



## Hong Kong SFC Fines Saxo Capital Markets HK Limited HK\$4 Million for Virtual Asset Product Distribution Breaches

On 6 January 2026, the Hong Kong Securities and Futures Commission (SFC) of Hong Kong published a [statement of Disciplinary Action](#) and reprimanded and fined [Saxo Capital Markets HK Limited](#) (SCMHK) HK\$4 million. The action was taken pursuant to section 194 of the [Hong Kong Securities and Futures Ordinance](#) (SFO). SCMHK distributed virtual asset (VA) funds not authorised by the SFC and VA-related products without complying with applicable regulatory requirements. The breaches spanned from 1 November 2018 to 25 November 2022. SCMHK executed 1,446 transactions in 32 VA products for 136 clients. These comprised 6 individual professional investors and 130 retail clients. All 32 products were classified as complex products. SCMHK failed to conduct VA knowledge assessments on clients. It did not provide VA-specific warning statements. Product due diligence was inadequate. The firm has ceased all regulated activities since 28 February 2025. The SFC initiated the Disciplinary action for breaches of the [Code of Conduct and the Guidelines on Online Distribution and Advisory Platforms](#).

### Saxo Capital Markets HK Ltd: A HK Licensed entity dealing in Virtual Assets

SCMHK, a subsidiary of Saxo Bank A/S (Saxo Bank), operated an online trading platform (Online Platform) offering a range of financial products to clients in Hong Kong. The firm held licences under the SFO for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), and Type 9 (asset management) regulated activities.

The SFC's enforcement action against SCMHK's distribution of VA products on the Online Platform during a four-year period. The regulatory framework in the «[Statement on regulatory framework for virtual asset portfolios managers, fund distributors and trading platform operators](#)» circular issued by the SFC on 1 November 2018 (2018 Circular) and the «[Joint circular on intermediaries' virtual asset-related activities](#)» jointly issued by the Hong Kong Monetary Authority (HKMA) and the SFC on 28 January 2022 (2022 Circular), which took effect on 28 July 2022. This Joint Circular was subsequently superseded by «[Joint circular on intermediaries' virtual asset-related activities](#)» dated 22 December 2023 (collectively, the Circulars).

The 2018 Circular provided guidance on expected standards and practices for distributing VA funds not authorised by the SFC. It required intermediaries to target only professional investors (PIs), assess client knowledge of VAs, conduct proper due diligence, and provide prominent warning statements covering VA-specific risk factors. The 2022 Circular superseded the 2018 Circular and broadened the scope to all VA-related products, introducing

additional investor protection measures, including the requirement that complex VA-related products be offered to PIs only, and mandated suitability requirements and a VA knowledge test as additional safeguards.

SCMHK relied on protocols maintained by Saxo Bank at the group level to identify instruments with VA exposure. Deficiencies in these protocols led to 32 VA products not being identified as VA-related. They were consequently made available to all clients, including retail clients, on the Online Platform. SCMHK discovered the issue on 25 November 2022 after notification from Saxo Bank following an enquiry from its London office. SCMHK promptly self-reported the misconduct to the SFC pursuant to paragraph 12.5 of the Code of Conduct. The SFC then conducted an investigation into SCMHK's conduct during the relevant period.

## **Disciplinary Action against Virtual Asset entity under Hong Kong Regulations**

The regulatory and enforcement timeline is as follows:

- i. 1 November 2018: The SFC issued the 2018 Circular, establishing standards for distribution of VA funds. This date also marks the commencement of the relevant period.
- ii. 25 November 2022: SCMHK discovered the potential breach and submitted a self-report to the SFC.
- iii. 28 February 2025: SCMHK ceased carrying on all regulated activities.
- iv. [6 January 2026](#): The SFC published its disciplinary action, imposing a public reprimand and HK\$4 million fine.

The SFC imposed a public reprimand and a fine of HK\$4 million on SCMHK, and found it guilty of misconduct arising from multiple breaches of the [Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission](#) (Code of Conduct) and the [Guidelines on Online Distribution and Advisory Platforms](#) (Guidelines) as well as failure to observe requirements in the Circulars.

## **Non-compliances with the Circulars**

### **Distribution of VA Products to Retail Clients**

The SFC found that retail clients were given access to products reserved exclusively for professional investors under both the 2018 Circular and the 2022 Circular. SCMHK relied on protocols maintained by Saxo Bank to identify VA exposure in instruments listed on the Online Platform (the Protocols). Before the end of 2020, the group-level due diligence performed by Saxo Group did not include an assessment of whether an instrument qualified as a VA Product. Around early 2021, analysts at Saxo Bank began manually identifying and flagging instruments with virtual asset exposure. In early 2022, an automatic screening tool designed at the Saxo Group level was introduced to enhance the Protocols.

Several deficiencies in these Protocols were identified. These included the absence of clearly defined criteria for analysts to consistently determine whether an instrument was VA-related, issues with the logic of the automatic screening tool, and insufficient testing prior to its implementation.

