



**IFPHK's Response to the Securities and Futures
Commission (SFC) Consultation Paper on the
Proposed Regulatory Requirements for Virtual
Asset Trading Platform Operators Licensed by the
Securities and Futures Commission**

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Contents

1.	Profile of the IFPHK	2
2.	Executive Summary	4
3.	The SFC Consultation	8
4.	The IFPHK's Submission	10

Profile of IFPHK

About IFPHK

IFPHK was established in June 2000 as a non-profit professional organization. It aims to be recognised in the region as a premier professional body representing financial planners dedicated to upholding the highest professional standards for the benefit of the public. The Institute is the sole licensing professional body in Hong Kong authorised by the Financial Planning Standards Board Limited in the US to grant CFP® certification and AFP® certification to qualified financial planning professionals in Hong Kong and Macau. Currently, there are more than 213,000 CFP certificants in 27 regions; the majority of these professionals are in the U.S., Canada, China, Australia and Japan, and approximately 4,000 CFP certificants are in Hong Kong. It represents more than 7,100 financial planning practitioners in Hong Kong, including 1,200 qualified retirement advisers (QRA). They are from such diverse professional backgrounds as banking, insurance, independent financial advisory, stockbroking, accounting, and legal services.

The IFPHK's interest in this consultation

Though FinTech is not the expert area of IFPHK, the use of technology in the financial service industry is an imminent development that we consider financial planners should properly be addressed. As such, we did provide comments in Consultation Papers on technology-related proposals. We responded to Consultation Paper on Online Distribution and Advisory Platforms in 2017. In 2020, we provided our views on a Listing Regime for Companies from Emerging and Innovative Sectors and WVR structure. In March last year, we provided our comments on Discussion Paper on Crypto-assets and Stablecoins. A list of IFPHK responses to various consultation papers can be found on our website (<http://www.ifphk.org/ee/importance-of-advocacy>).

Financial planning professionals are dealing with Gen X and millennials clients who have lived with the internet and are tech-savvy. Development in digital finance and the growing demand from clients on digital assets and related advice mean that financial planning professionals can no longer disregard crypto-assets when going through the financial planning process. More than a quarter (26%) of advisers indicated that they plan to increase their use or recommendation of cryptocurrencies over the next 12 months, according to Financial Planning Association's 2021 Trends in Investing Survey.¹

¹Survey: More Financial Planners to Explore Cryptocurrencies in the Coming Months as More Clients 1

From FPSB CFP survey in 2021, 42% of global CFP professionals think that financial technology will have the greatest impact on how they work with financial planning clients over the next 2-5 years, which ranked number one among other factors such as economic uncertainty and ESG factors, etc.²

From FPSB global survey last year, CFP professionals responded that the 'complex products' clients most frequently enquired about were:

1. Direct Equities (68%)
2. Exchange-Traded Funds (ETFs) (60%)
3. Crypto assets (55%)
4. Other leveraged products (19%)
5. Leveraged ETFs (16%)
6. Contracts for Difference (CFDs) (8%)

Notably, only 9% of CFP professionals who responded to the survey provided their clients advice on Crypto assets and 70% of CFP professionals responded that they have clients who have purchased Crypto assets on their own (i.e., self-directed).³

In view of the above, the IFPHK has an interest in responding to this Consultation Paper.

Express Interest, Demand in Trending Investment, June 1, 2021
(<https://www.financialplanningassociation.org/press-room/releases-announcements/2021-trends-in-investing-research>),

² Future of Financial Planning Practice, FPSB 1 October 2021

³ FPSB CFP Professional Survey 2022

Executive Summary

On 20 February, the Securities and Futures Commission (SFC) launched a consultation on the proposed requirements for operators of virtual asset trading platforms. The one-month consultation period will end on 31 March.

Under a new licensing regime to take effect on 1 June 2023, all centralised virtual asset trading platforms carrying on business in Hong Kong or actively marketing to Hong Kong investors will need to be licensed by the SFC. The SFC's proposed regulatory requirements for virtual asset trading platforms are based on the regulatory requirements of the existing regime under the Securities and Futures Ordinance and are comparable to those for licensed securities brokers and automated trading venues. The SFC has also taken the opportunity to propose modifications to some requirements of the existing regime.

The SFC is seeking views, particularly on whether to allow licensed platform operators to serve retail investors and if so, the measures to be implemented in addition to the proposed range of robust investor protection measures, which include ensuring suitability in onboarding clients and token admission.

Operators of virtual asset trading platforms which plan to apply for a licence, including pre-existing platforms, should begin to review and revise their systems and controls to prepare for the new regime. Those which do not plan to apply for a licence should start preparing for an orderly closure of their business in Hong Kong.

IFPHK's submission is based on the following advocacy principles

1. *Aligning with international best practices:* To enable Hong Kong to continue to excel in its status as an international financial centre, we must keep abreast of the development of the international standard. International organizations such as the Financial Stability Board (FSB) and other political and supervisory bodies continue to drive financial services sector reform – both globally and at the local level. The cross-border nature and complexity of structures of virtual assets mean that international coordination is essential.

2. Aligning with the positioning of the global financial planning community: As an affiliate of the FPSB, the IFPHK will align with the advocacy principles of the FPSB and the community of global financial planning professionals. IFPHK also holds the same principle that the duty of care to customers should be the same regardless of the underlying assets in a piece of advice. IFPHK's response is mostly based on the recommendations of FPSB to IOSCO.

3. Enhancing consumer protection and financial literacy: The IFPHK supports a regulatory system that would facilitate delivering better financial products and services to the benefit of members of the public, as well as protecting them. Therefore, well-informed and educated consumers are the core elements that form a healthy regulatory system. For a market to perform effectively and for consumers to be protected properly, a fundamental understanding of how these products work is essential. The knowledge of crypto assets by consumers remains superficial amid its popularity and escalating market sizes. The upcoming challenge is how to integrate the knowledge of complex concepts into mainstream financial education.

4. Raising the professional standards of intermediaries: The IFPHK has always believed that qualified intermediaries and well-informed and educated consumers, together with a robust regulatory framework, should form the core pillars for assurance for the benefit of the investing public. The IFPHK believes that for financial planning professionals to provide advice on digital assets they need to be educated on those assets, their risks and how they might fit into a client's broader financial picture.

