

**Consultation Conclusions**  
**Legislative Proposal to Regulate Virtual Asset Custodian  
Services**

**Financial Services and the Treasury Bureau**  
**Securities and Futures Commission**  
**December 2025**

## Contents

Introduction	3
Key Comments Received and the FSTB's and the SFC's Responses	4
1. Scope and Coverage	4
2. Activities Allowed	12
3. Financial Resources Requirements	13
4. Other Regulatory Requirements	14
5. Transitional Arrangement	15
6. Licensing fees	17
7. Prohibition	17
8. Powers of the Regulatory Authorities	18
9. Sanctions	18
10. Statutory Appeal	19
Way Forward	19
Annex – List of respondents	20

## Introduction

The Financial Services and the Treasury Bureau (“**FSTB**”) and the Securities and Futures Commission (“**SFC**”) jointly issued a consultation paper on 27 June 2025 on the legislative proposal to regulate virtual asset (“**VA**”) custodian services in Hong Kong (“**Consultation Paper**”)<sup>1</sup>.

The two-month consultation period ended on 29 August 2025. A total of 93 submissions were received from a wide variety of respondents comprising market participants, industry associations, business and professional organisations, and individuals. We would like to take this opportunity to thank all the respondents for their comments. The names of the respondents are listed in the Annex. The FSTB and the SFC have also been actively engaging in discussions with the industry as well as other relevant stakeholders to keep abreast of market developments, with a view to ensuring that the regulatory regime is fit-for-purpose.

Comments received indicated that there is general support for the policy objectives and the key proposals. The majority of respondents agreed that regulation of VA custodian services is a natural step after the introduction of the virtual asset trading platform (“**VATP**”) licensing regime in June 2023, and is a prerequisite for sustainable and responsible development of the virtual asset ecosystem in Hong Kong.

Specifically on the proposed licensing regime for VA custodian services, respondents provided constructive feedback, while some also sought further clarification. We have carefully considered the comments received, and will incorporate them in our legislative proposals as appropriate. This consultation conclusions paper summarises the key feedback received as well as our responses, and should be read together with the Consultation Paper<sup>2</sup>.

Based on these consultation conclusions, the FSTB and the SFC will finalise the legislative proposals for establishing the licensing regime for VA custodian service providers under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) (“**AMLO**”), with a view to introducing a bill into the Legislative Council in 2026.

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<sup>1</sup> See [Public Consultation on Legislative Proposal to Regulate Virtual Asset Custodian Services](#), dated 27 June 2025.

<sup>2</sup> The FSTB and the SFC also jointly issued a [Public Consultation on Legislative Proposal to Regulate Dealing in Virtual Assets](#) on 27 June 2025. The consultation conclusions were published on 24 December 2025 under a separate paper.

## Key Comments Received and the FSTB's and the SFC's Responses

### 1. Scope and Coverage

*Question 1:*

*Do you have any comments on the proposed definition and scope (e.g. too narrow or too wide) of VA custodian services to be regulated?*

*Question 2:*

*For entities which do not safekeep private keys but arrange a third party to custody the client VAs or otherwise safekeep the private keys (such as a private fund trustee of a VA fund that delegates the safekeeping of private keys to a sub-custodian), should they be required to obtain a VA custodian service provider licence? Please explain your comments.*

1. There was general agreement that the scope of VA custodian services<sup>3</sup> should cover entities that safekeep the private keys or similar instruments that would enable the entities to transfer clients' VAs. We also received comments that an entity which delegates safekeeping of private keys to a third party would have a supervisory role rather than a custodial role such that imposing additional licensing requirements could result in unnecessary regulatory burdens without materially enhancing investor protection.
2. In addition, a number of respondents suggested the scope of the licence should also include entities that take responsibility for asset safekeeping, even if operational elements such as key storage are delegated to third parties.
3. On the other hand, some respondents considered the proposed scope to be overly broad and suggested the definition should explicitly exclude relevant service providers that cannot independently transfer client VAs such as wallet software technology service providers which merely provide technology for users to self-custody their VAs, and cloud service providers which have private keys stored on their platforms which they cannot access. A small number of respondents considered the proposed scope too narrow and possibly unable to cover models such as multi-party computation ("**MPC**"), key sharding, and smart contract permissions. Some suggested the definition should be technology neutral and encompass different technology solutions such as MPC, hardware security modules ("**HSM**") and air-gapped solutions.
4. A number of respondents sought clarifications on the meaning of "by way of business" and "safekeeping", and whether MPC and other technology service providers were in-scope. Some asked if custody of tokenised securities was within scope. A few respondents enquired about the treatment of overseas group entities supporting the VA custody services of Hong Kong entities.

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<sup>3</sup> See paragraph 2.13 of the Consultation Paper.

