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VIRTUAL ASSETS IN HONG KONG: WHAT CHANGED IN 2025 AND WHAT'S NEXT

INTRODUCTION

The year 2025 was packed with major updates for Hong Kong's digital assets-related regulatory landscape. Several new initiatives, guidelines, and regimes were advanced by the Securities and Futures Commission ("SFC") and the Hong Kong Monetary Authority ("HKMA"), affecting businesses in virtual assets ("VA") dealing, stablecoins, licensed virtual asset trading platform operators ("VATP"), and VA management, but with a clear policy intent to deepen market access and product breadth while maintaining robust investor protections. This client alert aims to give you a summary of major legal and regulatory updates on VA-related businesses in 2025.

LAUNCH OF STABLECOINS ORDINANCE

Since 2022, when discussions relating to stablecoins law in Hong Kong began, we have been tracking the development of this new law and regime. Several earlier client alerts were published by us (the latest one in [June 2025](#)).

With much anticipation, the Stablecoins Ordinance (Cap. 656, the Laws of Hong Kong) ("SO") became effective on 1 August 2025. Along with the SO, the HKMA also published several finalised guidelines, including:

- + Guideline on Supervision of Licensed Stablecoin Issuers;

- + Explanatory Note on Licensing for Stablecoin Issuers;
- + Explanatory Note on Transitional Provisions for Pre-existing Issuers; and
- + Guideline on Anti-Money Laundering and Counter-Financing of Terrorism.

Some key takeaways from the finalised guidelines include:

- + **Segregation and safekeeping:** The HKMA expects a licensed bank in Hong Kong, or another asset custodian accepted by the HKMA, to be appointed as the custodian of the reserve assets. Otherwise, the licensee must justify its rationale and satisfy the HKMA as to the use of another custodian. The HKMA also permits the appointment of an investment manager to manage the reserve assets provided that appropriate safeguarding arrangements are in place.
- + **Timing for redemption:** It is clarified that, although there is an overarching requirement that redemption requests should be honoured within one business day, this only applies when all redemption requests of the licensee are satisfied. Failing to satisfy a redemption request due to unaddressed money laundering issues will not result in a contravention of the HKMA guidelines.
- + **Overseas distribution:** This is permitted provided proper due diligence and risk



assessment are first carried out, and there is ongoing monitoring of the foreign distributor.

- + **Ongoing monitoring of customers:** Initially, the HKMA expects a licensee to monitor all transactions concerning stablecoins issued by the licensee, regardless of whether the stablecoins are being held by customers (i.e. those involved in direct dealings with the licensee) and non-customers (i.e. those without direct dealings), as part of the licensee's anti-money laundering/counter-terrorism financing obligations. In particular, the HKMA also expects the licensee to implement effective risk-mitigating measures, especially if the stablecoins are capable of being transferred to unhosted wallets.

Businesses interested in launching their own stablecoins, those that have already launched their stablecoins elsewhere and are looking to make their stablecoins available in Hong Kong, and other businesses carrying out stablecoin-related activities should familiarise themselves with the Stablecoins Ordinance and the relevant guidelines from the HKMA.

KEY REFINEMENTS TO THE INTERMEDIARY REGIME

Following a review of the [joint circular on intermediaries' virtual asset-related activities](#), issued jointly by the SFC and the HKMA on 22 December 2023 (the “**Joint Circular**”) to lay down the regulatory requirements for intermediaries in relation to their VA-related activities, the SFC and HKMA issued a [supplemental joint circular](#) on 30 September 2025 (“**Supplemental Circular**”) to update the Joint Circular in light of the latest market developments and industry feedback. The aim of the Supplemental Circular is to introduce some refinements and relaxations to the requirements with a view to facilitating market development while adhering to investor protection. As a result, appendix 6 of the Joint Circular, which contained the licensing or registration conditions and terms and conditions for licensed corporations or registered institutions providing virtual asset dealing services and virtual asset advisory services (the “**VA Dealing T&Cs**”), was also updated.