5. Ensuring a level playing field across the financial services industry and communication channels: Another unlevel playing field emerges with the advance of technology. There is an 'unlevel' playing field that exists between the obligations that a regulated, financial services practitioner complies with when discussing financial products or strategies compared to a social media influencer sharing their 'opinions'.

To conclude, IFPHK considers the Consultation Paper to be a positive direction towards building a solid crypto ecosystem with better legal certainty. Legal certainty helps build confidence in the trustworthiness and reliability of financial products and services. **From an investor protection perspective, IFPHK agrees to include retail investors under the regulatory regime of virtual assets, given that enhanced protection measures are imposed on protecting retail investors.**

However, we acknowledge that retail investors of virtual assets are often influenced by parties who do not have appropriate qualifications, professional obligations, or regulatory oversight to support them in making appropriate investment recommendations or acting in the interests of the product purchaser. In other words, these clients acted as **self-directed** investors or based on the recommendations of social media influencers, friends or family. Coherent to FPSB's recommendations, **IFPHK suggests the regulators either consider regulating advice on virtual assets or impose enhanced investor protection measures e.g. cooling-off period on self-directed transactions of retail investors.**

Since retail investor demand for Crypto assets is being driven heavily by the marketing and distribution tactics of operators and by the promotion of social media influencers hired to promote the products. Therefore IFPHK echoes FPSB's recommendations that we suggest the Government or the regulators **should restrict operators to promote through the engagement of third parties, such as social media influencers and to establish a regulatory 'sandbox' for social media influencers.** IFPHK also agrees with the list of disclosures as stipulated in the proposal. To further enhance the regulatory framework, the SFC may also consider requiring the operators to **disclose (at the point of purchase) the percentage of retail investors who made a financial loss on the investment.**

Albeit financial education on crypto-assets is not included in the Consultation Paper, IFPHK's principle remains that a plan for educating the public shall be included in any policy changes. While we understand that operators are required to conduct knowledge assessment on retail investors as one of the onboarding requirements, the risks and uncertainty of virtual assets warrant an enhanced approach in ensuring the financial literacy of the retail investors is duly met especially for those self-directed investors. Thus, IFPHK further suggests the SFC refine the requirements **to mandate retail investors to complete an education program on virtual assets and the crypto ecosystem and to pass a knowledge test in the form of the industry-agreed template (approved by the Government and/or regulators).**

Other than attracting "tech" talents, it is equally crucial to upgrade financial practitioners in general to meet the era of the digital age. Increasing product, service and solution complexity, impact the skills required, Singapore takes a serious and structured

approach in looking at the required skills of financial service practitioners. The Institute of Banking and Finance (IBF) and the Monetary Authority of Singapore (MAS) conducted a study on “The Impact of Wider Integration of Data Analytics and Automation on Manpower in the Singapore Financial Services Sector”. This study focused on what the impact will be on the future workforce — in the next three to five years — due to data analytics and automation. Hence, **we are of the view that it will be of immeasurable benefit for the Government and the regulators to find out what the practitioners and/or their licensed intermediaries need to do in their actual day-to-day practice now and in the future in the form of job analysis.** A job analysis can foster skill transformation in the financial service industry by defining talents, identifying skills gaps and identifying training that fills the gaps.

Technology platforms provider and social media platforms are key players in the crypto ecosystem. To make the regulatory framework more effective, FPSB and IFPHK encourage regulators should **engage technology platforms providers (such as Google, Facebook, Twitter, etc. to develop cooperation agreements** to suspend or ban individuals, product providers and other organizations using the platforms to defraud or scam investors, or otherwise breach the law.

The SFC Consultation

On 20 February, the Securities and Futures Commission (SFC) launched a [consultation](#) on the proposed requirements for operators of virtual asset trading platforms. (the “Consultation Paper”). The submission deadline is 31 March 2023.

Under a new licensing regime to take effect on 1 June 2023, all centralised virtual asset trading platforms carrying on business in Hong Kong or actively marketing to Hong Kong investors will need to be licensed by the SFC. The SFC’s proposed regulatory requirements for virtual asset trading platforms are based on the regulatory requirements of the existing regime under the Securities and Futures Ordinance and are comparable to those for licensed securities brokers and automated trading venues. The SFC has also taken the opportunity to propose modifications to some requirements of the existing regime. As part of the consultation, the SFC is seeking views, particularly on whether to allow licensed platform operators to serve retail investors and if so, the measures to be implemented in addition to the proposed range of robust investor protection measures, which include ensuring suitability in onboarding clients and token admission.

Operators of virtual asset trading platforms which plan to apply for a licence, including pre-existing platforms, should begin to review and revise their systems and controls to prepare for the new regime. Those who do not plan to apply for a licence should start preparing for an orderly closure of their business in Hong Kong. The SFC intends to publish lists on its website to inform the public of the different regulatory statuses of VA trading platforms, and will continue working with the Investor and Financial Education Council to enhance investor education for the Hong Kong public.⁴

The Consultation Paper contains 10 questions that are mainly set out in Part III Key proposed regulatory requirements for licensed virtual asset trading platform operators. Questions in the Consultation Paper are listed in the followings:

No.	Question
Part III Key proposed regulatory requirements for licensed virtual asset trading platform operators	
A.	Proposal to allow retail access to licensed VA trading platforms
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

⁴ SFC press release, 20 Feb 2023

No.	Question
	proposed? Please explain your views.
2.	Do you have any comments on the proposals regarding the general token admission criteria and specific token admission criteria?
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?
B.	Proposed requirements for insurance / compensation arrangement
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 options?
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 same level of comfort as third-party insurance.
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?
C.	Trading in virtual asset derivatives
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?
D.	Other adaptations to existing requirements to be incorporated into the VATP Guidelines
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?
Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Corporations and SFC-licensed Virtual Asset Service Providers)	
9.	Do you have any comments on the requirements for virtual asset transfers or any other requirements in Chapter 12 of the AML Guideline for LCs and SFC-licensed VASPs? Please explain your views.
Disciplinary Fining Guidelines	
10.	Do you have any comments on the Disciplinary Fining Guidelines? Please explain your views.

The IFPHK's Submission

The views expressed in this submission paper are not necessarily summaries of the views taken from the industry. They may have undergone more independent and critical analysis and consideration by the IFPHK as a professional body. As a result, not all the views collected by the IFPHK are recorded in this submission paper and neither have all the views expressed in this submission paper been directly endorsed by those industry representatives or members consulted.