## Response

### *Scope of “VA custodian service”*

5. Under the AMLO, a person must not (a) carry on a business of providing any VA service; or (b) hold itself, himself or herself out as carrying on a business of providing any VA service. The AMLO provides that this does not apply if the person is licensed for the VA service<sup>4</sup>.
6. Taking into account all the comments received and applying a risk-based approach, the scope of the VA custodian service provider licence will cover custodians which safekeep any instrument enabling the transfer of VAs for any person (i.e., limb (ii) of the originally proposed definition)<sup>5</sup>. In formulating the scope, we have made reference to international developments in Europe, the UK and Asia Pacific.
7. We consider the licensing regime for VA custodian service providers should target entities safekeeping private keys (or similar instruments), as this represents the core risk area in VA custody. The entities which safeguard private keys are subject to operational and technical risks intrinsic to VA custody such as risks to cryptographic keys, cybersecurity risks, and technology failures that could result in loss or unauthorised transfer of VAs.
8. By contrast, the role of top layer trustees or fund managers which delegate the VA custody function to a third-party custodian is no different from being a trustee for trust assets in the form of securities or a fund manager of a traditional fund investing in securities. The risks involved primarily relate to record keeping accuracy, reconciliation, internal controls governing the transmission of instructions to underlying custodians, etc. Their roles are largely administrative and contractual. Requiring these entities to be licensed or registered as VA custodians would impose unnecessary regulatory burdens and increase costs for investors. Further, market practice already dictates such entities to contractually ensure oversight of their appointed custodians and remain liable for the acts and omissions of nominees, agents and delegates in relation to the assets under custody.
9. We are of the view that this scope is proportional to the risks associated with VA custody. By focusing on where the key risk lies, the SFC can allocate resources to rigorously supervise high-risk actors, enhancing market confidence efficiently with available resources and manpower.
10. We will step up investor education on all VA service provider regimes to emphasise that investors should conduct VA activities only through SFC-regulated VA service providers. We will also highlight that it is an offence for unlicensed entities to market themselves as VA custodian service providers, which means that unlicensed service providers, including overseas service providers, should not actively market their services to Hong Kong investors. This is vital in addressing the borderless nature of VA activities.

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<sup>4</sup> See section 53ZRD of the AMLO.

<sup>5</sup> See paragraph 2.13 of the Consultation Paper.

*When a licence or registration is or is not required*

11. Based on this scope, a licence or registration would be required, for example, where a person can unilaterally transfer its clients' VAs. A licence or registration is not needed, for example, for an MPC service provider that has an arrangement with its clients who can transfer their own assets (whether together with the MPC service provider or unilaterally) and have the ability to reconstruct the complete private key independently or retrieve access to their VAs without support from the MPC service provider. However, other MPC service providers, depending on the actual arrangements, may be required to obtain a licence or registration where a client cannot unilaterally transfer its assets (e.g., as a recovery kit was not provided by the MPC service provider). Therefore, whether an entity providing MPC or other technology services requires a VA custodian service provider licence or registration has to be decided on a case-by-case basis. Key factors for consideration may include the service provider's ability to unilaterally transfer client VAs and whether its clients can independently access and manage their assets at all times.

*Tokenised securities excluded from the scope*

12. The definition of "virtual asset" under the AMLO expressly excludes securities and futures contracts<sup>6</sup>. As such, custodians which provide custody services for tokenised securities but not VA do not fall within the licensing regime.

*Question 3:*

*Are there any entities which should be licensed or registered for providing VA custodian services but are not caught by the proposed definition? Please explain your comments.*

*Decentralised models, non-custodial wallet providers and staking providers*

13. A majority of the respondents considered that the proposed scope of VA custodian service already captures relevant VA custodian service providers in the market. Some respondents sought clarifications on the treatment of decentralised models and non-custodial wallet providers facilitating VA access without holding or controlling private keys, and suggested these entities should fall outside the scope. Some respondents held the view that certain staking or wallet providers have ability to transfer client VAs without holding keys. A respondent suggested that cloud key management providers or HSM service providers should not be treated as VA custodian service providers unless they can exercise the full signing authority to transfer client VAs.

Response

14. As discussed above, we are of the view that the scope of the provision of VA custodian services should encompass entities that safeguard instruments that enable the transfer of VAs on behalf of any person. This definition is technology-neutral, ensuring flexibility and resilience against technological changes. Determining whether a specific decentralised model or technological service requires a VA custodian service provider licence or

<sup>6</sup> See section 53ZRA(2)(a)(iii) of the AMLO.

registration depends on the substance of the service. For example, a staking service provider providing “custodial” staking services through which it has the ability to transfer client VAs must obtain a licence or registration. Conversely, a non-custodial wallet provider lacking the ability to transfer VAs would likely fall outside this scope. “Decentralisation” status must also be assessed case by case to consider if it falls within the definition of VA custodian service according to the specific facts.

