

## Hong Kong concludes consultation on virtual asset advisory and asset management regimes

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On 26 May 2026, the Hong Kong Financial Services and Treasury Bureau and the Securities and Futures Commission jointly published consultation conclusions to their legislative proposal regulating (a) virtual asset advisory service providers; and (b) virtual asset management service providers. This client update identifies the key aspects of the consultations.

### 1. Introduction and background to the consultation conclusions

As we explained in our update on [14 January 2026](#), the Hong Kong Financial Services and Treasury Bureau (FSTB) and the Securities and Futures Commission (SFC) finalised their consultation conclusions for [virtual asset \(VA\) dealers](#) and [custodians](#) in December 2025 and published further consultations regarding VA advisory and VA management service providers. Following a one-month consultation period in early 2026, the FSTB and the SFC concluded their [consultations](#) regarding VA advisory and asset management on 26 May 2026.

There were no significant modifications proposed as between the consultation papers and the consultation conclusions with regards to the regulatory regime on VA advisory and VA management service providers.

### 2. Hong Kong's new comprehensive VA service provider regulatory regime

Following these consultations, the FSTB and the SFC will finalise legislative proposals for a comprehensive regulatory regime for VA service providers (VASP Regime) with the aim of introducing a bill into the Legislative Council in 2026.

The SFC's Chief Executive Officer [noted](#) that this consultation conclusion "marks the final leg of our journey to complete the regulatory framework for digital assets." The new regime will introduce four types of VA activities regulated by the SFC, the first three of which are aligned with the scope of Types 1 (dealing in securities), 4 (advising on securities) and 9 (asset management) regulated activities for traditional securities.

Regulated VA activity	Summary of definition
<b>VA dealing</b>	Making or offering to make an agreement with another person, or inducing another person to enter into an agreement to acquire, dispose of, subscribe for or underwrite VAs. Brokers, dealers and traders are typically caught under the definition.
<b>VA advisory</b>	Giving advice on the acquisition or disposal of VAs or issuing analyses or reports for purposes of facilitating recipients to make decisions on the acquisition and disposal of VAs.
<b>VA management</b>	Managing a portfolio of VAs.
<b>VA custodian</b>	Safekeeping of instruments enabling transfer of VAs on behalf of other persons.

The new VASP Regime will require firms that carry on a business providing the above services in Hong Kong, or those that “actively market” these services to the Hong Kong public, whether from Hong Kong or abroad, to obtain a licence from the SFC.

Firms currently providing the above services on an unlicensed basis will be required to obtain a licence from the SFC. Firms currently licensed or registered with the SFC to provide services in traditional securities will also be required to obtain the new VA licences through an expedited approval process. This will replace the existing practice of imposing terms and conditions on SFC-licensed intermediaries engaging in VA-related activities.

### 3. Consultation conclusions on regulating VA advising and VA management

#### VA advisory services – Scope and coverage

The same definition of VA advisory (modelled after the Type 4 regulated activity definition under the Securities and Futures Ordinance (Cap.571) (SFO)) proposed in the consultation paper has been adopted in the consultation conclusions.

**“Advising on VA” covers any person who carries on a business of either:**

- giving advice on whether; which; the time at which; or the terms or conditions on which, VAs should be acquired or disposed of; or
- issuing analyses or reports, for the purposes of facilitating the recipients of the analyses or reports to make decisions on whether; which; the time at which; or the terms or conditions on which, VAs are to be acquired or disposed of.

Whether an advisory activity falls within the VA advisory regime first depends on the nature of the VA product. If a VA-related product is structured to amount to a spot contract, advising on such a product will likely require a VA advisory licence. However, the “VA” definition under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) (AMLO) expressly excludes, among other things, securities and futures contracts. Thus, solely advising on securities or futures contracts referencing VAs or having VAs as underlying assets, derivatives and structured products referencing VAs, or tokenised securities would generally fall within Types 4 (advising on securities), 5 (advising on futures contracts) and/or 11 regulated activities (dealing in or advising on OTC derivative products, not in force yet), and be excluded from the VA advisory regime.