Key Principles

Prior to providing our views on the questions stipulated in the Consultation Paper, we wish to point out that the IFPHK's responses are formed upon the following principles:

1. Aligning with international best practice

Hong Kong is a prime location for financial services and an international financial centre despite the development has been sluggish during the past few years of COVID. According to the latest Global Financial Centers Index, Singapore takes third place in the overall index as a global financial centre, coming in after New York and London, and overtaking Hong Kong to take the lead within the Asia-Pacific region To enable Hong Kong to continue to excel in its status as an international financial centre, we must keep abreast of the development of the international standard. International organizations such as the Financial Stability Board (FSB) and other political and supervisory bodies continue to drive financial services sector reform – both globally and at the local level. Besides, the cross-border nature and complexity of structures of virtual assets mean that international coordination is essential.

In 2018 the FSB concluded that crypto assets did not pose a material risk to global financial stability,⁵ the market size of crypto assets is growing at an alarming rate⁶. As such, the FSB in October 2020 set out ten high-level recommendations that seek to promote coordinated and effective regulation, supervision, and oversight of Global Stablecoin (GSC) arrangements to address the financial stability risks posed by GSCs.

⁵ International Monetary Fund, Chapter 2 The Crypto Ecosystem and Financial Challenges, October 2021

⁶ Dollar-tied stablecoins such as Tether token, USD Coin, and Pax Dollar have jumped from \$30 billion in circulation in January to about \$125 billion as of mid-September in 2021 . The International Monetary Fund ("IMF") estimates cryptos' market capitalization at \$2.5 trillion in 2021

In respect of the crypto assets regulatory framework, the IMF also issued a paper in 2021 to provide recommendations on regulating the crypto ecosystem. The Financial Action Task Force (FATF), the International Organization of Securities Commissions (IOSCO) and the Basel Committee on Banking Supervision all issued similar guidance in their respective regulatory spectrum. Please refer to **Appendix 1** for a highlight of their actions.

At the local level, there is always tension between traditional financial markets and the innovation of new kinds of crypto-assets. Different jurisdictions adopt various approaches to addressing such tensions. One extreme is China in which cryptocurrency is banned. Most jurisdictions like Hong Kong, Singapore, and the UK tended to develop their regulations based on existing regimes. Other countries, such as the United States and several EU member states adopted a more aggressive approach. Japan's Payment Services Act now includes crypto assets as a specific type of instrument. In 2020, Japan established the Japanese Virtual Currency Exchange Association (JVCEA) and the Japan STO Association. All exchanges are members of the JVCEA while the Japan STO Association comprises 5 major Japanese financial institutions. Both self-regulatory bodies work to provide advice to as-yet unlicensed exchanges and promote compliance. However, IFPHK considers that a self-regulatory regime would not be an effective way to meet the burst of virtual assets. We have summarized at a high level some of the actions taken by different jurisdictions in **Appendix 2**.

2. Aligning with the positioning of the global financial planning community

As an affiliate of the FPSB, the IFPHK will align with the advocacy principles of the FPSB and the community of global financial planning professionals. In essence, the FPSB wants to ensure that, around the world, consumers will have access to financial advice that is in their best interests from humans (or technology) competent enough to provide that advice in ethically⁷. Regarding the trend of technology in financial planning, the FPSB published a white paper "FinTech and the Future of Financial Planning" as early as October 2016. In June last year, FPSB provided its response to IOSCO consultation on emerging retail market conduct issues related to technology innovations, crypto-assets (cryptocurrencies), and the rise of fin-fluencers. IFPHK also contributed our comments to the above response. Please refer to **Appendix 3** for the list of

⁷ FinTech and the Future of Financial Planning, Financial Planning Standards Board, Oct 2016.

recommendations by the FPSB. IFPHK's response to the Consultation Paper is mostly based on the recommendations of FPSB.

IFPHK's Australian counterpart, Financial Planning Association (FPA), clearly stated the challenges of regulating virtual assets in its responses to the Treasury's consultation paper on proposed Licensing and custody requirements for Crypto asset secondary service providers. Firstly, their decentralised nature means there are few based in a specific jurisdiction. Secondly, the owner of the asset isn't necessarily identifiable as an individual given the anonymity basis through which many are held. Thirdly, there is the complexity that different crypto assets represent different types of financial products, have different purposes and are complicated by different sophistication of the technology layer of the underlying blockchain⁸.

CFP Board of the US provides the "Notice to CFP Professionals Regarding Financial Advice about Cryptocurrency-related Assets" to its CFP professionals. It emphasizes that financial advisors must adhere to Fiduciary Duty when advising on crypto by fully taking into account the goals, risk tolerances, and personal/financial circumstances of the client. The Board will apply the same standards to cryptocurrencies and cryptocurrency-related assets that it applies to all assets⁹. IFPHK also holds the same principle that the duty of care to customers should be the same regardless of the underlying assets in a piece of advice.

3. Enhancing consumer protection and financial literacy

As financial products get more complex and sophisticated, it is of utmost importance that investors/consumers are provided with proper and adequate protection under a sound and effective regulatory system. The IFPHK supports a regulatory system that would facilitate delivering better financial products and services to the benefit of members of the public, as well as protecting them. Therefore, well-informed and educated consumers are the core elements that form a healthy regulatory system. For a market to perform effectively and for consumers to be protected properly, a fundamental understanding of how these products work is essential.

⁸ Financial Planning Association of Australia, Crypto asset secondary providers: Licensing and custody requirements, 6 July 2022.

⁹ The CFP Board's Latest Report on Crypto Sets High Standards for Advisors, 22 December 2022.

The knowledge of crypto assets by consumers remains superficial amid its popularity and escalating market sizes. Based on 2022 Investopedia survey, Millennials are the most confident—41% said they have an advanced understanding of digital currency. Similarly, 39% of millennials said they could explain cryptocurrency to someone else, but only 25% said the same about NFTs. Members of Gen Z, who have grown up immersed in technology, and Gen X, are on about the same level with crypto (30% and 29%, respectively), and baby boomers' knowledge trails behind at just 8%¹⁰.

It is the IFPHK's view that improved financial literacy levels on financial innovations will not only allow consumers to make more informed investment decisions but also result in greater consumer appreciation of planning for a long-term financial future – a concept the IFPHK continuously promulgates. The upcoming challenge is how to integrate the knowledge of complex concepts into mainstream financial education. The IFPHK regards that intermediaries in direct contact with clients can help promote consumer protection by assisting them make better-informed decisions on what products to buy.