*Question 4:*

*For an entity (“Entity A”) within a corporate group that safekeeps private keys whereby personnel from different group entities (“Group Entities”) may also be involved in safekeeping the private key and/or signing a VA transaction:*

- (i) Should the Group Entities be required or not be required to obtain VA custodian service provider licences? Please explain your comments.*
- (ii) If the answer to (i) is yes, please provide your comments on the types of personnel within the Group Entities which should obtain an individual licence (“Relevant Personnel”). What steps of the transactions should trigger this licensing requirement?*
- (iii) If the answer to (i) is no, please provide your comments on whether the Relevant Personnel of the Group Entities should be required to be accredited to Entity A (assuming Entity A will obtain a VA custodian service provider licence) and also obtain an individual licence. Please explain your comments.*

*Question 8:*

*Do you have any comments on the scope of individual licence and engagement as relevant individuals for providing VA custodian service?*

*Question 9:*

*Should individuals with authority to approve or sign VA transactions be required to obtain a licence or be engaged as relevant individuals? If yes, what steps of the transactions should trigger this requirement?*

*Use of group resources*

15. Multiple respondents expressed the view that the VA custodian service provider licence should be held by the entity that bears the full responsibility for safeguarding client VAs. Many respondents did not consider it necessary for group entities to obtain a VA custodian service provider licence because licensing requirements should focus on the entity responsible for custody and client relationships. Group entities that only provide technical or operational support but do not have the ability themselves to independently move or transfer client assets should not be separately licensed. Requiring separate licences would lead to inefficiencies and regulatory overreach. A respondent expressed that in scenarios involving multiple affiliates in different jurisdictions collectively managing MPC custody, it remains unclear whether each affiliate must be separately licensed or not.

## Response

16. SFC-regulated VA custodian service providers can utilise their overseas group resources and infrastructures without necessarily triggering licensing requirements for the group entity, provided that the SFC-regulated VA custodian retains the ability to independently and unilaterally move or transfer client assets. That said, the overseas group entities should not market themselves to the public of Hong Kong as VA custodian service providers unless they are licensed by or registered with the SFC. On the other hand, entities which operate a VA custodian service from Hong Kong will need to obtain a VA custodian service provider licence or registration, irrespective of whether the client VAs are held for overseas persons. Each application will be considered in a holistic manner, having regard to the business plan and actual operational model of the entity involved in safekeeping of private keys or similar instruments.

### *Individual licence and group personnel*

17. The majority of respondents agreed that clerical staff should be excluded from licensing. Some respondents commented that “clerical staff” could include staff performing a broad range of work, including operational, compliance, engineering, and support personnel who do not exercise discretionary authority.
18. Some respondents viewed that individual licensing requirements should include any steps involving the movement, transfer or approval of client assets, including signing transaction instructions and approving settlements. This would reduce operational and fraud risk and support regulatory oversight, as individuals will be subject to fit-and-proper assessments, supervision and compliance obligations.
19. However, other respondents considered that individuals involved in the earlier portions of the process chain (e.g. the initiator and intermediate approvers) do not require licensing as they do not possess a material level of control over client VAs. In other words, this requirement should only apply to the signing or approval of transactions that result in assets leaving the custodian (i.e. irreversible transactions).
20. In relation to group personnel, a number of respondents expressed that personnel from group entities who are involved in the key management or transaction signing process should be accredited to the licensed or registered entity so that they are subject to the SFC’s approval and oversight.
21. A respondent viewed that, from corruption prevention perspectives, individuals should be required to apply for individual licences and be “accredited” to a VA custodian service provider as long as they act on behalf of that VA custodian service provider and regardless of whether they are employed by the provider.
22. A few respondents highlighted that in light of the need to mitigate risks to persons (e.g. becoming targets of nefarious actors) arising from publication of identities and details of persons perceived (rightly or wrongly) as having access to and able to transfer client assets, it is not advisable to individually license and/or publish the identities of persons involved in the chain of



processes relating to the signing of transactions and safeguarding the private keys or similar instruments.

Response

23. We consider that requiring individual licences or engagement as relevant individuals for personnel engaged only in clerical work will create unnecessary complexity without enhancing investor protection. In determining whether a function is “clerical”, we will continue to adopt the “same activity, same risks, same regulations” approach in line with a licence for Type 13 regulated activity under the Securities and Futures Ordinance (“SFO”) (i.e. providing depositary services for relevant CISs). Clerical roles generally refer to the performance of routine tasks following established procedures, such as document filing and data input. These roles generally do not require staff to make business decisions.
24. As mentioned in the Consultation Paper, we would expect a licence or engagement as a relevant individual to be necessary for any staff member who performs more than a clerical role in a business function directly relating to the VA custodian service provider’s discharge of its regulatory obligations under the new regime. Staff members of internal corporate functions of a VA custodian service provider, such as human resources, finance and accounting, and legal and compliance, will not be required to be licensed or be engaged as relevant individuals.
25. Any individual materially involved in the safekeeping of private keys or who has access to private keys or the ability to sign transactions presents significant risks if they are not deemed fit and proper. A compromise at any level could result in the loss of client VAs. Consequently, licensing or engagement as relevant individuals will be necessary for all individuals performing core custody functions throughout the custody chain and we anticipate that the following individuals will require a licence or to be engaged as relevant individuals:
- senior management responsible for monitoring and supervision, given their critical roles within the organisation;
  - individuals who have direct access to private keys or the authority to initiate or approve VA transfers (i.e. including but not limited to the initiator and intermediate approvers);
  - personnel participating in multi-signature or threshold signing schemes; and
  - individuals with access to private key generation, storage or recovery systems.
26. We expect VA custodian service providers to implement adequate procedures and controls to ensure that client VAs are adequately safeguarded. In particular, they should ensure that only their responsible officers, executive officer(s), managers-in-charge, relevant manager(s) or their delegates are authorised to carry out the functions set out in paragraph 25.

