

3 November 2025

Circular on shared liquidity by virtual asset trading platforms

1. This circular sets out the Securities and Futures Commission's (**SFC**) regulatory approach and expected standards for SFC-licensed virtual asset trading platform operators (**Platform Operators**) to integrate their order books with those of global affiliate virtual asset trading platform operators (**OVATP**). Orders from different platforms will be permitted to be combined into an aggregate shared liquidity pool, enabling order matching and execution across platforms (**Shared Order Book**).

Background

2. Virtual asset trading is borderless by nature and liquidity is fragmented across liquidity pools around the globe. Under Pillar **A** (Access) of its **ASPIRe** roadmap, the SFC aims to integrate Hong Kong with global liquidity to foster the continued growth of the city's virtual assets ecosystem.
3. As a first step, Platform Operators will be permitted to integrate with intra-group liquidity via a Shared Order Book, as set out in this circular. This strategy aims to improve market efficiency, provide Hong Kong investors with access to deeper global liquidity, tighten price spreads, and enhance price discovery.
4. Currently, the risk of trade settlements on Platform Operators is minimised, since orders are pre-funded and matched trades are settled instantly within the Platform Operator under the SFC's Guidelines for Virtual Asset Trading Platform Operators (**VATP Guidelines**).
5. With the introduction of a Shared Order Book, Platform Operators' client orders may be matched with those orders of OVATP clients with pre-funding outside Hong Kong, creating settlement exposure. The implementation of shared liquidity also increases the operational complexity of market surveillance, and thus requires coordinated measures to address potential market misconduct.
6. The heightened risks arising from a Shared Order Book operation must be adequately managed to safeguard client interests and uphold market integrity. Accordingly, Platform Operators offering Shared Order Books are required to implement the measures set out below.

Regulatory requirements

(I) Eligible OVATPs and clients

7. A Shared Order Book should be managed jointly by the Platform Operator and an OVATP licensed in the relevant jurisdiction for conducting its activities. The OVATP should operate in a jurisdiction that (a) is a member of the Financial Action Task Force (FATF) or an FATF-Style Regional Body¹, and (b) has effective regulation substantially

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

aligned with the FATF recommendations as well as the IOSCO² Policy recommendations for Crypto and Digital Asset Markets³ with respect to market abuse and client asset protection.

(II) Trading and settlement risk

8. Settlement risk may arise when Platform Operator client orders are matched with the orders of the OVATP (**OVATP orders**), while the assets required for settlement (**Settlement Asset**) are not held by the Platform Operator's associated entity. Potential settlement delays or failures may result from operational challenges or external factors, such as counterparty insolvency or cross-border asset transfers.

Trading operations

9. The Shared Order Book should be operated according to a comprehensive set of rules (**Shared Order Book Rules**) which clearly define the pre-trade and post-trade procedures and operations of the Shared Order Book applicable to all its participants (**Platform Participants**). These rules should cover pre-funding, order placement, trade execution, novation (where applicable), settlement, and default management. In addition, the roles, rights, obligations and liabilities of each party involved should be clearly set out, including the Platform Operator and OVATP as joint platform operators, Platform Participants, and the designated custodian(s). The Platform Operators should ensure that the Shared Order Book Rules are binding and enforceable with respect to the OVATP, Platform Participants, and the designated custodian(s).
10. The Shared Order Book should only accept orders that are fully pre-funded, with the Settlement Asset deposited with one or more custodians designated by the Platform Operator or OVATP. Automated pre-trade verification should be implemented to confirm the pre-funding, ensuring sufficient assets available for settlement.
11. A Platform Operator should ensure (a) trading is fair and orderly on the Shared Order Book, and (b) the Platform Participants are given equal access to order book data.

Settlement controls

12. Instant settlement is not always feasible for a shared liquidity operation because the Settlement Asset may be in a different location, resulting in a time lag between trade matching and settlement. A Platform Operator should design its operational workflow to effectively mitigate unsettled trade exposure and related operational risks.
13. Central to this is a delivery-versus-payment (**DVP**) settlement mechanism to ensure simultaneous exchange of assets between the Platform Operator and the OVATP, thereby lowering the risk of non-delivery. The OVATP should be responsible for delivering the Settlement Assets relating to OVATP orders. Asset swap procedures should address practical timing variables, including delays in transferring assets from cold to hot wallets, potential disruptions due to blockchain network outage, and delays in fiat settlement due to bank holidays. These processes should minimise delays and consistently adhere to DVP principles to safeguard client assets.

