31 March 2023

BY EMAIL

Securities and Futures Commission
54/F, One Island East
18 Westlands Road, Quarry Bay
Hong Kong

Attention: VATP-Consultation@sfc.hk

Dear Sirs / Mesdames,

CONSULTATION PAPER ON THE PROPOSED REGULATORY REQUIREMENTS FOR VIRTUAL ASSET TRADING PLATFORM OPERATORS LICENSED BY THE SECURITIES AND FUTURES COMMISSION

We refer to the *Consultation Paper on the Proposed Regulatory Requirements for Virtual Asset Trading Platform Operators Licensed by the Securities and Futures Commission* ("**Consultation**") issued by the Commission on 20 February 2023 .

We hereby submit our comments and responses to the Commission's questions.

We would like to preface our detailed response and submissions with a reiteration of the guiding principles underlying our positions – as we had previously discussed in our response to the Commission's *Soft Consultation for the New Regime for Virtual Asset Service Providers (VASPs)* in October 2022 ("**Soft Consultation**").

OSL has observed over the last 2 years the practical realities of operating as a regulated minority in a *local and global* sector which still largely remains opaque, unchecked and unregulated (not just globally, but, unfortunately, also locally). In the same spirit that we made our submission to the Soft Consultation in 2022, we are making our submission to the Consultation as a firm with deep-rooted, vested interest in the success of Hong Kong, the Hong Kong regulatory and licensing framework and the Hong Kong virtual asset ecosystem.

As as had stated in our response to the Soft Consultation, we believe 'success' of the Hong Kong framework, in the context of the evolving global landscape of virtual asset regulations, will

hinge on our success in designing and implementing a set of regulatory parameters based on these **6 Key Pillars -** these all revolve around our recognition that Hong Kong does not operate a closed loop virtual asset ecosystem:

1. Maximum inclusion helps to mitigate risk and minimise harm to investors
2. HK consumer protection is most effective when it is widely available
3. HK regime needs to be aligned with international standard for VASPs
4. HK licensed operators should be given a level playing field
5. Markets should be fair and orderly, but also functional
6. Enforcements must be proactive, effective and visible

Our detailed comments, responses, discussions and submissions relating to each key consultation question are set out in the **Schedule**.

Turning to the 6 Key Pillars:

Maximum inclusion: we must first acknowledge the fundamental reality of how the Hong Kong financial markets infrastructure and investors interact with the current global virtual asset landscape. **The virtual asset sector is not a closed loop**, and we **must not** be self-delusional and assume that virtual asset investors, traders, operators, venues, or the virtual assets around the globe can be directed to operate only within Hong Kong's locally defined virtual asset regulatory parameters. Similarly, attempts to isolate or exclude Hong Kong retail investors from the global virtual asset ecosystem by imposing limits on Hong Kong licensed operators are unlikely to be effective, and such exclusion would only result in the regulatory and financial markets infrastructure being blinded to the real activities excluded from its own involvement and oversight. This fundamental feature and reality must guide the design of any policies for the Hong Kong retail access regime.

Effective and Available HK Consumer Protection: The HK framework must provide a local regulated infrastructure where Hong Kong retail consumers and investors may freely access regulated service providers to serve their investing needs – in contrast to the current situation where they are effectively barred from the services of local regulated service providers, and therefore forced/incentivised to use and be exposed to the risk of overseas or unregulated service providers, outside of local regulatory oversight and protection. **Maximum inclusion is necessary for risk mitigation and harm minimization**.

We must not design and implement investor protection framework with a binary "1/0" mindset where inability to achieve a "1" necessitates a "0". Even in a non-closed loop sector, the Hong Kong framework can give Hong Kong investors protection that is far closer to "1" than "0", and we must design and implement our policies to do so.