27. Individuals within group entities of the SFC-regulated VA custodian service provider who are authorised to carry out these functions should be accredited to the SFC-regulated VA custodian service provider. A proper delegation from the SFC-regulated VA custodian service provider to the individual of the group entity should be obtained before the individual can access the private key and/or sign VA transactions.
28. We understand the concerns regarding the security risks arising from being identified as the persons having direct access to private keys or similar instruments and the requests to license fewer individuals for this reason. In considering the right framework for VA custodians in Hong Kong, our focus is protection of client assets and operational security. SFC-regulated VA custodian service providers are expected to implement robust technical and organisational safeguards to protect all personnel, regardless of their licensing or registration status. The licensing framework is designed to ensure security of client VAs, and we expect VA custodian service providers to be responsible for developing secure operational protocols.

*Question 5:*

*What are your comments on the proposed exemptions? Would there be other exemptions that are necessary?*

*Proposed exemptions*

29. A number of respondents proposed exemptions for entities where the safekeeping of client VAs is wholly incidental to the principal business of providing the VA service or carrying on of the regulated activity for which the regulated entities are so licensed or registered. These exemptions should apply as long as these entities do not safekeep the private keys or similar instruments, but may nevertheless be able to transfer client VAs by giving instructions and/or delegate custody to an SFC-regulated VA custodian. Respondents provided examples such as asset managers trading on behalf of their clients using a managed account for which the asset manager does not operate the private keys or similar instruments, and temporary safekeeping of VAs through the safekeeping of private keys by lawyers.
30. Some respondents suggested exemptions for companies which only custody VAs for their group companies, even if they may charge a fee.
31. We have also received feedback that tokens issued by new projects which are invested in by private equity or venture capital fund managers ("**PE/VC fund managers**") may not be supported by established VA custody infrastructures, at least in the initial stages after launch. Therefore, there have been requests for exemptions to enable the PE/VC fund managers to self-custody these new tokens on behalf of the funds they manage.

## Response

32. Since the scope of the VA custodian service provider licence only captures entities which safekeep the private key or similar instruments, an entity which does not safekeep such instruments will not require such a licence or registration. As presaged in the Consultation Paper, the SFC intends to require, by way of regulatory requirements, entities licensed or registered for providing VA services to use SFC-licensed or registered VA custodian service providers for safekeeping client VAs. The SFC will consult on whether VA management service providers will be required to use SFC-regulated VA custodians for safekeeping VAs of private funds in the *Consultation conclusions on legislative proposal to regulate dealing in virtual assets and Further public consultation on legislative proposal to regulate virtual asset advisory service providers and virtual asset management service providers* issued on the same date as this paper.
33. We acknowledge the difficulties encountered by PE/VC fund managers in their custody of new tokens and will consider providing a limited exemption (e.g. allowing self-custody up to a limited threshold). We also intend to provide a group company exemption as mentioned above, as well as for legal professionals and accounting professionals which may be appointed to hold the back up of private keys or similar instruments for their clients or appointed by a court to administer assets, including VAs.
34. Any stablecoin issuer licensed by the Hong Kong Monetary Authority (“HKMA”) under the Stablecoins Ordinance (Cap. 656) which carries on as a business the custody of only the stablecoins it issues for its clients will be exempted, notwithstanding that the stablecoin issuer safekeeps the private keys. This exemption is on the grounds that the relevant stablecoin issuer and its activities are subject to the HKMA’s regulation and ongoing supervision.
35. Based on the revised scope of what amounts to the provision of VA custodian service, non-exhaustive examples of entities required to obtain a licence or registration under the new proposed regime would include:
- (a) associated entities of SFC-licensed VATPs, which are currently required to provide VA custodian services under the VATP regime. This means that the associated entities of SFC-licensed VATPs currently providing custodian services by way of safekeeping the private keys (or similar instruments) which enable the transfer of client VAs (and who wish to continue to do so) would need to obtain a separate VA custodian service provider licence or registration under the new regime;
  - (b) licensed corporations licensed for Type 13 regulated activity under the SFO, banks, subsidiaries of locally incorporated banks and stored value facilities, if they provide VA custodian services themselves by way of safekeeping the private keys (or similar instruments) which enable transfers of client VAs, even if such safekeeping is carried on as part of providing VA dealing services or acting as depositaries of SFC-authorised funds with VAs in the funds’ portfolios<sup>7</sup>; and

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<sup>7</sup> The Government will make necessary legislative amendments to other ordinances such as the Banking Ordinance (Cap.155) and the Payment Systems and Stored Value Facilities Ordinance (Cap.584).

