



**SECURITIES AND
FUTURES COMMISSION**
證券及期貨事務監察委員會

Guidelines for Virtual Asset Trading Platform Operators

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I. Interpretation and Application

Interpretation

1.1 Definitions

- “*Associated Entity*” means a company which (i) has notified the Securities and Futures Commission (SFC) that it has become an “associated entity” of a Platform Operator under section 165 of the Securities and Futures Ordinance (Cap. 571) (SFO) and/or section 53ZRW of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) (AMLO); (ii) is incorporated in Hong Kong; (iii) holds a “trust or company service provider licence” under the AMLO; and (iv) is a wholly owned subsidiary of the Platform Operator.
- “*Client*” means a person to whom the Platform Operator provides services in the course of carrying out the Relevant Activities.
- “*Client asset*” means client virtual assets and client money.
- “*Client money*” means any money:
 - (a) received or held by or on behalf of the Platform Operator; or
 - (b) received or held by or on behalf of the Associated Entity,which is so received or held on behalf of a client or in which a client has a legal or equitable interest, and includes any accretions thereto whether as capital or income.
- “*Client virtual asset*” means any virtual asset:
 - (a) received or held by or on behalf of the Platform Operator; or
 - (b) received or held by or on behalf of the Associated Entity,which is so received or held on behalf of a client or in which a client has a legal or equitable interest, and includes any rights thereto.
- “*Financial Resources Rules*” means the Securities and Futures (Financial Resources) Rules (Cap. 571N).
- “*Group of companies*” has the meaning as defined in section 1 of Part 1 of Schedule 1 to the SFO and/or section 53ZRJ of the AMLO.
- “*Institutional professional investor*” has the meaning specified in Schedule 1 to these Guidelines.
- “*Licensed person*” means a Platform Operator or a licensed representative.
- “*Licensed representative*” or “*LR*” means an individual who is granted a licence under section 120 of the SFO (SFO-LR) and/or section 53ZRL of the AMLO, and is accredited to a Platform Operator.

- “*Monthly accounting period*” means:
 - (a) in relation to the first statement of account required to be prepared and provided to a client of a Platform Operator, a period not exceeding one month ending on a date selected by the Platform Operator; and
 - (b) in relation to any subsequent statement of account, a period the duration of which shall be not less than four weeks and not exceed one month, commencing on the day after the date on which the previous monthly accounting period ended, and ending on a date selected by the Platform Operator.
- “*Platform Operator*” means:
 - (a) a corporation which is granted a licence for Type 1 (dealing in securities) and Type 7 (providing automated trading services) regulated activities under section 116 of the SFO and carries out any Relevant Activities (SFO-licensed Platform Operator); and/or
 - (b) a corporation which is granted a licence for providing a VA service under section 53ZRK of the AMLO and carries out any Relevant Activities.

Note: A reference in these Guidelines to “Platform Operator” shall, except where the context otherwise requires, include licensed representatives accredited to the Platform Operator.

- “*Professional investor*” has the meaning as defined in section 1 of Part 1 of Schedule 1 to the SFO.
- “*Qualified corporate professional investor*” has the meaning specified in Schedule 1 to these Guidelines.
- “*Responsible officer*” or “*RO*” means a licensed representative who is approved as a responsible officer of a Platform Operator under section 126 of the SFO (SFO-RO) and/or section 53ZRP of the AMLO.
- “*Retail client*” or “*retail investor*” means any person other than a professional investor.
- “*Relevant Activities*” means:
 - (a) providing services through means of electronic facilities:
 - (i) whereby:
 - (A) offers to sell or purchase virtual assets are regularly made or accepted in a way that forms or results in a binding transaction; or
 - (B) persons are regularly introduced, or identified to other persons in order that they may negotiate or conclude, or with the reasonable expectation that they will negotiate or conclude

sales or purchases of virtual assets in a way that forms or results in a binding transaction; and

- (ii) where client money or client virtual assets comes into direct or indirect possession of the person providing such service; and
 - (b) any off-platform virtual asset trading activities and incidental services provided by the Platform Operator to its clients, and any activities conducted in relation to off-platform virtual asset trading activities.
- “*Security token*” means a cryptographically secured digital representation of value which constitutes “securities” as defined in section 1 of Part 1 of Schedule 1 to the SFO.
 - “*Senior management*” means person(s) involved in the management of the business of the Platform Operator.
 - “*Virtual asset*” or “*VA*” or “*token*” means:
 - (a) any “virtual asset” as defined in section 53ZRA of the AMLO; and
 - (b) any security token.

