The VATP licensing regime since June 2023

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Before 2023 the SFC could regulate only platforms that traded at least one security token, through an opt-in regime announced in November 2019 under which OSL and HashKey obtained Type 1 and Type 7 licences. The Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Ordinance 2022, passed in December 2022, inserted Part 5B into the AMLO. It created a licensing requirement for any person operating a virtual asset exchange in Hong Kong or actively marketing one to the Hong Kong public, whether or not the tokens are securities. The regime commenced on 1 June 2023. A platform that trades both security and non-security tokens needs both the AMLO licence and the SFO licences, the "dual licence" that the SFC grants together.[1]

The transitional arrangements gave pre-existing platforms a twelve-month non-contravention period. A platform operating in Hong Kong before 1 June 2023 that applied for a licence by 29 February 2024 and met the deeming conditions became "deemed to be licensed" on 1 June 2024 and could continue pending the SFC's decision. Platforms that did not apply, or that withdrew, had to close to Hong Kong users by 31 May 2024. Several large international exchanges withdrew their applications in the spring of 2024 after the SFC signalled that it would examine

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applications against the full requirements, including the ring-fencing of the Hong Kong entity from the group's global order book.[2] By mid-2025 the SFC had licensed around a dozen platforms, with OSL, HashKey, HKVAX, Accumulus, DFX Labs, EX.IO, Bullish, PantherTrade and YAX among them.

The substantive requirements are the strictest of the three jurisdictions compared in this book. A VATP must be a Hong Kong-incorporated company with a permanent place of business in Hong Kong. It must hold client assets through an associated entity that is a Hong Kong company wholly owned by the platform, on trust for clients, with at least 98 per cent in cold storage. It must maintain a compensation arrangement covering client assets, through insurance or set-aside funds, at 50 per cent of cold-storage assets and 100 per cent of hot-storage assets. It may admit a token for retail trading only if the token is an "eligible large-cap virtual asset" included in at least two acceptable indices from independent providers, after due diligence and a smart-contract audit. Retail clients must pass a knowledge assessment and are subject to exposure limits set by the platform. Proprietary trading and market making by the platform group are prohibited. The platform may not provide algorithmic trading services, earn yields on client assets or offer derivatives.[3]

The retail decision is where Hong Kong and Singapore diverged most. Singapore allowed retail access with restrictions on incentives, credit, staking and marketing, and layered risk-awareness assessments on top. Hong Kong permitted retail access from June 2023 but confined it to large-cap tokens on licensed platforms, with the practical result that a Hong Kong retail investor can trade bitcoin, ether and a handful of other tokens on a licensed venue and nothing else. Swiss law, by contrast, has no retail-specific regime for payment tokens at all. A Zug exchange serving Swiss retail clients applies AML rules and general contract law and nothing more. The three positions illustrate the range of what "same risk, same rules" can mean.

Notes

1. AMLO Cap. 615, ss. 53ZRD to 53ZRK (licensing of VA service providers) and Schedule 3B (definition of virtual asset). SFC, Guidelines for Virtual Asset

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Trading Platform Operators, June 2023, as amended. See also SFC, Consultation Conclusions on the Proposed Regulatory Requirements for Virtual Asset Trading Platform Operators, 23 May 2023. ↩

2. SFC, Statement on the end of non-contravention period for virtual asset trading platforms, 28 May 2024. The statement explains that pre-existing VATPs meeting the deeming conditions may continue operating after 1 June 2024 as deemed-to-be-licensed, that they are not formally licensed, and that the SFC may refuse their applications, in which case they must wind down. ↩
3. SFC, Guidelines for Virtual Asset Trading Platform Operators, June 2023, Chapters 7 (admission of virtual assets), 10 (custody of client assets) and 11 (compensation arrangement). The 98 % cold-storage and 50 %/100 % compensation figures appear in Chapter 10 and 11 respectively. ↩

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