

Crypto regulation in Hong Kong

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Sources

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Crypto Legislation

- Securities and Futures Ordinance (SFO)
- Guidelines for Virtual Asset Trading Platform Operators
- Licensing Handbook for Virtual Asset Trading Platform Operators

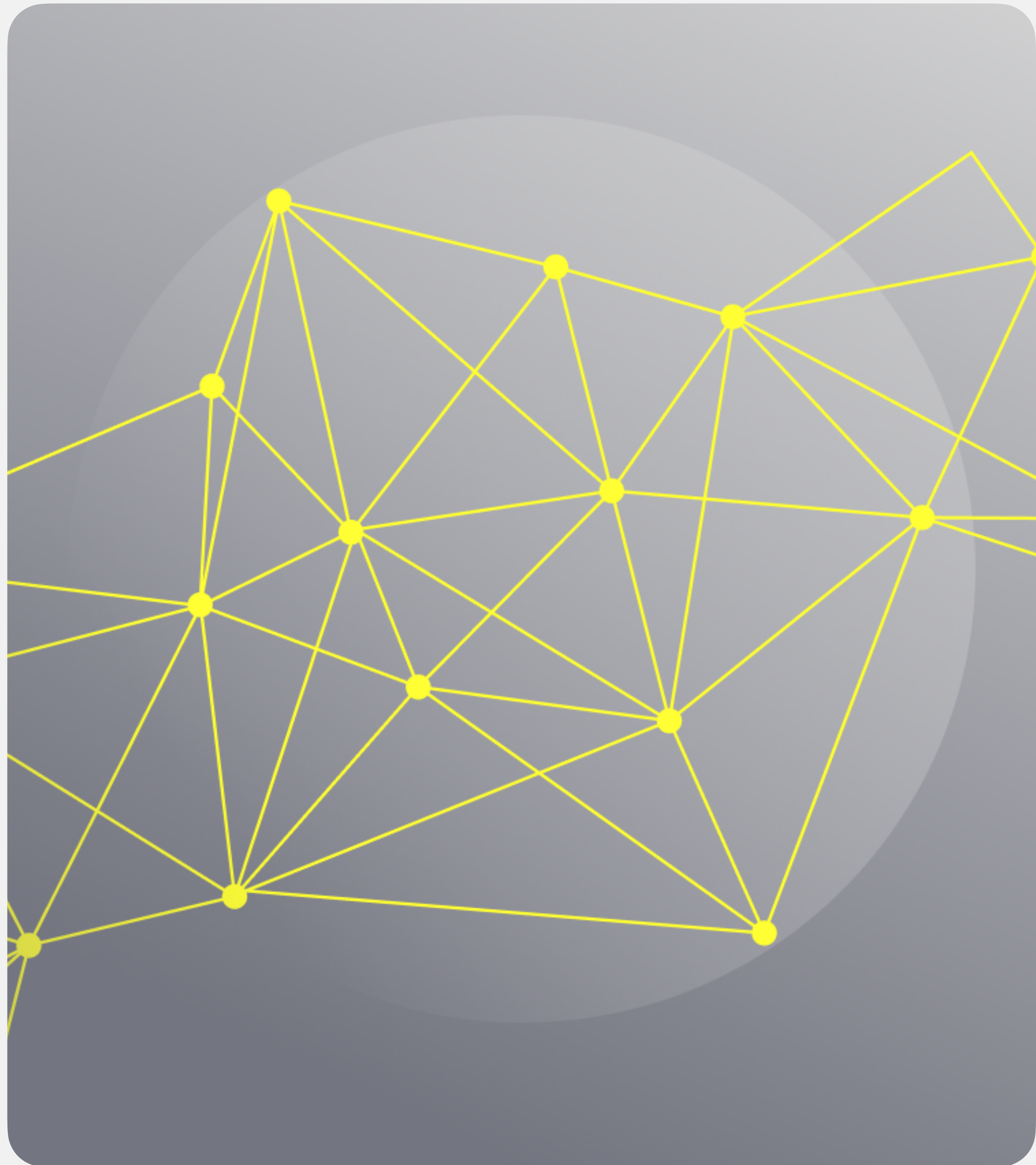
AML Legislation

- Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO)
- FATF Standards on Virtual Assets and Virtual Asset Service Providers

Taxation

- Department interpretation and practice notice N°39 (Revised). Profits tax. Digital Economy, Electronic Commerce and Digital Assets

Overview



Overview Hong Kong

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While Hong Kong is part of China, Hong Kong maintains its own domestic legal system by virtue of its status as a special administrative region. Chinese laws do not apply in Hong Kong as expressly stated in Annex III of the Basic Law.

In December 2022, Hong Kong passed Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Bill 2022 (Amendment Bill), which established a new licensing regime and statutory framework for VASPs from 1 June 2023.

On 20 February 2023, the SFC published a Consultation Paper on the Proposed Regulatory Requirements for Virtual Asset Trading Platform Operators Licensed by the Securities and Futures Commission (Consultation Paper) to consult the market on its proposed regulatory framework for VASPs. On 23 May 2023, the SFC published the Consultation Conclusions to the Consultation Paper (Consultation Conclusions).

Thus, Hong Kong set out a comprehensive framework covering, among others, trading, custody, AML/CFT, corporate governance, and internal controls that VASPs must implement.

Status of regulation:
Positive

Tips & Tricks by D&A Partners

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Hong Kong has recently stepped into the arena of crypto regulation, with formal regulatory frameworks appearing around the middle of 2023. This development marks Hong Kong's transition from a relatively unregulated to a more structured approach towards crypto assets. The introduction of these regulations reflects the region's response to the growing global interest in digital assets and the need for regulatory oversight to ensure market integrity and investor protection.

Hong Kong's strategic location and its role as a financial hub in Asia make it a significant jurisdiction in the Asian crypto market. This geographical and economic positioning allows Hong Kong to play a pivotal role in the development and integration of crypto markets in the region.

The legal system in Hong Kong is based on English common law, which provides a familiar and stable foundation for investment and business activities.

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