

11 February 2026

Circular on permitting virtual asset trading platform operators to accept affiliated market makers

1. This circular sets out the Securities and Futures Commission's (**SFC**) regulatory approach and expected standards for SFC-licensed virtual asset trading platform operators (**Platform Operators**) to allow an affiliated company to engage in market making activities on their virtual asset trading platforms (**VATPs**).

Background

2. Liquidity on Hong Kong's VATPs remains subdued at the current stage of digital asset market development. Under Pillar **A** (Access) of its **ASPIRe** roadmap, the SFC has made it a priority to enhance liquidity on VATPs and highlighted the need to attract liquidity providers.
3. An affiliated market maker (**AFMM**) of a Platform Operator may help alleviate liquidity constraints by providing more consistent liquidity on a VATP. Permitting AFMMs to engage in market making with appropriate safeguards aligns with the **ASPIRe** roadmap's broader objectives of deepening liquidity, reinforcing market resilience and strengthening Hong Kong's position as a leading digital asset centre.
4. Under the current VATP Guidelines¹, a Platform Operator's group companies are not permitted to conduct proprietary trading in virtual assets through the Platform Operator, except where permitted by the SFC on a case-by-case basis.
5. Allowing AFMMs to engage in market making on a VATP may increase the risks of conflicts of interest as AFMM orders may interact with client orders. The SFC therefore reminds Platform Operators to exercise effective conflict of interest controls to safeguard client interests. Where a Platform Operator allows AFMM participation on its VATP, it must put suitable safeguards in place to address these risks.

Regulatory requirements

6. Under paragraph 13.1 of the VATP Guidelines, a Platform Operator should avoid, and ensure that its associates avoid, any material interest in a transaction with or for a client or a relationship which gives rise to an actual or potential conflict of interest.
7. A Platform Operator may permit an AFMM to engage in market making on the VATP when effective conflicts of interest controls are implemented and client interests are prioritised. To this end, the Platform Operator should:
 - a) ensure its AFMM is functionally independent from the Platform Operator;
 - b) implement robust conflict of interest policies and procedures regarding the AFMM;

¹ Paragraph 13.3 of the Guidelines for Virtual Asset Trading Platform Operators (**VATP Guidelines**).

- c) designate at least one Responsible Officer (**RO**) or Manager-in-Charge (**MIC**) responsible for overseeing conflicts of interest management regarding the AFMM;
- d) maintain effective data security measures and information barriers to prevent information leakage;
- e) ensure client orders always have priority over AFMM orders when transacted at the same price level;
- f) identify trades executed by the AFMM in post-trade data;
- g) disclose any preferential treatment provided to the AFMM in relation to pre-trade transparency, order placing and execution as well as associated risks to clients.

Notification to the SFC

- 8. A Platform Operator accepting AFMM participation on its VATP will be subject to the Terms and Conditions for an AFMM to provide liquidity on a Platform Operator's VATP (**Terms and Conditions**, as set out in the Appendix to this circular), which will be imposed on a Platform Operator's licence.
- 9. Before allowing its AFMM to engage in market making activities on its VATP, a Platform Operator must:
 - a) notify the SFC in writing of its intention to do so; and
 - b) submit to the SFC a report by an independent professional firm sufficiently qualified to the SFC's satisfaction setting out in sufficient detail the review conducted by the professional firm on the Platform Operator's policies and controls for compliance with the Terms and Conditions, and confirming their effectiveness.
- 10. The notification to the SFC under paragraph 9(a) should be signed by the Platform Operator's MIC of Overall Management Oversight (**MIC OMO**), together with:
 - a) the MIC OMO's declaration that the Platform Operator has established, and continues to maintain, effective policies and controls that fully comply with the Terms and Conditions; and
 - b) an undertaking by the MIC OMO on behalf of the Platform Operator that the Platform Operator will immediately suspend the AFMM's market making activities on the VATP should there be any breaches of the Terms and Conditions with significant client impact, as determined by the SFC.
- 11. The senior management of a Platform Operator, in particular ROs, MIC OMO, MIC of compliance and the board of directors, are expected to be vigilant in fulfilling their responsibilities to implement policies, procedures and controls that can effectively manage conflicts of interest and ensure compliance with the Terms and Conditions, recognising that ongoing compliance is a prerequisite for allowing an AFMM to participate on the Platform Operator's VATP.



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

Intermediaries Division
Securities and Futures Commission

Enclosure

End

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