

Hong Kong

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1. Fintech regulatory framework: a summary of the most relevant laws and regulations concerning fintech and financial innovation.

Latest policy initiatives relating to fintech

In June 2025, the Hong Kong¹ Government issued Policy Statement 2.0 on the Development of Digital Assets in Hong Kong, reinforcing its commitment to establishing Hong Kong as a global hub for innovation in digital assets. Building upon the foundational measures outlined in the Hong Kong Government's initial policy statement released in October 2022, Policy Statement 2.0 introduces the 'LEAP' framework:

- legal and regulatory streamlining;
- expanding tokenised products;
- advancing use cases and cross-sectoral collaboration; and
- people and partnership development.

Key measures include establishing unified licensing regimes for digital asset dealing, custodian and other service providers overseen by the Hong Kong Securities and Futures Commission (SFC); implementing the Stablecoins Ordinance (SO); and conducting a comprehensive legal review to facilitate tokenisation of real-world assets and financial instruments. These initiatives aim to create a trusted, innovative ecosystem that balances investor protection with market competitiveness. In essence, Policy Statement 2.0 sets out a vision for a trusted and innovative digital asset ecosystem that prioritises risk management and investor protection, while delivering concrete benefits to the real economy and financial markets.

As far as the banking sector is concerned, Hong Kong's central banking institution and banking regulator, the Hong Kong Monetary Authority (HKMA), is transitioning the banking industry from 'All Banks Go Fintech' to 'All Banks Gone Fintech', promoting artificial intelligence (AI), digital banks, tokenisation, RegTech, central bank digital currency (CBDC) pilots and next-generation payments infrastructure. Among other things, the HKMA has launched Project Ensemble, a flagship initiative to develop a tokenisation infrastructure for wholesale financial markets, enabling the settlement of tokenised assets using digital money through regulated intermediaries. In parallel,

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1 In this report, 'Hong Kong' refers to the Hong Kong Special Administrative Region of the People's Republic of China. Under the constitutional principle of 'One Country, Two Systems', enshrined in the Basic Law of Hong Kong, Hong Kong maintains a high degree of autonomy and preserves its own economic system, common law legal framework, and regulatory regime for at least 50 years after 1997. Under this arrangement, Chinese Mainland laws and regulations generally do not apply in Hong Kong. This arrangement allows Hong Kong to operate as a separate customs territory and international financial centre with its own monetary, fiscal and regulatory policies. It is important to note that the Chinese Mainland adopts vastly different policies and regulations toward crypto assets, including a general ban on the issuance, trading and mining of cryptocurrencies and similar assets, whereas Hong Kong has implemented a regulated framework for digital assets, as described in this chapter. Please refer to the separate chapter on Chinese Mainland.

the HKMA is piloting CBDCs under Project mBridge, a multijurisdictional platform co-developed with the Bank for International Settlements and several central banks to facilitate real-time cross-border payments using wholesale CBDCs. The HKMA has also expanded the Commercial Data Interchange (CDI) for secure data sharing and enhanced the Faster Payment System (FPS) to improve cross-border interoperability. Additionally, the HKMA operates the Fintech Supervisory Sandbox (FSS), now upgraded to FSS 3.0, which allows banks and other HKMA-regulated authorised institutions and technology firms to test innovative solutions under flexible regulatory conditions.

More recently, the HKMA outlined the vision of 'Fintech 2030' to make Hong Kong a robust, resilient and future-ready fintech hub. 'Fintech 2030' will focus on four strategic pillars, collectively known as DART, with a comprehensive portfolio of over 40 initiatives, including:

- **Creating Next-generation Data and Payment Infrastructure:** The HKMA will develop robust and future-ready infrastructure to support secure, efficient and scalable data sharing, as well as bolster cross-border payment connectivity.
- **A New Holistic 'Artificial Intelligence x Authorised Institutions' Strategy (AI2 Strategy):** The new strategy will further drive the comprehensive and responsible adoption of AI across the financial sector in Hong Kong and beyond, as well as develop shared, scalable AI infrastructure and finance-specific models in collaboration with industry stakeholders.
- **Enhancing Business, Technology and Quantum Resilience:** The HKMA is taking proactive steps to strengthen the resilience of the financial sector, including a new fintech-specific cybersecurity certification framework and a new system of early detection through real-time analysis. In shaping the future of quantum finance, the HKMA will drive industry readiness for post-quantum cryptography (PQC) and building quantum-safe infrastructure for secured financial services.
- **Tokenisation of Finance:** To build a vibrant tokenisation ecosystem in Hong Kong, the HKMA will accelerate the tokenisation of real-world assets (RWAs), including financial assets, and lead by example by regularising the issuance of tokenised government bonds and exploring the concept of tokenising the Exchange Fund papers. Their settlements on blockchains will be enabled by new forms of digital money, including e-HKD, tokenised deposits and regulated stablecoins.

The SFC has established a robust regulatory framework for virtual assets, licensing virtual asset trading platforms (VATPs) and authorising Asia's first batch of virtual asset spot exchange-traded funds (ETFs). In February 2025, the SFC unveiled its 'A-S-P-I-Re' roadmap – Access, Safeguards, Products, Infrastructure, and Relationships – to future-proof Hong Kong's digital asset ecosystem. Current priorities include introducing licensing regimes for virtual asset dealers, custodians and other service providers; expanding tokenisation initiatives; and integrating investor protection standards from traditional finance into Web3. The SFC also operates a Regulatory Sandbox for licensed firms to test fintech solutions such as tokenisation, robo-advisory and compliant crypto trading under controlled conditions.

The Insurance Authority (IA) regulates fintech innovation in the insurance sector under the Insurance Ordinance (IO) and has launched several insurtech-focused programmes. These

include the Insurtech Sandbox, which allows insurers and brokers to pilot digital solutions under flexible supervisory arrangements, and the Fast Track programme for authorising digital-only insurers. The IA also established an Insurtech Facilitation Team to provide guidance and dialogue with industry participants. Recent initiatives focus on AI adoption, with the IA launching the AI Cohort Programme in August 2025 to promote responsible AI use in underwriting, claims and fraud detection.