² International Organization of Securities Commissions.

³ Please refer to <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD747.pdf>.

14. A Platform Operator should settle all trades with the OVATP at least once a day, after which client virtual assets should be held in custody by the Platform Operator's associated entity.
15. In addition, in view of the variability in trade volume, intraday settlement should be conducted to ensure that unsettled trade exposure is limited to a pre-defined threshold (**Unsettled Trade Limit**). A Platform Operator should implement robust real-time monitoring to track the unsettled trade exposure.

Compensation arrangement

16. A Platform Operator offering a Shared Order Book should demonstrate strong financial capacity for managing the Shared Order Book, and should assume full accountability to its clients for trades executed via the Shared Order Book as if such trades were executed on the Platform Operator's own order book.
17. A Platform Operator is required to maintain a reserve fund in Hong Kong, held on trust by the Platform Operator and designated for client compensation, available to cover client losses arising from settlement failures. The size of this reserve should be not less than the Unsettled Trade Limit, and be adjusted based on projected unsettled trade exposure.
18. Under paragraph 10.22 of the VATP Guidelines, a Platform Operator is required to have in place a compensation arrangement to cover potential losses of client virtual assets under custody. A similar level of protection should be available to the Platform Operator's clients in respect of the Settlement Assets to be delivered. Accordingly, a Platform Operator should have an insurance⁴ or compensation arrangement to cover potential losses of Settlement Assets (eg, losses arising from theft, fraud or misappropriation), in an amount no less than that required under paragraph 10.22 of the VATP Guidelines.

(III) Market misconduct risk

19. Under paragraphs 8.1 to 8.4 of the VATP Guidelines, a Platform Operator should implement internal policies and controls for the proper surveillance of trading activities on the trading platform, and adopt an effective market surveillance system. Under paragraphs 9.8 to 9.10 of the VATP Guidelines, the Platform Operator should be satisfied on reasonable grounds about the client originating the instruction and the ultimate beneficiaries.
20. Market misconduct risk may increase when trading occurs across jurisdictions with different regulatory standards. A Platform Operator should perform a unified market surveillance programme jointly with the OVATP across the Shared Order Book, rather than segmenting oversight by its clients' onboarding jurisdiction.
21. A Platform Operator should designate at least one Responsible Officer or Manager-in-Charge to oversee the joint market surveillance programme, ensure compliance with the SFC's requirements, participate in the decision-making process on the surveillance system and parameter selection, supervise the handling of alerts for potential misconduct, and regularly evaluate the programme's effectiveness.

⁴ If such insurance is maintained by the OVATP, unless otherwise agreed with the SFC, the Platform Operator or its associated entity should be one of the beneficiaries, holding on trust for the Platform Operator's clients.

22. A Platform Operator should provide Shared Order Book data to the SFC promptly on request, including all order and trade data⁵, order originator⁶ information as specified under paragraph 9.8 of the VATP Guidelines, and market surveillance records.

(IV) Other requirements

23. The Platform Operator should ensure that the operation of the Shared Order Book complies with the VATP Guidelines in relation to on-platform trading, including the reliability and security of the trading platform, comprehensive trading and 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 Platform Operator should keep records sufficient to explain the design, development, testing, operation and modification of the Shared Order Book.
24. Before offering trading services via the Shared Order Book, a Platform Operator should clearly disclose the key risks to enable clients to make informed decisions. Such disclosure should include potential conflicts of interest of the Platform Operator and OVATP, the settlement mechanism, the parties responsible for settlement and the related risks, different circumstances where failed settlements may arise and the parties involved, default management, risk mitigation measures, the extent of client protection, and the rights and recourse available to clients.
25. A Platform Operator may offer retail clients access to the Shared Order Book only if (a) the additional risks of order matching and settlement involving overseas jurisdictions, including the possibility of lower client protection compared to Hong Kong, are clearly explained, and (b) the client has expressly elected to participate⁷.

Approval from the SFC

26. Platform Operators seeking to operate Shared Order Books should obtain prior written approval from the SFC. The Terms and Conditions for operating a Shared Order Book (see the Appendix to this circular) will be imposed on a Platform Operator's licence.
27. Should you have any queries regarding this circular, please contact your case officers-in-charge.

Intermediaries Division
Securities and Futures Commission

End

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Supplementary document

Appendix

⁵ Including records set out under paragraphs 14.8(c), (e) and (f) of the VATP Guidelines.

⁶ Including OVATP orders.

⁷ A similar requirement applies to brokers when facilitating retail client access to the Shared Order Book.