4. Raising the professional standards of intermediaries

The IFPHK has always believed that qualified intermediaries and well-informed and educated consumers, together with a robust regulatory framework, should form the core pillars for assurance for the benefit of the investing public. The IFPHK has always advocated that “If the professional standards of financial intermediaries do not keep up with the demands of the market, even if all the measures proposed are implemented, Hong Kong would not be able to maintain its reputation as an international financial centre and therefore grow its financial services industry”.

As aforementioned, CFP Board issued guidelines to CFP professionals. The guidelines stated that for a CFP to provide advice on digital assets they need to be educated on those assets, their risks and how they might fit into a client's broader financial picture. Furthermore, the CFP must be able to monitor those investments and recommend technology and custody options with an understanding of those commensurate risks as well¹¹. The *Code and Standards* do not require a CFP professional to provide and do not prohibit a CFP professional from providing, Financial Advice about cryptocurrency-related assets. When providing Financial Advice about cryptocurrency-related assets,

¹⁰ Top Financial Literacy Education Gaps Across Generations, Sienna Wrenn, April 04, 2022

¹¹ Two Advisor Credentialing Organizations Have Their Say on Crypto, Christopher Robbins, Jan 12, 2023

however, a CFP professional should do so with caution. A CFP professional must be competent to provide that Financial Advice and must consider the particular attributes, risks, and uncertainties that cryptocurrency-related assets present when providing that Financial Advice.¹²

5. Ensuring a level playing field across the financial services industry and communication channels

It should be noted that the key assumption throughout our submissions is that any changes in legislation should be adopted consistently by all financial intermediaries. The IFPHK believes that a failure to implement a consistent approach across the industry could result in significant negative consumer and industry consequences. The IFPHK is frequently urged by industry professionals to highlight the need for implementing a consistent approach across the industry to establish a 'level playing field' among all financial service practitioners.

Regulatory regimes on crypto-assets in Hong Kong have been developed step by step, and are largely based on the existing regime. Please refer to Appendix 3 for chronological developments of the regulatory framework in Hong Kong. Given the decentralized and by-sector nature of the regulatory framework, the regulatory responsibilities are again shared by different financial regulators in Hong Kong. It is envisaged that a crypto asset exchange undertaking transactions in non-stablecoin crypto-assets may expect to be regulated by the SFC under its proposed new VASP regime while being regulated by both the SFC and the HKMA under its stablecoin regime. It means that coordination between regulators is important to maintain legal clarity and certainty for industry practitioners.

In FPSB's comments to IOSCO, the global financial planning community pointed out another unlevel playing field emerges with the advance of technology. While regulated industries have clear protocols and oversight of digital communications, the broader social media space is perceived as a conduit for user-generated content that's subject to much less moderation and uneven if any, regulation. Financial advice professionals comment about the 'unlevel' playing field that (real or otherwise) exists between the obligations that a regulated, financial services practitioner complies with when

¹² CFP Board, Notice to CFP Professionals Regarding Financial Advice about Cryptocurrency-related Assets,

discussing financial products or strategies compared to a social media influencer sharing their 'opinions.'¹³.

Based on the above principles and focus area of IFPHK's objectives, IFPHK will respond to Question 1, Question 3 and Question 10 of the Consultation Paper.

Questions in the Consultation Paper

Part III Key proposed regulatory requirements for licensed virtual asset trading platform operators

A. Proposal to allow retail access to licensed VA trading platforms

Currently, SFO-licensed Platform Operators can only serve professional investors, and are restricted from providing services to retail investors. Under the VATP Guidelines, the SFC contemplates expanding the scope of licences to allow for retail access. To this end, the SFC has proposed safeguards intended to protect retail investors, for example:

- Suitability Assessments: When onboarding clients, a Platform Operator should conduct suitability assessments on the client's risk tolerance and risk profile. The Platform Operator will have to set a limit for each client to ensure the client's exposure to virtual assets is reasonable, with reference to the client's financial situation and personal circumstances. Such limit must be kept up-to-date through regular review
- Marketing: A Platform Operator should not post any advertisement in connection with any specific virtual asset.
- Governance: A Platform Operator should set up a token admission and review committee to oversee, amongst others, the implementation of the token admission criteria.
- Token Due Diligence: The SFC has introduced a set of objective criteria for Platform Operators to follow when determining whether to make a specific virtual asset available to retail investors. For example, Platform Operators are prohibited

¹³ Financial Planning Standard Board, FPSB public comment on IOSCO Retail Market Conduct Task Force (RMCTF) Report, 23 May 2022.

from offering a virtual asset that amounts to “securities” (as defined by the SFO to retail investors) if such an offer may breach the offer of investments regime or the prospectus regime. To this end, before making any virtual assets available for trading by retail investors, a Platform Operator should obtain and submit to the SFC a written legal opinion confirming that each of the virtual assets proposed does not amount to securities.

- **Token Admission:** The VATP Guidelines introduces a set of specific token admission criteria applicable to virtual assets which are intended for retail access. These criteria are in addition to a separate set of general token admission criteria. In particular, a Platform Operator should make sure that virtual assets made available for trading by its retail investors must be an eligible large-cap virtual asset.
- **Disclosure:** A Platform Operator is expected to disclose sufficient product information to enable clients to appraise the position of their investments, for instance, the price and trading volume of the virtual asset on the platform, background information about the management team of the virtual asset, and brief description of the terms and features of the virtual asset.

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.

IFPHK’s Response

The Consultation Paper is long awaited by the industry players, they mostly welcome speedy regulations and policies on virtual assets. **IFPHK also considers the proposal to be a positive direction towards building a solid crypto ecosystem with better legal certainty. Legal certainty helps build confidence in the trustworthiness and reliability of financial products and services.** Singapore has set a clearer regime. Most cryptocurrencies qualify as digital payment tokens under the Payment Services Act 2019 under clear licensing and registration requirements. Hong Kong (considered by some) has been left behind by rival Singapore, which has allowed retail trading but things change after sequences of events. These events include the demise of Terra stablecoin and Three Arrows Capital (3AC), a hedge fund focusing on crypto assets. It is

estimated that the US\$60 billion was wiped out when Luna fell in May 2022. 3AC, which had invested US\$200 million in Luna tokens, was unable to repay lenders as cryptocurrency prices fell across the board. FTX, a major cryptocurrency exchange, collapsed and filed for bankruptcy in November 2022 amid allegations of fraudulent activity and mismanagement of funds. The Singaporean state holding company Temasek Holdings wrote off its \$275 million investment in the exchange¹⁴.