Legal and regulatory framework

Depending on their financial services licensing status, as well as product and service offerings, fintech businesses in Hong Kong are primarily governed by one or more of the following laws and the regulatory regimes thereunder.

- The Banking Ordinance (BO), which regulates banks (including digital banks) and banking activities.
- The Securities and Futures Ordinance (SFO) regulates securities, futures and asset management activities (including tokenised securities and digital asset management activities), as well as financial intermediaries that engage in those activities.
- The Payment Systems and Stored Value Facilities Ordinance (PSSVFO) regulates payment systems and stored value facilities (SVFs), including e-wallets and prepaid cards.
- The Money Lenders Ordinance (MLO) regulates money lenders, including fintech lending businesses outside the banking sector.
- The Insurance Ordinance (IO) regulates insurance companies and insurance sector intermediaries, including those engaged in insurtech activities.
- Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO) imposes customer due diligence (CDD) and record-keeping requirements for financial institutions and designated non-financial businesses and professions, and establishes licensing regimes for money service operators and trust or company service providers. Under AMLO, virtual asset service providers (VASPs) are subject to a dedicated regulatory framework that requires them to be licensed by the SFC; comply with anti-money laundering and counter-terrorist financing (AML/CFT) obligations; and implement robust systems for risk assessment, transaction monitoring and suspicious transaction reporting in line with the Financial Action Task Force (FATF) standards.
- Most recently, the SO, which became effective in August 2025, establishes a comprehensive licensing and regulatory regime for issuers of stablecoins that purport to maintain a stable value with reference to one or more fiat currencies, known as fiat-reference stablecoins (FRS).

Recent enactment of the SO

The SO and related implementation guidelines issued by the HKMA came into effect on 1 August 2025, marking a significant milestone for Hong Kong's ambition to become a leading hub for digital assets. Globally, Hong Kong is among the first major financial centres to implement a comprehensive licensing and regulatory regime for FRS issuers, reflecting its commitment to financial stability and innovation.

The SO reflects the principle of 'same activity, same risk, same regulation', ensuring alignment with international standards (such as the Financial Stability Board's policy recommendations for global stablecoin arrangements and the Basel Committee on Banking Supervision's the 'Basel Committee' prudential standards for crypto asset exposures) while adapting to local circumstances. It provides safeguards against financial stability risks and money laundering; promotes investor protection; and lays a solid foundation for the robust and sustainable development of the digital asset ecosystem in Hong Kong.

Under the SO, no person may: (1) issue FRS in Hong Kong; (2) issue FRS referencing the Hong Kong dollar anywhere in the world; or (3) actively market their issuance of FRS to the Hong Kong public, unless licensed by the HKMA as a stablecoin issuer. The licensing regime under the SO imposes stringent requirements on licensed issuers of FRS, including:

- **Full reserve backing:** FRS must be backed 1:1 by reserve assets of high quality and high liquidity that are held in a segregated, bankruptcy-remote manner.
- **Redemption rights:** Issuers must generally process valid redemption requests within one business day.
- **Local incorporation:** Issuers must generally be incorporated in Hong Kong and maintain a physical presence in Hong Kong.
- **Financial soundness:** Issuers must maintain adequate capital, liquidity and financial resources.
- **AML/CTF compliance:** Issuers must comply with extensive AML/CFT obligations.
- **Prudential and risk management:** Issuers must comply with audit, information disclosure, governance, risk management, cybersecurity and business continuity planning requirements.

Eligible reserve assets backing stablecoins include cash, bank deposits, certain government bonds and repos/reverse repos, as well as money market funds invested in these instruments. Tokenised representations of eligible assets are permitted, provided issuers demonstrate compliance with HKMA's quality and liquidity criteria.

The HKMA will review licence applications in accordance with the SO and relevant regulatory requirements, with the aim of announcing the first batch of stablecoin issuer licenses in 2026.

Basel Crypto Asset Standards

Hong Kong has amended to its regulatory capital rules for locally incorporated Hong Kong banks to implement the Basel Committee's standards for the regulatory capital and prudential treatment of banks' crypto asset exposures (Basel Crypto Asset Standards). The Basel Crypto Asset Standards are important because they prescribe how much regulatory capital banks must hold for their crypto asset exposures. Under the Basel Crypto Asset Standards, crypto assets (including tokenised assets and stablecoins) that use permissionless blockchains without effective risk mitigants, unbacked crypto assets (such as bitcoin) and stablecoins with ineffective stabilisation mechanisms will generally be subject to a high capital charge, making it more expensive for banks to invest in such assets. Hong Kong banks must comply with the Basel Crypto Asset Standards beginning in January 2026, making Hong Kong one of the first major jurisdictions to implement the Basel Crypto Asset Standards. Internationally, the Basel Committee has stated that it will expedite a review of targeted elements of the Basel Crypto Asset Standards in light of recent crypto asset market developments.

2. Regulations on crypto assets: a summary of the legal framework regarding crypto assets and how they are regulated.

Legal nature of cryptocurrencies

In March 2023, the Court of First Instance of Hong Kong delivered a landmark judgment in *Re Gatecoin Limited (In Liquidation)* [2023] HKCFI 914, ruling for the first time that cryptocurrency constitutes 'property' under Hong Kong law. This decision aligns Hong Kong's jurisprudence with that of other major common law jurisdictions and confirms that cryptocurrencies enjoy legal recognition and enforceability in judicial proceedings.

