

11 February 2026

Circular on licensed corporations providing virtual asset dealing services

(1) to offer financing for virtual asset dealing and access to shared order book, and (2) to safeguard client virtual assets relating to withdrawals

1. This circular sets out the Securities and Futures Commission's (**SFC**) framework to enable licensed corporations providing virtual asset dealing services under an omnibus account arrangement (**VA brokers**) with SFC-licensed virtual asset trading platforms operators (**VATP operators**) to offer financing for virtual asset (**VA**) dealing. It also establishes expected standards for VA brokers participating in shared order books, as well as requirements for client VA safeguards by VA brokers permitting VA withdrawals.

Background

2. A licensed corporation or registered institution has not been allowed to provide any financial accommodation for its clients to acquire VA under paragraph 4.4 of the Terms and Conditions for Licensed Corporations or Registered Institutions Providing Virtual Asset Dealing Services under an Omnibus Account Arrangement (**Terms and Conditions**).
3. However, under Pillar **P** (Product) of the **ASPIRe** roadmap, the SFC seeks to promote the integration of margin trading into the VA space. As the first step, the SFC will permit VA brokers engaging in securities margin financing to extend credit to margin clients for VA dealing (**VA financing**) when supported by sufficient securities collateral and a limited set of VA collateral specified below as credit risk mitigation. This would enable margin clients having strong credit profiles and collateral to increase their participation in VA trading, which can enhance the liquidity of Hong Kong's VA market. At the same time, this can also facilitate the development of VA financing in a risk-controlled environment.

VA financing

4. A VA broker may provide VA financing to a margin client to facilitate the client's VA dealing on the basis of:
 - a) the client's financial capability; and
 - b) the securities collateral and VA collateral posted by the client to the VA broker.
5. Clients eligible for VA financing are limited to the VA broker's securities margin financing clients.
6. A VA broker is not expected to increase the credit limit of a margin client solely because it is able to offer VA financing to the client. When assessing the financial capability of margin clients, a VA broker should give due consideration to the price volatility of non-fiat assets counted toward a client's net worth. For example, if a VA broker takes into account a client's VA holding in such assessment, its assessment should include:

- a) the VA's quality, historical price volatility, and price gap risk;
- b) the sustainability of the VA's valuation and market liquidity;
- c) the digital asset sector concentration risk in the client's portfolio, including VA holding, VA-related products, as well as securities of digital asset operators and digital asset treasury companies;
- d) idiosyncratic risk of individual VAs, such as infrastructure failure;
- e) potentially high return correlation between the digital asset sector and stocks during market stress;
- f) any potential adverse impact arising from the client's VA exposure, and whether the client's repayment ability may deteriorate substantially during a period of VA market stress; and
- g) to the extent a corporate client's financial capability is dependent on or referable to the financial soundness of the client's group companies and related parties, the VA exposure of these parties.

It should be noted that VAs as an asset class have limited performance records during major systemic shocks, and even the most actively traded VA had experienced sizable price declines across intraday and multi-day periods. During periods of market stress, price movements across the VA sector could be highly correlated, and increased leverage through derivatives and margin lending may amplify downside risk in the VA market.

7. A VA broker should carefully consider whether it is prudent to rely on VA collateral as credit risk mitigation, given the elevated risk of VA as mentioned above. Where the VA broker elects to do so, (a) eligible VA collateral should be limited to bitcoin and ether, and (b) the VA broker should apply a prudent haircut of 60% or more to the market value of the VA collateral. As the VA market and VA financing develop, the SFC may revise the haircut upon prior notice to VA brokers.
8. In addition, a VA broker relying on VA collateral as credit risk mitigation should:
 - a) clearly document in its margin lending policy the methodologies adopted to assess the VA risk factors set out above, to determine the acceptable credit exposure based on the assessment outcome, and to identify and monitor vulnerable VA exposures in its margin loan portfolio on an ongoing basis, and
 - b) maintain operational capability to monitor the volatility of the VA collateral real time, and take timely actions to manage VA broker's credit exposure.
9. A VA broker is generally expected to value a client's VA collateral on the basis of the prices at the virtual asset trading platform (**VATP**) at which the client's VA orders are executed. In addition, a VA broker should maintain a contingency plan to deal with potential operational disruption at the VATP (e.g. system outage) to mitigate the VA broker's exposure.