Alignment with international standards for VASPs: The HK framework must ensure its regulatory coverage does not omit material parts of the virtual asset service provider sector – such OTC-brokerage, non-ATS virtual asset service providers, virtual asset custody providers and wallet providers, which are outside the scope of the current AMLO Schedule 1 coverage, but squarely inside the scope of not only the FATF recommendations[1], but also: the definition of 'Crypto-asset Service' within the proposed Markets in Cryptoasset Regulations (MiCA) most recently presented before the European Parliament[2]; the definition of 'digital payment token service' within Singapore's 2021 amendments to its Payment Services Act 2019[3]; and the definition of 'Crypto asset secondary service providers' within the consultation paper issued by the Australian Federal Treasury on 21 March 2022[4].

Affording a Level Playing Field: We must incentivize participation and compliance, rather than circumvention, avoidance or outright non-compliance with impunity (for example, by structuring business activities to stay outside narrow statutory, geographical or relevant agency's scope). The costs/benefits of compliance should not be outweighed by the ease and profitability of avoidance and circumvention. From our first-hand experience as a proactively compliant operator in Hong Kong, the 'competitive landscape' in which we have operated is one where our competitors (from outside *and* inside Hong Kong) do not have to bear any costs or expenses of compliance or licenses. This 'sunrise' situation in Hong Kong must not continue. Ensuring the regulatory regime is inclusive (as to investors *and* operators) is not only necessary for risk mitigation and harm minimization, but also critical for the success of Hong Kong as an international financial centre and as an aspiring international regulated virtual asset service hub.

---

[1] Paragraph 55, *Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers*, FATF, Paris
[2] Article 3(1)(9)
[3] Section 7, *Payment Services (Amendment) Act 2021*, which amends the First Schedule of the *Payment Services Act 2019*
[4] Page 10, *Crypto asset secondary service providers: Licensing and custody requirements Consultation Paper*, The Treasury, the Government of the Commonwealth of Australia, 21 March 2022

Fair and Orderly, and Functional, Markets: Maintaining a fair and orderly markets infrastructure for Hong Kong and for the benefit of Hong Kong investors requires, amongst other things: first of all, free access to regulated and supervised markets and providers in Hong Kong; and, secondly, access to different means to seek investment exposure and risk management strategies via spot markets and other tools and instruments such as derivative instruments and markets. It is imperative that the Hong Kong financial markets infrastructure has its own capabilities to provide such tools, instruments and products and appropriate access to them; or, alternatively, has appropriately supervised channels for Hong Kong investors to access such instruments in other markets, but in a manner which encourages Hong Kong investors to employ the protections of Hong Kong licensed intermediaries – such that the Hong Kong regulators may continue to have some degree of oversight over such activities. Once again, inclusion is a necessary condition for harm minimization.

Enforcing Proactively, Effectively and Visibly: With the new laws and licensing requirements coming into effect, enforcement is just as necessary as good policy design as the other major pillars for achieving the underlying policy objectives of the new laws. Such enforcement should be *proactive*, practical, *effective* and fit for the circumstances at hand, and *visible* – in order to disincentivise circumvention or non-compliance by those who have no interest in the future success of the HK regulatory framework.

BC Group
39/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
Tel: 3504 3200 | Email: contact@bc.group

Schedule

Responses to Consultation Questions

Consultation Question	OSL Response
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.	**Submission** We **agree** that licensed platform operators should be allowed to provide their services to retail investors subject to proper guardrails. In particular, in the interest of **Level Playing Field** and **Protecting HK Retail Investors** (key pillars underlying our submission), we **respectfully submit** that such allowance should be subject to the following considerations: (a) Institutions with experience servicing retail investors in Hong Kong (such as licensed brokers, banks and wealth management platforms already servicing retail investors in Hong Kong) ("**Retail FIs**") are, in principle, capable to effectively and properly provide virtual asset trading services to retail investors in accordance with the Commission's longstanding suitability obligations, and should be allowed to provide their services directly to retail investors in Hong Kong; (b) Licensed Platform Operators (under the SFO and AMLO): (i) are already well equipped and in the best position to provide execution and safe-keeping services to Professional Investors and Retail FIs; (ii) if they establish a track record of compliant operations (including AML, KYC, virtual asset admission and client asset protection), are, in principle, capable to effectively and properly provide virtual asset trading services to retail investors in accordance with the Commission's longstanding suitability obligations, and should be allowed to provide their services directly to retail investors in Hong Kong. (c) During the transitional period under AMLO [ie., First 12 months after commencement of AMLO's virtual asset service provider licensing requirements], operators who are neither licensed nor deemed to be licensed (under SFO or under section AMLO, Schedule 3G, Part 3):

