

GIBSON DUNN



Financial Regulatory Update

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Hong Kong's VA Roadmap Develops Further Through Relaxation of Liquidity Requirements and Increased Product Diversity

This update examines in depth the Securities and Futures Commission's two new circulars for SFC-licensed virtual asset trading platform operators.

On November 3, 2025, the Securities and Futures Commission (**SFC**) issued two new circulars for SFC-licensed virtual asset trading platform operators (**Platform Operators**), permitting them to tap global liquidity and diversify the range of their product and service offerings (collectively, the **Circulars**).

The two Circulars form an important part of the 'A' and 'P' pillars of SFC's "ASPIRe" roadmap (**Roadmap**) for virtual assets, which was published earlier this year.^[1] In its discussion of Pillar 'A' (for 'Access'), the SFC clearly indicated its desire to allow international virtual asset exchanges to establish operations in Hong Kong and tap into their global order books under appropriate compliance standards in order to deepen liquidity in the Hong Kong market. Similarly, in its discussion of Pillar 'P' (for 'Products'), the SFC indicated its desire to expand the range of virtual asset products and services available in Hong Kong's regulated market. This update examines the two Circulars in further depth.

I. SFC Circular on Shared Liquidity by Platform Operators (Liquidity Circular)

The SFC's Guidelines for Virtual Asset Trading Platform Operators (**VATP Guidelines**) currently seek to minimize settlement risk by requiring orders to be pre-funded orders, whilst matched trades must be settled instantly in Hong Kong within the Platform Operator. However, the Liquidity Circular moves away from this approach by allowing Platform Operators to integrate their order books with those of their global affiliates that also operate virtual asset trading platforms (**OVATP**) via an aggregate shared liquidity pool (**Shared Order Book**).^[2] This means that Platform Operators' client orders may be matched with those orders of OVATP clients with pre-funding outside Hong Kong.

To reduce the risk of settlement failure associated with the Shared Order Book, the SFC has imposed a number of terms and conditions in relation to operating a Shared Order Book.^[3] The key requirements are set out below:

Eligibility	<p>The Shared Order Book should be managed jointly by the Platform Operator and the OVATP.</p> <p>The OVATP must be licensed in its respective jurisdiction to conduct virtual asset trading activities. It should operate in a jurisdiction that is a member of the Financial Action Task Force (FATF) or an FATF-Style Regional Body, and has effective regulation substantially aligned with FATF recommendations and the IOSCO Policy Recommendations for Crypto and Digital Asset Markets, particularly regarding market abuse and client asset protection.^[4]</p> <p>Platform Operators should put in place policies and procedures to ensure the proper management of the credit, liquidity and operational risks, and that clients are protected in the event of default or insolvency of participants of the Shared Order Book (Platform Participants).</p>
Shared Order Book Rules and Trading Operations	<p>The Shared Order Book must operate according to a comprehensive set of rules (Shared Order Book Rules) that are binding and enforceable on all Platform Participants, the Platform Operator, OVATP, and the Designated Custodians. The Shared Order Book Rules should cover pre-funding, order placement, trade execution, novation (where applicable), settlement, and default management procedures.</p> <p>The Shared Order Book Rules must provide a clear legal basis for the transfer of proprietary interests in the assets required for settlement (Settlement Assets) to the Platform Operator's clients or its Associated Entity.</p>