- (c) licensed or registered fund managers, if they provide self-custody in VA by way of safekeeping the private keys (or similar instruments) which enable the transfer of fund VAs (subject to the limited exemption for self-custody of new tokens which is under our consideration).

## 2. Activities Allowed

*Question 6:*

*Do you have any comments on the proposed scope of allowed activities?*

36. Respondents were supportive of the proposed scope of allowed activities. This included safekeeping of VAs and functions that are part and parcel of the VA service, such as the deposit and withdrawal of client VAs and carrying out settlement instructions of intermediaries licensed or registered for VA dealing activities. Several respondents requested that custodians be allowed to provide staking services. Some of them requested permitting activities such as governance participation (hardware-secured voting), airdrop claiming and distribution, token migration and upgrade support, and DeFi protocol interactions under strict controls. They sought clarity on whether and how custodians may support third-party transfers (i.e. transfers between clients or to external wallets not held under custody). It was also suggested that SFC-regulated VA custodians be permitted to execute instructions of clients to make payments or transfers of VAs to other parties, such as payment for goods and services and enabling peer-to-peer transactions in VAs.

### Response

37. In line with its policy to allow SFC-licensed VATPs to offer staking services through their associated entities, the SFC proposes to permit licensed or registered VA custodian service providers to also offer staking services, provided they implement robust safeguards to effectively manage the risks inherent in staking similar to its guidance on staking to VATPs issued on 7 April 2025<sup>8</sup>. We recognise the necessity for third-party transfers by VA custodian service providers that support payment service providers. Indeed, transfers for carrying out settlement instructions of intermediaries licensed or registered for VA dealing activities are also third-party transfers from the perspective of a VA custodian. As such, the SFC will review the policy governing third-party transfers and evaluate the appropriate regulatory and operational requirements to ensure compliance with anti-money laundering/counter-financing of terrorist (“**AML/CFT**”) requirements and investor protection.
38. We understand the industry’s need for clear guidance on the activities allowed and regulatory requirements to be imposed. As mentioned in the Consultation Paper, the SFC’s intention is to align regulatory requirements with the custody requirements currently imposed on SFC-licensed VATPs. In this connection and as announced in the SFC’s **ASPIRe** roadmap<sup>9</sup>, the SFC will explore

<sup>8</sup> Please see [Circular on staking services provided by virtual asset trading platforms](#) dated 7 April 2025.

<sup>9</sup> Please see the SFC’s **ASPIRe** Roadmap – “**A-S-P-I-Re**” for a brighter future: SFC’s regulatory roadmap for Hong Kong’s virtual asset market issued in February 2025.

adopting a dynamic approach to custody technologies and storage ratios to facilitate a secure and competitive virtual asset ecosystem which enables sustainable market growth while ensuring robust investor protection.

*Question 7:*

*Do you have any comments on the types of VAs that a VA custodian service provider should not provide custodian services for?*

39. The majority of respondents agreed with the proposal of not imposing any restrictions, as licensed or registered VA custodians should have performed robust due diligence on a token to ensure money laundering/terrorist financing (“ML/TF”) risks can be adequately managed and has the technical infrastructure to support the custody of the token.

Response

40. Based on the support received for this proposal, the SFC will not impose restrictions on the types of VAs that a VA custodian service provider custodies for its clients but will require the licensed or registered VA custodian to perform robust due diligence, including to ensure that ML/TF risks can be adequately managed. The SFC will, in due course, provide guidance on the due diligence requirements expected of SFC-regulated VA custodian service providers in determining the types of VAs they could provide custodian services in, which is expected to be similar to the due diligence framework set out in the Guidelines for Virtual Asset Platform Operators (“**VATP Guidelines**.”). This would include setting up a token admission committee, continuously assessing and monitoring relevant developments such as technological changes, robustness of the distributed ledger technology network and the emergence of security threats relevant to all VAs for which it provides custody services. It must also ensure that its internal controls, technology infrastructure and AML/CFT monitoring and market surveillance tools can effectively manage any risks specific to these VAs. For the avoidance of doubt, VA custodian service providers may also provide custody services in tokenised securities.