	(i) Have not demonstrated (and have not been assessed to have) the experience, competence, systems or controls to manage or mitigate risks and obligations relating to providing regulated virtual asset trading services, in particular, to retail investors; (ii) Cannot be accepted as being suitable, fit or proper, competent or equipped to service Hong Kong retail investors according to the standards necessary to ensure appropriate protection for Hong Kong retail investors; and (iii) as such, as a condition to being permitted to operate lawfully, should be required to immediately (upon commencement of AMLO), cease to solicit any retail investors, and, within a reasonable period (say, 3 months after commencement of AMLO), to commence offboarding such retail investors in an orderly fashion. Please see our further discussions in our response to question 2 below.
2. Do you have any comments on the proposals regarding the general token admission criteria and specific token admission criteria?	**Discussion** Recognising that Hong Kong is not a closed loop system, and recognising the need to maintain a fair and orderly market for Hong Kong and to protect Hong Kong investors, we **agree** generally that transparent admission criteria for tokens should be in place − such as the General Token Admission Criteria (as paragraph 7.6 of the new VATP Guidelines). Equally, we strongly believe token admission criteria must be appropriately formulated to address the key factual circumstances surrounding the technology and ecosystems for digital assets – including their highly global and borderless (and accessibility by Hong Kong investors in the same manner). We believe that strict token admission criteria that are only applicable to Hong Kong licensed platforms **may not be an** effective means of protecting the Hong Kong investing public. As we had previously submitted to the Commission, reliance on this mechanism to dictate the parameters for Hong Kong retail investors to benefit from the protections of the Hong Kong regulated ecosystem is undesirable – as it will likely result in an 'all or none' (or 1 vs 0) regime where the regulated platforms can provide all the protections available, but only in relation to a highly restricted area of retail investor activities, <u>while leaving the rest of the retail investor activities universe wholly exposed to the risks of dealing outside Hong Kong's regulated regime and protections</u>. We will discuss this in the context of particular considerations below:

	Hong Kong does not operate a closed loop virtual asset ecosystem, but can still provide immensely valuable protections to Hong Kong investors For historical context, in respect of financial products offered only in Hong Kong and accessible only via Hong Kong licensed intermediaries, it has been possible to almost definitively isolate investors from products which are unsuitable to them. Asset-linked warrants listed on SEHK, or authorized funds offered only through Hong Kong licensed intermediaries are cases in point, where Hong Kong may effectively operate a closed-loop regulated ecosystem for such products, and Hong Kong's local legal and regulatory regime are undoubtedly effective at ensuring retail investors are only given access to the relevant part of the product universe that is suitable to them. In contrast, in a non-closed loop sector (such as virtual assets), isolating retail investors from the risk of virtual asset investments (high risk or otherwise) is practically impossible to achieve. Retail investors who cannot utilise the Hong Kong regulated ecosystem are forced to use other (non-Hong Kong and/or non-regulated) means to access virtual asset investments. Non-inclusive policies isolate and only lead to an even more harmful outcome for those affected retail investors.
	Clearly the global virtual asset landscape does not fit within Hong Kong's traditional closed-loop system. Our regulatory mindset and policy design must be adjusted accordingly. Investor protection need not be a binary question with only the possibility of 'all' (1) or 'none' (0). Even if the HK framework cannot isolate retail investors from all that may be perceived as 'unsuitable' virtual assets (as it has done in a traditional closed loop), the HK framework can (and absolutely must) still mitigate risks and minimize harm for retail investors in Hong Kong – by providing all the other available guardrails around licensed operators, and providing them all the other protections that are absent in unregulated environments as well as many non-Hong Kong regulatory environments, such as client asset segregation, fit and proper licensed operators, highly supervised and transparent financially sound operators, insurance coverage against cyber security risks, conflict of interests management and disclosures, regulatory record-keeping and

