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VIRTUAL ASSETS IN HONG KONG: UPCOMING REGIMES FOR VA ADVISORS AND MANAGERS, AND TRADING OF RELEVANT STABLECOINS

INTRODUCTION

On 26 May 2026, the Financial Services and Treasury Bureau (“**FSTB**”) and the Securities and Futures Commission (“**SFC**”) jointly published consultation conclusions on proposed licensing regimes for virtual asset (“**VA**”) advisory and VA management service providers. On the next day, the SFC issued a circular on the provision of “Relevant Stablecoin” (as defined below) services by licensed virtual asset trading platforms (“**VATPs**”) and licensed corporations. Together, these publications represent yet another substantive step in building Hong Kong’s comprehensive, activity-specific VA regulatory framework. Firms engaged in stablecoin, VA advisory, or VA management activities should review their implications carefully.

CIRCULAR ON RELEVANT STABLECOIN SERVICES

Since the enactment of the Stablecoins Ordinance (Cap. 656) (“**SO**”), which established the regulatory regime for the issuance of stablecoins in Hong Kong, the Hong Kong Monetary Authority (“**HKMA**”) has granted two stablecoin issuer licences to two entities under the SO on 10 April 2026.

“**Relevant Stablecoins**” are those that (i) qualify as “specified stablecoins” as defined under section 4

of the SO and (ii) are issued by an entity licensed and authorised under the SO. Given the nature and risk profile of Relevant Stablecoins, the SFC has issued a circular to clarify the expected standards for VATPs and licensed corporations when conducting activities in Relevant Stablecoins.

REQUIREMENTS FOR VATPS AND LICENSED CORPORATIONS

- + **Liquidity and index requirements:** the SFC does not see it necessary to apply liquidity and index requirements in relation to Relevant Stablecoins.
- + **Disclosure:** VATPs and licensed corporations should make clear and adequate disclosure of relevant information to their clients. In relation to Relevant Stablecoins, such disclosures should include material information about the Relevant Stablecoins’ stabilisation mechanism and redemption arrangements.
- + **Knowledge assessment:** although not required for Relevant Stablecoin-only clients, VATPs and licensed corporations should consider the Relevant Stablecoin-only client’s objective in the trading of Relevant Stablecoins (e.g., use case).
- + **Exposure limit:** holdings of Relevant Stablecoins are not required to be included when calculating a client’s exposure to VA.



- + **Suitability:** although a Relevant Stablecoin would be considered a non-complex product, where a VATP or licensed corporation makes a solicitation or recommendation of a Relevant Stablecoin, the suitability requirements apply as per existing requirements. VATPs and licensed corporations should consider the client's Relevant Stablecoin use case and available alternatives and should not take commission rebates or other benefits as the primary basis for any solicitation or recommendation.

REQUIREMENTS FOR LICENSED CORPORATIONS ONLY

In addition, licensed corporations may:

- + Partner directly with an HKMA-licensed stablecoin issuer (in addition to VATPs) to provide dealing services in a particular Relevant Stablecoin;
- + Use omnibus accounts with VATPs subject to a professional investor-only licensing condition to serve retail clients (as such, the restriction previously in paragraph 20(a)(iii) of the Joint circular on intermediaries' virtual asset-related activities ("**Joint Circular**") has been removed), but provided that only virtual assets that have gone through the VATP's retail trading assessment can be made available to clients; and
- + Receive or withdraw clients' Relevant Stablecoins through segregated account(s) held with the relevant HKMA-licensed stablecoin issuer, provided client assets are segregated from the issuer's own assets.

ONGOING REPORTING AND NOTIFICATION

Although no prior SFC approval is required before admitting a Relevant Stablecoin, VATPs and licensed corporations should still notify the SFC in advance and in writing before admitting, suspending or removing any Relevant Stablecoin.

All VATPs and licensed corporations should therefore review and update their internal policies, procedures and disclosures to ensure compliance with the updated licensing conditions which are set out in Appendix 1 of the Joint Circular.

CONSULTATION CONCLUSIONS ON THE LEGISLATIVE PROPOSAL TO REGULATE VIRTUAL ASSET ADVISORY SERVICE PROVIDERS AND VIRTUAL ASSET MANAGEMENT SERVICE PROVIDERS

In December 2025, the FSTB and the SFC consulted on standalone licensing regimes for VA advisory and VA management service providers under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) ("**AMLO**") (for an overview of the consultation proposal please see our earlier [Client Alert](#)). The consultation conclusions confirm the proposals in broad terms and announce the intention to introduce a bill into the Legislative Council in 2026. Both regimes are built on the principle of same activity, same risks, same regulation, modelled closely on a Type 4 regulated activity (advising on securities) ("**RA4**") and a Type 9 regulated activity (asset management) ("**RA9**") under the SFO.

