

GIBSON DUNN

Financial Regulatory Update

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Hong Kong Concludes Consultation on Regulation of Virtual Assets Advisory and Management Services

The release of the Consultation Conclusions signal that the FSTB and SFC are moving ever closer to introducing their proposed legislative framework for a broad suite of virtual asset related activities to the Legislative Council.

On May 26, 2026, the Hong Kong Financial Services and the Treasury Bureau (**FSTB**) and Securities and Futures Commission (**SFC**) published consultation conclusions setting out the proposed licensing regime for virtual asset (**VA**) advisory and management regimes (**Consultation Conclusions**).^[1] The Consultation Conclusions follow the FSTB and the SFC's launch of a consultation on VA advisory and VA management regimes on December 24, 2025 (**Further Consultation**), as discussed in our previous client alert.^[2]

We have set out below a detailed overview of the key takeaways for the industry from the Consultation Conclusions. Importantly, the release of the Consultation Conclusions signal that the FSTB and SFC are moving ever closer to introducing their proposed legislative framework for a broad suite of virtual asset related activities to the Legislative Council.

I. VA Advisory Regime

A. Scope and coverage

The Consultation Conclusions reaffirm the definition of “advising on VA” proposed under the Further Consultation, namely, covering any person who carries on a business in Hong Kong in:

- giving advice on whether; which; the time at which; or the terms of conditions on which, VAs should be acquired or disposed of; or
- 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.

The Consultation Conclusions clarify that whether an activity constitutes advice on VA is assessed based on its substance rather than its form. Accordingly, an activity will fall within scope irrespective of how it is described, labelled or disguised (for instance, as educational content, general commentary or trading signals), if, in substance, it involves providing advice on the acquisition or disposal of VA. Persons carrying on a business involving such activities will therefore be required to obtain a VA advisory licence, unless an exemption applies.

The Consultation Conclusions provide important colour regarding the scope of the proposed regime, including the following:

- **Mirror / copy trading will generally require a VA advisory licence:** Importantly for the industry, the Consultation Conclusions state clearly that mirror or “copy” trading will generally require a VA advisory licence, given that the provision of these services generally involve providing information, trading signals or alerts on when to buy, sell, or hold particular VAs for others to replicate or track trading strategies. Where the provision of copy or mirror trading services extends to executing trades in VAs on behalf of clients, this may additionally constitute dealing in VAs requiring a separate VA dealing licence. Further, where such execution is carried out on a discretionary basis, the activity may also amount to VA management, as discussed below.
- **The regime is intended to be “technology neutral”:** The Consultation Conclusions establish that the key consideration is whether advice concerning the acquisition or disposal of VAs is provided, regardless of the means through which it is delivered. Given this, the provision of technology tools (including algorithms or AI language models) that generate specific recommendations on VA (for example, recommendations tailored to a user’s investment profile) will constitute the provision of VA advisory services. By contrast, activities confined to the provision of generic, factual information about VAs or the VA market will generally fall outside the scope of the VA Advisory Regime. This includes, for example, research tools that objectively filter such factual information. Similarly, VA custodial or dealing service providers that, in the course of their services, merely provide clients with information (such as details of voting rights attached to the clients’ VAs or notification of hard forks or airdrop events) will generally not require a VA advisory licence, notwithstanding that such hard fork or airdrop events may result in additional VAs being distributed to clients.

- **Relationship between “advising on VA” and “advising on securities”:** As expected, the definition of ‘advising on VA’ closely mirrors the definition of ‘advising on securities’ for Type 4 regulated activity (**RA4**) under the Securities and Futures Ordinance (Cap. 571) (**SFO**). Importantly, given that securities and futures contracts are specifically excluded from the definition of VA pursuant to the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) (**AMLO**), advising solely on tokenized securities does not fall within the VA Advisory Regime, and instead, falls within RA4. The Consultation Conclusions also note that advising on derivatives and structured products referencing VA will generally fall within RA4, Type 5 regulated activity (advising on futures contracts) and/or Type 11 regulated activity (dealing in OTC derivatives products or advising on OTC derivative products) under the SFO.