The SFC also found that SCMHK did not request local customisation of the Protocols and was unaware of how the screening tool assessed underlying assets for VA elements. It failed to evaluate whether gaps existed between the Protocols and the requirements of the 2018 and 2022 Circulars. Additionally, SCMHK was not involved in configuring, testing, or maintaining the screening tool, nor did it review the list of available instruments on the Online Platform as part of its local product governance obligations.

Ultimately, passive reliance on a parent company's screening mechanisms without local customisation, independent testing, or regular review against local regulatory developments amounts to a failure of management and supervision under the Code of Conduct.

Upon discovering the issue, SCMHK blocked all clients from trading VA Products, enhanced its screening Protocols, and voluntarily reimbursed affected clients for all related commissions, fees, interest and losses.

### **Absence of VA Knowledge Assessment and Warning Statements**

The SFC found that SCMHK did not implement any VA knowledge test during the entire relevant period. SCMHK provided two explanations for this omission. First, it stated that the 32 VA Products had been made available to retail clients on the Online Platform unintentionally. Second, it had mistakenly assumed that all professional investors were exempt from the VA-knowledge test requirement.

Regarding warning statements, the SFC observed that while SCMHK did issue warnings for complex products and derivative products, these statements did not refer to the VA exposure of the investments, nor did they adequately address the specific risk factors associated with VA Products.

Under Hong Kong regulatory requirements, generic complex product warnings would not satisfy the requirements for VA-specific disclosures. Both the 2018 Circular and the 2022 Circular mandate tailored warning statements addressing risks unique to virtual assets, including price volatility, potential price manipulation, cybersecurity risks, and the unregulated nature of many VA exchanges, trading platforms, and custodians.

### **Inadequate Product Due Diligence on VA Products**

SCMHK failed to maintain any specific procedures for conducting product due diligence on VA products during the relevant period. The firm instead represented that due diligence was conducted at the Saxo Group level.

The SFC identified three material shortcomings in this approach. First, despite the due diligence allegedly performed by Saxo Group, SCMHK failed to identify the VA exposure associated with the 32 VA Products. Second, out of the 32 VA Products, the key information documents or key fact sheets for 11 of them were not made available on the Online Platform. SCMHK explained that this was because the relevant documents were not provided to Saxo Group by the vendors. Third, with respect to VA Funds, Saxo Group's due diligence did not cover the fund managers or the parties providing trading and custodian services to those funds.

To comply with the regulatory requirements, product due diligence must be comprehensive and locally accountable. The absence of key information documents for 11 out of 32 products, and the failure to assess VA fund managers and custodians, represent material gaps. The SFC's FAQs on Compliance with Suitability Obligations expressly state: «Licensed or registered persons should conduct their own product due diligence and arrive at their own assessment of the products by taking into account all relevant information that is appropriate and reasonably available for a fair and balanced assessment.»

### **The SFC's findings of misconduct by SCMHK**

The breaches encompassed three categories of misconduct arising from multiple breaches.

- i. failure to manage and supervise the Online Platform adequately to ensure compliance with regulatory requirements for distributing VA products;
- ii. failure to ensure suitability of the VA products with the clients' risk profiles and provide sufficient information such as warning statements for complex VA products and VA Products which were not derivative products;
- iii. failure to properly assess clients' knowledge and experience in trading derivatives and characterise them accordingly.

Compliance with regulatory obligations under the Securities and Futures Ordinance and the Code of Conduct is imposed upon the locally licensed entity as a non-delegable statutory responsibility. Such obligations cannot be outsourced, diluted, or constructively transferred to an unregulated parent or affiliate. The licensed entity must conduct independent verification, effective supervisory control, and substantive local oversight over all operational measures to ensure compliance with applicable requirements.

### **Inadequate management and supervision of the Online Platform**

All 32 VA products were classified as complex products but none of them were adequately identified as VA-related due to the deficiencies in the Protocols as set out above.

The SFC found that, during the relevant period, SCMHK breached General Principles 2, 3, and 7, as well as paragraph 18.4 and paragraphs 1.1.3 and 1.1.4 of Schedule 7 to the Code of Conduct. These breaches arose from a series of interconnected failures in the governance and oversight of its Online Platform in relation to VA Products.

Specifically, SCMHK failed to exercise due skill, care, and diligence in identifying instruments on the Online Platform with VA exposure. It did not employ effective resources or procedures to ensure the proper performance of its business activities, nor did it comply with regulatory requirements applicable to the distribution of VA Products. Furthermore, SCMHK failed to adequately manage and supervise the design, development, deployment, and operation of the Online Platform. It neglected to conduct regular reviews to ensure its internal policies and procedures kept pace with regulatory developments, and consequently, did not promptly remedy identified

deficiencies. Finally, SCMHK did not assign adequately qualified staff, expertise, technology, or financial resources to the oversight and operation of the platform.

### **Failure to Ensure Suitability of Complex VA Products**

SCMHK required clients to complete an online suitability test before trading complex products. Clients were categorised into four risk profiles: «Conservative», «Balanced», «Aggressive», or «Speculative». However, SCMHK was unaware that complex products with VA exposure had been made available on the Online Platform and the SFC found that this test did not include any questions to assess client knowledge of investing in VAs or VA-related products. The warning statements provided did not reference VA exposure or VA-specific risk factors.