10. The Guidelines for Securities Margin Financing Activities (**SMF Guidelines**) and all other existing requirements relating to securities margin financing will continue to apply, with the principles applicable to securities margin financing under the SFC codes and guidelines being extended to VA financing and VA collateral, supplemented by this circular. In particular:

- a) the amount owed by a margin client under VA financing will be considered part of the VA broker's margin loan under the SMF Guidelines;
- b) collateral concentration controls should apply to both securities collateral and VA collateral, with due consideration given to digital asset sector concentration mentioned above; and
- c) the VA broker should not repledge, reuse or create encumbrance over the VA collateral other than enforcing the collateral upon client default.

A VA broker is expected to maintain all existing credit controls for securities margin financing when engaging in VA financing.

11. A VA broker is reminded of the need to set prudent triggers for margin call and stopping further advances to margin clients under the SMF Guidelines. Whenever the outstanding margin loan balance exceeds the market value of the underlying collateral in a margin client's account, or when a margin client has an amount of outstanding margin call and a poor history of settling margin calls, a VA broker should:

- a) suspend any further advance to the margin client;
- b) stop any further VA purchase by the margin client using the margin facility; and
- c) conduct an ad-hoc review of the margin client's credit limit and trading limit.

12. A VA broker's senior management, in particular responsible officers, the manager-in-charge (**MIC**) of overall management oversight and MIC of risk management, are expected to be vigilant in fulfilling their responsibilities to implement policies, procedures and controls that can effectively manage the risks arising from VA financing.

13. The Terms and Conditions will be revised to reflect the relaxation in this circular.

14. As part of the efforts to establish a robust regulatory regime for VA and to facilitate VA dealing, a consultation on the capital requirements for various VA-related activities, including VA financing, will be launched in due course. Before the capital requirements are revised, VA collateral will be subject to 100% haircut under the Securities and Futures (Financial Resources) Rules.

Shared order book

15. According to the circular on shared liquidity by virtual asset trading platforms¹, VATP operators are permitted to integrate their order books with those of global affiliate virtual

¹ <https://apps.sfc.hk/edistributionWeb/gateway/EN/circular/intermediaries/supervision/doc?refNo=25EC56>

asset trading platform operators. This enables order matching and execution across the shared order books (**Shared Order Book**).

16. A VA broker may conduct agency trading for clients on a Shared Order Book pursuant to its best execution obligation after thoroughly assessing the risks, including:

- a) potential conflicts of interest of the Shared Order Book operators;
- b) the settlement mechanism (including responsibilities of each party, expected settlement timeline, and risks of delay or failure);
- c) scenarios in which failed settlement may arise, the default management and (if applicable) trade cancellation processes;
- d) the risk mitigation measures in place, such as the reserve fund and insurance; and
- e) the extent of client protection, clients' rights and available recourse.

The VA broker should also make clear and adequate disclosures to enable clients to make informed decisions on whether to participate in a Shared Order Book.

17. In addition, a VA broker may offer retail clients access to the Shared Order Book only if:

- a) the VA broker has explained the additional risks associated with order matching and settlement involving overseas jurisdiction(s), including the risk that client protection in the overseas jurisdiction(s) may be lower than that in Hong Kong, to enable the clients to make an informed decision; and
- b) the clients have expressly elected to participate in the Shared Order Book.

To facilitate clients' understanding of the additional risks before making a decision, the explanation of the risks should be prominently communicated to them.

Safeguard of client VAs

18. Under paragraph 7.1 of the Terms and Conditions, a VA broker is required to properly handle and safeguard client VAs, and to guard against loss of client VAs arising from theft, fraud or other dishonest acts, professional misconduct or omissions.

19. While custody of client VAs is maintained with a VATP operator, the withdrawal functionality offered by the VA broker introduces an additional layer of cyber and operational risk. A compromise of the VA broker's own systems may enable a malicious actor to impersonate a client and issue fraudulent withdrawal instructions to the VATP operator, which could result in a loss of client assets.

20. VA brokers that permit client VA withdrawals are expected to adopt measures proportionate with the heightened risk exposure, including:

- a) ensuring their systems, authentication processes, access controls and security arrangements are sufficiently robust to prevent, detect and respond to unauthorised attempts to initiate client withdrawals;
- b) maintaining continuous monitoring with effective incident escalation and suspension mechanisms during and outside normal office hours, regardless of whether the VA broker processes client withdrawals throughout these periods; and
- c) collaborating with and seeking assistance from VATP operators as necessary to strengthen abnormal withdrawal detection, such as by setting appropriate withdrawal limits at the omnibus account level or for newly whitelisted client wallets, blocking suspicious withdrawal attempts, and ensuring timely escalation to the VA broker.

21. Should you have any queries regarding this circular, please contact your case officers-in-charge.

Intermediaries Division
Securities and Futures Commission

End

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