The Hong Kong court in the *Gatecoin* case, like the courts in many other common law jurisdictions, applied the common law definition of 'property' established in *National Provincial Bank v Ainsworth* [1965] AC 1175 to determine whether cryptocurrency constitutes property. The *Ainsworth* case sets out a four-prong test which provides that, in order for a subject matter to be 'property', it must be '[1] definable, [2] identifiable by third parties, [3] capable in its nature of assumption by third parties, and [4] have some degree of permanence or stability'. With reference to the unique characteristics of cryptocurrency and the digital wallets holding them, including the public key (which is analogous to a bank account number) and the private key (which is analogous to a PIN or password), the Hong Kong court in the *Gatecoin* case concluded that cryptocurrency had all the attributes of 'property'.

Recognising cryptocurrency as property is significant for a legal system because it means cryptocurrency carries the same legal characteristics as other forms of property. These include conferring proprietary rights that are enforceable against the whole world (known as rights *in rem*), being able to be purchased and sold, and capable of being the subject matter of a trust. As a form of property, cryptocurrency can also be: (1) the subject of security interests; (2) inherited upon death; and (3) included in the bankruptcy estate of individuals or companies. In short, treating cryptocurrency as property ensures that established legal principles apply to it, providing certainty and consistency, even though the technology behind it is new.

Regulatory classification of different types of crypto assets

The regulatory classification of crypto assets in Hong Kong is determined based on their function and nature. Crypto assets can be broadly divided into the following categories:

- **Tokenised securities** are traditional financial instruments (such as bonds, shares and investment fund ownership interests) that are 'securities' as defined in the SFO that use blockchain or other distributed ledger technology (DLT) in their security lifecycle. Applying the principle of 'same activity, same risk, same regulation', tokenised securities are treated as securities for legal and regulatory purposes in Hong Kong, and are generally subject to the same securities laws and regulations as traditional securities. Therefore, regulated activities relating to tokenised securities are generally overseen by the SFC in accordance with the regulatory regime established by the SFO.
- **Other tokenised financial products (such as loans and deposits).** These are traditional financial products (such as loans and deposits) that use blockchain or other DLT but do not constitute 'securities' as defined in the SFO. Where these tokenised financial products (such as tokenised deposits, which are digital representations of commercial bank deposits) are offered by a regulated bank, they are subject to the HKMA's oversight under the BO. Applying the principle of 'same activity, same risk, same regulation', tokenised financial products are generally subject to the same laws and regulations as traditional financial products.
- **Stablecoins** are DLT-based digital assets that purport to maintain a stable value with reference to one or more assets. The issuance and offering of FRS in Hong Kong are subject to the SO, as described above.
- **Virtual assets** (such as bitcoin) are defined in the AMLO as cryptographically secured digital representations of value that can be used as a medium of exchange for payment or investment purposes, or to provide access to goods, services or other benefits, and that can be transferred, stored or traded electronically, but does not include: (1) digital representations of value issued by governments or central banks; or (2) securities, futures and certain other regulated financial products. As explained above and further below, the provision of services relating to virtual assets (such as operating a centralised virtual asset trading platform) are subject to licensing and regulation by the SFC pursuant to the AMLO.

Tax treatment of crypto assets

Hong Kong does not impose capital gains tax, so profits from buying and selling crypto assets and other digital assets are generally not taxed if they are held for investment. However, if trading is frequent or carried out as a business, the profits are treated as taxable income and subject to Hong Kong's profits tax.

CBDCs and interaction with privately issued digital money

Since 2017, the HKMA has begun explorative work on a CBDC (known as e-HKD) using DLT as its foundation. This work has covered the potential applications of e-HKD in both wholesale and

retail scenarios. The HKMA has advanced the development of e-HKD through a comprehensive 'three-rail' strategy, emphasising pilot programmes, industry sandbox collaborations and international interoperability initiatives.

Throughout 2025, the HKMA underwent Phase 2 of its e-HKD Pilot Programme, engaging major banks, payment technology providers and fintech firms to test use cases including programmable payments, tokenised deposits, offline payment applications, and settlement interoperability between e-HKD and private sector digital money. Phase 2 evaluated the commercial viability and scalability of eHKD in various retail scenarios. It also compared e-HKD with tokenised deposits to assess the distinctive value that e-HKD can bring in retail scenarios.

The findings from the e-HKD pilots demonstrated that e-HKD can deliver substantial benefits, particularly as a settlement medium for tokenised assets, including investment funds, bonds and other financial products. However, the pilots also showed that privately issued digital money, such as tokenised deposits, could in some contexts achieve similar efficiencies. Furthermore, the pilots indicated that the potential benefits of extending the use of e-HKD to retail scenarios might not substantially outweigh the operational challenges. A sustainable business model has yet to be identified which would incentivise the private sector to implement e-HKD in retail scenarios. Given Hong Kong's diversified, advanced, efficient and secure retail payment landscape, it remains uncertain whether e-HKD in retail use cases would deliver the anticipated incremental benefits observed in the pilots.

Given these findings, the HKMA has stated that it will prioritise the development of e-HKD for financial institutions for wholesale use. As a CBDC, e-HKD is free of credit risk, setting it apart from privately issued digital money. This risk-free characteristic is particularly crucial for large-value wholesale transactions, where credit risk is more pronounced. It also allows e-HKD to serve as a monetary anchor that secures the 'singleness of money'. This is vital for the wide adoption of other privately issued digital money. The HKMA has therefore concluded that the immediate priority for e-HKD lies in areas beyond retail use cases at this stage and will hence prioritise the future e-HKD work in wholesale payments, which has already been implemented in some applications, to support the development of the tokenisation ecosystem and cross-border payments, such as settlements of international trade.

In general, Hong Kong's policy and regulatory framework promotes synergy and coexistence among various forms of digital money: the prospective e-HKD for wholesale use, regulated stablecoins issued by private sector entities (subject to the comprehensive licensing regime under the SO), and tokenised commercial bank deposits. This framework is designed to enable interoperability among these three forms of digital money.