	financial audits, and regulatory remedies and recourse against bad actors. Regulated intermediaries who service retail investors are also in a unique position to limit or mitigate the risk of excessive loss for such retail investors by performing risk assessments and setting trading limits calculated by reference to the verified investable assets for the relevant clients.[1] To reiterate, investor protection must not be viewed as a binary "1/0" question where inability to achieve a "1" necessarily means we accept "0". The Hong Kong framework has the ability and ingredients to be far closer to "1" than "0", and we must design and implement our policies to do so.
	Index inclusion (even if multiple indices are required) as a sole criterion is arbitrary and potentially leads to distorted or false ideas of true risk From our first hand dealings with even highly reputable virtual asset benchmarking firms (including those licensed by a well respected financial regulator in one of the top international financial markets), we have observed that index inclusion or benchmarking does not imply any additional assurances as to veracity, accuracy, currency or due diligence in relation to the underlying data relating to the underlying constituent assets. We have seen that benchmarking firms do not necessarily require any representations, warranties or assurances from data providers about the data provided, or the circumstances for self-reporting of the transactions or pricing. Contracts between benchmarking firms and their data providers might only govern the use of intellectual property rights, and the commercial benefits accruing to the parties from the arrangement.
	Even where indices are calculated on the basis of publicly verifiable transaction data on public blockchains relating to specific virtual assets, on-chain data typically only capture on-chain activities and data (such on-chain transfers and transactions), but do

[1] https://www.sfc.hk/en/Rules-and-standards/Suitability-requirement

	not reflect or capture circumstances, activities or transactions occurring off-chain (for example, via centralised exchanges or virtual asset service providers). Therefore, on-chain data may be of only limited use in that regard. Therefore, even where the calculation methodologies of benchmarks or indices are transparent, objectively verifiable and credible, and the benchmarking firms are independent and diligent, the actual index levels may be still based on subjectively reported transaction and pricing data from a wide array of exchanges or VASPs (including unregulated exchanges/VASPs) - thereby throwing into doubt the accuracy or veracity of their reporting and record-keeping.
	We are concerned that retail investors may potentially be given a false sense of security from the inclusion of a virtual asset in an index – that is, index inclusion as a criteria for suitability may cause retail investors to falsely infer or attribute (from index inclusion) credibility/reliability/quality as to the methodology, admission criteria and/or source information underlying such index calculation. In that respect, more is also not better – requiring Licensed Operators to select 2 or more indices would not necessarily help to inform retail investors of the true risks, but may even heighten the such false sense of security. Accordingly, we respectfully do not agree that index inclusion per se can necessarily be a meaningful determinant for retail suitability.
	Submission We **respectfully submit** that: 1) imposing the Specific Token Admission Criteria (in particular, paragraphs 43 to 46) on licensed platform operators or intermediaries may not be an effective means of isolating or protecting Hong Kong retail investors (or any class of investors) from the risks arising from potentially unsuitable virtual asset investments that are easily accessible globally through non-Hong Kong regulated venues;

