

Hong Kong permits virtual asset exchanges to access global liquidity and expand product offering

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On 3 November 2025, the Hong Kong Securities and Futures Commission published two circulars on the licensing regime for virtual asset trading platforms. This client update identifies the key aspects of these circulars.

Introduction

On 3 November 2025, the Hong Kong Securities and Futures Commission (SFC) published two circulars which develop further the virtual asset trading platform (VATP) regulatory regime in Hong Kong. The circulars describe (1) the [expansion](#) of products and services that can be offered by SFC-licensed VATPs and (2) the [integration of order books](#) of SFC-licensed VATPs with those of global affiliate VATPs to enable shared global liquidity.

Summary of the VATP regime

Key aspects of the licensing regime, which came into force on 1 June 2023, are:

- Licensed operations: Licensed VATPs may only operate a centralised virtual asset trading platform for the trading of digital assets on-platform and the carrying on of digital asset trading business off-platform.
- Trading: VATPs may provide their services with regards to virtual assets (VA) to retail and professional investors, subject to compliance with a range of investor protection measures covering onboarding, governance, disclosure and due diligence procedures to be performed on virtual assets to be traded.
- Custody of client assets: Assets must be held by a wholly owned subsidiary of a licensed VATP. The SFC does not accept custody of client assets by third-party custodians.

See Davis Polk's updates on [10 March 2023](#) and [20 June 2023](#) for further details on the regulatory regime and key licensing requirements.

Circular on expansion of products and services of VATPs – Key updates

Expansion of VA offerings

The existing licensing conditions only allow VATPs to offer VAs that have a 12-month track record.

Under the new circular, the 12-month track record requirement no longer applies to assets made available to professional investors only, though it still applies to those made available to retail investors. Stablecoins issued by HKMA-licensed issuers are not subject to the 12-month track record requirement for either professional or retail investors. The SFC also clarified that the 12-month track record requirement does not apply to tokenised securities or other digital securities.

Modification of licensing conditions

Currently, under the standard set of licensing conditions, licensed VATPs can only operate a centralised VA exchange for the trading of VAs and carry on off-platform VA trading business.

The SFC has indicated in the circular that it will permit modifications to its existing licensing conditions to allow VATPs to engage in the following additional activities:

- distribution of investment products with exposure to VAs, tokenised securities and/or stablecoins;
- opening of trust or client accounts with custodians of the investment product or tokenised security in the VATP's name for the purpose of holding the product or token on behalf of its clients; and
- providing custody services (through their associated entities) for a wider range of VAs, tokenised securities or stablecoins than those available for trading on the VATP.

An application must be made to the SFC for the modification of licensing conditions to enable a VATP to engage in the above activities.

Circular on shared liquidity by VATPs – Key updates

In line with the SFC's recognition in its [ASPIRe roadmap](#) of the global nature of VA trading, the SFC will permit SFC-licensed VATPs to integrate with a shared order book jointly operated by a global affiliated VATP (OVATP) to enable order matching and execution across platforms. In other words, trades placed by clients of a Hong Kong licensed-VATP may now be matched with trades placed by clients of the OVATP.

VATPs operating shared order books are subject to new [terms and conditions](#) for shared order books. The key regulatory requirements governing shared order books are as follows:

Eligibility

- The VATP operator must obtain prior written approval from the SFC.
- The VATP and OVATP operators must jointly manage the shared order books.
- The OVATP must be duly licensed in its jurisdiction where it conducts its activities.
- This jurisdiction must both:
 - be a member of the [Financial Action Task Force](#) (FATF) or an [FATF-Style Regional Body](#); and
 - have effective regulation substantially aligned with [FATF recommendations](#) and Recommendations 8, 13, 15 and 16 of the International Organization of Securities Commissions (IOSCO) [Policy Recommendations for Crypto and Digital Asset Markets](#).

Mitigation of trading and settlement risk

Several requirements are imposed to reduce the exposure of participants to risks associated with settlement delays or failure.

<p>Trading operations</p>	<ul style="list-style-type: none"> – A comprehensive set of shared order book rules governing the operation of the shared order book containing provisions covering specified aspects. – The shared order book should only accept orders that are fully pre-funded with an asset deposited with designated custodians. – The VATP operator should ensure trading is fair and orderly and participants are given equal access to order book data.
<p>Settlement controls</p>	<ul style="list-style-type: none"> – Operational workflows should minimize the risk of unsettled trade exposure due to time lag between matching and settlement. – Exchange of assets between the VATP operator and the OVATP operator upon settlement must be conducted on a delivery-versus-payment basis. – All trades with the OVATP operator must be settled at least once per day. Furthermore, the VATP operator must conduct intraday settlements to ensure unsettled trade exposure is limited to a pre-defined threshold that is tracked in real time.
<p>Compensation arrangement</p>	<ul style="list-style-type: none"> – VATP operators must demonstrate strong financial capacity for managing the shared order book and should assume full accountability to its client for trades. – VATP operators must maintain a reserve fund in Hong Kong held on trust and designated for client compensation.
<p>Market surveillance</p>	<ul style="list-style-type: none"> – VATP operators should implement a unified market surveillance programme jointly with the OVATP operator, rather than segment oversight by the clients' onboarding jurisdiction. – At least one Responsible Officer or Manager-in-Charge should be designated for overseeing the surveillance and compliance of the shared offer book programme.

These circulars demonstrate SFC's commitment to enhancing Hong Kong's VA industry and regulations, and its willingness to address key industry concerns. These changes are to be welcomed, as they have the potential to improve market efficiency, provide Hong Kong investors with access to deeper liquidity and hence tighter spreads, as well as a wider range of VA-related products.

Resources
Crypto Regulation Hub

Visit our Crypto Regulation Hub for links to congressional proposals related to the regulation of crypto assets and other helpful materials.

[Explore our crypto resources](#)

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