Because of that virtual assets are again under scrutiny, as said Julia Leung, CEO of the SFC “In light of the recent turmoil and the collapse of some leading crypto trading platforms around the world, there is a clear consensus among regulators globally for regulation in the virtual asset space to ensure investors are adequately protected and key risks are effectively managed.”¹⁵

Granting retail investors access to crypto assets

Despite the aforesaid collapses of high-profile firms alerted Singaporeans which resulted in more restrictive regulations. Yet, MAS does not deem it feasible to ban crypto assets. Virtual assets are risky products. They are exposed to heightened risks including insufficient liquidity, high price volatility, opaque pricing, potential market manipulation, hacking and fraud and may lose all value, but after all, they do have benefits even to retail investors. Crypto assets could create potential benefits through greater competition and efficiency in some financial services, such as remittance, trade financing, and cross-border payments. Financial planners also see opportunities to use FinTech to increase the public’s levels of financial literacy and financial capability; it could lower costs, thereby improving consumer access to financial advice and financial markets. Nonetheless, until now, most retail investors had to trade crypto assets on unlicensed exchanges, which could pose a bigger risk to investor protection.

The FPSB’s CFP survey found that 84% of CFP professionals said that up to 50% of their clients had asked about crypto assets in the last 12 months, and 70% responded that they have clients who have purchased crypto assets on their own, and where 62% of CFP professionals responded that they have clients who had suffered a financial loss from purchasing a complex product, such as Crypto assets, and 90% of those clients that suffered a financial loss did so without the benefit of having received professional financial advice. **From an investor protection perspective, IFPHK agrees to include**

¹⁴ Blockchain in Singapore 2023: where are we now? - Lexology

¹⁵ SFC press release, 20 Feb 2023

retail investors under the regulatory regime of virtual assets, given that enhanced protection measures are imposed on protecting retail investors. As per FPA in its responses to the Australian Treasury consultation paper that the financial planning profession has been left in limbo concerning crypto assets. While on one hand, they are investible assets their clients are interested in, their unregulated state means they often have to decline advice, leaving clients unsupported and unadvised on a portion of their financial position. This has left financial planners vulnerable to watching clients risk their financial position, goals and objectives¹⁶.

Disregard our support to include retail investors under the regime IFPHK is wary that the existing literacy level of both investors and practitioners is sufficient to take on the risks and challenges of these fairly novel products. We will further discuss our concerns on financial literacy in **Question 3**.

Regulating advice on virtual assets and/or enhancing protective measures on self-directed transactions

As aforesaid by FPSB without access to professional advice, retail investors are relying on other forms of information to purchase Crypto assets, often influenced by parties who do not have appropriate qualifications, professional obligations, or regulatory oversight to support them in making appropriate investment recommendations or acting in the interests of the product purchaser. In other words, these clients acted as **self-directed** investors or based on the recommendations of social media influencers, friends or family. Coherent to FPSB's recommendations, **IFPHK suggests the regulators either consider regulating advice on virtual assets or impose enhanced investor protection measures on self-directed transactions of retail investors. Examples of measures include introducing a cooling off / breakear period for 'self-directed' retail investors.**

Restriction on advice by social media influencers

Most jurisdictions have various forms of restrictions on the marketing of virtual assets. For instance, while there are no equivalent retail access restrictions in the UK, in January 2022 the UK Government confirmed that it would include crypto assets within the financial promotions regime which restricts unauthorised firms from making financial promotions unless an exemption applies or the financial promotion is approved by a UK-

¹⁶ Financial Planning Association of Australia, Crypto asset secondary service providers: Licensing and custody requirements, 6 July 2022.

licenced firm. This is expected to significantly restrict how crypto assets can be marketed to retail customers in the UK¹⁷. Singapore also tightens controls over the marketing of virtual assets to retail investors. MAS issued guidelines in January last year giving effect to MAS' expectations that DPTSPs should not promote their DPT services to the general public in Singapore. DPTSPs are proposed not to allow offering incentives, monetary or otherwise, to retail customers or for any person to refer cryptocurrency services to retail customers. The new guidelines clarify MAS' expectations that DPT service providers should not engage in marketing or advertising of DPT service in public areas in Singapore such as through advertisements on public transport, public transport venues, public websites, social media platforms, broadcast and print media, or provision of physical ATMs. They are also not expected to promote through the engagement of third parties, such as social media influencers, to promote DPT services to the general public in Singapore. DPT service providers can only market or advertise on their corporate websites, mobile applications or official social media accounts. Whilst we understand that the SFC proposal also restricts a Platform Operator from posting any advertisement in connection with any specific virtual asset, the restriction shall be more specific and further tighten the promotion by third parties¹⁸.

Indeed FPSB found that many online trading platforms encourage users to share with their peers on social media. However, social media promotions of platforms by third parties are mostly biased and exclude the downside of the virtual assets and create an uninformed environment for risk-taking. Since retail investor demand for Crypto assets is being driven heavily by the marketing and distribution tactics of product manufacturers and by the promotion/messaging of social media influencers hired to promote the products. FPSB also received feedback about the role of social media influencers and the perceived 'unlevel' playing field that exists and the risks associated with this for retail investors.¹⁹

Therefore IFPHK echoes FPSB's recommendation, we suggest the Government or the regulators **should restrict virtual asset operators to promote through the engagement of third parties, such as social media influencers and to establish a regulatory 'sandbox' for social media influencers** (fin-fluencers) and publish those

¹⁷ Cryptoasset firms marketing to UK consumers must get ready for financial promotions regime, Financial Conduct Authority, 6 Feb 2023.

¹⁸ MAS proposes measures to reduce risks to consumers from cryptocurrency trading and enhance standards of stablecoin-related activities, Monetary Authority of Singapore, 26 October 2022.

¹⁹ FPSB public comment on IOSCO Retail Market Conduct Task Force Report

operating in the sandbox on a public register, i.e., a ‘Register of Qualified Fin-Fluencers’. In Australia, Australian Securities and Investment Commission (ASIC) issued information sheet 269 (INFO269) to identify what social media influencers practically and clearly can and cannot do (illustrated with examples). ASIC is concerned with ensuring that the content produced by ‘influencers’ is compliant with the AFSL requirements under the *Corporations Act 2001 (Cth)* (Act).

