

Question 1: Do you agree that licensed platform operators should be allowed to provide their services to retail investors, subject to the robust investor protection measures proposed? Please explain your views.

Question 2: Do you have any comments on the proposals regarding the general token admission criteria and specific token admission criteria?

We agree with these proposals but we would like to offer several more points for SFC's future consideration in the aim to developing Hong Kong into a much more vibrant and sustainable Web3/VA ecosystem:

1. The qualification criteria for Professional Investors could be extended to include their wealth in virtual assets as well, especially in the liquid virtual assets (eg. the listed tokens with a discernible market price, etc). This is aligned with HK's longer term goals as we expect more and more participants accept and utilize this asset class.
2. The general token admission criteria should be gradually expanded such that retail investors can participate in the smaller tokens as well. The rationale is that if the Hong Kong government aims to encourage, incubate, and develop Hong Kong's Web3 industry and ecosystem, local Web3 start-ups should be able to issue their own utility tokens and leverage the locally regulated VA infrastructure (ie. VATPs) to tap into a larger investor base. But if they are not able to reach retail investors (who may actually be these startups' target customers), then they could miss out on attracting a significant part of their target market. Under today's proposal, the generally admitted tokens that retail investors can trade would be limited to the very large-cap tokens (which are mostly coming from foreign Web3 companies). Thus this limited scope would not be able to benefit the local web3 ecosystem. Perhaps if SFC is willing to consider an expansion of the scope of generally accepted tokens in the future, one can place additional restrictions on retail participation (ie. upper limit on size of exposure, etc) of the smaller tokens so that retail investors can at least participate in them. This is analagous to the GEM board vs. Main Board - the listing criteria are different but both are able to reach retail investors' participation.

Question 7: If licensed platform operators could provide trading services in VA derivatives, what type of business model would you propose to adopt? What type of VA derivatives would you propose to offer for trading? What types of investors would be targeted?

Enabling derivatives and margin trading will be key in attracting global institutional participation to HK's VA ecosystem. Regulated derivative products such as long/short

futures, perpetuals, and options are currently the least available in the market (most offered elsewhere are unregulated) but also in greatest demand from institutional investors' perspective. If we look at the majority of the global trading volume in the VA market, a majority of that are trading some form of VA derivatives, not VA spot. Institutional hedge funds such as the ones we operate under MaiCapital also often require these hedging tools to offer the best risk-managed return to our investors. Thus, enabling some of these instruments in HK will bring the greatest benefits to HK in terms of attracting capital and trading volume. As for the underlying VA for these derivative products, it will be sufficient to first limit to the large-cap VAs (such as Bitcoin and Ethereum). Leverage up to 3x would be sufficient as a start. (For reference, UK FCA currently allows FIs and PIs to trade derivatives with 5x leverage via their licensed institutions.) Other than the traditional derivative products, institutional investors in the VA space are also very interested in staking products (ie. ETH staking). By enabling licensed entities (VATPs or other types of licensed FIs) in HK to be able to offer such staking products, it would greatly enhance Hong Kong's attractiveness to institutional capital. Specific requirements could be applied to these types of staking offerings (such as smart contract audits, insurance, etc) to best protect the investors from cybersecurity or other types of related risks. To best protect HK retail investors, access to these types of advanced investment vehicles could be limited to Professional/Institutional investors only.

Please feel free to let us know if you have any question regarding our input or would like to meet and discuss further on any specific detail.

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