	2) index inclusion (including multiple indices, such as '2 Acceptabled Indices') may not be an appropriate or effective means of protecting Hong Kong retail investors from the risks arising from potentially unsuitable virtual asset investments. It may may potentially expose retail investors to greater harm for the reasons stated above; 3) Instead, licensed intermediaries can be required to: a. provide clear, ample and enhanced risk disclosures and warnings to retail investors as to the special attributes of the assets and the unique risks arising from these special attributes; b. set trading limits based on the relevant retail investors' maximum allocation of investable assets into virtual assets; 4) As per the current VA T&Cs (already implemented by OSL DS), overall admission assessment for virtual assets (generally for ensuring fair and orderly markets for the benefit of ALL investors) should be based on a non-exhaustive list of criteria that would help exchanges, as part of the VA due diligence process, to determine whether a VA is an eligible VA; and 5) The Commission should adopt **a non-exhaustive and principles-based approach** to the virtual asset admission requirement – thereby allowing the Commission and the industry sufficient room to adapt to developments in the market, as well as developments in the international regulatory forums.
3. What other requirements do you think should be implemented from an investor protection perspective if the SFC is minded to allow retail access to licensed VA trading platforms?	**Discussion** With respect to the disclosure obligations under paragraph 51 of the Consultation paper (paragraph 9.28 of the Terms): We believe these requirements lead to an unintended and misguided halo effect around any publicly sourced information that is re-published by licensed platforms – where there is no privileged access or ability to assess or control the quality of primary information sources. Investors can be misled into placing more trust on the re-published information than is warranted. Platform Operators are in no better or more privileged position to independently access, ascertain, verify or publish information sourced from or relating to third parties, or even to secure more credible

	sources of information. Currently, virtual assets (which are not securities or investment products) are often issued without conformance or compliance with laws or regulations relating to primary public issuance or offering of securities; and they are not admitted to trading in any regulated securities markets of any major jurisdictions. Accordingly, their terms of offerings, information disclosures, information contents and continuous disclosures or transparency may not meet standards of regulated securities markets. This is a fact. Platform Operators cannot be expected to correct, remedy or perfect an imperfect factual circumstance, and cannot assume the liabilities associated with an already imperfect circumstance. The following are examples of some of the potential issues relating to the prescribed 'General Disclosure' requirements listed: ● Price information (other than pricing information from the Platform Operator) - aggregate trading volume information available in the public domain is typically restricted to on-chain transaction information (such as volume and dates/times and relevant digital wallets) - these are not accurate representations as to total trading volumes (for example, transaction conducted via centralized trading platforms or operators), and there are no known verifiable means to obtain information regarding off-chain transactions; ● Link to official website or whitepaper - these may not be available at all, or may be outdated and /or no longer be relevant, and 'official' status may also not be independently unverifiable; ● Type of blockchain - VAs can be operating on more than one blockchain and it is not possible to track; ● Link to VA technology audit report - Platform Operators are in the same position as the public in accessing any reports by third parties; ● Links to official major announcements made by issuers - a lot of VAs do not have issuers nor an official source of information; a lot of announcements come in the form of social media posts by persons anecdotally known to be associated with the particular VA. These are available in the public domain, but there is often no independent means for Platform Operators to monitor all possible sources of such information.

	These examples illustrate that requirements on Platform Operators to re-publish already publicly available third party information does not enhance Hong Kong investor protection, and in fact may create a false impression of credibility regarding such information. This is highly dangerous – as it may cause investors to falsely/incorrectly infer some element of endorsement or warranty of such information by the Platform Operator, while also exposing Platform Operators to unduly burdensome risks of financial and other liabilities to those who rely on such re-publication. This creates a risk of unquantifiable liability on Platform Operators being tasked with republishing such information – potentially creating a head of liability for which firms cannot even take out third party insurance (such as insurance against errors and omissions, or professional indemnity, which are typically in place to cover risks relating to acts/omissions of the operator, occurring in the course of operating their businesses). This is not just an issue which is specific to digital assets, or the blockchain. Instead, this is issue with direct parallels with the traditional finance - for example, issuers of product disclosure documents, prospectuses and marketing materials are expected and often required to obtain confirmations from authors or issuers of third party information or statements. This is to ensure investors can rely on materials and statements that can always be traced back to primary sources, and publishers are expected to exercise due care and diligence by ensuring documented consents and confirmations are appropriate received from third party sources. The requirements under 9.28 of the Terms potentially create a circumstance which runs directly against this well-established principle in the capital markets. This proposed requirement is not reasonably practicable for any Platform Operator to comply with. **Submission** We **respectfully disagree** with the proposal for the prescribed 'General Disclosure' requirements, on the basis that it is not possible for Platform Operators or any other party to verify the accuracy or completeness of the third party information that are being prescribed to be disclosed to retail investors; re-publication of potentially inaccurate, incomplete or unverifiable information on the Platform