For more information regarding the Joint Circular, please see our earlier [Client Alert](#).

WHAT THE SUPPLEMENTAL CIRCULAR SAYS

In summary, the Supplemental Circular updates four core areas of the Joint Circular.

- + **Staking activities:** Following the SFC's relaxation in allowing SFC-licensed VATPs to provide staking (please see our [Client Alert](#) for more details), the SFC and HKMA also updated the VA Dealing T&Cs to allow licensed intermediaries to carry out “**Regulated VA Staking Activities**”, which is defined as “any activities carried out by licensed corporations or registered institutions on behalf of its clients which involves the process of committing or locking client virtual assets to participate in a blockchain protocol's validation process based on a proof-of-stake consensus mechanism, with returns generated and distributed for that participation”. It is also specified that Regulated VA Staking Activities can only be provided through segregated account(s) maintained with a licensed VATP or an authorised financial institution, and must comply with several additional requirements specific to the carrying out of Regulated VA Staking Activities, including certain disclosure requirements and requirements to obtain authority from the clients. These requirements are set out in the updated VA Dealing T&Cs.

- + **Use of off-platform services of SFC-licensed platforms:** Licensed intermediaries may now execute a trade via the off-platform virtual asset trading services of a licensed VATP.
- + **Subscribing for or redeeming investment products using virtual assets:** It is clarified that client subscriptions and redemptions of investment products using VA (including in-kind subscriptions and redemptions of VA funds) are not treated as “VA dealing services.” However, an intermediary who wants to assist clients' subscriptions and redemptions with VA must (a) first notify the SFC (and the HKMA, for registered institution) in advance, (b) hold the VA in account(s) established and maintained with an SFC-licensed VATP or an authorised financial institution, and (c) ensure compliance with the applicable requirements under Chapter 12 of the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Corporations and SFC-licensed Virtual Asset Service Providers) when handling these VA deposits and withdrawals conducted for clients.



- + **Distribution of investment products with exposure to virtual assets:** The SFC and HKMA clarified that the net worth sufficiency assessment and the VA futures-specific risk disclosure requirement do not apply to institutional professional investors and qualified corporate professional investors.

Finally, the SFC and HKMA reminded intermediaries to notify the SFC before making the following changes to the intermediaries' VA-related activities: (1) the type(s) of clientele served; (2) allowing clients to deposit or withdraw VAs from the intermediaries' accounts for the first time; (3) providing staking services for the first time; (4) allowing their clients to subscribe for or redeem products using VA for the first time; and/or (5) other material changes made to the arrangements for such activities as first communicated in the advance notification.

TRADING PLATFORMS: SHARED LIQUIDITY ARRANGEMENTS AND EXPANDED PRODUCT/CUSTODY PERMISSIONS

On 3 November 2025, the SFC issued two policy circulars concerning the operations of VATPs. The first circular relates to the integration of the VATP's order books with the books of its affiliated overseas virtual asset trading platforms ("OVATPs") through a shared liquidity pool. The second circular expanded the range of products and services that VATPs may provide.

WHAT THE CIRCULAR ON SHARED LIQUIDITY BY VIRTUAL ASSET TRADING PLATFORMS ("CIRCULAR 1") SAYS

It is specified in [Circular 1](#) that orders from different platforms will be permitted to be combined into an aggregate shared liquidity pool, enabling order matching and execution across platforms ("Shared Order Book"), but subject to several requirements.

- + **Eligibility and perimeter.** The OVATP must be licensed in its home jurisdiction, which must be a member of the FATF (or an FATF-Style Regional Body) and have effective regulation substantially aligned with FATF recommendations and IOSCO policy recommendations for crypto and digital asset markets on market abuse and client asset protection.

- + **Trading operations and pre-funding.** All orders must be fully pre-funded, and the settlement asset must first be deposited with a designated custodian of the VATP or OVATP. This should be confirmed through automated pre-trade verification methods.