Note: These Guidelines are published under section 399 of the SFO and section 53ZTK of the AMLO. Unless otherwise defined above or the context otherwise requires, terms used in these Guidelines bear the same meaning as defined in the SFO and the AMLO.

Application

- 1.2 These Guidelines are applicable to all Platform Operators (whether they are licensed under the SFO and/or the AMLO) when they carry on Relevant Activities.
- 1.3 Parts II and III of these Guidelines are also applicable to the following persons:
 - (a) a corporation which applies for a licence to become a Platform Operator;
 - (b) an individual who applies for a licence to become an LR; and
 - (c) an individual who applies for approval to become an RO.
- 1.4 The SFC recognises that some aspects of compliance with these Guidelines may not be within the control of a licensed representative. In considering the conduct of representatives under these Guidelines, the SFC will consider their levels of responsibility within the firm, any supervisory duties they may perform, and the levels of control or knowledge they may have concerning any failure by their firms or persons under their supervision to follow these Guidelines.
- 1.5 A Platform Operator licensed under both the SFO and the AMLO is expected to comply with the requirements under the SFO and its subsidiary legislation, the AMLO and the codes, guidelines (including these Guidelines), circulars and frequently asked questions (FAQs) published by the SFC from time to time. Where there are any inconsistencies amongst (i) the requirements under the

SFO and its subsidiary legislation, the AMLO and the codes, guidelines, circulars and FAQs published by the SFC from time to time; and (ii) the requirements under these Guidelines, the more stringent requirement should prevail.

- 1.6 If any obligations of the Platform Operator under these Guidelines, the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Corporations and SFC-licensed Virtual Asset Service Providers) and any other applicable regulatory requirements can only be performed together with the Associated Entity or solely by the Associated Entity on behalf of the Platform Operator, the Platform Operator should ensure that its Associated Entity observes such obligations.
- 1.7 The Platform Operator is primarily responsible for compliance with these Guidelines, the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Corporations and SFC-licensed Virtual Asset Service Providers) and other regulatory requirements applicable to the Platform Operator.
- 1.8 A failure by any person to comply with any provision of these Guidelines:
 - (a) shall not by itself render that person liable to any judicial or other proceedings, but in any proceedings under the SFO and/or the AMLO before any court these Guidelines shall be admissible in evidence, and if any provision set out in these Guidelines appears to the court to be relevant to any question arising in the proceedings it shall be taken into account in determining the question; and
 - (b) the SFC shall consider whether such failure tends to reflect adversely on the person's fitness and properness.

II. Fitness and Properness Requirements

2.1 Persons applying to become a licensed person must satisfy the SFC that they are fit and proper to be licensed and, upon being licensed, they must continue to be fit and proper. When assessing a person's fitness and properness, the SFC shall have regard to the matters below which are set out with reference to section 129(1) of the SFO and section 53ZRJ(1) of the AMLO (as further elaborated in paragraphs 2.5 to 2.8 below), whether taking place in Hong Kong or elsewhere:

- (a) financial status or solvency;
- (b) educational or other qualifications or experience;
- (c) ability to carry on the Relevant Activities competently, honestly and fairly; and
- (d) reputation, character, reliability and financial integrity.

Note 1: According to section 53ZRJ(1) of the AMLO, the SFC shall also have regard to the matters below:

- (i) conviction of an offence under the AMLO, the United Nations (Anti-Terrorism Measures) Ordinance (Cap. 575), the Drug Trafficking (Recovery of Proceeds) Ordinance (Cap. 405) or the Organized and Serious Crimes Ordinance (Cap. 455);
- (ii) conviction in a place outside Hong Kong for an offence in respect of an act that would have constituted an offence specified in paragraph (i) above had it been done in Hong Kong, for an offence relating to money laundering or terrorist financing or for an offence for which it was necessary to find that the person had acted fraudulently, corruptly or dishonestly; and
- (iii) failure to comply with a requirement imposed under the AMLO.

Note 2: Where the person is a corporation, those matters must be considered in respect of the corporation and any of its officers.

Note 3: Where the "recency" of a matter of concern is mentioned in those matters, it is normally taken to mean within the last five years for all persons.

2.2 The SFC may also take into consideration the matters under section 129(2) of the SFO and/or section 53ZRJ(2) of the AMLO in considering whether a person is fit and proper.

2.3 The SFC is obliged to refuse a licence application if a licence applicant fails to satisfy the SFC that it is fit and proper to be licensed. The onus is on the applicant to make out a case that the applicant is fit and proper to be licensed.