The HKMA has also deepened international collaboration, particularly through the ongoing mBridge cross-border CBDC initiative (conducted in partnership with the Bank for International Settlements and regional central banks), and has played a leadership role in developing frameworks for secure, scalable and interoperable public-private digital currency ecosystems.

Regulatory developments in Hong Kong's digital money and payment systems

The HKMA launched Project Ensemble in March 2024 as a pioneering wholesale central bank digital currency (wCBDC) initiative to digitise and modernise Hong Kong's payments and settlement infrastructure. Project Ensemble focuses on the tokenisation market in Hong Kong, developing innovative financial market infrastructure that enables seamless interbank settlement of tokenised money, with initial emphasis on tokenised deposits. In this context, Project Ensemble is designed to facilitate settlement processes related to tokenised assets, addressing technical interoperability among wCBDC, tokenised money and other tokenised financial products.

A key component of Project Ensemble is the Sandbox, established to test tokenisation use cases and enable end-to-end settlement experimentation under actual business conditions. The Sandbox prioritises four thematic areas for ongoing regulatory and technical development: fixed income and investment funds, liquidity management, green and sustainable finance, and trade and supply chain finance.

Project Ensemble forms part of Hong Kong's broader fintech strategy, complementing developments in e-HKD and stablecoin regulation. It is expected to generate regulatory innovation, facilitate public-private collaboration, and provide market participants with a future-proof framework for digital money, tokenised deposits and settlement of tokenised assets.

In November 2025, the HKMA announced the launch of EnsembleTX, marking the commencement of the pilot phase of Project Ensemble. This milestone represents a significant advancement in enabling real-value transactions involving tokenised deposits and digital assets within a controlled pilot environment. Under EnsembleTX, interbank settlement of tokenised deposit transactions will initially be facilitated via the HKD real-time gross settlement (RTGS) system. The pilot environment will be progressively upgraded and enhanced to support settlement in tokenised central bank money on a 24/7 basis. This evolution will further enable the continuous development of Hong Kong's broader tokenisation ecosystem.

3. Payment service providers and digital wallets: a summary of regulations applying to payment service providers and/or digital wallets.

Hong Kong maintains a comprehensive and well-developed legal and supervisory framework governing payment service providers. This framework is principally governed by the PSSVFO and administered by the HKMA. The PSSVFO provides the statutory basis for the licensing and oversight of SVFs such as e-wallets and prepaid cards, and the designation and regulation of retail payment systems (RPSs).

The regulatory regime established under the PSSVFO reflects Hong Kong's commitment to maintaining a secure, efficient and transparent payments ecosystem, supporting innovation while safeguarding systemic stability and consumer interests.

Under the PSSVFO, the HKMA grants SVF licences only if applicants meet stringent minimum criteria relating to financial soundness, governance, risk management, operational reliability and compliance with AML/CFT requirements. Licensees must maintain adequate capital, implement robust internal controls and ensure customer protection measures are in place.

For RPSs, the HKMA designates systems that are critical to Hong Kong's financial infrastructure – such as Visa, Mastercard, UnionPay and JETCO – and oversees their compliance with safety, efficiency and settlement finality standards. The HKMA issues detailed guidelines on governance, risk management and operational resilience, and has the power to impose pecuniary penalties and other sanctions for non-compliance.

While no major legislative overhaul of the PSSVFO is currently anticipated, the HKMA is expected to introduce enhanced FPS interoperability standards, encourage open banking initiatives and data-sharing frameworks, and issue new guidance to facilitate the integration of digital assets and stablecoins within the payment ecosystem. The HKMA is also conducting consultations and pilots on cross-border e-wallet usage and multi-currency payment solutions, such as linking FPS with Chinese Mainland's payment systems and expanding the e-CNY pilot.

4. Special support for fintechs: a description of special programmes supporting the fintech ecosystem, fintech startups (eg, regulatory sandboxes and accelerator programmes) and regulations regarding special support.

Hong Kong provides a comprehensive suite of programmes and regulatory initiatives to support the fintech ecosystem, particularly fintech startups, through controlled testing environments, talent development schemes and cross-sector collaboration. These programmes are actively supported by financial regulators, including the HKMA, SFC and IA.

Regulatory sandboxes

Hong Kong operates sector-specific regulatory sandboxes that allow innovative fintech solutions to be tested in a confined, risk-managed environment before full-scale deployment:

- **HKMA Fintech Supervisory Sandbox (FSS):** Launched in 2016 and now upgraded to FSS 3.0, this sandbox enables banks and technology firms to conduct pilot trials of fintech initiatives – such as digital onboarding, RegTech and blockchain technology – without full compliance with supervisory requirements. It includes a Fintech Supervisory Chatroom for early-stage regulatory feedback and links with the SFC and IA sandboxes to facilitate cross-sector projects. Recent initiatives include a Generative AI Sandbox launched in collaboration with Cyberport to promote responsible AI adoption in banking.
- **SFC Regulatory Sandbox:** Established in 2017, the SFC sandbox offers licensed corporations and startups intending to carry on regulated activities under the SFO a controlled environment to deploy fintech solutions such as robo-advisory, tokenisation and digital wealth management. Participants operate under close supervision and may receive tailored licensing conditions and regulatory waivers to address risks before scaling their services.
- **IA Insurtech Sandbox:** Introduced in 2017, the IA sandbox allows authorised insurers and licensed insurance brokers to pilot innovative insurtech applications – such as AI-driven underwriting, digital distribution and RegTech tools – under flexible supervisory arrangements. The IA also operates a Fast Track programme for digital-only insurers and

has set up an Insurtech Facilitation Team to provide guidance and maintain dialogue with industry participants.