The SFC also found that, with respect to the non-derivative VA Products, SCMHK failed to exercise due skill, care, and diligence in several key areas. It did not ensure that transactions in these complex products were suitable for the clients. It did not provide sufficient information on the key nature, features, and risks of these products to enable clients to understand them before making investment decisions. Finally, it did not ensure that appropriate warning statements in relation to these complex products were provided to clients.

These failures constituted a breach of [General Principle 2](#) of Diligence and paragraph 5.5(a) of the Code of Conduct, and paragraphs 6.3, 6.7, and 6.8 of the Guidelines.

### **Failure to Assess Client Knowledge of Derivatives**

Among the 32 VA products, 21 were complex exchange traded derivative products. The SFC found that 82 retail clients and 5 PIs conducted 979 transactions in these products during the relevant period.

SCMHK relied on its risk profile questionnaire to assess derivatives knowledge. The risk profile questionnaire required clients to select one of four options regarding their knowledge and experience with derivative products with information about their education background, financial position, risk appetite, investment objective, knowledge, and experience. Clients were categorised into one of five risk tolerance levels based on the aggregate scores of their answers. The risk tolerance level from the questionnaire was then used by SCMHK to set the margin ceiling limit for each client account. However, the risk profile questionnaire did not contain any other questions about the client's knowledge and experience in trading derivative products, such as the number of transactions that the client conducted in the past three years.

The SFC found that SCMHK did not make adequate enquiries or gather sufficient information which would enable it to properly assess whether a client had knowledge of derivatives. Instead, it relied merely on the client's self-declaration. Furthermore, while SCMHK categorised clients into five different risk tolerant levels based on their answers, it did not characterise clients based on their knowledge of derivatives.

The standard from SFC's [FAQs on Investor Characterisation Requirements](#) is also applicable, which states: «In assessing whether a client has knowledge of derivatives, intermediaries should make appropriate enquiries of or gather relevant information about the client during the know your client ('KYC') process so as to enable them to make the assessment instead of relying merely on the client's declaration that he/she has knowledge of derivatives.» The [SFC's 2010 circular](#) specifies that a client is considered as having knowledge of derivatives if they have executed five or more transactions in any derivative product within the past three years. SCMHK's risk profile questionnaire failed to capture this threshold.

The SFC found SCMHK in breach of General Principle 2 and paragraphs 5.1A(a), 5.3, and 5.5(b) of the Code of Conduct.

### **Management and Supervision Findings**

The SFC concluded that SCMHK failed across multiple dimensions of platform management and supervision. The Statement records that SCMHK failed to:

«(a) exercise due skill, care and diligence in identifying instruments on the Online Platform with VA exposure; (b) employ effectively the resources and procedures needed for the proper performance of its business activities; (c) comply with all regulatory requirements applicable to the distribution of VA Products; (d) effectively manage and adequately supervise the design, development, deployment and operation of the Online Platform; (e) conduct regular reviews to ensure that its internal policies and procedures on the operation of the Online Platform were in line with regulatory developments, and promptly remedy any deficiencies identified; and (f) assign adequately

qualified staff, expertise, technology and financial resources to the design, development, deployment and operation of the Online Platform.»

The SFC found these failures constituted breaches of General Principle 2 (Diligence), General Principle 3 (Capabilities), General Principle 7 (Compliance), paragraph 18.4 of the Code of Conduct, and paragraphs 1.1.3 and 1.1.4 of Schedule 7 to the Code of Conduct.

SCMHK's failure to properly assess clients' knowledge of derivatives and characterise clients based on such knowledge, coupled with its failures to conduct a VA-knowledge test, provide VA-specific warning statements, conduct adequate product due diligence, and provide sufficient information on VA Products, suggests that SCMHK also failed to exercise due skill, care and diligence. Specifically, it failed to assure itself that clients understood the nature and risks of the Exchange-traded derivative VA Products before executing transactions in such derivative products on behalf of the clients.

### **Mitigating Factors and Determination of Sanctions**

In arriving at the disciplinary sanction, the SFC has had regard to its Disciplinary Fining Guidelines. The SFC noted that SCMHK's failures persisted for over four years, on the other hand, SCMHK self-reported its misconduct to the SFC and has taken remedial actions including voluntarily compensating clients for losses incurred from trading VA Products during the relevant period. Additionally, SCMHK has ceased carrying on regulated activities, cooperated with the SFC and accepted the SFC's findings and disciplinary action, which facilitated an early resolution of the matter. Finally, the SFC took into account that SCMHK has no previous disciplinary record.

The SFC in the above weighs both aggravating and mitigating factors. The four-year duration of the breach appears to be an aggravating consideration. However, The self reporting, voluntary client compensation, cooperation, and clean disciplinary record may serve as mitigating factors. The cessation of regulated activities is noted as a relevant circumstance that may have influenced the quantum of the fine.

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