

23 January 2026

Submitted by email: vadealing-consult@fstb.gov.hk

Division 5, Financial Services Branch
Financial Services and the Treasury Bureau
24/F, Central Government Offices
Tim Mei Avenue, Tamar Central, Hong Kong

Re: ASIFMA Response to Further Public Consultation on Legislative Proposal to Regulate Virtual Asset Advisory Service Providers and Virtual Asset Management Service Providers

Dear Sir/Madam,

The Asia Securities and Financial Markets Association (“ASIFMA”)¹ appreciates the opportunity to respond to the consultation questions set out in the Financial Services and the Treasury Bureau (the “FSTB”) and the Securities and Futures Commission’s (the “SFC”) *Further Public Consultation on Legislative Proposal to Regulate Virtual Asset Advisory Service Providers and Virtual Asset Management Service Providers* published on 24 December 2025 (the “Further Consultation Paper”). Feedback set out in this response has been collected from ASIFMA members (“Members”) of the Fintech Working Group, Crypto Sub-Working Group, and Anti-Financial Crime Working Group, which have been closely following global, regional and local developments relating to virtual assets in recent years.

We also note the conclusions set out in the *Consultation Conclusions on Legislative Proposal to Regulate Dealing in Virtual Assets* and the *Consultation Conclusions on Legislative Proposal to Regulate Virtual Asset Custodian Services*. Before the FSTB and SFC finalise the

¹ ASIFMA is an independent, regional trade association with over 150 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative, and competitive Asian capital markets that are necessary to support the region’s economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the GFMA alliance with SIFMA in the United States and AFME in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region. More information about ASIFMA can be found at: www.asifma.org.

regulatory framework for virtual asset (“VA”) dealing and VA custody, we intend, and would welcome the opportunity, to provide further input and comments on the detailed regulatory requirements and standards for all VA activities, as members do have residual concerns regarding some of the conclusions reached. In particular, we understand that the SFC does intend to conduct a separate public consultation exercise on the range of requirements that will be applicable to VA dealers and VA custodians, and we look forward to engaging in that process.

We are grateful to ASIFMA law firm member Latham & Watkins LLP for their support in drafting this response. Unless otherwise defined herein, the terms used in this response have the meanings assigned to them in the Further Consultation Paper.

We would be pleased to discuss our response in further detail. Should you wish to do so, please do not hesitate to contact me at rkapoor@asifma.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Rishi Kapoor".

Rishi Kapoor
Executive Director, Head of Technology and Operations
Asia Securities Industry & Financial Markets Association

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| Question 1 | Do you agree with the proposed definition and scope of VA advisory services? |
| <p>Similar to the definition of VA dealing, the proposed definition of VA advisory is limited to giving advice or issuing analyses/reports on whether VA should be acquired or disposed of.</p> <p>Members understand that the new VA advisory regime will <i>not</i> extend to cover advising on <u>VA-related</u> products (and any incidental advisory on VA connected with the sales and trading of <u>VA-related</u> products) since dealing in, and advising on, <u>VA-related</u> products are already covered or exempted under SFO Type 1, 4 and 11 regulated activities respectively (as confirmed in the <i>Consultation Conclusions on Legislative Proposal to Regulate Dealing in Virtual Assets</i>). Members would therefore appreciate express confirmation that the VA advisory regime excludes VA-related products (<i>i.e.</i>, those that constitute securities, futures contracts and derivatives).</p> | |
| Question 2 | Are there any other exemptions which may be appropriate? |
| <p>Members support the proposed exemptions, which are consistent with the existing Type 4 regulated activity regime.</p> <p>To create a level playing field, we would expect the SFC's guidance on Type 4 exemptions (as set out in its Licensing Handbook) to be applied to VA advisory as well.</p> | |
| Question 3 | Do you have any comments on the regulatory requirements to be imposed on VA advisory service providers? |
| <p>Members did not provide comments on the regulatory requirements to be imposed on VA advisory service providers.</p> <p>As we understand it, the regulatory framework and conduct requirements applicable to VA advisors are intended to be consistent with the <i>Joint circular on intermediaries' virtual asset-related activities</i> dated 22 December 2023 (the “Joint Circular”) published by the SFC and the Hong Kong Monetary Authority (“HKMA”).</p> | |
| Question 4 | Do you agree with the proposed definition and scope of VA management services? |

Members did not provide any comments on the proposed definition and scope of VA asset management services.

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| Question 5 | Are there any other exemptions which may be appropriate? |
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De minimis Exemption

While recognising the reasons stated for not setting a de minimis threshold for the new VA asset management regulated activity, Members strongly believe that having a de minimis threshold would provide flexibility to support digital asset adoption and ecosystem development. For example, if a SFC-regulated asset manager becomes an investment delegate for a parent company, and the portfolio allocation to VAs is limited (relative to the entire portfolio), then keeping a de minimis threshold could allow the SFC-regulated asset manager to have the flexibility to take on the mandate without further requiring it to be licensed, and this could also encourage more institutional experimentation and adoption (taking into account the relatively nascent VA ecosystem in Hong Kong currently). Since asset managers are already regulated by the SFC under the securities regime, we believe there are sufficient investor protection safeguards in place as well. Instead of removing the de minimis threshold entirely, we suggest that the SFC could consider:

- i. a lower threshold;
- ii. a reasonable transitional period;
- iii. a phased reduction of the threshold as the market matures; and/or
- iv. establishing certain criteria that need to be met before a firm is able to avail itself of the de minimis threshold (*e.g.*, acting as sub-manager or delegate).

In any case, Members believe that SFC-regulated asset managers currently operating under the de minimis threshold should be grandfathered from obtaining the new VA manager licence for their existing funds.