Accelerator and talent development programmes

Beyond sandboxes, Hong Kong's government agencies and regulators run initiatives to nurture fintech talent and accelerate market entry, including:

- **HKMA Fintech Career Accelerator Scheme (FCAS):** Offers gap-year placements, internships and cross-border programmes in collaboration with Cyberport, Hong Kong Science and Technology Parks (HKSTP) and the IA. It includes tracks for banking and insurance, entrepreneurship boot camps and partnerships with global institutions.
- **Fintech Promotion Roadmap:** Jointly launched by HKMA, SFC and IA, this roadmap sets out initiatives such as industry-wide showcase events, training sessions and the creation of a Fintech Knowledge Hub to promote adoption of technologies like AI, DLT and green fintech across sectors.

5. Open banking: a summary of regulations regarding open banking and direct or indirect regulations that affect open banking.

Open banking framework

Hong Kong does not have a specific statute that mandates open banking. Instead, a sophisticated regulatory framework is anchored on the HKMA's Open API Framework, which was introduced in July 2018 as part of the 'Smart Banking' initiatives. The framework adopts a risk-based approach and a phased implementation model to enable secure, consent-driven data sharing between banks and licensed third-party service providers (TSPs). By 2025, open banking has been broadly adopted among major banks through a multi-phase programme, supported by both legislation and industry standards:

- Phase I covers the sharing of product information, including deposit rates, credit card offerings, service charges and other public information.
- Phase II facilitates customer acquisition through new applications for credit cards, loans and other products.
- Phase III encompasses account information, such as account balances, credit card outstanding balances, transaction records and credit limit changes.
- Phase IV enables transactions, including payments and transfers.

The HKMA has published detailed guidance on technical standards, security protocols and TSP governance, requiring banks to adopt a common baseline for onboarding and supervising TSPs. This includes robust requirements for data security, access control, incident management and customer protection. All data sharing under open banking is opt-in and consent-driven, and is subject to compliance with the Personal Data (Privacy) Ordinance (PDPO).

In June 2025, the Banking Ordinance was amended to introduce a voluntary mechanism for banks and law enforcement agencies to share sensitive account information via HKMA-designated secure platforms when detecting suspected financial crimes such as money laundering or terrorist financing. The amendment provides a legal safe harbour for banks that disclose information in good faith, enhancing fraud prevention and AML collaboration while safeguarding privacy. This mechanism complements open banking by promoting trusted data exchange for crime prevention without undermining consumer rights.

6. Regulation of virtual asset service providers.

Licensing framework

A mandatory licensing and regulatory framework for VASPs was introduced in June 2023 under amendments to the AMLO and is overseen by the SFC. The framework requires VASPs to demonstrate robust financial soundness, implement comprehensive operational risk controls, satisfy minimum capital requirements and comply with rigorous AML/CFT standards.

Currently, Hong Kong's VASP regulatory framework applies primarily to operators of centralised VATPs that provide automated order-matching services and custody of client assets. Under this framework, VATPs must, among other things:

- demonstrate that they are 'fit and proper' in terms of financial integrity, competence, risk management and governance;
- maintain minimum financial sources; and
- implement robust internal controls, risk management systems and investor protection measures, including restrictions on proprietary trading and derivatives, mandatory segregation of client assets held on trust and cold storage of almost all client virtual assets.

Additionally, VATPs must establish compensation arrangements approved by the SFC to cover potential losses of client assets. Generally, retail access to VATPs is permitted only for large-cap virtual assets listed on recognised indices, and suitability assessments are mandatory to ensure appropriate trading limits.

VATPs in Hong Kong are generally expected to hold licences under both the AMLO regime for VASPs and the SFO for Type 7 regulated activity (providing automated trading services). This dual licensing approach reflects the reality that the regulatory classification of certain digital assets can change over time, oscillating between being virtual assets and securities. To avoid contraventions of licensing requirements and prevent sudden service disruptions caused by such reclassifications, the SFC recommends that platforms apply for both licences from the outset. This ensures business continuity and compliance with both regimes, as platforms offering trading services in tokenised securities fall under the SFO, while those dealing in non-security virtual assets are regulated under the AMLO. The SFC has streamlined the process by allowing applicants to submit a single consolidated application for both licences, reinforcing its principle of 'same activity, same risk, same regulation' across the virtual asset sector.

Compliance with stringent AML/CFT obligations is central to the VATP regulatory regime, requiring risk-based CDD, transaction monitoring, sanctions screening and adherence to the Travel Rule for virtual asset transfers. By way of background, the Travel Rule is a requirement derived from FATF Recommendation 16, which mandates that originators and beneficiaries of virtual asset transfers must exchange identifying information alongside the transaction. Hong Kong's implementation of the Travel Rule requires licensed VATPs to implement systems to collect, verify and transmit customer details such as names, account numbers and wallet addresses when processing transfers, ensuring traceability and mitigating risks of money laundering and terrorist financing. The rule applies to both domestic and cross-border transfers, and is part of Hong Kong's broader effort to align with global standards and strengthen transparency in virtual asset transactions.

Enforcement and supervisory authority in respect of VATPs is vested in the SFC, which is responsible for processing all licensing applications, supervising licensed VASPs, issuing sector-wide guidance and taking enforcement action in the event of non-compliance. The SFC has full inspection, investigation and disciplinary powers under the AMLO and SFO.

Future developments

To stay ahead of the fast-evolving virtual asset landscape, in February 2025, the SFC launched a new regulatory roadmap that deploys a five-pillar framework called 'A-S-P-I-Re'. The A-S-P-I-Re regulatory roadmap is designed to future-proof Hong Kong's virtual asset ecosystem. The roadmap's 12 initiatives include streamlined market access, adaptive compliance and product frameworks, and infrastructure upgrades to bridge traditional finance (TradFi) reliability with blockchain efficiency. This embodies a pragmatic approach to solidify Hong Kong's role as a trusted nexus for virtual asset liquidity. It also reflects Hong Kong's policy goal of becoming a premier global hub for regulated virtual assets while safeguarding investors and maintaining market integrity.