Disclosure of financial loss

IFPHK agrees with the list of disclosures as stipulated in the proposal. To further enhance the regulatory framework, the SFC may also consider requiring the operators to **disclose (at the point of purchase) the percentage of retail investors who made a financial loss on the investment**. Further research should be conducted on an appropriate timeframe for the disclosure, e.g., the last 12 months, three years, five years or since inception.

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?

IFPHK’s Response

As aforementioned, the knowledge of crypto assets by consumers remains superficial amid its popularity and escalating market sizes. The 2022 Investopedia Financial Literacy Survey revealed that cryptocurrency and stocks are the most popular assets held by Gen Z (19-25), millennial (26-41), and Gen X (42-57) investors, but overall, many Americans (49%) have only a beginner-level understanding of digital currency²⁰.

Albeit financial education on crypto-assets is not included in the Consultation Paper, IFPHK’s principle remains that a plan on educating the public shall be included in any policy changes. “Our relationship to money, investing, and financial planning has radically changed in the past few years as new asset classes like crypto and NFTs have emerged just as millions of people are taking their first steps into investing,” says

²⁰ The 2022 Investopedia Financial Literacy Survey polled 4,000 U.S. adults, By Sienna Wrenn April 04, 2022

Investopedia Editor-in-Chief Caleb Silver. “What hasn’t changed is the need for relevant financial education—but in a modernized curriculum that addresses these new financial products and services, designed to serve the people who are dependent on them to build their wealth.”²¹

Standardized “knowledge tests” and compulsory education program

While we understand that operators are required to conduct knowledge assessment on retail investors as one of the onboarding requirements, the risks and uncertainty of virtual assets warrant an enhanced approach in ensuring the financial literacy of the retail investors is duly met especially for those self-directed investors.

FPSB has surveyed affiliate organizations on whether self-directed retail investors should be permitted to invest immediately through a digital trading platform without any need to demonstrate some level of financial literacy. Most FPSB affiliate organizations (including IFPHK) said no. Indeed if self-directed investors continue to allow investing in complex products, self-directed retail investors’ ability to access digital trading platforms should **require successful completion of a ‘financial knowledge test’** to demonstrate a minimum level of financial literacy and capability. The minimum level of financial literacy and capability should be agreed upon by the industry and approved by the Government.

In Singapore, the MAS proposed to require DPTSPs to assess retail customers’ knowledge of the risks of trading in cryptocurrencies, ideally through an industry-agreed template. For retail customers who are assessed not to have sufficient knowledge of the risks, the MAS is considering having DPTSPs provide educational materials and cooling off periods as possible next steps²². Because of the above, IFPHK suggests the SFC refine the requirements **to mandate retail investors to complete an education program on virtual assets and to pass a knowledge test in the form of the industry-agreed template (approved by the Government and/or regulators).**

Transformation of skill framework, licensing examination curriculum and continuing education requirements

The race to attract “tech” talents has been intense, the Hong Kong SAR Government launched a series of programs to develop a talent pool in FinTech. Other than attracting

²¹ Investopedia

²² Clifford Chance, Singapore to tighten rules on cryptocurrency trading, 30 November 2022.

“tech” talents, it is equally crucial to upgrade financial practitioners in general to meet the era of the digital age. CFP Board of US noted that CFP professionals interested in becoming more competent about cryptocurrency-related assets should consider further education about the topic through continuing education courses²³.

Increasing product, service and solution complexity impact the skills required, Singapore takes a serious and structured approach in looking at the required skills. The Skills Framework (SFw) is a SkillsFuture initiative developed for the Singapore workforce to promote skills mastery and lifelong learning and is an integral component of the Financial Services Industry Transformation Plan. MAS has defined future enable skills for the financial services industry which include digital awareness, data analysis and future communication.²⁴ The Institute of Banking and Finance (IBF) and the MAS conducted a study on “The Impact of Wider Integration of Data Analytics and Automation on Manpower in the Singapore Financial Services Sector”. This study focused on what the impact will be on the future workforce — in the next three to five years — due to data analytics and automation. By looking at job roles and job tasks across financial services, the study sought to gain a better understanding of the extent to which job roles will be impacted and how job tasks will look in the future. A skills analysis was also conducted to understand the additional skills that will be necessary to meet the demands of jobs in the future. We worked with the industry over six months to examine the impact of three technology trends: Robotic Process Automation (RPA), Advanced Analytics, and Artificial Intelligence (AI) — on the job tasks performed by 1211 job roles identified across front office, mid-office, back office, and enterprise functions in the financial services industry in Singapore. In September last year, Singapore set aside S\$400 million in grant funding from the Financial Sector Development Fund for the Talent and Leaders in Finance Programme over 2021 – 2025 to support skills training and to develop more finance specialists and leaders in the Singapore workforce.

Hence, we are of the view that it will be of immeasurable benefit for the Government and the regulators to find out what the practitioners and/or their licensed intermediaries need to do of their actual day-to-day practice now and in the future in the form of job analysis. To regulators, this will help to identify the skills

²³ CFP Board, Notice to CFP Professionals Regarding Financial Advice About Cryptocurrency-related Assets

²⁴ <https://www.ibf.org.sg/home/for-individuals/skills-and-jobs-development/upskill/discover-skills-needed-for-your-job/future-enabled-skills>

gap that exists in what licensed financial services intermediaries are examined in the relevant licensing examinations and what they in reality need to know to be competent practitioners in the current and future industry landscape. The job analysis will inform the curriculum and examination syllabuses to help keep them relevant and up-to-date, and may also be studied as part of any qualifications framework initiative. A job analysis will also help the regulators to ensure that their licensed intermediaries pass a minimum standard of competence to meet the needs of consumers today.

For the government, a job analysis can foster skill transformation in the financial service industry by defining talents, identifying skills gaps and identifying training that fills the gaps. To share the IFPHK and FPSB experience, a job analysis was conducted globally at regular intervals. The CFP education and examination syllabuses were substantially revised to reflect the results of the job analysis based on the advice of the psychometrician engaged to analyze the job analysis survey in detail.