### 3. Financial Resources Requirements

*Question 10:*

*Do you think that licensed VA custodian service providers should be subject to the similar financial requirements as licensed corporations carrying on Type 13 regulated activity of providing depositary services for a relevant collective investment scheme (CIS)? Do you think additional resources calibrated with scale of business or operations are required?*

41. Many respondents supported the proposed financial resources requirements which stipulate that, except for banks which are subject to existing capital requirements of the HKMA, a licensed or registered VA custodian service provider is required to have adequate financial resources for operating its VA business. These include a baseline requirement of a minimum paid-up share

capital of HK\$10 million and a minimum required liquid capital of HK\$3 million. Some respondents suggested a more flexible or dynamic approach, with the minimum paid-up share capital being linked to the nature, scale and complexity of business, to ensure the requirements are proportionate and risk-based. On the other hand, some respondents suggested that additional financial resources, calibrated with the scale of business, are necessary. This could be in the form of a variable capital requirement based on the assets under custody or the volume of transactions.

#### Response

42. Given the general support for the proposal to adopt financial resources requirements similar to those for licensed corporations carrying on Type 13 regulated activity, we will take forward this proposal. The proposed financial resources requirements provide substantial financial foundation – a baseline of paid-up capital and liquid resources will ensure that licensed VA custodians and SVFs registered for providing VA custodian services have the financial capacity to operate safely, maintain robust infrastructure, and absorb operational or custodial losses. The SFC will impose baseline financial resources requirements of a minimum paid-up share capital of HK\$10 million and a minimum required liquid capital of HK\$3 million. That said, the SFC will retain the flexibility to impose additional financial resources requirements where necessary. For example, the SFC may consider additional requirements calibrated with reference to the scale of business.

#### **4. Other Regulatory Requirements**

*Question 11:*

*Should other regulatory requirements be added to mitigate the risks of VA custodian services?*

43. Respondents provided a substantial number of suggestions regarding the regulatory requirements for VA custodian service providers. Non-exhaustive examples include:
- (a) Hot/cold wallet storage: Some respondents suggested the SFC introduce clear and explicit guidelines to govern the secure handling of hot (online) and cold (offline) wallet storage, with ratios tailored to the specific risk profile of VAs under custody. Some also suggested drawing reference to the current 98/2 ratio for cold/hot storage under the VATP Guidelines. However, others found this requirement rather rigid and prescriptive, and that it could result in delays for client withdrawals due to the time required to move VAs out from cold wallets.
  - (b) Compensation/insurance: Some respondents considered that VA custodians should be required to maintain insurance coverage to protect client assets against potential losses arising from theft, fraud or operational failures.

- (c) Private key management: Some respondents proposed implementing robust private key management controls and requested that the SFC issue guidance on the expected standards for key areas such as private key management, backup and reconciliation. Further, regular stress testing of custodial systems should be mandated to assess resilience against cyberattacks and operational failures.
- (d) Explicit fiduciary duty and liability: A respondent suggested introducing an express provision specifying whether VA custodian service providers have a fiduciary obligation and are liable for any loss or misappropriation of the assets, similar to the duty of a trustee or a traditional custodian bank to return assets to clients.
- (e) Independent audits and assessments: Some respondents suggested regular independent assessments of the custodian's operations. For example, an annual cybersecurity audit by a qualified third party, an annual internal control audit (such as an SOC 2 Type II report) and an independent periodic AML/CFT audit.
- (f) Business continuity and disaster recovery ("BCP" and "DR" respectively): A respondent suggested that the regulations should explicitly require comprehensive BCP and DR plans tailored to VA custody.

#### Response

- 44. We appreciate all respondents' constructive feedback and suggestions on the regulatory requirements that should be in place for VA custodian service providers. The SFC will consider market feedback when formulating the regulatory requirements for them. To this end and as mentioned above, the SFC will build upon the regulations established for VATPs, using the requirements set out in the VATP Guidelines, particularly Chapter X on Custody of Client Assets which are elaborated in the Circular to licensed virtual asset trading platform operators on custody of virtual assets<sup>10</sup> as the baseline. The SFC will also actively engage the industry as part of its early engagement process (referred to below) in setting regulatory requirements.

### **5. Transitional Arrangement**

*Question 12:*

*What are your comments on the proposed transitional arrangement for the licensing regime for VA custodian service providers?*

- 45. Half of the respondents supported the proposed transitional arrangement that no deeming arrangement would be provided. Requiring all VA custodians to obtain a licence or registration from the start would ensure a level playing field. Transitional or deeming arrangements would prolong regulatory uncertainty

<sup>10</sup> Please see [Circular to licensed virtual asset trading platform operators on custody of virtual assets](#) issued on 15 August 2025.

in Hong Kong. Respondents were of the view that the proposal protects investors and encourages legitimate providers to engage early with the SFC or the HKMA, helping them avoid operational disruptions. The other half of the respondents believed a transitional arrangement of 3-18 months with or without a deeming period would be necessary as existing providers could face disruption and the SFC's resources could be strained. A transitional period would give market participants time to adjust their business models, achieve compliance, or wind down operations if needed.

