

Hong Kong concludes consultation on VA dealers, further consults on VA advisers and asset managers

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On 24 December 2025, the Hong Kong Financial Services and Treasury Bureau and the Securities and Futures Commission jointly published consultation conclusions to their legislative proposal regulating virtual asset dealers. Further consultation was published for regulations of virtual asset advisers and asset managers. This client update identifies the key aspects of the consultations.

Introduction and background to the consultation conclusions

The initial consultation paper on virtual asset (VA) [dealers](#) was published by the Hong Kong Financial Services and Treasury Bureau (FSTB) and the Securities and Futures Commission (SFC) in June 2025. A two-month consultation period was conducted in mid-2025. On 24 December 2025, the FSTB and the SFC finalized their [consultation conclusions](#) to the proposal to regulate VA dealers and published further consultations in relation to VA advisory and asset management service providers.

Consultation conclusions on regulating virtual asset dealing

VA dealing – Revised scope

As we explained in our update on [8 July 2025](#), the initial proposed scope for VA dealing was broad as the intention was to create one regulatory license covering various types of VA-related activities that would be subject to different licenses under the traditional securities framework (including financial advisory and asset management activities). Following the consultation, the following changes were made.

First, the scope of VA dealing services was narrowed to align with the scope of Type 1 regulated activity (dealing in securities). The originally proposed definition included any person who, by way of business, makes or offers to make an agreement with another person, or induces another person to enter into an agreement:

- to acquire, dispose of, subscribe for or underwrite VA; or
- for the purpose of securing a profit from the yield of, or fluctuations in the value of, VA.

The consultation conclusions clarified that activities falling within limb (ii) of the definition would generally fall within Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 11 (dealing in or advising on OTC derivative products) under the Securities and Futures Ordinance (SFO), and as such removed this limb from the definition of VA

dealing services to avoid duplication.

The consultation conclusions clarified that under this definition, margin trading, VA staking and borrowing and lending would fall within the scope of VA dealing services. Peer-to-peer transactions and the provision of decentralized or technological services may also require a VA dealer license depending on how the services are provided.

Second, the exemptions to VA dealer licensing regime were expanded. The FSTB and SFC are so far considering exemptions for:

- transactions conducted through SFC-regulated VA dealers,
- transactions conducted as principal, intra-group transactions,
- the use of VAs by a purchaser or service user as a means of payment,
- incidental exemptions for VA management,
- distributions of VAs generated as rewards for ledger maintenance or transaction validation, and
- regulated stablecoin activities conducted by stablecoin issuers licensed by the Hong Kong Monetary Authority.

Third, the consultation conclusions introduced additional licensing regimes to align with Type 4 and 9 regulated activities under the SFO. Each of VA advisory, VA management and VA dealing services will be considered separate regulated services, consistent with the traditional securities framework (see below).

VA dealing – Key regulatory requirements

Most respondents to the consultation papers agreed that SFC-regulated VA dealers should be allowed to acquire or dispose of VAs for clients via non-SFC licensed VATPs or liquidity providers but suggested various additional safeguards, which the SFC is considering.

Additionally, the consultation paper confirmed the requirement that SFC-regulated VA dealers must use SFC-regulated VA custodians to safekeep client assets. The rationale being to ensure proper asset segregation and reduce risks such as insolvency of VA dealing service providers, fraud and cyberattacks.

Further consultations on regulating virtual asset advising and asset management

The proposed extension to the licensing regime under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) (AMLO) is premised upon modelling the VA licensing regime analogously to the regulation of securities activities under the SFO: the consultation paper proposes to implement licensing regimes to regulate VA advisory and VA management services separately. This aligns with the SFC's long-standing principle of "same activity, same risks, same regulation."

VA advisory service providers

The consultation paper proposes that any person who carries on a business of either of the following must be licensed by the SFC:

- 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.

The wording for VA advisory services mirrors the definition for Type 4 regulated activity (advising on securities) in the SFO. The consultation paper also contemplates similar exemptions for advisory activity, such as exemptions for advice that is provided within wholly owned groups or advice that is wholly incidental to licensed VA dealing or solely for the purposes of licensed VA management.

VA management service providers

Under the proposed regime, any person who carries on a business of offering to others management services for a portfolio of VAs would be required to obtain a license from the SFC. This would include, for example, a firm possessing the discretionary power to make investment decisions in VAs for a fund. The consultation paper proposes to limit the definition of “VA management” through exemptions corresponding to those available for Type 9 asset management under the SFO.

Notably, the proposed definition of VA management would not be subject to any de minimis thresholds (unlike the current VA top-up requirement for Type 9 licensed corporations). This means that fund managers that manage any portfolio that invests in any amount of VAs, irrespective of its relative composition, will be subject to the new licensing regime.

Key regulatory requirements

The regulatory requirements imposed on VA advisers and managers will broadly follow those applicable to Type 4 and Type 9 licensed companies, respectively. These include:

- financial resources requirements of HK\$5 million paid-up share capital and either liquid capital of HK\$100,000 not for holding client assets or HK\$3 million in any other case; and
- AML/CTF due diligence and record-keeping requirements.

The remaining regulatory requirements—including those pertaining to knowledge and experience, risk management, financial reporting and disclosure, and more—will be identical to those that will be imposed on VA dealing service providers.

Licensed Type 9 asset managers that manage VA are currently permitted to appoint any custodian for safekeeping VAs so long as sufficient due diligence has been conducted on the custodian. The consultation paper considers whether, going forward, VA fund managers should be required to keep their VAs with licensed VA custodians instead, notwithstanding fund managers may encounter custody difficulties if they seek to invest in new tokens the custody of which is not supported by licensed VA custodians. To mitigate against this difficulty, the consultation paper also considers permitting self-custody of VAs up to a limited threshold without needing to obtain a VA custodian license.

Transitional arrangements

As with the licensing regimes for VA dealing and custodian services, the regulatory framework for VA advisory and management services will become fully effective on the commencement date of the relevant legislative amendment. There will not be a transitional period, nor will there be a deeming arrangement for pre-existing VA advisory and management service providers.

However, there will be an expedited approval process for entities who have already been assessed by the SFC or HKMA in connection with and who are already engaged in providing such services.

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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