



SFC Issues Circular on VATPs' Shared Order Books

In November 2025, the Securities and Futures Commission (**SFC**) issued its [Circular on shared liquidity by virtual asset trading platforms \(VATPs\)](#), which allows SFC-licensed VATP operators (**Hong Kong VATP Operators**) to integrate their order books with those of their affiliated overseas virtual asset trading platform operators (**Overseas VATP Operators**). The initiative permits orders from different platforms to be combined into an aggregate shared liquidity pool, enabling cross-platform order matching and execution through what is termed a **Shared Order Book**.

Hong Kong VATP Operators must obtain the SFC's prior written approval before operating a Shared Order Book, and upon granting approval, the SFC will impose the [Terms and Conditions for Operating a Shared Order Book \(Shared Order Book Terms and Conditions\)](#) (set out in the Appendix to the Circular) as conditions on the Hong Kong VATP Operator's licence.

Trade settlement risks for Hong Kong VATP Operators are kept to a minimum because orders are pre-funded and matched trades are settled immediately within the Hong Kong VATP Operator, as required by the SFC's [Guidelines for Virtual Asset Trading Platform Operators \(VATP Guidelines\)](#). However, the introduction of a Shared Order Book allows Hong Kong VATP Operators' client orders to be matched with those from Overseas VATP Operators' clients where pre-funding takes place outside Hong Kong, resulting in settlement exposure. Moreover, the rollout of shared liquidity amplifies the operational challenges in market surveillance, calling for coordinated actions to counter potential market misconduct. To address these elevated risks associated with Shared Order Book operations, the Shared Order Book Terms and Conditions set out the following key requirements.

Hong Kong SFC Regulatory Requirements for VATPs' Shared Order Books

Eligibility of Overseas VATP Operator

A Shared Order Book must be jointly operated by a Hong Kong VATP Operator and an Overseas VATP Operator which is its "related corporation", as defined in section 53ZRC of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615). Under that definition, two or more corporations are related corporations of each other if one of them is the holding company or subsidiary of the other, or a subsidiary of the holding company of the other. Additionally, when an individual controls the composition of the board of directors of one or more corporations, controls more than half of the voting power at general meetings of one or more corporations, or holds more than half of the issued share capital of one or more corporations, each of those corporations and each

of their subsidiaries are regarded as related corporations of each other.

The Overseas VATP Operator must be licensed in the jurisdiction where it conducts virtual asset trading activities. That jurisdiction must be:

- a member of either the Financial Action Task Force (**FATF**) or an FATF-Style Regional Body;¹ and
- have effective regulation substantially aligned with both FATF recommendations and Recommendations 8 (fraud and market abuse), 13 (segregation and handling of client monies and assets), 15 (client asset reconciliation and independent assurance), and 16 (securing client money and assets) of the International Organization of Securities Commissions (IOSCO) Policy Recommendations for Crypto and Digital Asset Markets.²

Hong Kong VATP Shared Order Book Rules

Hong Kong VATP Operators must operate the Shared Order Book according to Shared Order Book Rules that establish clear, enforceable obligations for all participants. These rules must cover the entire trading lifecycle, including pre-funding, order placement, trade execution, novation (where applicable), settlement, and default management. The roles, rights, obligations and liabilities of the Hong Kong VATP Operator, Overseas VATP Operator, any other participants in the Shared Order Book, and the designated custodians must be set out in the Shared Order Book Rules. The Hong Kong VATP Operator is responsible for ensuring that the Overseas VATP Operator complies with both the Shared Order Book Terms and Conditions and the Shared Order Book Rules.

The Shared Order Book Rules and other agreements relating to the operation of the Shared Order Book must be reviewed and updated upon any material change to the trading or settlement system or processes of the Shared Order Book.

Hong Kong VATP Shared Order Books: Pre-funding and Order Verification

To mitigate settlement risk, the Shared Order Book can only accept fully pre-funded orders. A Hong Kong VATP Operator or Overseas VATP Operator must only execute a client order if there are sufficient fiat currencies or virtual assets in the client's account with the Hong Kong VATP Operator or Overseas VATP Operator to cover that trade. Settlement assets must be deposited with one or more custodians designated by the Hong Kong VATP Operator or Overseas VATP Operator (**Designated Custodians**) before orders can be placed. The Hong Kong VATP Operator and Overseas VATP Operator must additionally implement automated pre-trade verification to confirm full pre-funding before accepting any order. Once orders are matched in the Shared Order Book, the trade should be regarded as executed and binding, and the trading account ledgers need to be updated in real time by the Hong Kong and Overseas VATP Operator.