B. Exemptions

The Consultation Conclusions also provide the following guidance regarding exemptions in relation to VA advisory activities:

- **Advice provided through a generally available publication or broadcast will be exempt:** The scope of this exemption will be the same as the scope of the corresponding exemption under the SFO. However, given the increasing role of influencers in influencing investor behaviour, the SFC will also separately review the existing regime under the SFO as well as the proposed VA service provider licensing regime to ensure that these regimes are appropriate for current market conditions. This may lead to further consultations in the future regarding the regulation of influencers.
- **Advice provided solely to a wholly owned group company will be exempt:** The scope of this exemption will similarly mirror the scope of the corresponding exemption under the SFO – i.e. a licence will not be required for a company which advises its group company which is its wholly owned subsidiary, its holding company which holds all of its issued shares, or a wholly owned subsidiary of that holding company, and only in respect of that group company’s assets and not the group company’s client assets.
- **Intermediaries licensed for RA4 will require a VA advisory licence where advising clients on VA:** The Consultation Conclusions emphasise that where Type 4 licensed intermediaries provide advice on a client’s overall portfolio comprising both VA and securities, the advice on VAs will not be considered “wholly incidental” to the advice provided on securities. This is on the basis that VA is a wholly distinct asset class and as such Type 4 licensed intermediaries will still require a licence. This is consistent with the current position with regards to the provision of advice by firms regarding both securities and futures contracts, which require both Types 4 and 5 licences.

C. Regulatory requirements

While the SFC has signalled that it will undertake a further public consultation in relation to the proposed regulatory requirements that will apply to VA advisory licensees, the Consultation Conclusions do note that:

- **Financial resources requirements (FRR) will be aligned with those for RA licensees:** Under the ‘same activity, same risks, same regulation’ principle, financial resources requirements to be imposed on VA advisory service providers will align with those currently imposed on RA4 licensed corporations. In other words, (i) a minimum required liquid capital of HK\$100,000 for VA advisory service providers will apply to firms

that do not hold client assets; and (ii) a minimum paid-up share capital of HK\$5 million and a minimum required liquid capital of HK\$3 million will apply to firms that do hold client assets (with the SFC having the discretion to impose additional financial resources requirements where necessary).

- **Firms licensed for both RA4 and VA advisory services will not be subject to duplicative regulatory capital requirements:** Instead, such a corporation should be required to meet only the highest applicable regulatory capital threshold among the regulated activities and/or VA services for which it is licensed.

Other regulatory requirements to be imposed on VA advisory service providers will be based on those currently applicable to licensed corporations or registered institutions providing VA advisory services under the Joint Circular on Intermediaries' Virtual Asset-Related Activities issued by the SFC and the Hong Kong Monetary Authority (**Joint Circular**).^[3] These requirements cover product due diligence, suitability obligations, disclosure requirements and assessments of client's knowledge of VA, as summarized in our previous client alerts.^[4] The SFC is actively reviewing these requirements to ensure an appropriate balance between investor protection and market development, and intends to conduct a public consultation in due course.

II. VA Management Regime

A. Scope and coverage

The Consultation Conclusions confirm that the FSTB and SFC will proceed with the definition of 'VA management' proposed under the Further Consultation, namely, covering any person who carries on a business in Hong Kong in providing a service of managing a portfolio of VAs for another person. Further, given industry support, there will be no de minimis threshold for the proposed licensing regime for VA management service providers (**VA Management Regime**). This is to align with the scope of the Type 9 (**RA9**) licence for asset management under the SFO.

Similar to the scope of the RA9 definition, the VA Management Regime will apply to firms that have discretionary power to make investment decisions in respect of the VAs in the portfolio of another person (including both the management of funds as well as discretionary accounts in the form of an investment mandate or pre-defined model portfolio). In particular, firms that have full investment discretion to make investment decisions on behalf of a fund or a discretionary account will require a license, even if they sub-contract their investment management role to a third party. That third party will also require a license if it is carrying on the business of providing VA management services in Hong Kong.

The key determinant in whether a VA management licence is required is whether the fund manager has discretionary power to make investment decisions in respect of the VAs concerned (for example, decisions to convert the VAs into cash before making investments for the fund, use the VAs to invest in other assets, or hold the VAs instead of cash or other investments). Where the VAs form part of the portfolio managed by the fund manager, and the fund manager has discretionary power to make investment decisions in respect of the VAs in the portfolio, a VA management licence will be required. Notwithstanding this, the Consultation Conclusions acknowledge the possibility of an investment portfolio managed by a fund manager inadvertently acquiring VAs due to an unexpected or involuntary event. Where all reasonably practicable steps are taken to dispose of the portfolio's holdings in VAs in a timely manner, this may not amount to

carrying on a business of providing a VA management service.

