cessation of business or misconduct).

There will not be a deeming arrangement for VA dealing service providers already operating in Hong Kong at the date the new regime takes effect. Instead, the new licensing regime will take effect when the relevant statutory provisions come into force.

The FSTB and SFC encourage entities already providing VA dealing services in Hong Kong to contact the SFC or the HKMA. Enquiries regarding the pre-application processes should be addressed to the SFC FinTech Unit at fintech@sfc.hk.

6. Expedited licensing and registration process

SFC-licensed VATPs and SFC-licensed or registered intermediaries that currently offer VA dealing services will need to obtain a VA dealing service provider licence under the new licensing regime. The SFC will however offer an expedited approval process to regulated entities that have already undergone an SFC or HKMA assessment of their provision of VA dealing services and are already providing VA dealing services.

7. Licensing fees

VA dealing service provider licence applications will be processed similarly to broker-dealer licences under the Securities and Futures Ordinance (Cap. 571) (the **SFO**). Following the “user-pays” principle, the licence application fee and annual fee for VA dealing service providers would be benchmarked with the relevant fees for Type 1 regulated activity under the SFO. The current licence application fee is HK\$4,740 for a Type 1 licensed corporation and HK\$23,500 for a Type 1 registered institution. The annual fee is HK\$4,740 for a licensed corporation and HK\$35,000 for a registered institution.

8. Prohibition on active marketing of VA dealing services

The SFC and FSTB propose to prohibit unlicensed/unregistered persons actively marketing VA dealing services to the Hong Kong public from within or outside Hong Kong. This would prevent offshore providers of VA dealing services actively marketing those services in Hong Kong.

9. Hong Kong regulatory authorities' powers

SFC to set regulatory standards for VA dealing service providers

It is proposed that the SFC should be the standard setter for regulatory requirements that apply to licensed or registered VA dealing service providers.

The SFC will also be entitled to impose licensing and registration conditions, and/or add to, vary or modify existing conditions, enter licensees' business premises to conduct routine inspections and investigate suspected non-compliance with licensees' statutory and regulatory obligations. It would also be empowered to impose disciplinary sanctions, including civil penalties and the suspension or revocation of a licence, in the case of non-compliance with the statutory and regulatory requirements.

HKMA as the frontline regulator of banks and SVFs

Under the proposals, the HKMA would be the frontline regulator for banks and stored value facilities registered to provide VA dealing services and would supervise their VA dealing activities. The HKMA would have powers similar to the SFC to enter registrants' business premises to conduct routine inspections and to investigate suspected non-compliance with the statutory and regulatory requirements.

It is proposed that the SFC and HKMA would be able to access information from relevant authorities to investigate non-compliance.

10. Sanctions

The proposed sanctions 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)

11. Statutory appeal mechanism

It is proposed that a review tribunal mechanism would allow appeals against decisions of the SFC or the HKMA.

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