

The Government of the Hong Kong Special Administrative Region Press Releases

[GovHK 香港政府一站通](#)[繁體版](#) [簡體版](#)[Font Size:](#)[Sitemap](#)LCQ1: Promoting the development of Hong Kong into ▼ GOLCQ1: Promoting the development of Hong Kong into an international virtual assets centre

Following is a question by the Hon Chan Chun-ying and a reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (November 23):

Question:

There are views pointing out that the Policy Statement on Development of Virtual Assets in Hong Kong (the Statement) issued by the Government at the end of October this year has demonstrated to the global virtual assets (VA) community the Government's vision of developing Hong Kong into an international VA centre. According to the Statement, the Government and the regulators are exploring three pilot projects, including, among others, the issuance of tokenised Green bond which is conducive to the public's exposure to and understanding of VA, and the Government sincerely invites the global VA community to join hands with it to realise the potential of financial innovations together. In this connection, will the Government inform this Council:

(1) whether it has drawn up publicity and public education programmes to give information, through various means, on VA, such as its features, regulatory regime, guidelines on fraud prevention and channels for rights protection, so as to enhance the public's awareness of and confidence in the trading of VA; if so, of the details; if not, the reasons for that;

(2) whether it will consider setting up a "cross-border virtual financial platform" in collaboration with other jurisdictions, so as to promote the development of Hong Kong into an international VA centre; if so, of the details; if not, the reasons for that; and

(3) whether it will introduce a range of preferential policies for the VA industry to attract VA-related enterprises and investors to Hong Kong, thereby enhancing the competitiveness of Hong Kong; if so, of the details; if not, the reasons for that?

Reply:

President,

My consolidated reply to Hon Chan Chun-ying's question is as follows.

The Government attaches importance to the development of financial technology and virtual assets (VA). The Chief Executive has announced in the Policy Address that a dedicated Office for Attracting Strategic Enterprises will be established this year and financial technology is one of the key industries of strategic importance. Just in October, we also issued the Policy Statement on Development of Virtual Assets in Hong Kong (Policy Statement), setting out the vision and policy direction of the Government and pragmatically laying out the Government's support measures for the VA industry.

Clear regulation

We consider that a comprehensive and balanced regulatory system can protect investor interests and promote industry development. Under the principle of "same business, same risk, same rules", the Securities and Futures Commission (SFC) has since 2018 established a holistic regulatory framework for VA, covering the provision of VA-related services by traditional financial service intermediaries (such as VA fund management and distribution of VA-related products) and transactions conducted by centralised VA exchanges. The SFC and Hong Kong Monetary Authority further issued a joint circular earlier this year to provide guidelines for intermediaries intending to engage in VA-related services.

To enhance the above regulatory framework, the Government introduced to the Legislative Council in July this year legislative proposals to establish a licensing regime for VA service providers. I would like to express my gratitude to Hon Chan for leading the scrutiny of the legislative proposals. Under the proposed licensing regime, licensed exchanges must comply with anti-money laundering and counter-terrorist financing requirements as well as regulatory requirements on investor protection, including proper asset custody, ensuring financial soundness and avoiding conflicts of interest. The licensing regime will help licensees build up reputation for accessing more investors in the Hong Kong market.

Apart from statutory protection, we also consider investor education essential. The Investor and Financial Education Council (IFEC) has set up a dedicated VA portal at its website, and has in the past few years drawn up financial education materials on various VA subjects setting out the features and risks of different types of VA. In October this year, the Financial Services and the Treasury Bureau in collaboration with the SFC joined a webinar hosted by the IFEC to explain to the public the risks involved in investing in VA and the importance of regulation. The SFC also reminds investors from time to time of the need to take

heed of such risks as price volatility, cyberhacking and possible frauds and scams when investing in VA. The SFC will step up publicity and promotional efforts upon implementation of the licensing regime.

Supporting industry development

The Government has been promoting Hong Kong's edge in financial technology overseas and in the Mainland to create more market opportunities.

We are exploring the launch of a series of pilot schemes, including a pilot issuance of tokenised green bonds under the Government Green Bond Programme and a feasibility study on the prospect of issuing retail central bank digital currency in Hong Kong (i.e. e-HKD).

On investment promotion and complementary measures, the Global Fast Track organised by the InvestHK provides business development and financing opportunities for financial technology firms worldwide, which includes a VA track to provide dedicated matching opportunities for start-ups engaging in blockchain technologies and VA businesses. In addition, the Cyberport is also committed to promoting financial technology and fostering the development of blockchain technology. Currently, there are about 80 VA or blockchain companies in Cyberport, creating a community of digital innovations.

On providing funding support to and nurturing talents, the Fintech Proof-of-Concept Subsidy Scheme seeks to encourage the industry to proactively develop projects on innovative financial services and products, under which seven VA-related projects were approved thus far. The Government also launched in 2020 the FinTech Anti-epidemic Scheme for Talent Development to provide funding support for local fintech companies and start-ups, and other related businesses to create new jobs, which covers 48 VA-related companies.

Promoting the development of an international VA industry

As stated in the Policy Statement, the Government hopes and is confident that Hong Kong can develop a prosperous VA industry and ecology. Through the establishment of a comprehensive and clear regulatory system and a series of supporting measures as mentioned above, we are expecting more quality VA enterprises to set up businesses in Hong Kong or to seek development opportunities in Hong Kong.

In fact, we note that many jurisdictions have implemented a limited regulation of VA, with a focus on the perspective of anti-money laundering or payment. This differs from Hong Kong's comprehensive regulatory approach. With the turbulence in the VA market in recent years (referred to as "crypto winter" in the industry), regulatory bodies around the globe have started to pay attention to investor protection and financial stability as considered important in Hong Kong's regulatory system. Hong Kong as a "pioneer" of implementing a comprehensive system can increase investors' confidence in the regulated VA service providers in Hong Kong.

President, Hong Kong is an international financial centre with an excellent financial infrastructure, legislation and regulatory system. We will continue to seize opportunities and promote the development of an international VA industry under a sound regulatory system.

Thank you President.

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