2.4 Notwithstanding that a person fails to comply with all the individual elements set out in Part II of these Guidelines, the SFC may nonetheless be satisfied that the person is fit and proper. The SFC will look to the substance of the requirements and the materiality of any failure to meet them. Persons who are unsure whether they meet

the substance of any criteria or believe that failure to meet any requirements may not be material to their case are encouraged to discuss their concerns with the SFC before submitting an application.

Financial status or solvency

2.5 The SFC is not likely to be satisfied that a person is fit and proper if that person:

(a) in the case of an individual,

(i) is an undischarged bankrupt, is currently subject to bankruptcy proceedings or is a bankrupt who has recently been discharged;

Note: In considering whether to license a bankrupt who has been discharged, the SFC would have regard to the circumstances and recency of the discharge.

(ii) is subject to receivership or other similar proceedings; or

(iii) has failed to meet any judgment debt; and

Note: The SFC would have regard to the circumstances of the failure to meet a judgment debt and the recency of the failure.

(b) in the case of a corporation,

(i) is subject to receivership, administration, liquidation or other similar proceedings;

(ii) has failed to meet any judgment debt; or

Note: These requirements aim to identify corporations of dubious financial status or solvency. As with individuals, the SFC would have regard to the circumstances of the failure to meet a judgment debt and the recency of the act.

(iii) is unable to meet any financial or capital requirements applicable to it.

Educational or other qualifications or experience

2.6 In considering a person's educational or other qualifications or experience, the SFC will take into account the nature of the functions which the person will perform. A person is unlikely to meet the fit and proper requirement if that person, in the case of an individual, (a) applying for a licence to become a licensed representative is under 18 years of age; or (b) has failed to demonstrate that he or she is competent to carry out the Relevant Activities efficiently and effectively.

Note 1: The general expectations are set out in Part III (Competence requirements) below.

Note 2: Competence is assessed with reference to the person's academic and industry qualifications together with relevant experience. Persons should be equipped with the skills, knowledge and

professionalism necessary to perform their duties. The level of knowledge expected varies according to the level of responsibility and the type of function to be carried out in relation to the Relevant Activities. Persons are generally expected to be able to display an understanding of:

- (a) the general structure of the regulatory framework which applies to their proposed activities;
- (b) the particular legislative provisions, codes and guidelines which apply to the functions they would perform;
- (c) the fiduciary obligations owed to clients and the general obligations owed to their principals or employers; and
- (d) virtual assets and the virtual asset market.

Ability to carry on the Relevant Activities competently, honestly and fairly

2.7 A person has to demonstrate the ability to carry on the Relevant Activities competently, honestly and fairly; and in compliance with all relevant laws, codes and guidelines promulgated by the SFC. The SFC is not likely to be satisfied that a person is fit and proper if that person:

- (a) in the case of an individual,
 - (i) has been a patient as defined in section 2 of the Mental Health Ordinance (Cap. 136) to the extent that, in the opinion of the SFC after taking into account relevant factors including the person's past training, experience and qualifications, the person would be unable to carry out the inherent requirements of the Relevant Activities; or
 - (ii) has evidenced incompetence, negligence or mismanagement, which may be indicated by the person having been disciplined by a professional, trade or regulatory body; or dismissed or requested to resign from any position or office for negligence, incompetence or mismanagement; and

Note: Competence and efficiency are key elements to being fit and proper. However, the weight given to events of the types listed above in considering whether a person is fit and proper will depend on a number of factors, such as the time since the event, the seriousness of the event and the responsibility to be undertaken. The source and quality of evidence will also be taken into account.

- (b) in the case of a corporation,
 - (i) has non-executive directors, key personnel (such as managers, officers, directors and chief executives), substantial shareholders, ultimate owners or other controllers who fail to meet the requirements in Part II of these Guidelines other than the requirement regarding competence to carry on the Relevant Activities (unless such requirements are otherwise applicable); or

Note: In the SFC's view, all persons involved in the management or control of the Platform Operator must be honest and fair.

- (ii) has failed to demonstrate that it is competent to carry on the Relevant Activities efficiently and effectively.

Note: The general expectations for competence are set out in Part III (Competence Requirements) below. The competence of a person is generally assessed with reference to its organisational structure and personnel. Reference should be made to paragraphs 3.4 to 3.7 below. The SFC is unlikely to be satisfied that a person is competent if:

- its organisational structure and personnel are unable to comply with the relevant legislative or regulatory requirements; or
- it lacks the infrastructure and internal control systems to manage risks effectively, avoid conflicts of interest and maintain a proper audit trail.