More specifically, the A-S-P-I-Re roadmap consists of the following key components:

- Access: streamline market entry through regulatory clarity.
- Safeguards: optimising compliance burdens without compromising security.
- Products: expand product offerings and services based on investor categorisation.
- Infrastructure: modernise reporting, surveillance and cross-agency collaboration.
- Relationships: empower investors and industry through education, engagement and transparency.

As part of the A-S-P-I-Re roadmap, the SFC has published two circulars for VATPs to take a significant step in tapping global liquidity (by allowing VATPs to combine their orders with those of affiliated overseas VATPs in a shared order book) and broadening the range of product and service offerings (by allowing VATPs to offer trading in virtual assets without a 12-month track record for professional investors and for HKMA-licensed stablecoins, as well as to distribute tokenised securities and digital asset-related investment products).

In addition to the existing licensing regime for VATPs – which primarily covers centralised virtual asset exchanges – the Hong Kong Government and the SFC plan to expand the regulatory framework for VASPs to include over-the-counter (OTC) virtual asset dealers and virtual asset custodians. On 27 June 2025, the Financial Services and the Treasury Bureau (FSTB) and the SFC jointly launched a public consultation on legislative proposals to establish licensing regimes for these two categories of VASPs. The FSTB and SFC published their consultation conclusions on 24 December 2025, making some important adjustments to their original proposals.

Under the proposed licensing regime for virtual asset dealing service providers, any person carrying on a business of providing virtual asset dealing services in Hong Kong – whether through physical outlets or online platforms – will need to be licensed by the SFC. The licensing regime will largely align with that for Type 1 (dealing in securities) regulated activity under the SFO as applicable to conventional securities dealing activities.

As for virtual asset custodian service providers, the proposed licensing regime will focus on managing risks relating to safekeeping private keys of client virtual assets in Hong Kong, which is the core risk area of virtual asset custody, with a view to enhancing the security of client assets. Under the regime, the SFC will set standards for segregation of client assets, cybersecurity and operational resilience. These measures aim to close regulatory gaps, strengthen investor protection and ensure market integrity under the principle of ‘same activity, same risk, same regulation’.

In response to the feedback received, the FSTB and SFC also launched a further public consultation on establishing separate licensing regimes for virtual asset advisory service providers (based on the existing regime for Type 4 (advising on securities) regulated activity under the SFO) and virtual asset management service providers (based on the existing regime for Type 9 (asset management) regulated activity under the SFO), instead of covering the relevant virtual asset-related activities under the licensing regime for virtual asset dealing service providers, as originally proposed. This revised regulatory approach will model itself on the regulatory framework applicable to the conventional securities market, and will provide greater clarity as regards the scope of activities regulated under different virtual asset licensing regimes.

The FSTB and SFC plan to finalise legislative proposals for the aforementioned VASP licensing regimes, with a target of introducing a bill to amend the AMLO into the Legislative Council in 2026.

7. AML and the Travel Rule in crypto asset transactions.

AML/CTF obligations for VASPs and stablecoin issuers

Hong Kong imposes stringent AML/CFT requirements on, among others, VASPs and regulated financial institutions. The primary statute governing these requirements is the AMLO, as amended with effect from June 2023, which introduced mandatory licensing for all VASPs operating in, or actively marketing to, Hong Kong.

VASPs licensed under the AMLO must comply with strict AML/CTF standards analogous to those for traditional financial institutions. These include CDD, ongoing monitoring, record-keeping, transaction surveillance, reporting of suspicious transactions and sanctions screening. The regime ensures that VASPs are subject to the same level of regulatory scrutiny as traditional financial institutions,

reflecting the principle of ‘same activity, same risk, same regulation’. Specifically, licensed VASPs must implement comprehensive AML/CFT controls. These include conducting CDD at onboarding and throughout the business relationship, ongoing monitoring of transactions and maintaining records for the requisite period. VASPs are also required to establish systems for transaction surveillance, sanctions screening and reporting suspicious transactions to the Joint Financial Intelligence Unit (JFIU). They must also comply with the Travel Rule, which mandates that originator and beneficiary information accompany virtual asset transfers, ensuring traceability and reducing the risk of illicit activity.

In addition to VASPs, stablecoin issuers are subject to similar AML/CFT obligations under the SO, which came into effect on 1 August 2025. Licensed FRS issuers must comply with the HKMA’s Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Stablecoin Issuers), which establishes a risk-based approach to AML/CFT compliance. Issuers are required to conduct thorough risk assessments of their business models, implement robust internal controls and maintain independent compliance functions. They must apply risk-based CDD measures, verify beneficial ownership and monitor transactions for unusual or suspicious patterns, including cross-border transfers of stablecoins.

The HKMA’s Guideline also requires stablecoin issuers to comply with the Travel Rule, screen customers and transactions against sanctions lists, and report suspicious transactions promptly to the authorities. These measures are designed to mitigate money laundering and terrorist financing risks associated with stablecoin issuance and ensure that Hong Kong’s digital asset ecosystem operates with integrity and transparency.

Supervision and enforcement

Supervision and enforcement responsibility resides with the SFC for VASPs and the HKMA for stablecoin issuers. Both authorities conduct periodic inspections, site visits and robust regulatory audits to ensure ongoing compliance. Regulated entities face significant disciplinary, civil or even criminal consequences for non-compliance, including license suspension or revocation and substantial financial penalties. The SFC’s A-S-P-I-Re regulatory roadmap further reinforces surveillance, analytics and fit-and-proper oversight of VASP senior management to enhance effective AML control and investor protection in the digital asset sector.

8. Enforcement and cross-border recognition of tokenisation, and structuring of secured transactions involving crypto assets.

