

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 is Crypto HK which is a major digital asset over-the-counter (OTC) exchange in the city. Our team has around 10 years of experience in trading virtual assets. Led by a group of crypto professionals with backgrounds in private equity, asset management, and/or engineering, we currently provide services including fiat-to-crypto, crypto-to-fiat, crypto-to-crypto, digital asset investment consultancy, digital asset project consultancy, and anti-scam programmes without holding any client assets. We propose that a license specifically for crypto over-the-counter services is needed to prevent money laundering and protect investor benefits.

We are currently experiencing a situation where investors are actively seeking licensed OTC exchanges to trade, yet licenses are unavailable for our business type. While there are more than a hundred exchanges (such as Crypto HK - ourselves - Tidebit, and One Satoshi) providing such services, making up the majority of the retail investor market, they are mostly small-scale and lack the ability to acquire a license due to the complex application process. Therefore, we suggest implementing a simple licensing process for these Crypto OTC companies for B2C and B2B trading for retail investors. Even though we serve likely the greatest number of professional investors among the OTC industry, many professional investors have raised concerns over the complex process of verification of the status. It is very likely that they will avoid doing business via Hong Kong vehicles after the launch of the legal framework.

On the other hand, we suggest that licensed platform operators should be allowed to provide services to retail investors. Crackdowns on legitimate platform operators can result in retail investors flooding into overseas platforms, making it difficult to trace or seek help. We currently receive an average of 5 to 10 requests from retail investors for assistance, including handling potential scam cases. It is very hard for retail investors to distinguish between legitimate and illegitimate platforms, and investor interests will be more likely protected when they have a list of licensed trading platforms to follow.