Consistent with the VA Advisory Regime, the VA Management Regime is intended to be technology neutral. Providing technology tools which make investment decisions for clients on a discretionary basis (such as robo-advisers) constitutes VA management and will require a licence.

B. Exemptions

The Consultation Conclusions also provide the following guidance regarding exemptions in relation to VA management activities:

- **VA management services provided to wholly owned group companies will be exempt:** Consistent with the approach under the VA Advisory Regime, this proposed exemption applies only where a corporation provides VA management services to its wholly owned group entities (i.e. its wholly owned subsidiary, its parent holding all its shares, or a fellow wholly owned subsidiary) and solely in respect of that entity's own VAs. Managing non-group assets (such as client assets) constitutes VA management and requires a licence.
- **Dealing in VAs solely for the purpose of VA management will not require a VA dealing licence:** Consistent with the exemptions applicable to a RA9 license, the SFC and FSTB plan to introduce an exemption from the requirement to obtain a VA dealing licence if a VA management licensee performs dealing in VAs solely for the purpose of carrying on VA management. This means that where, for example, a fund manager licensed for VA management accepts VAs for subscribing to the fund and converts the VAs into cash prior to investing in other assets for the fund, or converts cash or other investments into VAs as part of managing the fund, it will not need to be licensed for VA dealing when performing such conversion.
- **Stablecoin-specific treatment:** Recognising that specified stablecoins^[5] issued by HKMA-licensed persons (**Relevant Stablecoins**) have a different risk profile from other VAs, the FSTB and SFC will introduce appropriate exemptions for SFC-licensed or registered intermediaries from obtaining relevant VA service provider licences or registrations in relation to their SFO activities involving Relevant Stablecoins.
- **Intermediaries licensed for RA9 will require a VA management licence where managing a portfolio consisting of both VA and investment products referencing VA:** As with the VA Advisory Regime, the VA Management Regime is intended to capture "VA" as defined in the AMLO. However, managing a portfolio of investment products with exposure to or referencing VAs (e.g., derivatives and structured products referencing VAs and VA futures ETFs) will typically require an RA9 licence on the basis that such products are not VAs. Consequently, managing a portfolio consisting of both VAs and investment products referencing VAs would require both a VA management licence under the AMLO and an RA9 licence under the SFO. Similarly, managing portfolios investing in companies whose principal business is engaging in proprietary trading in VAs or managing fund of funds investing in underlying VA funds will generally require an RA9 licence rather than a VA management licence, as the management of such portfolios is the management of portfolios of securities rather than VAs.

C. Regulatory requirements

While the SFC will undertake a further public consultation in relation to the proposed regulatory requirements that will apply to VA management licensees, the Consultation Conclusions state that the regulatory requirements to be imposed on VA management service providers will be based on those currently applicable to licensed corporations or registered institutions providing VA management services under the Joint Circular as well as the terms and conditions for licensed corporations or registered institutions which manage portfolios that invest in virtual assets (**VA Management Terms and Conditions**). Additionally, the Consultation Conclusions note that:

- **FRR will be aligned with those for RA9 licensees:** In keeping with the approach for VA advisory licensees, the FRR for VA management service providers will align with those currently imposed on RA9 licensed corporations, i.e., (i) a minimum required liquid capital of HK\$100,000 where client assets are not held; and (ii) otherwise, a minimum paid-up share capital of HK\$5 million and a minimum required liquid capital of HK\$3 million.
- **Firms licensed for both RA9 and VA advisory services will not be subject to duplicative regulatory capital requirements:** Instead, such a corporation should be required to meet only the highest applicable regulatory capital threshold among the regulated activities and/or VA services for which it is licensed.
- **Staking will be allowed:** The Consultation Conclusions confirm that SFC-authorized VA funds and private funds will continue to be permitted to engage in staking after the introduction of the VA Management Regime.
- **Experience of staff to date will be taken into consideration:** As noted above, the FSTB and SFC will not introduce a de minimis threshold under the VA Management Regime. Accordingly, SFC-licensed or registered intermediaries conducting RA9 activity under the SFO that manage portfolios with VA exposure below the current de minimis threshold will nonetheless be required to obtain a VA management licence or registration, and will be subject to the same regulatory standards as those managing portfolios with higher VA exposure. However, the Consultation Conclusions do note that the experience of staff in managing the VA portion of such portfolios will be recognised for the purposes of meeting the experience requirements under the VA Management Regime.