	<p>Platform Operators or the OVATP should execute an order for a client only if there are sufficient fiat currencies or virtual assets in the client's account to cover that trade.</p> <p>Settlement Assets must be deposited with custodians designated by the Platform Operator (Designated Custodians) or the OVATP, and automated pre-trade verification must be carried out to confirm full pre-funding before accepting any order.</p>
Settlement	<p>Platform Operators should implement a delivery-versus-payment (DVP) settlement mechanism to ensure simultaneous exchange of assets between the Platform Operator and the OVATP.</p> <p>Platform Operators should maintain asset swap procedures that address practical timing variables, such as delays in transferring assets from cold to hot wallets.</p> <p>Platform Operators should settle all trades with the OVATP at least once daily and conduct intraday settlement to limit unsettled trade exposure within a pre-defined threshold based on projected unsettled trade exposure, market volatility of traded assets, differences between ledger balances and assets held, and how quickly the reserve fund can be increased following a projected increase in unsettled trade exposure (Unsettled Trade Limit).</p> <p>Before initiating any settlement, a Platform Operator should verify that the OVATP and its Designated Custodian are operational and able to deliver the required assets at the time of settlement.</p>
Default Management	<p>The rights of the non-defaulting parties against the defaulting parties (including rights of termination and compensation) should be set out in the Shared Order Book Rules. The OVATP and its Designated Custodian will be regarded as defaulting parties if they fail to deliver Settlement Assets to settle client trades executed on the Shared Order Book, or if they materially delay delivery.</p> <p>A Platform Operator should maintain effective policies and procedures with a detailed action plan to manage delayed or failed settlement, and should take timely action to meet its delivery obligation to clients and minimise client losses. The Platform Operator should compensate its clients without undue delay for any loss upon a delay or failure in settlement, including mark-to-market losses resulting from the difference between the execution price and the current price.</p> <p>Any failed settlement must be reported to the SFC immediately.</p>

Compensation	<p>Platform Operators should maintain a reserve fund in Hong Kong which is designated to cover client losses arising from settlement failures. The reserve fund should be held in one or more segregated bank accounts with an authorised financial institution in Hong Kong. Unless otherwise agreed with the SFC, the reserve fund must be maintained in fiat currency.</p> <p>The size of the reserve fund should not be less than the Unsettled Trade Limit and should be adjusted based on projected unsettled trade exposure.</p> <p>If a Platform Operator fails to maintain the required level of the reserve fund, it should immediately suspend its matching of client orders with other orders on the Shared Order Book.</p>
Market Surveillance	<p>Market surveillance should be implemented across the Shared Order Book by the Platform Operator and the OVATP jointly, rather than segmented based on the jurisdiction of client onboarding.</p> <p>Platform Operators must designate at least one Responsible Officer or Manager-in-Charge to oversee the joint market surveillance programme to ensure its compliance and effectiveness, as well as supervise handling of potential misconduct alerts.</p> <p>Platform Operators are required to produce Shared Order Book data to the SFC promptly on request, including order and trade data, order originator information, and market surveillance records.</p>
Record Keeping and Disclosure	<p>Platform Operators should keep records sufficient to explain the design, development, testing, operation and modification of the Shared Order Book, and to reconstruct the lifecycle of orders, trades, settlements, surveillance alerts and incident responses for a period of not less than seven years.</p> <p>Platform Operators must clearly disclose key risks before offering trading services via the Shared Order Book, including potential conflicts of interest, settlement mechanisms and responsibilities, settlement failure scenarios, and the extent of client protection.</p>
Retail Client Access	<p>Retail clients may only access the Shared Order Book if they receive clear explanation from the Platform Operator of the additional risks associated with cross-border order matching and settlement risks, including the possibility of lower client protection compared to Hong Kong. Retail clients also must expressly elect to participate.</p>

Platform Operators who wish to operate Shared Order Books must obtain prior written approval from the SFC.

II. SFC Circular on Expanding Products and Services of VATPs (Product Circular)

The SFC's Product Circular expands the products and services that can be offered by SFC-licensed VATPs in three key ways.[\[5\]](#)

a. Token Admission

The VATP Guidelines previously required VATPs to only offer virtual assets (including stablecoins) that had been issued for at least 12 months.[\[6\]](#) The Product Circular lifts this requirement for:

- specified stablecoins issued by a HKMA-licensed stablecoin issuer; and
- all virtual assets (including stablecoins) offered to professional investors.[\[7\]](#)

However, VATPs must make adequate disclosures in relation to virtual assets (including stablecoins) which are available to professional investors but have a track record of less than 12 months.

