

# Government launches consultation on legislative proposals to regulate over-the-counter trading of virtual assets

The Government today (February 8) launched a public consultation on legislative proposals to introduce a licensing regime for providers of over-the-counter (OTC) trading services of virtual assets (VA). The consultation will last for two months until April 12, 2024.

In the Policy Statement on Development of Virtual Assets in Hong Kong issued in October 2022, the Government stated its commitment to enhancing the regulatory framework for VA activities under the "same activity, same risks, same regulation" principle. In this respect, the licensing regime for VA service providers established under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) (AMLO) commenced operation in June 2023 to regulate the operations of VA trading platforms.

As some fraud cases have shown the involvement of VA OTC operators, the Government sees a need to regulate OTC services under the AMLO, so as to mitigate the money laundering and terrorist financing (ML/TF) risks and protect investors. The salient points of the legislative proposals are as follows:

- a. requiring any person who conducts a business in providing services of spot trade of any VA for money in Hong Kong to be licensed by the Commissioner of Customs and Excise (CCE);
- b. covering all VA OTC services irrespective of whether the services are provided through a physical outlet and/or other platforms;
- c. providing powers for CCE to supervise the anti-money laundering and counter-terrorist financing conduct of licensees, and enforce the statutory and regulatory requirements under the new regime; and
- d. providing transitional arrangement to facilitate the effective implementation of the regulatory regime.

A Government spokesman said, "The legislative proposals constitute an important element in the Government's efforts to develop a robust and transparent regulatory environment for the sustainable development of VA and Web3. The proposed licensing regime for VA OTC service providers will effectively mitigate the ML/TF risks of the VA activities concerned and cater for investor protection."

The consultation document is available on the webpage of the Financial Services and the Treasury Bureau at

[www.fstb.gov.hk/fsb/en/publication/consult/doc/VAOTC\\_consultation\\_paper\\_en.pdf](http://www.fstb.gov.hk/fsb/en/publication/consult/doc/VAOTC_consultation_paper_en.pdf).

Members of the public and stakeholders are welcome to submit their views on the proposals to the Financial Services and the Treasury Bureau by post (24/F, Central Government Offices, 2 Tim Mei Avenue, Tamar, Hong Kong) or by email ([vaotc-consult@fstb.gov.hk](mailto:vaotc-consult@fstb.gov.hk)) on or before April 12, 2024.