CHANGES MADE TO VA ADVISORY AND VA MANAGEMENT REGIME

In light of the feedback received, the SFC provided the following clarifications on the VA advisory regime and the VA management regime:

- + **Scope of VA advisory services:** the SFC clarified that it is the substance of the activity (i.e. whether the activity concerned constitutes the provision of advice on the acquisitions or disposals of VAs in substance), rather than how it is described, labelled or disguised, that determines whether a VA advisory licence is required. The SFC also gave examples of activities that would be caught by, or may overlap with, the VA Advisory Regime. These include:
 - Mirror trading or copy trading;
 - Executing trades in VAs on a discretionary basis; and
 - Utilising algorithmic or artificial intelligence tools that generate specific VA recommendations.

Providing technology tools which make investment decisions for clients on a discretionary basis (e.g. a robo-adviser with an automatic portfolio rebalancing



mechanism) would generally amount to VA management and fall within the proposed scope.

As the definition of “VA” under AMLO expressly excludes, among other things, securities and futures contracts, advising solely on tokenised securities would fall within the RA4 under the SFO instead.

- + **Capital requirements for VA advisory service providers:** mirroring the requirements of RA4 licensed corporations, the baseline financial resources requirements of a minimum required liquid capital of HK\$100,000 (for those not holding client assets) or a minimum paid-up share capital of HK\$5 million and a minimum required liquid capital of HK\$3 million (in any other case) will be imposed on VA advisory service providers. Although licensed RA4 corporations which are also providing VA advisory services will not be subject to double regulatory capital requirements, they will be subject to the highest regulatory capital requirement imposed.
- + **Scope of VA management services:** mirroring the scope of the RA9 licensing regime, the VA management regime will not have a de minimis threshold and will apply to the management of a portfolio of VAs where the manager has discretionary power to make investment decisions in respect of the VAs for another person. This includes scenarios where the investment management role has been sub-contracted to a third party. In such an event, the third party would also be required to be licensed if it is carrying on a business in Hong Kong.

If VAs are inadvertently acquired, it may not constitute VA management as long as the holdings are disposed of promptly. However, a decision to retain VA holdings would trigger the licensing requirement.
- + **Regulatory requirements for VA management service providers:** private funds retain flexibility to appoint qualified custodians globally, mirroring the current RA9 treatment. Where no qualified custodian exists for a particular VA, the SFC will prescribe robust self-custody requirements. Firms should monitor whether self-custody activities could amount to carrying on a licensable VA custodian service. Staking by SFC-authorized

VA funds and private funds will also continue to be permitted. Additionally, similar to the approach taken for VA advisory service providers, capital requirements will mirror those of RA9 licensed corporations, using the same tiered baseline as for VA advisory service providers. Dual RA9/VA management licensees will not face double capital requirements.

MOVING FORWARDS

The SFC confirmed that the VA dealing, VA advisory and VA management regimes will operate as standalone regimes under the AMLO, rather than through VA-specific terms and conditions attached to SFO licences.

As such, intermediaries currently engaged in VA-related activities pursuant to the terms and conditions imposed will be required to obtain a licence or registration under the new virtual asset service provider licensing regimes. The existing requirements applicable to SFC-licensed or registered intermediaries providing VA dealing, VA advisory and VA management services under the Joint Circular will form the baseline requirements under the VA dealing, the VA advisory and the VA management regime once they come into force and will be reviewed and updated in due course.

Furthermore, the SFC does not intend to grant a deeming arrangement to existing VA advisory or management service providers and they must be licensed from the commencement date of the VA advisory and VA management regimes; providers that do not engage with the SFC or the HKMA (as applicable) for pre-application may have to stop operations on the commencement date, while RA9 intermediaries that do not intend to seek VA management licensing should take steps to wind down their VA management business by that date.

Therefore, the SFC strongly encourages all industry stakeholders already engaged in or interested in providing VA advisory or VA management services to reach out to the SFC or the HKMA (if applicable) to initiate pre-application processes to better understand the proposed regimes, facilitate more efficient licensing processes, and ensure their regulatory compliance under the new regimes.



CONCLUSION

The FSTB and the SFC will now proceed to finalise the legislative proposals for the new regimes under the AMLO, aiming to introduce a bill into the Legislative Council in 2026.

We will continue to monitor the legislative process and any further SFC guidance on the transition arrangements for existing and prospective VA advisory and management service providers.

If you have questions about the potential impact these proposals may have on your business, please feel free to reach out to us.

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