10 March 2023

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

via: online submission & e-mail

Re: Response to Consultation Paper on the Proposed Reg. Requirements for Virtual Asset Trading Platform Operators...

I am , founder of the licensed corp. and the investment manager of a Cayman registered mutual fund for the past 23 years. These comments are to protect investors from problems that could be hard to outrun AND ALSO make the 87 million strong HK-Greater Bay area an enviable financial marketplace like the world has never seen.

Question 1 - whether to allow platform access for retail investors
No. I disagree because the proposed rules leave out what I would call meaningful investor protection. Much of the new Guidelines re-use existing regulatory language almost word for word (understandably so as not to reinvent the wheel) but also presumably to align with an FATF standard that virtual assets are treated "fairly" and like other investments (far less understandable considering the vast differences between them.) Problems in the "virtual" area are rife and I think begin earlier than people imagine, in this instance, maybe even as early as calling platforms Virtual *Asset* Platforms or referring to items on them as "assets." Describing either this way primes the reader's mind with an impression that it is seeing some sort of asset because it has the name and character of an asset, even if there may be nothing of substance to it. Correcting this influence would, it seems, nip many potential disasters right in the bud. A better name might be "Virtual *Items* Platforms" which seems closer to the truth. Beyond this, the idea that platform operators would asses a client's risk "appetite" will run up against age-old problems of oversimplified (low-medium-high) answers, especially when thousands of people need assessing based on their own situations. Similarly, issuing text-heavy disclosures (assuming it would be read) that virtual assets are "high risk and volatile" can be expected to elicit naive reactions like: "all things have a risk" or "high-risk/high-return so lets do it." This attitude can be fatal and is why some of the smartest investors equate crypto-currency with "rat poison." In my view, it is time for a new idea so investors can gauge what risks are really being run. The Appendix on page 2 ...a preview screen...might be the solution, and it would be game-changing. It would clearly show what an investor is getting versus what a seller / promoter is getting...like never before. There will be stiff opposition; promoters will say such a screen would be too hard to program or update. Others will insist that investors won't even understand, but I would argue most of them would...instantly. Many virtual products would be rendered unsellable and the plans of some exchanges would go up in smoke though that might be for the best. Such a preview screen would be like a great leap forward for investor safety. Making it would create good paying jobs, provide interesting work, lift investor knowledge, and easily spare millions of people from horrendous unnecessary losses.

Question 2 - token admission criteria
I would recommend that any token admission be subject to the above preview screen.

Question 3 - other suggestions for investor protection
I would suggest purchasers be required to pay for the entire virtual item rather than for an infinitesimal part of it, like 0.000000182 of a token. This would encourage a focus on what a person is buying with hard earned money (as investors should) rather than on whether there is visible and quick price action on tiny fractions of it (as gamblers want.) Such a shift to buying-the-whole-item...like every shopper does at stores for their daily necessities...would thwart temptations that can occur when risk is "drip-fed" in small amounts... seeming low but actually high.

Questions 4 - 6 & 8 -10
No suggestions to add on these points apart from **# 9**: adopt preview screen idea as drafted on page 2.

Question 7 - Derivatives and likely consequence
I believe derivatives will ultimately be a direct path for short-selling assets on a platform by sophisticated players and dangerous for participants, especially retail investors. I would avoid developing this sub-sector like the plague.

Sincerely, and happy to contribute to further discussions on this important matter.

Boswell Capital Management Limited | 12th Floor, Suite 1204, 111 Queen's Road West, HONG KONG
Tel: +852 9383 2823 | Fax: +852 3188 5077
www.boswellmgmt.com

Appendix

Suggested Preview Screen for transacting Items on Virtual Platform

Confirmatory Acknowledgement ......or Cancellation

At launch the Creator / founder of the virtual **item** you are intending to buy or sell issued 15 million tokens at a cost which would value the item at: ..... **$150.00** A

The Creator / founder(s) are free to sell their tokens at any time, and may be on the opposite side of the order you are placing.

At the price point you are establishing with this order, the aggregate value of tokens initially held by the Creator / founder of this item would be: .... **$219 million** B

Confirm you understand the above & have duly considered whether you are getting good value for money....or cancel transaction.

Confirm & Proceed to Transaction or **Cancel Order**

Box A: amount to be provided & substantiated by Creator prior to admission to platform.
Box B: auto calculates as: number of tokens held by Creator x price of the purchase or sell order on virtual platform