b. Distribution of Digital Asset-Related Products and Tokenised Securities

Currently, the SFC's standard licensing conditions require licensed VATPs to only operate a centralised virtual asset trading platform for the trading of virtual assets and to carry on off-platform virtual asset trading business. The Product Circular flags that the SFC is prepared to modify this standard licensing condition to allow VATPs to:

- distribute investment products with exposure to virtual assets, tokenised securities and stablecoins (**Digital Asset-Related Products**) in accordance with existing laws, codes, guidelines and regulations;[\[8\]](#) and
- open a trust account or client account with the custodian of the Digital Asset-Related Product or tokenised security in the VATP's name for the purpose of holding the Digital Asset-Related Product or tokenised security on behalf of its clients.[\[9\]](#)

The SFC has encouraged VATPs interested in taking advantage of these modifications to apply to the SFC for approval.

c. Custody of Tokens Not Traded on VATPs

The SFC will also now allow VATPs (through their associated entities) to offer custody services for digital assets that have not been made available for trading via the VATP.[\[10\]](#) The SFC has flagged that this is intended to facilitate a more diverse digital asset custody business.

The SFC has reminded VATPs to comply with the custody-related requirements pursuant to the VATP Guidelines and the SFC's circular regarding tokenised securities-related activities.^[11]

III. Conclusion

The two Circulars underscore the SFC's commitment to building a sustainable digital asset ecosystem. While the changes introduced by the Circulars are limited to VATPs, we anticipate further developments and announcements by the SFC in coming months, particularly in relation to the implementation of the new VA custody and VA dealing regimes which were recently consulted on by the SFC and Financial Services and Treasury Bureau (**FSTB**).^[12] Importantly, when speaking in relation to these Circulars and the SFC's work in this space, the SFC's CEO, Ms Julia Leung, flagged that it intended to expand the scope of the VA dealing regime to cover both VA advisory and VA asset management. Ms Leung also noted that the SFC expects to license only the most robust and reliable VA custodians to ensure a secure environment and will focus particularly on how licensed players manage risks to private keys.^[13]

^[1] *"'A-S-P-I-Re' for a brighter future: SFC's regulatory roadmap for Hong Kong's virtual asset market"*, published by the SFC on February 19, 2025, available [here](#).

^[2] *"Circular on shared liquidity by virtual asset trading platforms"*, published by the SFC on November 3, 2025, available [here](#).

^[3] *"Terms and conditions for operating a Shared Order Book"*, published by the SFC on November 3, 2025, available [here](#).

^[4] *"Policy Recommendations for Crypto and Digital Asset Markets"*, published by IOSCO on November 16, 2023, available [here](#).

^[5] *"Circular on expansion of products and services of virtual asset trading platforms"* published by the SFC on November 3, 2025, available [here](#).

^[6] Paragraph 7.6, *"Guidelines for Virtual Asset Trading Platform Operators"* published by the SFC in June 2023, available [here](#).

^[7] See modified licensing condition, available [here](#).

^[8] See modified licensing condition, available [here](#).

^[9] See modified licensing condition, available [here](#).

^[10] See modified licensing condition, available [here](#).

^[11] *"Circular on intermediaries engaging in tokenised securities-related activities"* published by the SFC on November 2, 2023, available [here](#).

[12] “*Hong Kong FSTB and SFC Consult on Proposed Regimes to Regulate Virtual Asset Dealers and Custodians*” published by Gibson, Dunn & Crutcher on July 4, 2025, available [here](#).

[13] “*Multi-pronged Approach to Sustain Vibrant Growth of Hong Kong’s Digital Asset Ecosystem*” published by the SFC on November 3, 2025, available [here](#).

The following Gibson Dunn lawyers prepared this update: William Hallatt, Emily Rumble, and Jane Lu.

Gibson Dunn’s lawyers are available to assist in addressing any questions you may have regarding these developments. If you wish to discuss any of the matters set out above, please contact any member of Gibson Dunn’s Financial Regulatory team, including the following members in Hong Kong:

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