

## Hong Kong to introduce licensing regime for virtual asset exchanges

July 27, 2022 | Client Update | 11-minute read

On July 6, 2022, the Hong Kong government introduced the Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Bill 2022 (the Bill), which includes a new licensing regime for virtual asset exchanges to be supervised by the SFC and the criminalization of a range of virtual asset related misconduct. The Bill is the first virtual asset-specific legislation in Hong Kong and is expected to form the cornerstone of Hong Kong's virtual asset regulatory regime going forward.

### Resources

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[Explore our crypto resources](#)

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.

**Martin Rogers**

+852 2533 3307  
martin.rogers@davispolk.com

**Li He**

+852 2533 3306  
li.he@davispolk.com

**James C. Lin**

+852 2533 3368  
james.lin@davispolk.com

**Miranda So**

+852 2533 3373  
miranda.so@davispolk.com

**Yuan Zheng**

+852 2533 1007  
yuan.zheng@davispolk.com

**Lok Cheung**

+852 2533 1029  
lok.cheung@davispolk.com

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<sup>1</sup> Available at: <https://www.legco.gov.hk/yr2022/english/bills/b202206241.pdf>

## Introduction

### 1. Why was the Bill introduced?

### 2. How does the Bill change Hong Kong's VA regulatory regime?

- The offence of making a fraudulent or reckless misrepresentation for the purpose of inducing another person to acquire or dispose of a VA.<sup>4</sup>
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### 4. Which VA Exchanges have to be licensed?

### 5. What are the licensing requirements and conditions? What are the sanctions for non-compliance with the licensing regime?

## 6. How does the Bill compare with other jurisdictions?

- In Singapore, the Payment Services Act 2019 regulates persons who carry on a business of providing services relating to “dealing in” virtual assets and “facilitating the exchange of” virtual assets, which in practice covers a larger range of crypto-related activities.
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## 7. Is a VA Exchange based overseas required to be licensed under the new regime?

## 8. Does the new licensing regime allow VA Exchanges to offer trading in tokens which are securities?

## 9. What does the new regime mean for VA investors and financial institutions?

## 10. What supervisory powers will the SFC have?

## 11. Is there a transitional period?

<sup>2</sup> An international body that sets international standards for combating money laundering and terrorist financing

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**10. What supervisory powers will the SFC have?**

**11. Is there a transitional period?**

<sup>3</sup> See SFC's position paper on regulation of virtual asset trading platforms (November 6, 2019), available at: <https://www.sfc.hk/-/media/EN/files/ER/PDF/20191106-Position-Paper-and-Appendix-1-to-Position-Paper-Eng.pdf>

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**10. What supervisory powers will the SFC have?**

**11. Is there a transitional period?**

<sup>4</sup> Section 53ZRG

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**10. What supervisory powers will the SFC have?**

**11. Is there a transitional period?**

<sup>5</sup> Section 53ZRF

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**9. What does the new regime mean for VA investors and financial institutions?**

**10. What supervisory powers will the SFC have?**

## 11. Is there a transitional period?

<sup>6</sup> Section 53ZRA(1)

### Introduction

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#### 9. What does the new regime mean for VA investors and financial institutions?

#### 10. What supervisory powers will the SFC have?

#### 11. Is there a transitional period?

<sup>7</sup> Section 53ZRA(2)

### Introduction

## 1. Why was the Bill introduced?

## 2. How does the Bill change Hong Kong's VA regulatory regime?

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## 8. Does the new licensing regime allow VA Exchanges to offer trading in tokens which are securities?

## 9. What does the new regime mean for VA investors and financial institutions?

## 10. What supervisory powers will the SFC have?

## 11. Is there a transitional period?

<sup>8</sup> Consultation Conclusions, paragraph 2.8, following on from paragraph 2.10 of the original Consultation Paper.

## Introduction

### 1. Why was the Bill introduced?

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### **9. What does the new regime mean for VA investors and financial institutions?**

### **10. What supervisory powers will the SFC have?**

### **11. Is there a transitional period?**

<sup>9</sup> Section 53ZRA(3) and (4)

## **Introduction**

### **1. Why was the Bill introduced?**

### **2. How does the Bill change Hong Kong’s VA regulatory regime?**

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## **9. What does the new regime mean for VA investors and financial institutions?**

## **10. What supervisory powers will the SFC have?**

## **11. Is there a transitional period?**

<sup>10</sup> Schedule 3B (Part 1)

# **Introduction**

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## 8. Does the new licensing regime allow VA Exchanges to offer trading in tokens which are securities?

## 9. What does the new regime mean for VA investors and financial institutions?

## 10. What supervisory powers will the SFC have?

## 11. Is there a transitional period?

<sup>11</sup> Section 53ZRK(3)(a)

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**9. What does the new regime mean for VA investors and financial institutions?**

**10. What supervisory powers will the SFC have?**

**11. Is there a transitional period?**

<sup>12</sup> Section 53ZRK(3)(b)(ii)

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**2. How does the Bill change Hong Kong's VA regulatory regime?**

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**10. What supervisory powers will the SFC have?**

**11. Is there a transitional period?**

<sup>13</sup> See section 53ZRJ for the list of factors the SFC would consider in this assessment under the Bill, which is consistent with those under the existing SFO regime. The fit and proper guidelines of the SFC serves as a good reference point. January 2022 version available at <https://www.sfc.hk/-/media/EN/assets/components/codes/files-current/web/guidelines/fit-and-proper-guidelines/Fit-and-Proper-Guidelines.pdf>

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**8. Does the new licensing regime allow VA Exchanges to offer trading in tokens which are securities?**

**9. What does the new regime mean for VA investors and financial institutions?**

**10. What supervisory powers will the SFC have?**

**11. Is there a transitional period?**

<sup>14</sup> Section 53ZRD(5)

## **Introduction**

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**9. What does the new regime mean for VA investors and financial institutions?**

**10. What supervisory powers will the SFC have?**

## 11. Is there a transitional period?

<sup>15</sup> Division 8, Subdivision 1

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#### 10. What supervisory powers will the SFC have?

#### 11. Is there a transitional period?

<sup>16</sup> Consultation Conclusions, paragraph 2.9

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- is used (or is intended to be used) as a medium of exchange accepted by the public for payment for goods or services, the discharge of a debt, or for investment; or
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## 5. What are the licensing requirements and conditions? What are the sanctions for non-compliance with the licensing regime?

## 6. How does the Bill compare with other jurisdictions?

- In Singapore, the Payment Services Act 2019 regulates persons who carry on a business of providing services relating to "dealing in" virtual assets and "facilitating the exchange of" virtual assets, which in practice covers a larger range of crypto-related activities.
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## 7. Is a VA Exchange based overseas required to be licensed under the new regime?

## 8. Does the new licensing regime allow VA Exchanges to offer trading in tokens which are securities?

## 9. What does the new regime mean for VA investors and financial institutions?

## 10. What supervisory powers will the SFC have?

## 11. Is there a transitional period?

<sup>17</sup> Section 53ZRB(3)(a) and (6)(a)

## Introduction

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<sup>18</sup> <https://www.sfc.hk/en/faqs/intermediaries/licensing/Actively-markets-under-section-115-of-the-SFO>

## **Introduction**

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<sup>19</sup> SFC’s Statement on initial coin offerings (Sep 5, 2017); Statement on Security Token Offerings (Mar 28, 2019)

# **Introduction**

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<sup>20</sup> SFC and HKMA Joint circular on intermediaries’ virtual asset-related activities (January 28, 2022)

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<sup>21</sup> Division 8, Subdivision 2

## **Introduction**

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