The SFC also recommends the adoption of the delivery-versus-payment (DVP) settlement mechanism to minimise settlement risks, and the relevant rules should address several operational timing factors, such as cold-to-hot wallet movement, blockchain network outage, and bank holidays.

All trades with OVATP should be settled at least daily, after which client VA should be held in custody by the VATP's associated entity, and there should be a pre-defined threshold to limit the unsettled trade exposure.

The Shared Order Book must operate under comprehensive, binding rules that clearly allocate responsibilities among the VATPs, the OVATP, platform participants, and any designated custodian(s). These rules should also cover issues regarding pre-funding, order placement, trade execution, novation (where applicable), settlement and default management.

- + **Compensation and financial safeguards.** The VATP should demonstrate strong financial capacity for managing the Shared Order Book, and should assume full accountability to its clients for trades executed via the Shared Order Book, as if executed on its own book. Accordingly, a reserve fund in Hong Kong held on trust by the VATP and designated for client compensation, available to cover client losses arising from settlement failure, must be maintained at a level not less than the unsettled trade limit (and adjusted as exposures change).

- + **Market misconduct controls and unified surveillance.** The VATP must adopt a unified market surveillance programme across the Shared Order Book in partnership with the OVATP. At least one responsible officer or manager-in-charge must be designated to oversee the joint surveillance programme. The VATP must be capable of promptly providing the SFC with comprehensive Shared Order Book data, including order and trade data, order originator information, and surveillance records.



- + **Other requirements.** There must be pre-launch disclosures that disclose the key risks, and potential conflicts of interest, the settlement mechanisms, the responsible parties, default management risk mitigation measures, the extent of client protection and the rights and recourse available in connection with the Shared Order Book. Retail investors may also trade on the Shared Order Book on an opt-in basis, and after the additional risks and the possibly lower protections in overseas jurisdictions are explained to the client.
- + **Licence conditions and approval.** VATPs seeking to operate Shared Order Book should obtain prior written approval from the SFC.

WHAT THE CIRCULAR ON EXPANSION OF PRODUCTS AND SERVICES OF VIRTUAL ASSET TRADING PLATFORMS (“CIRCULAR 2”) SAYS

Circular 2 expands the scope of products and services VATPs may offer. In summary:

- + **Token admission.** The SFC removes the 12-month track record requirement for virtual assets offered to professional investors and specified stablecoins issued under the SO. This change will be implemented through an amended licensing condition (see Appendix I of this Circular 2).
- + **Distribution of digital asset-related products and tokenised securities by VATPs.** The previous licensing condition where VATPs could only operate a centralised VA trading venue and carry on off-platform VA trading will be amended to expressly permit VATPs to distribute digital asset-related investment products and tokenised securities, provided they comply with all applicable laws, codes and guidance.
- + **Custody for tokens not traded on the VATP.** VATPs will also be permitted to provide custody services in relation to VA and/or tokenised securities that are not traded on the VATP.

TRADING PLATFORMS: CUSTODY OF VIRTUAL ASSETS

On 15 August 2025, the SFC published the [Circular](#) to licensed VATPs on custody of VA, which sets out the SFC's expected standards for the safe

custody of client VA by VATPs and their associated entities. Topics covered by this circular include:

- + senior management responsibilities in respect of the VATP's governance
- + client cold wallet infrastructure, particularly on the due diligence against and usage of hardware security module;
- + client cold wallet operation in relation to the measures that should be taken to safeguard client VA from losses arising from theft, fraud, and other dishonest acts, professional misconduct or omissions. The SFC also sets out some good practices for reference;
- + use of wallet solutions and third-party provider, particularly on the due diligence and ongoing monitoring of the third-party service provider, and segregation of duties with comprehensive oversight mechanism;
- + ongoing real-time threat monitoring, covering the requirement to have real-time reconciliation of on-chain client assets with ledger balance, and to implement measures to detect unauthorised access or intrusions. SFC also provided some good practice examples; and
- + training and awareness, where there should be comprehensive training to ensure transaction signers fully understand the verification requirements.