Settlement must employ a delivery-versus-payment (**DVP**) mechanism to ensure simultaneous asset exchange between the Hong Kong and Overseas VATP Operators. The Overseas VATP Operator and its Designated Custodian must be responsible for delivering the settlement assets for its orders to the Hong Kong VATP Operator. Asset swap procedures are required to address timing variables such as wallet transfer delays, blockchain disruptions, and bank holidays. A Hong Kong VATP Operator must settle all trades with the Overseas VATP Operator at least daily, and should conduct intraday settlement to limit exposure to a pre-defined Unsettled Trade Limit set in accordance with paragraph 25 of the Shared Order Book Terms and Conditions. Robust real-time monitoring of unsettled trade exposure is required to be implemented by VATP Operators.

Shared Order Book: Required Compensation Arrangements

Hong Kong VATP Operators must assume full accountability for trades executed via the Shared Order Book, as if the trades were executed on their own order book. A reserve fund must be maintained in Hong Kong and held in one or more segregated accounts with an authorized financial institution. It is required to be held by the Hong Kong VATP Operator on trust and designated for client compensation to cover losses from settlement failures. Its size should be equal to or greater than the Unsettled Trade Limit and adjustable based on projected exposure. Unless the SFC agrees otherwise, the reserve fund should be maintained in fiat currency.

Additionally, Hong Kong VATP Operators must have insurance or compensation arrangements at a level not less than that prescribed under paragraph 10.22 of the VATP Guidelines, covering the loss of settlement assets held by the Overseas VATP Operator or its Designated Custodian, and assets in transit. If the Overseas VATP Operator maintains such insurance, the Hong Kong VATP Operator or its associated entity should be included as

¹ For details of FATF-Style Regional Bodies, please refer to <https://www.fatf-gafi.org/en/countries/global-network.html>

² <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD747.pdf>

a beneficiary and should hold the benefit on trust for clients.

Shared Order Book Market Misconduct Risk Mitigation

To address increased risks when trading across jurisdictions, Hong Kong VATP and Overseas VATP Operators are required to implement a unified market surveillance programme to ensure compliance with paragraphs 8.1 to 8.4 and 9.8 to 9.10 of the VATP Guidelines, rather than segmenting oversight by clients' onboarding jurisdiction. The Hong Kong VATP Operator should designate a Responsible Officer or Manager-in-Charge to oversee the unified market surveillance programme, ensure compliance with SFC requirements, contribute to surveillance system and parameter decisions, supervise the handling of potential misconduct alerts, and regularly assess the programme's effectiveness. Shared Order Book data, including order and trade records, must be provided to the SFC promptly upon request.

Other SFC Requirements and Disclosures for VATP Shared Order Books

The Shared Order Book must comply with the VATP Guidelines on trading reliability, operational rules, cybersecurity, and record keeping under paragraphs 5.1(g), 7.22, 7.27, Part XII and Part XIV of the VATP Guidelines. The Hong Kong VATP Operator is required to keep records sufficient to explain the design, development, testing, operation and modification of the Shared Order Book, and to reconstruct the lifecycle of orders, trades, settlements, surveillance alerts and incident responses, for at least seven years.

Before offering services via the Shared Order Book, VATP Operators must clearly disclose key risks to clients, including potential conflicts of interest involving the Hong Kong and Overseas VATP Operators, the settlement mechanism and responsible parties, associated settlement risks, circumstances in which settlement failures may occur, default management procedures, risk mitigation measures, the extent of client protection, and the rights and recourse available to clients.

Hong Kong VATP Operators can only offer retail clients access to the Shared Order Book if:

- the additional risks arising from order matching and settlement in overseas jurisdictions—including the possibility of reduced client protection compared to Hong Kong—are clearly explained: and
- the client has expressly elected to participate in the Shared Order Book.

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