D. Custody of VA

The FSTB and SFC had previously proposed requiring VA management licensees to hold the VAs of the private funds they manage only with SFC-regulated VA custodians. This was the subject of '*mixed feedback*' on the basis that this would be disproportionately restrictive to private funds, constrain execution capabilities and increase operational costs. Industry feedback also noted that this would disrupt existing private VA funds which have engaged overseas custodians for safekeeping of the funds' VAs, and that restricting choice could disproportionately impact private equity / venture capital strategies.

Given this feedback, the SFC has indicated that it will allow private funds the flexibility of appointing qualified custodians outside of Hong Kong. However, the SFC has emphasized that investor protection still remains fundamental. Given this, where new tokens are not supported by qualified custodians and must be self-custodied by VA management service providers, the SFC will impose robust self-custody requirements. In addition, VA management service providers

(other than authorised institutions) holding client assets will be subject to heightened financial resources requirements. VA management service providers should also be vigilant as to whether and when their custody of VAs on behalf of the funds they manage may trigger licensing requirements under the VA custodian service provider licensing regime.

III. Conclusion

Finally, the Consultation Conclusions confirm that the SFC's current practice of imposing licensing or registration conditions on intermediaries under the SFO (e.g. those under the Joint Circular and VA Management Terms and Conditions) will be replaced by the new VA management and advisory regimes (as well as the VA dealing regime). Given this, intermediaries currently conducting VA-related activities under the existing regime will be required to obtain a licence or registration under the new regimes once introduced, although an expedited process will be in place for firms already conducting these activities.

As stated above, we expect a legislative regime to be introduced into the Legislative Council during the course of this year. As the Consultation Conclusions also establish that there will be no deeming arrangements in place for existing VA advisory or VA management service providers, the FSTB and SFC have encouraged those industry stakeholders already engaged in or interested in providing VA advisory or VA management services are encouraged to engage with the SFC or the HKMA as soon as possible to discuss the licensing or registration process, and to provide feedback on applicable regulatory requirements.

[1] *“Consultation Conclusions Legislative Proposal to Regulate Virtual Asset Advisory Service Providers and Virtual Asset Management Service Providers”*, jointly published by the Financial Services and the Treasury Bureau and the Securities and Futures Commission on May 26, 2026, accessible here:

<https://apps.sfc.hk/edistributionWeb/api/consultation/conclusion?lang=EN&refNo=25CP12>.

[2] *“Hong Kong Concludes Consultations on Regulation of Virtual Asset Dealing and Custodian Services – With Yet More to Come”*, published by Gibson, Dunn & Crutcher on January 5, 2026, accessible here: <https://www.gibsondunn.com/hong-kong-concludes-consultations-on-regulation-of-virtual-asset-dealing-and-custodian-services-with-yet-more-to-come/>.

[3] *“Joint circular on intermediaries’ virtual asset-related activities”* jointly published by the Securities and Futures Commission and the Hong Kong Monetary Authority on December 22, 2023, accessible [here](#), and supplemented by the *“Supplemental joint circular on intermediaries’ virtual asset-related activities”* jointly published by the Securities and Futures Commission and the Hong Kong Monetary Authority on September 30, 2025, accessible at:

<https://apps.sfc.hk/edistributionWeb/gateway/EN/circular/doc?refNo=25EC50>.

[4] *“Hong Kong’s Regulators Refresh Guidance on Virtual Assets and Propose Legal Framework for Stablecoin Issuers”*, published by Gibson, Dunn & Crutcher on February 2, 2024, accessible at: <https://www.gibsondunn.com/hong-kong-regulators-refresh-guidance-on-virtual-asset-and-propose-legal-framework-for-stablecoin-issuers/>; *“Hong Kong SFC and HKMA Release Supplemental Guidance on Virtual Asset-Related Activities”* published by Gibson, Dunn & Crutcher on October 9, 2025, accessible at: <https://www.gibsondunn.com/hong-kong-sfc-and-hkma-release-supplemental-guidance-on-virtual-asset-related-activities/>.

[5] Specific stablecoins are defined under section 4 of the Stablecoins Ordinance as stablecoins that maintain their value by referencing official currencies. See “*Hong Kong Gets Ready for Stablecoin Regulation: HKMA Prepares for Enactment of the Regime*” published by Gibson, Dunn & Crutcher on June 4, 2025, accessible at: <https://www.gibsondunn.com/hong-kong-gets-ready-for-stablecoin-regulation-hkma-prepares-for-enactment-of-the-regime/>.

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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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