VATPs should therefore familiarise themselves with the requirements in this circular.

CONSULTATION CONCLUSIONS ON THE VIRTUAL ASSET DEALING AND CUSTODY LICENSING REGIMES, AND FURTHER CONSULTATION ON THE VA ADVISOR AND MANAGER LICENSING REGIMES

On 24 December 2025, the Financial Services and Treasury Bureau and the SFC published the consultation conclusions to the legislative proposal to regulate dealing in VA and VA custodian services, which was launched in August 2025 (and we have covered this in an earlier [Client Alert](#)). It is indicated that the intention is to finalise the legislative proposals and introduce a bill into the Legislative Council in 2026.



CHANGES MADE TO VIRTUAL ASSET DEALING LICENSING REGIME

In light of the feedback that SFC receives, it is proposed that the virtual asset dealing licensing regime will have the following key changes:

- + **Scope of the regulated activity.** Mirroring the scope of “dealing in securities” under the Securities and Futures Ordinance (Cap. 571, the Laws of Hong Kong) (“SFO”), the original scope of the licensing regime includes arrangement where the purpose or pretended purpose of which is to secure a profit to any of the parties from the yield of VAs or by reference to fluctuations in the value of VA. It is acknowledged that this limb will be more akin to the trading of derivatives and structured products, which should be governed by the existing licensing regime under the SFO instead. This limb will therefore be removed from the VA dealing licensing regime.

The SFC also explained that the licensing regime will adopt an activity-based approach, regardless of transaction purpose. Therefore, payment service providers that facilitate transactions involving VAs may be subject to the licensing regime.

- + **Activities to be considered.** The SFC clarified that it is still assessing whether the following activities would be permitted by a licensee: (a) margin trading in VA; (b) VA staking; and (c) VA borrowing and lending.

Furthermore, the SFC also noted that the following activities may be subject to the licensing regime, subject to the substance of the services provided: (a) peer-to-peer transactions; and (b) provision of decentralised or technological services.

- + **Exemptions:** It is proposed that the following transactions will be exempted from the licensing regime: (a) transactions conducted through an SFC-regulated VA dealer; (b) transactions conducted as a principal; (c) intra-group transactions; and (d) the use of VA by a purchaser of goods or users of services as a means of payment for such goods or services.

An SFC-regulated VA manager may also be exempted from the VA dealing licence on an incidental basis.

Licensed stablecoin issuers will also be exempted.

- + **Use of SFC-regulated VA custodian.** It is currently proposed that all licensed VA dealers must engage an SFC-regulated VA custodian for the safekeeping of client VA.

CHANGES MADE TO VIRTUAL ASSET CUSTODIAN SERVICES LICENSING REGIME

In light of the feedback that the SFC has received, it is proposed that the virtual asset custodian service licensing regime will have the following key changes:

- + **Clarification regarding regulated activities.** The SFC clarified that the licensing regime will target entities that safekeep private keys. One major issue to look at is whether a person can unilaterally transfer their clients' VAs. It is suggested that if the client is able to transfer his/her own assets and has the ability to reconstruct the complete private key independently or retrieve access to their VAs without support from the service provider, then the licence may not be required.

A case-by-case assessment is required. The SFC specifically noted that staking providers and businesses under a decentralised model do not necessarily mean the licensing regime will not apply.

- + **Use of group resources.** The SFC will permit an SFC-regulated VA custodian service provider to utilise the resources of their overseas group resources and infrastructure, without the overseas group company being subject to the licensing regime, provided that the SFC-regulated entity has the ability to independently and unilaterally move or transfer client assets. The overseas group entity should also not market itself to the Hong Kong public.

- + **Licensing for individuals.** As stated in the consultation paper, staff member who performs just clerical or internal corporate functions of a VA custodian is not required to be licensed, but individuals who are materially involved in the safekeeping of private keys or who have access to private keys or the ability to sign transactions will need to be licensed. The SFC anticipates the following group of individuals will need to be licensed: (a) senior management responsible for monitoring and supervision, given their critical roles within the organisations; (b) individuals who have direct



access to private keys or the authority to initiate or approve VA transfers; (c) personnel participating in multi-signature or threshold signing schemes; and (d) individuals with access to private key generation, storage or recovery systems.