Legal and regulatory framework for tokenisation

The HKMA and SFC have provided guidance on the legal and regulatory treatment of tokenisation in Hong Kong. Their view is that tokenisation generally does not fundamentally change the legal or regulatory classification of an asset. A tokenised asset is essentially a traditional asset with a ‘tokenisation wrapper’: tokenised securities (such as tokenised bonds, shares and investment funds interests) are also securities and are subject to the same Hong Kong securities laws and regulations as traditional securities. The principle applied by regulators is ‘same activity, same risk, same regulation’.

Thus, generally speaking, the same legal and regulatory requirements continue to apply to an asset after it is tokenised.

While the same laws and regulations that apply to traditional assets also apply to their tokenised versions, blockchain and other DLT used in tokenisation introduce new risks which regulated financial intermediaries must identify, disclose and manage. Additional risks associated with tokenisation include, among other things, technology, cybersecurity, ownership, regulatory, custody, systems interoperability and business continuity-related risks. The offering documents for tokenised financial products typically include detailed risk disclosures, and financial intermediaries generally need to submit a detailed business plan to Hong Kong regulators before launching tokenised financial products.

Most tokenisation transactions in Hong Kong involve tokenising regulated financial products such as bonds, shares, investment funds, deposits and loans. Typically, financial products have a traditional register of investors – a centralised database, often just an Excel spreadsheet or a proprietary ledger – where the issuer or an intermediary records and tracks who the investors (including creditors) are; how many units of the financial product each investor owns; and account information in order to pay interest, dividends, principal and other economic benefits. Through the tokenisation process, this traditional register of investors is replaced with a blockchain-based ledger. The blockchain serves as a decentralised, tamper-resistant register of ownership, making transfers and record-keeping more efficient and transparent. Tokens on the blockchain are issued, such that a token holder's name appears on the blockchain-based register of investors and thus becomes a lawful owner of the financial product.

Taking digital assets as collateral

In Hong Kong, there are no special laws or rules that specifically apply to the creation of a security interest over digital assets. Generally, it is possible to take security over almost any type of property in Hong Kong, whether tangible or intangible. This includes real estate, contractual rights and other receivables, securities, bank accounts, ships, aircraft, inventory and digital assets. As noted above, the Hong Kong court in the *Gatecoin* case held that cryptocurrency constitutes property under Hong Kong law, meaning that they can be the subject of a security interest.

Security interests over digital assets, such as cryptocurrencies, are typically created using a fixed charge. A fixed charge is a type of security interest that attaches to specific, identifiable assets and gives the secured party priority over those assets if the debtor defaults. In the context of digital assets, parties usually create a fixed charge over both the digital wallet that holds the assets and the digital assets themselves. This is analogous to creating a security interest over both the bank account and the money standing to the credit deposited therein.

A digital wallet is essentially software or a device that stores the private keys needed to access and transfer digital assets. Because whoever controls the private key can move the assets out of the wallet instantly, the secured party (eg, a lender) will often want to have exclusive knowledge or control of the private key. This ensures that the assets cannot be removed without the secured party's consent, protecting its security interest. However, a security provider may be uncomfortable with this arrangement. It may be concerned that the secured party could misuse its control over the private key and take the assets before any default has occurred, especially since the value of

digital assets can rise sharply in a short period. To address these concerns, a common solution is for the parties to appoint an independent third-party custodian to hold the digital wallet. Under this arrangement, only the custodian knows the private key, and neither the security provider nor the secured party can access the assets unilaterally.

To create this arrangement, the parties would enter into an account control agreement with the custodian. Under this agreement, both parties must jointly instruct the custodian to access or transfer digital assets out of the digital wallet. If the security provider defaults, however, the secured party can unilaterally give instructions to the custodian to dispose of the digital assets and use the proceeds to repay the outstanding debt. This arrangement balances the interests of both sides: it protects the secured party's rights while preventing misuse of the assets before a default occurs.

If the person granting the security is a company incorporated in Hong Kong or is incorporated elsewhere but maintains a registered place of business in Hong Kong, that person is required to register the types of security interests specified by the Companies Ordinance with the Hong Kong Companies Registry. In practice, some security interests that are not required to be registered with the Companies Registry are nevertheless registered with it (such as charges on digital wallets and bank accounts). It is also common practice to notify (and seek consent from) counterparties to contracts or debtors of choses in action of the creation of security interests over the relevant rights.

Security documents governed by Hong Kong law and creating security over assets in Hong Kong generally do not need to be notarised. However, entities incorporated outside of Hong Kong may still need to have the document notarised if required by the law of their place of their incorporation. If a Hong Kong law governed security document covers assets located outside Hong Kong, the applicable requirements in the place where the assets are located should be confirmed. In Hong Kong, stamp duty is generally not payable on the creation of security, although it may be payable upon enforcement of security (eg, on the transfer of land or shares).

In terms of enforcement of security interests, there are no strict requirements with respect to the timing or value of the enforcement procedure. Public auctions and (except for in the case of very limited classes of assets) regulatory consents would not be required. However, the creditor does have certain duties towards the provider of the security to obtain a reasonable price. In an enforcement situation, the creditor would generally appoint a receiver, have the asset valued independently, and consider holding an auction if appropriate. In a compulsory winding-up of the security provider, once a liquidator is appointed, no proceeding may be commenced against the company or its assets without the leave of the court. However, a creditor may appoint a receiver over the relevant assets, and the court would be expected to grant leave for such receiver to take possession of the assets.

9. Litigation and jurisdiction on crypto assets: legal implications of disputes involving crypto assets.

Litigation and jurisdiction in crypto asset disputes

Hong Kong courts adopt a clear, practical and internationally aligned approach to litigation and jurisdiction in crypto asset disputes. This approach reflects both traditional common law principles and recent case law developments that directly address the unique characteristics of digital assets.