As with the SFO licensing regime, the scope of VA advisory services applies to advice on VAs provided in any form and through any channel. The consultation conclusions confirmed that the following activities would be caught under the definition of VA advisory services and require a licence:

- “educational” content, research, general commentary, or “trading signals” so long as they substantively involve the provision of advice on acquiring or disposing of VAs;
- mirror trading or copy trading; and
- providing technology tools which generate advice on VAs for the use of others, like tools able to make specific recommendations on VAs or tools which provide alerts as to whether, which, when, or the terms or conditions on which VAs should be acquired or disposed of.

The provision of generic factual information about VAs, or the provision of tools that allow objective filtering of such factual information, is not caught under the definition.

Further, exemptions for VA advisory services are derived from the same exemptions for Type 4 regulated activity and would cover (i) advice provided through a generally available publication or broadcast; (ii) advice provided within wholly-owned group companies and (iii) advice that is wholly incidental to licensed VA dealing services or solely for the purposes of licensed VA management.

## VA management services – Scope and coverage

The consultation conclusions also adopted the same definition of **VA management services** as that in the consultation paper, requiring **any person who carries on a business of offering to others management services for a portfolio of VAs** to obtain a licence from the SFC. There will not be a “de minimis” threshold, i.e. a licence is required regardless of the level of VA exposure.

Managing a portfolio investing in both VA and investment products referencing VAs would require both a VA management licence and a Type 9 (asset management) licence under the traditional securities regime.

Activities which would generally not require a VA management licence (but would require a Type 9 licence) include:

- a fund manager’s inadvertent acquisition of VAs so long as the VAs are disposed of in a timely manner (this may occur where tokens invested by the fund lose their status as “securities” under the SFO, since the definition of “VA” excludes “securities”); and
- management of portfolio companies whose principal business is proprietary trading in VAs, where the provided services were of portfolio management and not VA management.

The key determinant is whether the manager has discretionary power to make investment decisions in respect of VAs. For example, accepting VAs for subscription does not come within the definition if the VAs are automatically converted into cash upon payment.

An exemption will be provided for management services provided to a group company (but managing assets belonging to clients of a group company will not qualify for the exemption).

## Key regulatory requirements

Regulatory requirements imposed on VA advisers and VA managers will align with those applicable to Type 4 and Type 9 licensed corporations, including a minimum paid-up share capital of HK\$5 million and either a minimum required liquid capital of HK\$100,000 for corporations not holding client assets, or HK\$3 million in any other case.

Other regulatory requirements will be primarily based on the existing standards applicable to licensed corporations and registered institutions, along with the current terms and conditions for providing VA advisory services. These would include the requirement to observe AML/CFT due diligence standards and maintain proper records. The SFC is actively reviewing these requirements and plans to launch a public consultation on proposed AML/CFT rules in due course.

The SFC acknowledged feedback from market participants and agreed that private funds should retain flexibility to appoint qualified custodians globally, given the need for token coverage, cross-border settlement, and mitigation of counterparty concentration risks. However, the SFC emphasised that safeguarding client assets remained essential, particularly where certain VAs lack support from qualified custodians and required self-custody. In such cases, the SFC will impose stringent self-custody requirements on VA management service providers, along with stricter financial resources obligations where they hold client assets. These service providers must also assess whether their engaging in custodian activities would trigger a licensing requirement under the VA custodian service provider regime.

## No transitional arrangements and SFC engagement

The new VASP Regime will take full effect on the commencement date of the relevant legislative framework. There will be no deeming arrangement or transitional period for existing VA dealing, advisory or management service providers, due to concerns that it could create confusion regarding their regulatory status and may not afford adequate protection to investors.

The FSTB and the SFC will consider the appropriate commencement date for the VASP Regime to take effect, taking into account the time required for market participants to adjust their business models. In the meantime, all industry stakeholders already engaged in or interested in providing services that will fall under the new VASP Regime may reach out to the SFC (at [fintech@sfc.hk](mailto:fintech@sfc.hk)).

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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