- + **Engagement with other licensed entities.** As mentioned by the SFC in the consultation paper, licensed VATP will be required to hold client VA through an SFC-regulated VA custodian service provider. Furthermore, the SFC is considering and consulting with the public to explore whether an SFC-regulated VA manager (see below) must engage an SFC-regulated VA custodian service provider for the custody of client VA.
- + **Exemptions.** The SFC is considering the following exemptions: (a) a limited exemption (i.e., up to a limited threshold) for fund managers, but in respect of the custody of new tokens issued by the fund only; (b) group company exemption; (c) licensed stablecoin issuer in respect of the stablecoins issued by it; and (d) temporary safekeeping of VAs by lawyers.
- + **Staking and types of VA.** An SFC-regulated VA custodian service provider will be permitted to offer staking services.

Furthermore, the SFC will not impose restrictions on the types of VAs that an SFC-regulated VA custodian service provider can hold. The expectation is that the licensee will perform robust due diligence against the VA.

TRANSITION PERIOD

Different from the previous VA-related licensing regimes introduced, the SFC does not plan to grant a deeming arrangement for existing VA dealers and custodian service providers. The plan is that the licensing regime will take full effect on the commencement date of the relevant statutory provisions.

In the interim, the SFC encourages all industry stakeholders to reach out to the SFC or the HKMA as soon as possible to initiate pre-application processes.

FURTHER CONSULTATION ON THE VA ADVISOR AND MANAGER LICENSING REGIMES

At the same time, a further consultation has been launched in relation to its legislative proposal to regulate VA advisory and VA management service providers. It is intended that these licensing regimes will mirror the SFO-licensing regimes for the type 4 (advising on securities) and type 9 (asset management) regulated activities. The consultation paper ended on 23 January 2026.

Key takeaways from the consultation:

- + **Scope of VA advisory.** This will cover any person who carries on a business of providing VA advisory services in Hong Kong. Advising on VA is proposed to mean: (a) giving advice on whether, which, the time at which, or the terms or conditions on which, VAs should be acquired or disposed of; or (b) 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.

Possible exemptions include: (a) solely advising wholly-owned group companies; (b) act that is wholly incidental to licensed VA dealing or solely for the purposes of licensed VA fund management; (c) solicitors, counsel and certified public accountants for acts wholly incidental to their professional practice; (d) act that is wholly incidental to a registered trust company's discharge of duty; and (e) act that is conducted through a generally available publication or broadcast.

- + **Scope of VA management.** This will cover any person who carries on a business of providing VA management services in Hong Kong. VA management is proposed to mean providing a service of managing a portfolio of VA for another person by the person (e.g., where a firm has been delegated discretionary power to make investment decisions in VAs for a fund).



- Possible exemptions include: (a) services to wholly-owned group companies; (b) act that is wholly incidental to VA dealing services of a licensed VA dealer; (c) solicitors, counsel and certified public accountants for acts wholly incidental to their professional practice; and (d) act that is wholly incidental to a registered trust company's discharge of duty.

It is also proposed that the de minimis threshold requirement that is currently applied to SFC-licensed corporation that is licensed for the type 9 regulated activity will not be applied to the VA manager. This means that any management services in relation to a portfolio that invest in VAs, regardless of the amount, will need to be licensed.

HOW WE CAN HELP

In light of another year with substantial changes to the VA-regulatory landscape, we have received many enquiries from various clients who wanted clarification on whether the new law and the upcoming changes would impact their business. In particular, companies that have incorporated VAs and stablecoins into their fund flow need to understand whether their business model needs to be updated in order to ensure that they will not be contravening any new laws and regulations. Please get in touch if you are interested in discussing any of the above.

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