	Operators' website could mislead the investor and put them at heightened risk that outweighs any benefit that they may gain out of the disclosures. Instead, we **recommend** that the Commission consider a requirement to provide alternative specific disclosures and warnings to investors regarding the additional risks of investing in particular types of virtual assets which share common features, attributes and/or risks, where accurate, transparent, complete, reliable or up-to-date information (about the assets, or their issuers, etc) may be limited or absent.
4. Do you have any comments on the proposal to allow a combination of third party insurance and funds set aside by the licensed platform operator or a corporation within its same group of companies? Do you propose other other options?	Please see our response to Question 5 below.
5. Do you have any suggestions as to how funds should be set aside by the licensed platform operators (for instance, under house account of the licensed platform operator or under an escrow arrangement)? Please explain in detail the proposed arrangement and how it may provide the	**Submission** We applaud the Commission's willingness to receive feedback from the industry in relation to the prohibitively high cost of third party insurance coverage against digital wallet risks, and the Commission's willingness to consider alternative measures, such as capital reserves. However, we **respectfully submit** that a requirement to set aside capital equal to the value of client virtual assets held is unlikely to be a more commercially viable alternative to the current insurance requirement. As a business model for licensed Platform Operators, the capital reserve alternative is counter-intuitive, as this requirement would require Platform Operators to continuously increase their capital as the scale of its client assets increases – thereby potentially increasing dilution for the shareholders of the Platform Operator, or increasing the cost of other sources of funding for the Platform Operator (thereby reducing profitability). In other words, this alternative only replaces the onerous operating expenses of

same level of comfort as third-party insurance.	insurance with potentially prohibitive capital costs - as the Platform Operator would need to increase the size of its balance sheet on a dollar-for-dollar basis against increasing size of client assets.
6. Do you have any suggestions for technical solutions which could effectively mitigate risks associated with the custody of client virtual assets, particularly in hot storage?	We believe the current requirements for hot vs cold storage are appropriate - ie., limiting use of hot wallets in favour of more secure cold/frozen storage.
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?	We had previously made submissions to the Commission on this matter. Based on the experience of launching its structured debt security token, OSL believes it is technically and operationally capable to distribute and provide secondary marketplace for third party issued VA derivative products. We will continue to make specific submissions to the Commission in relation to proposals to support tokenised products, which, OSL believes will provide a more complete digital financial market for investors in Hong Kong.
8. Do you have any comments on how to enhance the other requirements in the VATP Terms and Conditions when they are incorporated into the VATP Guidelines?	We have no comments on this question.
9. Do you have any comments on the requirements for virtual asset transfers or any other requirements in	**Discussion and Comment** In relation to the proposal (in paragraphs 64 and 65) that all of the specific requirements (including the detailed guidance in Chapter 12 of the updated *Guideline on Anti-Money Laundering and*

