



By email (vadealing-consult@fstb.gov.hk)

23 January 2026

Our ref: C/CFC, M142043

Division 5, Financial Services Branch
Financial Services and the Treasury Bureau
24/F, Central Government Offices
Tim Mei Avenue
Tamar Central
Hong Kong

Dear Sirs,

Re: Further Public Consultation on Legislative Proposal to Regulate Virtual Asset Advisory Service Providers and Virtual Asset Management Service Providers

The Corporate Finance Committee (“CFC”) of Hong Kong Institute of Certified Public Accountants (“the Institute”) has reviewed the Further Consultation Paper on Legislative Proposal to Regulate Virtual Asset Advisory Service Providers and Virtual Asset Management Service Providers (“CP”) jointly issued by the Financial Services and the Treasury Bureau (“FSTB”) and the Securities and Futures Commission (“SFC”), and would like to submit its views, as set out below, in response to the invitation for written comments on the further proposals.

It is noted that the SFC has made these proposals after conducting a consultation on the legislative proposal to regulate virtual asset (“VA”) dealing services in Hong Kong. Noting market feedback received during the consultation, FSTB and SFC now further propose to introduce two additional licensing regimes for VA advisory service providers and VA management service providers, with reference to the licensing regimes for Types 4 and 9 regulated activities under the Securities and Futures Ordinance (“SFO”).

CFC members broadly agree with the proposals in the CP to ensure consistent treatment under the principle of “same activity, same risks, same regulations”, in order to strengthen Hong Kong’s VA regulatory ecosystem, and provide clarity for market participants. We set out below our comments on specific questions for further clarification.

Q1: Do you agree with the proposed definition and scope of VA advisory services?

We agree with the proposed definition and scope, which is similar to Type 4 regulated activity under the SFO in general terms.

Q2: Are there any other exemptions which may be appropriate?

We would assume, and it may need to be made clear, that situations where investors access information, research, or analyses on VA products or companies issued by

non-licensed advisors outside Hong Kong, fall outside the scope of the regulatory regime, provided that such advisors do not actively promote to Hong Kong investors.

Q3: Do you have any comments on the regulatory requirements to be imposed on VA advisory service providers?

No specific comment on the requirements, although we query why only banks may register with the SFC to provide VA advisory services, as stated in Footnote 9 of the CP. In addition, we would like to clarify whether “banks” includes all “authorized institutions” under the Banking Ordinance (Cap. 155) or is more narrowly defined.

Q4: Do you agree with the proposed definition and scope of VA management services?

We agree with the proposed definition and scope similar to Type 9 regulated activity in general terms. We recommend that the SFC consider explicitly referring to its Fund Guidance on Valuation (Circular to Management Companies and Trustees/Custodians of SFC-authorized Funds – Relating to Fair Valuation of Fund Assets) to ensure due care in the approach, handling, and proper documentation of net asset value (“NAV”) and pricing. Particular emphasis should be placed on valuation and audit policies regarding fallback methodologies and model validation, especially for thinly-traded VAs.

Q5: Are there any other exemptions which may be appropriate?

No specific comment.

Q6: Do you have any comments on the requirements relating to VA management?

We agree with the proposed alignment with those provisions applicable to Type 9 licensed corporations or registered institutions relating to VA management. To strengthen investor protection, we suggest requiring that, e.g., independent custodian due diligence reports and regular valuation governance reviews be conducted. Such reviews should cover operational due diligence (including information technology (“IT”) and internal control reviews, jurisdictional and legal risks, valuation/NAV model validation, hot/cold wallet ratios, and private storage security).

We note that common NAV reports of private funds often lack detail. To enhance transparency and investor confidence, we recommend requiring an independently issued valuation report prepared by a reputable valuation professional. This report should include traceable supporting references and detailed explanations of the underlying fair value of assets and VAs. Incorporating terms such as performance and management fees within the disclosure would further improve clarity and instill greater trust among investors.

Similarly to VA advisory services (see our response to Q3, above), we query why only banks may register with the SFC to provide VA management services, as stated in Footnote 10 of the CP and would like to seek clarification regarding the scope of the definition of “bank”.

Q7: Should VA management service providers be required to hold VAs of the private funds they manage via SFC-regulated VA custodians?

This would be in line with the requirements for VA dealers, as indicated in paragraphs 26-27 of the Consultation Conclusions on the Legislative Proposal to Regulate Dealing in Virtual Assets. However, if requirements for robust independent reviews were put in place, as suggested in our response to Q6, flexibility could be considered for the use of other regulated, albeit non-SFC-regulated, custodians, thereby balancing oversight with practical market realities.

Q8: Do you have any comments on the licensing or registration application fee and annual fee for a licensee or registrant providing VA advisory services or VA management services?

We consider the proposed fee levels to be generally fair. However, adopting a progressive fee structure, or other means, to recognize service providers' efforts in maintaining a high level of compliance and standards could also be considered. For example, fees, or other recognition, could be tiered according to capital adequacy, IT/internal control robustness, audit quality, and valuation policy standards, as assessed through annual third-party independent reviews. Such a framework would incentivize higher compliance standards and promote better governance across the industry.

Q9: Do you have any other comments on the VA advisory and VA management service providers licensing regimes?

The SFC has previously offered an “uplifting” arrangement for Type 1 and Type 9 licensed firms to engage in VA activities. In light of the proposed new licensing regime, we would like to seek clarification regarding the differences between uplifted Type 1/9 licensed corporations and those that obtain the newly introduced VA advisory or VA management service provider licenses. Specifically, are there distinctions in the scope of activities, compliance obligations, or supervisory expectations?

We also note that the CP does not appear to address this point directly, and would like to know whether this is an area where further clarification will be provided.

Yours faithfully,

Peter Tisman
Director, Advocacy & Practice Development

PMT/JL/pk