Enforceability of foreign governing law, foreign jurisdiction and exclusive jurisdiction clauses

Hong Kong courts will generally uphold a contractual clause selecting foreign law as the governing law of the agreement, provided that the choice is bona fide, legal and not contrary to Hong Kong public policy. This means that the substantive rights and obligations of the parties can be determined under the chosen foreign law, even though the dispute may be litigated or arbitrated in Hong Kong.

Separately, Hong Kong law also recognises and enforces contractual agreements to submit disputes to foreign courts or arbitral tribunals (commonly referred to as forum selection clauses). These clauses are treated as binding if they were freely negotiated and do not contravene Hong Kong public policy or result in manifest injustice. Exclusive jurisdiction clauses are also generally respected and enforced by Hong Kong courts where they are clearly drafted and do not produce oppressive or manifestly unfair outcomes. In practice, Hong Kong courts will typically stay proceedings brought in Hong Kong in favour of the agreed foreign forum, unless strong reasons exist to override the parties' agreement.

Hong Kong courts will generally enforce a final and conclusive foreign judgment without re-examination of the merits, subject to certain exceptions. These include where it would be contrary to public policy, where the foreign judgment was obtained by fraud, and where the judgment relates to foreign penal or revenue laws.

Parties frequently select Hong Kong as the seat for digital asset-related arbitration or litigation, leveraging the jurisdiction's robust legal infrastructure for cross-border enforcement arrangements. Hong Kong benefits from reciprocal enforcement arrangements for foreign judgments and is a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, facilitating the enforcement of arbitral awards involving digital assets across multiple jurisdictions.

In particular, the Hong Kong International Arbitration Centre (HKIAC) plays a pivotal role in Hong Kong's dispute resolution ecosystem. Recognised as one of the world's leading arbitral institutions, HKIAC offers sophisticated rules and procedures tailored to complex cross-border disputes, including those involving blockchain technology, cryptocurrencies and other digital assets. HKIAC has overseen a growing number of cases in this space, demonstrating its experience in handling novel issues such as smart contracts, token valuations and decentralised finance (DeFi). HKIAC's commitment to innovation and efficiency makes it a preferred choice for parties seeking reliable dispute resolution in the rapidly evolving digital economy. A growing number of global digital asset-related agreements are governed by Hong Kong law and select HKIAC arbitration as the dispute resolution mechanism.

Litigation remedies and recognition of crypto assets as property

Recent case law, notably *Gatecoin*, has confirmed that cryptocurrencies constitute 'property' under Hong Kong law. This judicial recognition enables parties to seek a full range of proprietary remedies in disputes involving digital assets, including cases arising from fraud, theft or breach of trust.

Parties may obtain freezing injunctions (including Mareva injunctions and proprietary injunctions), asset tracing orders and recovery relief in respect of digital assets. Interim and permanent injunctions, as well as orders directed at exchanges and other intermediaries, are routinely available to protect digital assets that are the subject of pending litigation or arbitral proceedings.

Practical Implications for market participants

The validity and enforceability of foreign and exclusive jurisdiction clauses in digital asset-related contracts provides legal certainty and predictability to traders, exchanges, investors and fintech platforms. This framework enables market participants to design clear and effective dispute resolution procedures tailored to the cross-border nature of digital asset transactions.

The Hong Kong courts' demonstrated willingness to adapt established common law principles to novel technological and legal issues in crypto disputes is well recognised. This adaptability, combined with Hong Kong's strong judicial and alternative dispute resolution infrastructure, as well as cross-border enforcement mechanisms, renders the jurisdiction an attractive forum for complex digital asset-related litigation and arbitration.

10. Intellectual property (IP) and crypto assets: legal protection, ownership, enforcement, and monetisation of IP rights related to digital and virtual assets

Legal framework and scope of protection

In Hong Kong, the principal statutes governing IP rights include:

- the Copyright Ordinance;
- the Trade Marks Ordinance;
- the Patents Ordinance; and
- the Registered Designs Ordinance.

These statutes are technology-neutral in application and extend protection to computer programs, algorithmic inventions, digital works (including non-fungible tokens (NFTs)) and the underlying software, artwork or databases associated with digital assets.

Ownership of IP is determined by reference to authorship (in the case of copyright), first-to-file principles (for patents and trademarks), contractual assignment or, in certain circumstances, the terms embedded in smart contracts or NFT metadata. The Intellectual Property Department (IPD) maintains comprehensive registers and electronic filing platforms to facilitate registration and enforcement of IP rights.

Enforcement and defence of IP rights

IP rights in Hong Kong are enforceable through both civil litigation and criminal prosecution. The courts have jurisdiction to grant a range of remedies, including injunctive relief, damages, account of profits, delivery up and destruction of infringing items. The Customs and Excise Department actively enforces copyright and trademark rights in both offline and online environments, supported by round-the-clock surveillance operations and specialised cybercrime units. Owners of digital assets or associated IP may institute civil proceedings for infringement, and criminal sanctions are available in cases of wilful counterfeiting or piracy.

IP protection for digital assets is generally territorially limited, rendering foreign registration essential for global enforcement. The selection of foreign jurisdictions for registration is determined by reference to commercial strategy, target markets for monetisation, the strength of enforcement mechanisms and the existence of reciprocal arrangements.

Monetisation

IP rights in digital assets may be monetised in Hong Kong, including through assignment, licensing and securitisation arrangements. Licensed collecting societies and bespoke contractual arrangements, including smart contracts governing NFT royalties or token-based commercial exploitation, should generally be valid and enforceable under Hong Kong law, subject to compliance with contract law principles, consumer protection, securities regulation and competition law. There are no express prohibitions on the monetisation of IP in digital assets, provided that such arrangements do not contravene applicable laws or infringe third-party rights.

The Hong Kong Government announced in its 2025 Policy Address new initiatives to promote Hong Kong as an IP and digital asset trading hub. These initiatives include the establishment of an IP financing sandbox in collaboration with the HKMA, as well as enhanced cooperation with insurers, banks and legal service providers to support IP-backed financing arrangements.



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