SECURITIES AND FUTURES COMMISSION
證券及期貨事務監察委員會

Circular

Revised on 27 May 2026

Circular on SFC-authorised funds with exposure to virtual assets

1. This circular sets out the requirements under which the Securities and Futures Commission (SFC) would consider authorising investment funds[1] with exposure to virtual assets (VA)[2] of more than 10% of their net asset value (NAV) for public offerings in Hong Kong (SFC-authorised VA Funds) under sections 104 and 105 of the Securities and Futures Ordinance, and the VA-related activities in which SFC-authorised VA Funds may engage.

2. These requirements do not apply to SFC-authorised funds' exposure to fiat-referenced stablecoins the issue of which is authorised by a licence granted under the Stablecoins Ordinance (Relevant Stablecoins) and tokenised deposits[3]. For requirements on SFC-authorised funds' exposure to Relevant Stablecoins and/or tokenised deposits, please refer to the Frequently Asked Questions (FAQs) on the Code on Unit Trusts and Mutual Funds[4]. *Amended*

3. This revised circular supersedes the Circular on SFC-authorised funds with exposure to virtual assets issued on 7 April 2025. *Amended*

Background

4. Globally, the VA landscape has been evolving rapidly. A broader range and a larger number of investment products providing exposure to VA, including VA-related exchange traded funds (ETFs) offered in major overseas markets, are now available to both retail and professional investors, and have become increasingly popular. Demand for these products has also increased in Hong Kong.

5. In light of these developments, the SFC has introduced regimes that allow the offering of certain VA products to the Hong Kong public with appropriate investor protection safeguards. For example, the SFC started accepting applications in October 2022 for ETFs that obtain exposure to VA primarily through futures contracts. The SFC's licensing regime of virtual asset trading platforms (VATPs) also became effective in June 2023, enabling Hong Kong investors to directly access large-cap spot VA, subject to certain eligibility requirements and robust investor protection safeguards.

6. This circular sets out the requirements for SFC-authorised funds to (i) invest directly in the same spot VA tokens accessible to the Hong Kong public for trading on SFC-licensed VATPs (ie, direct exposure); and/or (ii) acquire indirect investment exposure to such VA (ie, indirect exposure), for example, through futures traded on conventional regulated futures exchanges and other exchange-traded products.

[1] This circular is not applicable to Recognised Jurisdiction Schemes (including UCITS funds) and those under mutual recognition of funds arrangements, save for the prior consultation and approval requirement in paragraph 30.
[2] "Virtual asset" refers to any "virtual asset" as defined in section 53ZRA of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance.
[3] "Tokenised deposits" refer to digital representations of commercial bank deposits on blockchains.
[4] See question 20G of the FAQs on the Code on Unit Trusts and Mutual Funds.

Requirements on SFC-authorised VA Funds

7. SFC-authorised VA Funds should meet the applicable requirements in the Overarching Principles Section and the Code on Unit Trusts and Mutual Funds (UT Code) in the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products.

8. Additional requirements as set out below, as well as the relevant requirements in the joint circular on intermediaries' virtual asset-related activities (Joint Circular)[5], should be satisfied.

Management companies

9. The management companies of SFC-authorised VA Funds should have (i) a good track record of regulatory compliance; and (ii) at least one competent staff member with relevant experience in the management of VA or related products.

10. The management companies of SFC-authorised VA Funds are subject to additional terms and conditions to be imposed by the SFC's Intermediaries Division (where applicable)[6].

Eligible underlying VA

11. SFC-authorised VA Funds should only invest (directly or indirectly) in VA tokens that are accessible to Hong Kong public for trading on SFC-licensed VATPs.

Investment strategy

12. SFC-authorised VA Funds may invest directly or indirectly in eligible VA tokens in accordance with the following requirements.

13. For VA futures, only those traded on conventional regulated futures exchanges are allowed, subject to the management company demonstrating that (i) the relevant VA futures have adequate liquidity and (ii) the roll costs of the relevant VA futures are manageable and how such roll costs will be managed.

14. Indirect exposures to eligible VA via other exchange-traded products are subject to applicable requirements in the UT Code and other requirements which may be imposed by the SFC.

15. SFC-authorised VA Funds should not have leveraged exposure to VA at the fund level.

16. For SFC-authorised VA Funds that primarily adopt a futures-based investment strategy, they are expected to adopt an active investment strategy to allow flexibility in portfolio composition (eg, diversification of futures positions with multiple expiry dates), rolling strategy, and handling of any market disruption events.

[5] Available at SFC website.
[6] See Appendix 7 of the Joint Circular.

Transactions and direct acquisitions of spot VA

17. Transactions and acquisitions of spot VA by SFC-authorised VA Funds should be conducted through SFC-licensed VATPs[7], or authorised financial institutions (AIs) (or subsidiaries of locally incorporated AIs) in compliance with Hong Kong Monetary Authority's (HKMA) regulatory requirements. In particular:

    (a) for in-cash subscriptions and redemptions, SFC-authorised spot VA ETFs are expected to acquire and dispose of spot VA through SFC-licensed VATPs (either on-platform or off-platform); and

    (b) for in-kind subscriptions, participating dealers (PDs) are expected to transfer spot VA, which may be held locally or overseas, to SFC-authorised spot VA ETFs' custody accounts with SFC-licensed VATPs, or AIs (or subsidiaries of locally incorporated AIs). The process is vice versa for in-kind redemptions.

18. Both in-kind and in-cash subscription and redemption are allowed for SFC-authorised spot VA ETFs.

19. For ETFs that invest in spot VA, their PDs should be (i) SFC-licensed corporations or registered institutions; and (ii) subject to additional terms and conditions to be imposed by the SFC's Intermediaries Division (where applicable)[8].