- 46. Some respondents considered that licensed VATPs need not apply for a separate VA custodian service provider licence to avoid duplicative compliance requirements, which may create uncertainty and regulatory gaps in the market. Providing grandfathering provisions for associated entities of licensed VATPs could ensure continuity of incidental custody services without requiring new licences.
- 47. To facilitate an orderly transition, some respondents requested clarification on the procedure of the pre-application process, including the nature of the engagement, the required information and the expected outcome.

#### Response

- 48. We do not plan to grant a deeming arrangement to existing VA custodian service providers as it could create confusion over regulatory status and may not be optimal for investor protection. Instead, the licensing regime will take full effect on the commencement date of the relevant statutory provisions.
- 49. Noting the implications to existing VA custodian service providers operating in Hong Kong arising from a "hard" commencement date, the Government and the SFC will consider the appropriate commencement date for the regime to take effect, taking into account the time market participants need to adjust their business models.
- 50. In the interim, we encourage all industry stakeholders already engaged in VA custodian services activities to reach out to the SFC<sup>11</sup> or the HKMA (as applicable) as soon as possible (e.g. for initiating pre-application processes). Through early engagement, the SFC will walk through the licensing process with pre-applicants, including on engaging an external assessor to perform an external assessment on a VA custodian service provider's policies, procedures, systems and controls. Such early engagement would also provide invaluable feedback on setting applicable regulatory requirements, ensuring that qualified, competent and compliant market participants are in a position to be licensed or registered upon the commencement of the new licensing regime.
- 51. As mentioned in the Consultation Paper, an expedited licensing approval process will be extended to associated entities of SFC-licensed VATPs, banks or subsidiaries of locally incorporated banks which have already undergone the SFC's or the HKMA's assessment process in relation to their VA custodian

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<sup>11</sup> Enquiries should be sent to the SFC via [fintech@sfc.hk](mailto:fintech@sfc.hk).



services and are already engaged in providing VA custodian services. This aims to ensure a smooth transition to the new regime.

52. Providers who do not contact the SFC or the HKMA (as applicable) for pre-application may suffer undue business disruptions, as they will have to stop operations on the commencement date of the licensing regime.

## 6. Licensing fees

*Question 13:*

*Based on the “user-pays” principle, do you have any comments on requiring higher licensing application fees and annual fees for a VA custodian service provider licensed by or registered with the SFC (such as requiring fees in the same amounts as those for Type 3 regulated activity under the SFO or other higher amounts)?*

53. Around half of the respondents supported the proposed licensing and annual fees, noting that more resources are needed for reviewing these applications. Higher fees are considered reasonable given the complexity and infrastructure required. The other half found the fees too high and recommended a tiered fee structure based on business size, complexity and risk, rather than a flat rate matching fees imposed on Type 3 regulated activity applications and licensed corporations. Fees could be scaled by assets under custody or annual transaction volume. A tiered model would allow the SFC to recover costs without creating barriers for smaller or innovative custody providers, thus supporting market entry and competition.

### Response

54. A licence for VA custodian service provider is more complex than other licences under the SFO due to the added technical requirements involved. Consequently, processing such applications will demand greater resources from the SFC. In line with the “user-pays” principle, we will adopt a higher licensing fee for VA custodian service providers licensed by or registered with the SFC to reflect the increased complexity of these applications. The licensing application fee and annual fee would be no less than the current amounts applicable to Type 3 regulated activity.

## 7. Prohibition

*Question 14:*

*Do you agree that, for the purpose of protecting the investing public, persons not licensed by or registered with the SFC should not be allowed to actively market VA custodian services to the public of Hong Kong?*

55. The majority of respondents agreed that persons not licensed by or registered with the SFC should not be allowed to actively market VA custodian services to the public of Hong Kong, to protect investors and avoid regulatory arbitrage. Some emphasised the importance of clearly defining or clarifying the scope

of “actively market”, in particular, whether it includes online advertising, social media and direct outreach.

Response

56. To ensure market integrity and investor protection, we will prohibit any person from actively marketing VA custodian services, whether in Hong Kong or elsewhere, to the public of Hong Kong, unless the person is licensed by or registered with the SFC for providing these services.
57. The SFC will provide further guidance on the scope of “actively market” to help market participants better understand regulatory expectations and compliance requirements when engaging in promotional or marketing activities.

**8. Powers of the Regulatory Authorities**

*Question 15:*

*Do you agree that the SFC and the HKMA should be provided with the proposed powers?*

58. Most respondents supported that the SFC and the HKMA should be provided with the proposed powers, which align with their regulatory oversight of and disciplinary powers over other regulated activities.

Response

59. We would proceed with implementing the proposed powers.

**9. Sanctions**

*Question 16:*

*Do you agree with the proposed sanctions, which are comparable to those under the existing regulatory regimes for VATPs?*

60. Most respondents agreed with the proposed sanctions, which are consistent with existing regulatory regimes for VATPs, ensuring proportionality and fairness in enforcement.