Disciplinary Fining Guidelines

Question 10:

Do you have any comments on the Disciplinary Fining Guidelines? Please explain your views.

Operating a VA exchange in Hong Kong without a licence, or actively marketing (whether in Hong Kong or elsewhere) to the public of Hong Kong the services of an overseas VA exchange that is not licensed in Hong Kong, without a reasonable excuse, will be an offence punishable on conviction on indictment, to a fine of HK\$5 million and to imprisonment for seven years and, in the case of a continuing offence, to a further fine of HK\$100,000 for every day during which the offence continues. A summary conviction will see fines of HK\$500,000 and imprisonment of up to two years, and a further fine of HK\$10,000 for every day during which the offence continues.

IFPHK's Response

To ensure the regulatory framework is effective, financial regulators use various enforcement tools to protect investors and maintain market discipline. Therefore, it makes sense to set up a disciplinary guideline on unlicensed virtual assets activities.

Regulators in other jurisdictions also have already taken disciplinary actions against virtual assets service providers. Take the reference to Singapore, MAS recently reprimanded Three Arrows Capital (TAC), a crypto firm based in Singapore. TAC was a registered fund management company, and it had provided false information and managed more assets than it was allowed to under Singapore law.

Since the crypto ecosystem is different from traditional finance, technology platforms provider and social media platform are key players in the ecosystem. To make the regulatory framework more effective, FPSB and IFPHK encourage regulators should **engage technology platforms providers (such as Google, Facebook, Twitter, etc. to develop cooperation agreements** to suspend or ban individuals, product providers and other organizations using the platforms to defraud or scam investors, or otherwise breach the law. The cooperation would allow regulators and technology platforms to work together to prevent or shut down a scam or fraud being promoted on an online platform, and to help regulators by suspending or removing social media influencers who have broken the law by providing financial advice when not licensed.

Appendix 1 – Regulatory development of international bodies on virtual assets

- In October 2021, the Financial Action Task Force (FATF) issued updated guidance for a risk-based approach to virtual assets and virtual asset providers. It is intended to help regulators to develop regulatory and supervisory directives for virtual asset activities and to help Virtual Asset Service Providers (VASPs) to understand and execute their AML / CFT obligations²⁵.
- In July 2022, the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions (CPMI-IOSCO) issued a final report providing clarity on the application of the Principles for Financial Market Infrastructures to stablecoin arrangements, which are considered systemically important financial market infrastructures.
- In July 2022, IOSCO's Fintech Task Force issued a Crypto-Asset Roadmap for 2022-2023. It sets out the plans and activities for two workstreams, 1) Crypto and digital assets and 2) DeFi. The workstreams will focus on issues relating to market integrity, investor protection and financial stability, as well as on how to manage crypto and DeFi risks within regulatory frameworks.
- In December 2022, the Basel Committee on Banking Supervision (BCBS) published its final rules on the prudential treatment of crypto asset exposures. The BCBS's will implement the standards by 1 January 2025.

²⁵ HKMA, Discussion paper

Appendix 2– Regulatory development of selected jurisdiction on virtual assets

Jurisdiction	Details
USA	<p>The Financial Crimes Enforcement Network (FinCEN) does not consider cryptocurrencies to be legal tender but considers cryptocurrency exchanges to be money transmitters on the basis that cryptocurrency tokens are other value that substitutes for currency. Cryptocurrency exchanges are legal in the United States and fall under the regulatory scope of the Bank Secrecy Act (BSA). In practice, this means that cryptocurrency exchange service providers must register with FinCEN, implement an AML/CFT program, maintain appropriate records, and submit reports to the authorities.²⁶</p> <p>On November 1, 2021, the President's Working Group on Financial Markets (PWG), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) released a report (PWG Report) calling for urgent legislative action to limit the issuance of stablecoins to insured depository institutions and to enable prudential regulation of stablecoins to address the risks to the broader financial system.</p>
UK	<p>On 7 January 2021, the UK Treasury issued a consultation and call for evidence (the “Consultation”) on the UK regulatory approach to cryptoassets and stablecoins. The Consultation is the second of two measures outlined by the Treasury in March 2020 as part of the UK’s response to cryptoassets. The first measure was a consultation on bringing certain categories of cryptoassets into the scope of UK financial promotions regulation.</p> <p>At present, some (but not all) types of virtual currencies are regulated in the UK. In general, the structure and substantive characteristics of a virtual currency will determine whether or not it falls within the UK regulatory perimeter, and if so, which regulatory framework or frameworks will apply. In its Guidance on Cryptoassets,² the UK Financial Conduct Authority (FCA) identifies three broad categories of virtual currencies, which are security tokens, E-money tokens and unregulated tokens.</p>
Europe	<p>The EU Commission submitted a proposal for crypto asset regulation on September 24, 2020, titled "Markets in Crypto-Assets Regulation" (MiCA). The MiCA will be directly applicable legislation in all EU member states once it is ratified and in force, and it will govern all issuers and service providers engaging with crypto-assets. MiCA is expected to enter into force in 2024, subject to its ratification by the European Parliament (which is expected in early 2023).</p> <p>The EU has moved one step forward in its radical attempt to create a rigorous legal and regulatory framework for digital assets: proposals Markets in Crypto-Assets (MiCA) regulation and the Transfer of Funds (TFR) regulation have been endorsed by the EU Council and are due to be voted on shortly by the EU Parliament.</p>