In addition, the Joint Circular also notes that for discretionary account management services, where a Type 1 intermediary is authorised by its clients to provide VA dealing services on a discretionary basis as an ancillary service, the intermediary should only invest less than 10% of the gross asset value of the client's portfolio in VAs. Members would appreciate confirmation whether this de minimis threshold would also continue to apply.

Incidental Exemption

We understand that VA managers will be exempt from the VA dealing licensing requirement where such VA manager performs the act of VA dealing solely for the purposes of providing VA management services (*i.e.*, an incidental exemption that replicates the existing incidental exemption for Type 9 licensees).

Members seek further clarity on the types of activity that would fall within this incidental exemption. For example, we would expect that if a VA manager facilitates conversion of fiat and VA for investors (*e.g.*, accepts fiat currency for subscriptions and uses stablecoins or other VAs for redemptions or vice versa, or accepts VA for in-kind subscriptions and redemptions), such activity will be covered by the incidental exemption as it likely constitutes VA dealing but the dealing is solely related to the VA management activity (*i.e.*, the core activity is VA management and the “dealing” is incidental to the ability of the VA manager to perform that management function). We would not expect that a licensed VA manager would be required to obtain a separate VA dealing licence for this activity, but confirmation from the SFC in future guidelines or FAQs would be beneficial.

Currently, subscribing for or redeeming investment products using VAs is permissible and not treated as providing VA dealing services under the SFC and HKMA’s *Supplemental joint circular on intermediaries’ virtual asset-related activities* dated 30 September 2025. A similar exemption or approach should also be established under the VA dealing and/or VA asset management regimes.

Discretionary Accounts

Members wish to clarify whether the new VA management regime will apply to existing SFC-regulated asset managers involved in the management of discretionary accounts (*i.e.*, discretionary accounts managers defined under the SFC’s Fund Manager Code of Conduct) where the investment decision of the discretionary mandates is generally delegated to intra-group or third-party fund managers.

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| Question 6 | Do you have any comments on the requirements relating to VA management? |
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Members would appreciate confirmation as to whether there will be any additional requirements on investment delegates for VA funds (if any), or if the SFC will continue to assess investment delegates based on whether they are from the list of acceptable inspection regimes.

As outlined in our response to Q7 below, it is important that VA managers continue to be permitted to appoint any appropriately regulated custodian (including those from outside of Hong Kong which are regulated under the laws of other reputable jurisdictions) for safekeeping VAs in connection with the private funds they manage.

In the case of appointment of sub-custodians, Members would also appreciate clarity on whether offshore sub-custodians (which are appointed by the primary custodian) are permitted to provide custody for VA assets. We believe this should be permitted (under the same principle and approach as our response to Q7 below).

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| Question 7 | Should VA management service providers be required to hold VAs of the private funds they manage via SFC-regulated VA custodians? |
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No. Members strongly believe that, and as consistent with the current regime set out in the Joint Circular, VA managers of private funds should have flexibility and be permitted to arrange for VAs to be held with an appropriate VA custodian (whether SFC-regulated or not). Imposing a mandatory requirement for VAs to be held only with SFC-regulated VA custodians would be:

- i. stricter than the approach set out in the Joint Circular;
- ii. disruptive to existing funds and investors if the custodian were required to be changed (and may introduce timing difficulties as the new regimes come into effect);
- iii. overly restrictive compared to other peer jurisdictions and cause industry participants to reconsider whether to base operations in Hong Kong; and
- iv. at odds with the borderless nature of digital assets, which requires flexibility where overseas custodians may be better suited to servicing some types of digital assets.

In order to ensure that Hong Kong remains an attractive market for VA managers to establish themselves, and remain competitive with other jurisdictions, it is essential that VA managers have the flexibility to choose from a broader range of appropriately regulated custodians. Some of the most established and trusted custody providers are currently domiciled in jurisdictions outside Hong Kong, and investors may expect or have a strong preference for the fund assets to be held with those large, established, offshore custodians. If VA managers are prohibited by Hong Kong law and regulation to delegate custody to these custodians, global asset management firms will be deterred from having their VA asset management business conducted in Hong Kong.

Even if the SFC is minded to introduce a requirement on holding VAs with SFC-regulated VA custodians, Members strongly believe the SFC should retain flexibility to waive that requirement if the VA manager can satisfy the SFC that the non-SFC-regulated VA custodian is suitable, proper and/or subject to equivalent or similar regulatory requirements. Any such requirement to use SFC-licensed VA custodians should be implemented through non-statutory guidance rather than statutory provisions, which would allow the SFC to respond more flexibly to market developments and operational realities, and allow it to make timely adjustments as the VA ecosystem evolves. In all cases, the SFC should have the power to modify or waive the custodian requirement where suitable alternative arrangements can be put in place, ensuring the regime remains both robust and adaptable.

This is consistent with our Members' expectation that if the SFC imposes any restriction on SFC-licensed VA dealers' use of non-SFC licensed VATPs or liquidity providers (noting paragraphs 13 – 18 of the *Consultation Conclusions on Legislative Proposal to Regulate Dealing in Virtual Assets*), then these requirements will also be set out in non-statutory guidance so the SFC has the ability to update the framework to reflect changing industry practices.

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| Question 8 | Do you have any comments on the licensing or registration application fee and annual fee for a licensee or registrant providing VA advisory services or VA management services? |
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Members did not provide any comments on the proposed licensing/registration application fees and annual fees.

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| Question 9 | Do you have any other comments on the VA advisory and VA management service providers licensing regimes? |
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Members note the importance of ensuring that the HKMA is aligned on how it will apply the regulatory regime for these new VA activities to authorized institutions.

We would also appreciate confirmation on whether, and the extent to which, the guidance and framework set out in the Joint Circular will be applicable upon introduction of the new VA licensing regimes.