

16 January 2025

Circular to Licensed Corporations, SFC-licensed Virtual Asset Service Providers and Associated Entities

Findings from inspections on deemed-to-be-licensed virtual asset trading platform applicants and expected standards of conduct for virtual asset trading platform operators

The Securities and Futures Commission (SFC) has some observations about the systems and processes of deemed-to-be-licensed virtual asset trading platform (VATP) applicants (deemed applicants), after conducting on-site inspections on all of them to ascertain their compliance with the relevant regulatory requirements, including the Guidelines for Virtual Asset Trading Platform Operators (VATP Guidelines).

The appendices to this circular set out the expected standards of conduct for virtual asset trading platform operators (Appendix 1) and the key findings and observations from the inspections, which focused on assessing the deemed applicants' cybersecurity measures, safeguarding of client assets and know-your-client processes (Appendix 2).

Platform Operators, including SFC-licensed virtual asset trading platform operators, deemed applicants and other VATP applicants, are reminded to ensure the proper performance of their business activities through effective resources deployment and procedures¹. They should also employ fit-and-proper staff who are qualified to act in the capacity so employed (ie, having relevant professional qualification, training or experience)². In particular, Platform Operators should deploy adequately qualified staff, expertise, technology and financial resources in designing, developing, deploying, operating and modifying their trading and custody systems³.

In light of the regulatory requirements and the observations noted in the appendices, Platform Operators should critically review their policies, procedures, systems and processes, and take immediate action to rectify any inadequacies and deficiencies.

Please contact your case officers-in-charge for any queries regarding this circular.

Intermediaries Division
Securities and Futures Commission

Enclosure

End

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¹ Paragraph 11.6 of the VATP Guidelines

² Paragraph 11.7 of the VATP Guidelines

³ Paragraph 12.5 of the VATP Guidelines