Response

61. We are of the view that the proposed sanctions, which align with those under the existing regime for VATPs, maintain parity and ensure consistency, deterrence and fairness. We will take forward our proposal in this regard.

## 10. Statutory Appeal

*Question 17:*

*Do you agree that a review tribunal mechanism should be put in place to handle appeals against the decisions to be made by the SFC or the HKMA in implementing the licensing regime?*

62. The majority of respondents welcomed the proposal to establish a review tribunal mechanism to provide checks and balances on decisions made by the SFC or the HKMA. Some respondents suggested that the tribunal establish an expert panel for cases involving cryptocurrency and blockchain to ensure fair, informed, and objective assessments during appeals.

### Response

63. The proposed review tribunal mechanism to handle appeals against decisions to be made by the SFC or the HKMA is in line with the SFC's regulatory frameworks. It will provide a fair and transparent process for market participants, as well as enhance trust and confidence in the VA custodian service providers regime. This mechanism also provides a structured way to address disputes, interpret provisions, and offer authoritative clarification, which helps ensure fairness and consistency as issues are identified and worked through.
64. The Anti-Money Laundering and Counter-Terrorist Financing Review Tribunal ("**Tribunal**"), established under the AMLO, will be tasked to handle appeals of specified decisions made by the SFC or the HKMA in relation to the licensing regime for VA dealing services. The Tribunal already consists of experts from cryptocurrency and blockchain sectors, and we will consider strengthening representation from these sectors as appropriate.

### **Way Forward**

65. Based on these consultation conclusions, the FSTB and the SFC will finalise the legislative proposals for establishing the licensing regime for VA custodian service providers under the AMLO, with a view to introducing a bill into the Legislative Council in 2026. The SFC will in due course engage applicants to initiate the pre-application process, issue regulatory requirements for the VA custodian service provider regime and conduct consultation on the regulatory requirements, as appropriate.

**Financial Services and the Treasury Bureau**

**The Securities and Futures Commission**

**December 2025**

## **Annex – List of respondents**

1. Accumulus GBA Technology (Hongkong) Co., Ltd.
2. Aimichia Technology Co., Ltd.
3. Aiying
4. Animoca Brands Limited
5. Ant Digital Technologies
6. Asia Securities Industry & Financial Markets Association
7. Ava Labs, Inc.
8. Beosin
9. BITYUAN FOUNDATION LTD
10. BOCI-Prudential Trustee Limited
11. Bolder Group (Hong Kong)
12. CertiK
13. Chief Group Limited
14. Chronovate Law Limited
15. CipherBC
16. Circle
17. Cobo Global (HK) Limited
18. Coinbase Global, Inc.
19. CompliancePlus Consulting Limited
20. Courageous HL Limited
21. Cregis Technology Limited
22. Digital Currencies Governance Group
23. EXIO Limited
24. Fangda Partners
25. Fintech Association of Hong Kong
26. Fireblocks
27. Galaxy Digital
28. Gate Digital Limited
29. General Reserve of Digital Asset Limited
30. Guotai Junan International Holdings Limited
31. Henry Yu & Associates
32. Hex Trust
33. HKFAEx Group
34. HKT Payment Limited
35. Hong Kong Fintech Industry Association
36. Hong Kong General Chamber of Commerce
37. Hong Kong Institute of Certified Public Accountants
38. Hong Kong Professionals and Senior Executives Association
39. Hong Kong Securities & Futures Professionals Association
40. Hong Kong Trustees' Association
41. Hong Kong Virtual Asset Exchange Limited
42. Hong Kong Women Professionals and Entrepreneurs Association
43. Howse Williams
44. HSBC
45. HUI Tin Kay
46. Institute of Web 3.0 Hong Kong

47. Investment Company Institute
48. IOSG Ventures
49. Lianlian Digital
50. Liquidity Tech Limited
51. Matrixport
52. Mr Henry Ma
53. Mr Joshua Chu
54. Mr Martin Chan & Ms Peony Lee
55. Nexara Custody Limited
56. NG Hung Ying Edison
57. OKLink Trust Limited
58. OSL Group
59. P&Y Technology Limited
60. Prof. Jack POON
61. QReg Advisory Ltd
62. Rakkar Digital (Hong Kong) Limited
63. Ravenscroft & Schmierer (on behalf of Safeheron Pte. Ltd.)
64. RD Technologies
65. Reap Technologies Limited
66. Ripple Labs Inc.
67. Solomon JFZ (Asia) Holdings Limited
68. Studio AM Limited
69. Thales
70. The Hong Kong Association of Banks
71. The Hong Kong Chartered Governance Institute
72. The Institute of Financial Planners of Hong Kong
73. The Law Society of Hong Kong
74. The Private Wealth Management Association
75. Tricote Advisory Limited
76. Web3 Harbour and Global Digital Finance
77. Zhang Hairong

[Sixteen respondents requested not to be named]

Note: Some of the feedback reached the FSTB and the SFC after the feedback period closed on 29 August 2025.