



Consultation Paper on Legislative Proposal to Regulate Virtual Asset Advisory Service Providers and Virtual Asset Management Service Providers

Law Society Submissions

The Financial Services and the Treasury Bureau (FSTB) and the Securities and Futures Commission (SFC) released a consultation paper on “Legislative Proposal to Regulate Virtual Asset Advisory Service Providers and Virtual Asset Management Service Providers” (“Consultation Paper”) on 24 December 2025.

In response, the Law Society provides the following submissions. Unless otherwise defined, the same abbreviations and definitions appearing in the Consultation Paper are used in this paper.

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

Law Society's response:

Yes. We agree with the proposals and the alignment with the existing Type 4 regime.

Q2. *Are there any other exemptions which may be appropriate?*

Law Society's response:

No. We agree with the general alignment of applicable exemptions for the Type 4 regime.

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

Law Society's response:

No further comments. We agree with the desire to ensure regulatory parity with other SFC-regulated entities, in particular in terms of requirements for paid-up share capital/liquid capital and compliance with applicable AML/CFT requirements.

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

Law Society's response:

Yes. We agree with the proposals and the alignment with the existing Type 9 regime, in order to ensure regulatory parity. We fully agree with the proposal to not set a *de minimis* threshold for managing VAs.

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

Law Society's response:

No. We agree with the general alignment of applicable exemptions for the Type 9 regime.

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

Law Society's response:

No further comments. We agree with the desire to ensure regulatory parity with other SFC-regulated entities, in particular in terms of requirements for paid-up share capital/liquid capital and compliance with applicable AML/CFT requirements.

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

Law Society's response:

Given concerns around: (i) oversight of; and (ii) enforcement against; VA custodians that are not regulated by the SFC; the strong preference is to require VA management service providers to hold VAs of the private funds they manage only via SFC-regulated VA custodians, at least in the early stages of the new regime.

Given the nature of the underlying assets, the risks attaching to VA management service providers (i.e. solely managing VAs) can be differentiated from SFC licensed Type 9 managers operating under the uplift arrangement. Accordingly, VA management service providers should not be extended the same flexibility as Type 9 managers under the joint circular.

Noted on the intention to explore permitting self-custody, in limited cases, up to certain limited thresholds. Compared with custody of assets with a (independent) third party custodian, self-custody carries inherent risks. As such, availability of such self-custody arrangements should be strictly limited only in the case of tokens for which no external custody is currently available via a SFC-regulated VA custodian. In order to further mitigate risk, the FSTB should consider imposing appropriate limits on any such self-custody arrangements; for example:

- (i) financial thresholds - i.e. VA management service providers may not self-custodise above a certain financial threshold. Consider applicable financial thresholds for each individual fund/account managed by a VA management service provider and/or applicable financial thresholds for holdings *in aggregate* across all assets managed by a VA management service provider;
- (ii) time limits (i.e. holding for not more than a certain number of years, after which assets must be disposed of within a reasonable period of time); and/or
- (iii) a positive obligation to promptly transition self-custodised assets over to a SFC-regulated VA custodian, upon capability subsequently becoming available in the market.

As a separate, practical, matter, FTSB should ensure the active cultivation of the SFC-regulated VA custodian market in Hong Kong. In order to successfully develop the VA / VA service provider ecosystem in Hong Kong, VA management service providers must have an appropriately broad range of SFC-regulated VA custodians to consider/engage with.

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?

Law Society's response:

We agree with the general approach taken – i.e. same approach as with other SFC-regulated entities (Type 4, Type 9).

From a fees / application process and timing / requirements perspective, in order to further develop, in a meaningful way, the VA management/advisory services ecosystem in Hong Kong, it is important to ensure that the regulatory/licensing regime is viewed as competitive, in comparison with other “competitor” jurisdictions.

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

Law Society's response:

No further comments.

The Law Society of Hong Kong
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