Custody

20. The trustee/custodian of an SFC-authorised VA Fund should only delegate its VA custody function (where applicable) to (i) an SFC-licensed VATP; (ii) an AI (or subsidiary of a locally incorporated AI) which meets the expected standards of VA custody issued by the HKMA from time to time; or (iii) such other entities acceptable to the SFC. *Amended*

21. The trustee/custodian and any delegate responsible for taking custody of VA holdings of an SFC-authorised VA Fund should comply with the following:

    (a) it should ensure that the VA holdings are segregated from its own assets and the assets it holds for its other clients[9];

    (b) it should store most of the VA holdings in the cold wallet. The amount and duration of VA holdings stored in the hot wallet should be minimised as much as possible, save for meeting the needs of subscriptions and redemptions; and

    (c) it should ensure the seeds and private keys are (i) securely stored in Hong Kong; (ii) tightly restricted to authorised personnel; (iii) sufficiently resistant to speculation (eg, through generation in a non-deterministic manner) or collusion

[7] These transactions and acquisitions may be conducted on-platform or off-platform (ie, over-the-counter) on SFC-licensed VATPs.
[8] See Appendix 6 of the Joint Circular.
[9] Unless client assets are held in an omnibus account, in that case, it should adhere to the standards as set out in 4.5(a)(iv)(3) of the UT Code.

(through measures such as multi-signature and key sharding); and (iv) properly backed up to mitigate any single point of failure.

Valuation

22. For the valuation of spot VA, the management companies of SFC-authorised VA Funds should adopt an indexing approach based on VA trade volume across major VA trading platforms (ie, a benchmark index published by a reputable provider that reflects a significant share of trading activities in the underlying spot VA).

Service providers

23. The management companies should confirm that all necessary service providers (such as fund administrators, PDs, market makers and index providers) are competent, available and ready to support the SFC-authorised VA Funds.

Disclosure and investor education

24. The offering documents, including the product key facts statements (KFS), of SFC-authorised VA Funds should disclose the investment limits and key risks related to the funds' VA exposures.

25. The KFS of SFC-authorised VA Funds should contain upfront disclosure of the investment objectives and the key risks associated with the funds' VA exposures, such as:

    (a) price risk, custody risk, cybersecurity risk and fork risk for investments in spot VA; and

    (b) potentially large roll costs and operational risks (such as margin risk and risk associated with mandatory measures imposed by relevant parties) for investments in VA futures.

26. The management companies of SFC-authorised VA Funds are expected to carry out investor education before launch as per existing requirements under the UT Code.

Distribution

27. Please refer to the relevant requirements for intermediaries and distribution of SFC-authorised VA Funds as set out in the Joint Circular.

Engaging in VA-related activities

28. In light of the SFC's "**ASPIRe**" roadmap[10] and the evolving VA ecosystem and activities, the SFC may allow SFC-authorised VA Funds to engage in staking[11] and other VA-related activities conducted through SFC-licensed VATPs, or where

[10] See the "**ASPIRe**" roadmap issued by the SFC on 19 February 2025 for details. In particular, VA-related activities were identified as an initiative under Pillar **P** (**P**roducts) of the roadmap.

[11] Staking refers to the process of committing VAs for a validator to participate in a blockchain protocol's validation process based on a proof-of-stake consensus mechanism. For more detailed requirements relating to staking, see 20F of Frequently Asked Questions on the Code on Unit Trusts and Mutual Funds.

applicable, AIs (or subsidiaries of locally incorporated AIs), subject to adhering to the general guiding principles set out below:

(a) the management company should ensure that the VA-related activities are consistent with the fund's investment objective and strategy;

(b) the management company should implement robust internal controls to monitor and manage material risks and conflicts of interest which may arise from the VA-related activities, as well as establish appropriate custody arrangement, in the best interests of investors for investor protection;

(c) the management company should perform proper due diligence and conduct ongoing monitoring on the counterparties and service providers engaged for the VA-related activities;

(d) the fund's offering documents, including the KFS, should disclose the amount of VAs that may be used for VA-related activities, and the key features and risks associated with the VA-related activities;

(e) if engagement in the VA-related activities will result in a material change to the fund's existing investment objective and strategy, or a material change or increase in the fund's overall risk profile, prior notice should be provided to investors with a reasonable notice period. The management company should also assess whether shareholders' approval and/or amendments to constitutive documents are required; and

(f) in addition to complying with the relevant disclosure requirements in Appendix E of the UT Code, the interim and annual reports should disclose the total amount of VA holdings committed to each type of VA-related activities as a proportion of the fund's NAV, the amount of revenue, as well as the direct and indirect expenses incurred from each of such activities.

Others

29. The SFC may consider introducing additional requirements or conditions as deemed necessary or appropriate in the discharge of its functions.

Application and prior consultation

30. Subject to paragraph 31, the requirements above are not applicable to Recognised Jurisdiction Schemes (including UCITS funds) and those under mutual recognition of funds arrangements.

31. For (i) funds having or intending to have VA exposure of more than 10% of NAV that wish to seek the SFC's authorisation, (ii) existing SFC-authorised funds that plan to obtain VA exposure of more than 10% of their NAV, or (iii) SFC-authorised VA Funds intending to engage in staking and other VA-related activities, prior consultation with and approval of the SFC are required.

32. If you wish to seek clarification of any aspects of this circular, please contact the team supervisor or case officer of the Investment Products Division who is responsible for overseeing the SFC-authorised funds of your fund group or client.

Investment Products Division
Securities and Futures Commission