²⁶ Cryptocurrency Regulations Around The World

Jurisdiction	Details
	<p>In the European Union (EU), there are no equivalent restrictions around retail access to cryptocurrency trading but new and wide-ranging licensing, conduct of business and operational resilience rules will shortly be introduced for cryptocurrency firms. The EU's markets in crypto-assets regulation (MiCA) aims to create a harmonised regulatory framework for the issuance of, intermediating and dealing in cryptoassets, and is much broader than the current MAS proposals. It will introduce licensing and conduct of business requirements for cryptoasset service providers (CASPs), issuers and exchanges, as well as a crypto market abuse regime.²⁷</p>
Singapore	<p>In Singapore, offers or issuances of stablecoins may be regulated if they constitute capital markets products (e.g., securities or units in a collective investment scheme) under the Securities and Futures Act (Cap. 289) (the “SFA”). The structure and characteristics of a stablecoin would need to be carefully considered to determine whether this is the case. Intermediaries who facilitate offers or issuances of such stablecoins (including operators of platforms on which the stablecoins may be offered, issued and/or traded and those providing financial advice in respect of the stablecoins) may therefore be subject to licensing and other regulatory requirements under the SFA and/or the Financial Advisers Act (Cap. 110) (the “FAA”).²⁸</p> <p>On 17 January 2022, The Monetary Authority of Singapore (MAS) issued guidelines giving effect to MAS’ expectations that Digital Payment Token (DPT or more commonly known as cryptocurrency) service providers should not promote their DPT services to the general public in Singapore.</p>
Japan	<p>In 2020, Japan established the Japanese Virtual Currency Exchange Association (JVCEA) and the Japan STO Association. All exchanges are members of the JVCEA while the Japan STO Association comprises 5 major Japanese financial institutions. Both regulators work to provide advice to as-yet unlicensed exchanges and promote compliance.</p> <p>Japan FSA Seeks to Introduce Restrictions in 2022 to limit the issuance of stablecoins to banks and wire transfer companies. The regulations that will be proposed by Japan’s Financial Services Agency (FSA) are an effort to tighten the agency’s grip on the stablecoin market to protect consumers from potential risks from asset-backed stablecoins like Tether.</p>
Australia	<p>Australian Securities and Investments Commission (ASIC) identifies crypto assets as one of its core strategic projects and will continue to support the development of an effective regulatory framework, with a focus on consumer protection and market integrity.</p> <p>In December 2021, Australia announced plans to introduce a new licensing framework specifically for cryptocurrency exchanges – with a consultation</p>

²⁷ Singapore to tighten rules on cryptocurrency trading, Clifford Chance

²⁸ Clifford Chance, Stablecoins: A Global Overview OF Regulatory Requirements in Asia Pacific, Europe, the UAE and the US, September 2019.

Jurisdiction	Details
	<p>period scheduled for 2022. The proposed framework would enable consumers to safely purchase and sell crypto assets in a regulated environment, and represents a move to position Australia at the forefront of the global effort to keep tech companies in check.</p> <p>In September 2022, the Reserve Bank of Australia (RBA) issued a white paper on a potential Australia CBDC. The RBA will launch a pilot project with selected uses cases in early 2023. The report on findings is expected in mid 2023.</p>

Appendix 3 - FPSB's recommendations to the IOSCO Retail Market Conduct Task Force

(From FPSB press release on 30 September 2022)

1. IOSCO should conduct research to better **understand the correlation between the investor's status** – either 'self-directed' or 'advised' (i.e., acting on the recommendations of a financial planning professional) – **and the investor's likelihood to experience unmanageable / catastrophic financial loss** when investing in complex products (due to investment underperformance (measured against appropriate benchmark(s) or through being the victim of a scam / fraud).
2. If IOSCO members continue to allow self-directed investing in complex products, self-directed retail investors' ability to access digital trading platforms should **require successful completion of a 'financial knowledge test'** to demonstrate a minimum level of financial literacy and capability.
3. IOSCO members should **develop appropriate safeguards, such as the investor's need to obtain financial advice**, before permitting use of 'leverage' on complex products.
4. IOSCO members should **prohibit the use of credit cards to purchase complex financial products**.
5. IOSCO members should **establish a regulatory 'sandbox' for social media influencers** (fin-fluencers) and publish those operating in the sandbox on a public register, i.e., a 'Register of Qualified Fin-Fluencers'.
6. IOSCO members should proactively engage with social media influencers (aka fin-fluencers) and **reinforce the boundaries in which fin-fluencers can operate**, i.e., information only if not qualified to provide financial advice.
7. IOSCO / IOSCO members should **engage technology platforms to develop cooperation agreements** to suspend or ban individuals, product providers and other organizations using the platforms to defraud or scam investors, or otherwise breach securities laws.
8. IOSCO should **define 'complex products'** in a manner that can be consistently adopted across IOSCO member territories to protect retail investors (particularly, self-directed).
9. As defined by IOSCO, **all 'complex products' should be regulated**.
10. IOSCO should conduct research into changing guidance for 'complex product' providers to **disclose (at the point of purchase) the percentage of retail investors who made a financial loss on the investment**. Research should

consider an appropriate timeframe for the disclosure, e.g., last 12 months, three years, five years or since inception.

11. IOSCO members should **introduce a cooling off / breaker period for 'self-directed' retail investors who purchase a 'complex product,'** if such an investor protection mechanism does not already exist in the territory.

Appendix 4 – Chronological development of crypto ecosystem of Hong Kong

- The Securities and Futures Commission (SFC) in Hong Kong has been operating an opt-in regime for virtual asset (VA) service providers (VASPs) since November 2019.
- In May 2021, the Financial Services and the Treasury Bureau (FSTB) announced it had completed a public consultation on the VASP regime and would work towards an amendment bill in 2022.
- On 12 January 2022, the Hong Kong Monetary Authority (“HKMA”) issued a discussion paper on crypto-assets and stablecoins (“Discussion Paper”) outlining its thoughts on the development of a regulatory framework for stablecoins.
- On 28 January 2022, HKMA, SFC, and the Insurance Authority issued guidance to banks, securities firms, and insurers looking to undertake activities related to virtual assets. The guidance provides a common framework through which different kinds of mainstream financial service practitioners can engage with virtual assets, digital assets, and cryptocurrency.
- In late October 2022, Hong Kong's Financial Services and the Treasury Bureau published a Policy Statement on Development of Virtual Assets in Hong Kong (the Policy Statement). The Policy Statement sets out the Hong Kong government's vision and next steps to help grow Hong Kong's VA ecosystem. The Hong Kong government recognises the potential of distributed ledger technology (DLT) and Web 3.0 to become the future of finance and commerce industries. It envisions that, with proper regulation, these technologies will enhance market efficiency and transparency. In late October 2022, Hong Kong's Financial Services and the Treasury Bureau published a Policy Statement on the Development of Virtual Assets in Hong Kong (the Policy Statement). The Policy Statement sets out the Hong Kong government's vision and next steps to help grow Hong Kong's VA ecosystem. The Hong Kong government recognises the potential of distributed ledger technology (DLT) and Web 3.0 to become the future of finance and commerce industries. It envisions that, with proper regulation, these technologies will enhance market efficiency and transparency.
- On 13 December 2022, the Securities and Futures Commission of Hong Kong issued a statement highlighting the risks and potential legal requirements associated with virtual asset arrangements.