

Response to Consultation Paper on the Proposed Regulatory Requirements for Virtual Asset Trading Platform Operators Licensed by the Securities and Futures Commission

Page 12 - 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

This question address specifically to retail investors. Nevertheless, for corporate investors, we are of the view that licensed platform operators should be allowed to offer different types of VA products to corporate investors subject to the following investor protection measures:

For Exchange-Traded related VA products:

- The control should be similar to other exchange traded derivatives, where corporate customers should demonstrate their knowledge/ trading experience on VA products and derivative products in order trade exchange traded related VA products (e.g. VA ETFs).

For Non-Exchange-Traded related VA products:

- In addition to knowledge/ trading experience assessment on VA products and derivative products, also:
- Suitability assessment – (i) assess customer risk profile against the VA product risk level, (ii) customer preferred investment tenor against the VA product tenor and (iii) concentration assessment to ensure customer not to over invest of VA products
- Limited to Professional Investors Only

Page 18 - Question 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?

This question address specifically to retail investors. Nevertheless, for corporate investors, we are of the view that SFC may also require licensed platform operator to provide the relevant risk disclosure of the VA products when it offer VA product to corporate investors, so as to remind them the downside risk of the VA product.

Page 20 - 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?

From perspective, we prefer to operate in the form of distribution channel with a mixture of executing client order in execution only and advisory basis. We will prefer to offer VA derivatives that are traded in exchange, like VA ETF and VA futures ETF.

Investors who demonstrate to have knowledge/ trading experience on VA products and derivative products would be targeted for offering.

Page 21 - Question 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?

Under point 61e, SFC has generally laid down the requirement for seeking approval from SFC if licensed platform operators intend to add or remove VA products from shelf if the product is offer to VA products. For exchange traded VA products, we are of the view such notification requirement should not be applicable if the licensed platform operator simply decide to offer or stop selling a specific exchange traded VA product.