Chapter 12 of the AML Guideline for LCs and SFC-licensed VASPs?	*Counter-financing of Terrorism (For Licensed Corporations and SFC-licensed Virtual Asset Service Providers)* ("**New AML Guidelines**"), as presented in Appendix B of the Consultation Paper, we comment as follows: (a) It is in the interest of the Hong Kong investing public (including retail investors) that, with the coming into effect of the new regime: (i) Investors can easily and safely transfer (or instruct for transfer of) virtual assets held by them outside Hong Kong, or held on unregulated platforms (collectively, "**Third Party VASPs**"), to Hong Kong Licensed and Deemed Licensed Platform Operators for safekeeping and handling; (ii) Hong Kong Licensed and Deemed Licensed Platform Operators can be given an opportunity to offer commercially viable, convenient and compliant virtual asset handling services to Hong Kong investors in place of Third Party VASPs that are determined to circumvent Hong Kong's regulatory regime in respect of activities which would require them to be licensed; (b) In this connection, as per our previous submissions to the Commission on the continuing 'sunrise' issue facing regulated platforms such as OSL, we believe immediate and full implementation of the 'Travel Rule' requirements in section 12.11 and 12.12 of the New AML Guidelines may result in HK licensed platforms being unable or unwilling to receive such assets from HK investors when originating from Third Party VASPs; (c) Currently, the global landscape for Travel Rule compliance continues to be highly fragmented: (i) throughout different jurisdictions and/or amongst different regulatory regimes, the extent (and manner) of mandatory and strict implementation of Travel Rule amongst Third Party VASPs is still highly inconsistent; (ii) amongst unregulated Third Party VASPs, implementation and/or enforcement of Travel Rule is largely non-existent; (iii) Even amongst Third Party VASPs that strictly comply with Travel Rule pursuant to their local regulatory or legal requirements, there continues to be a lack of uniformity in technical and/or operational interoperability; (d) A perfectly compliant Hong Kong licensed platform operator strictly enforcing Travel Rule faced with requests for inward asset transfers for HK investors: (i) If originating from unregulated Third Party VASPs or regulated VASPs in non-comparable jurisdictions or regimes, would not be able to accept such assets; and (ii) If originating from regulated Third Party VASPs with different technical or operational requirements or models, would also not be able to accept such assets. **Submission** We **respectfully submit** that, in the interest of making available a more inclusive licensed ecosystem

	for Hong Kong investors to utilise (and, for many, to utilise for the first time in history), the Commission may want to consider providing a temporary (say, 24 month) moratorium on the requirement for Hong Kong licensed and deemed licensed platform operators to fully implement or comply with the Travel Rule.
10. Do you have any comments on the Disciplinary Fining Guidelines? Please explain your views.	We are supportive of the approaches set out in these Guidelines.
11. In relation to paragraph 18 and 21 of the consultation paper]	Separately, we **respectfully disagree** that the effective date of the proposed VATP Guidelines should be upon commencement of the AMLO VASP Regime on 1 June 2023 – in particular, that the existing VATP Terms and Conditions what are currently imposed as licensing conditions on SFO-licensed VA trading platforms will be superseded by the VATP Guidelines. While we understand that the VATP Guidelines are based on the VATP Terms and Conditions, there are still a number of additional requirements imposed on VATPs under the VATP Guidelines, and accordingly, it would be unrealistic and unduly burdensome for existing SFO-licensed VA trading platforms to be completely compliant with the additional requirements under the VATP Guidelines from 1 June 2023. We do note that there is a non-contraventional period of one year. However, we do not consider this to be a reason or justification for currently SFO-licensed VA trading platforms not to be fully compliant with the VATP Guidelines when they are, as proposed by the Commission, required to do so from 1 June 2023. Accordingly, so as to not place existing licensed and compliant Platform Operators under the SFO at an unfair and burdensome disadvantage, we **respectfully submit** that the VATP terms and conditions should remain in operation for existing SFO-licensed VA trading platforms until 1 June 2024, subject to amendments, namely to incorporate the relaxations offered under the new VATP Guidelines, for instance, the removal of the security token listing eligibility requirements under paragraph 4.3(i) of the VATP Terms and conditions, and the proposed insurance / compensation arrangements under paragraphs 10.22-10.26 of the VATP Guidelines.