Reputation, character, reliability and financial integrity

2.8 The SFC is not likely to be satisfied that a person is fit and proper if that person:

- (a) in the case of an individual,
- (i) was found to be of poor reputation, character or reliability, lacking in financial integrity, or dishonest. The weight given to events of the types listed below will depend on a number of factors, such as the time since the event, the seriousness of the event, and the level of responsibilities to be undertaken. Instances which, if remain unexplained, might result in the person being regarded as having failed to meet this test are where the person has been:
- (I) found by a court or other competent authority to be involved in or liable for fraud, dishonesty or misfeasance;
 - (II) convicted of a criminal offence or is the subject of unresolved criminal charges which are of direct relevance to fitness and properness;
 - (III) censured, disciplined or disqualified by any professional or regulatory body in relation to any trade, business or profession;
 - (IV) refused or restricted from the right to carry on any trade, business or profession for which a specific licence, registration or other authorisation is required by law;
 - (V) disqualified by a court of competent jurisdiction from being a director;

- (VI) found culpable of market misconduct by the Market Misconduct Tribunal, or unable to abide by any codes and guidelines promulgated by the SFC, other regulators or any relevant exchanges in Hong Kong or overseas (if applicable); or
- (VII) a director, substantial shareholder, ultimate owner, or involved in the management, of a corporation or business which:
 - was wound up (otherwise than by a solvent members' voluntary dissolution) or was otherwise insolvent or had a receiver or administrator appointed, however described;
 - was found guilty of fraud;
 - has not met all its obligations to clients, compensation funds established for the protection of investors or inter-member guarantee funds; or
 - has been found to have committed the acts described in subparagraphs (I), (II), (III), (IV) or (VI) above; or

Note 1: The extent of the person's involvement in the relevant events, and the person's behaviour at that time, will have a substantial impact on the weight the SFC attaches to the events in considering the person's fitness and propriety.

Note 2: The SFC is also unlikely to be satisfied that a person is fit and proper if a person has failed to comply with a requirement imposed under the AMLO¹.

- (ii) has been a party to a scheme of arrangement or entered into any form of compromise with a creditor involving a considerable amount; and

Note: Where the amount involved is in excess of HK\$ 100,000 or equivalent, the SFC would have regard to the recency of, and the circumstances leading to, the event.

- (b) in the case of a corporation,
 - (i) was found to be of poor reputation or reliability, or lacking in financial integrity. Similar considerations will be given to the events described in paragraphs 2.8(a)(i) (except for subparagraph (V)) and 2.8(a)(ii) above; or
 - (ii) has been served with a winding up petition.

¹ See section 53ZRJ(1)(g) of AMLO.

III. Competence Requirements

- 3.1 The competence requirements stem from the fitness and properness requirements. Individuals and corporations will generally not be considered fit and proper unless they can demonstrate that they have the ability to carry on the Relevant Activities competently. The objective is to ensure a person, in carrying on any Relevant Activities, is equipped with the necessary technical skills and professional expertise to be “fit” and is aware of the relevant ethical standards and regulatory knowledge to be “proper”.
- 3.2 Part III of these Guidelines sets out the non-exhaustive matters the SFC will normally consider in assessing whether a person is competent to carry on any Relevant Activities. Failure to follow these Guidelines may reflect adversely on the fitness and properness of a person to carry on any Relevant Activities.
- 3.3 The key elements for the competence requirements for corporations and individuals set out in Part III of these Guidelines are high-level. The SFC is aware that the application of these elements may be different, depending on a corporation’s business model, the complexity of its business lines and an individual’s particular circumstances, amongst other factors. The SFC will administer the competence requirements in a pragmatic manner.

Requirements for corporations

- 3.4 In determining whether a corporation is competent to carry on any Relevant Activities, the SFC will consider various key elements including its business, corporate governance, internal controls, operational review, risk management and compliance as well as the combined competence of its senior management and other staff members.
- 3.5 A corporation applying to carry on Relevant Activities should have a clear business model, detailing its modus operandi and target clientele. It should also have written policies and procedures to ensure continuous compliance with the relevant legal and regulatory requirements.
- 3.6 The SFC emphasises that corporations must remain competent and ensure that the individuals they engage remain competent, including compliance with the continuous professional training (CPT) requirements. They must also keep the SFC informed of any material changes in their business plans, organisational structures and personnel.
- 3.7 The following non-exhaustive examples illustrate key elements the SFC will consider for assessing the competence of a corporation:
- (a) Business
 - (i) Information about the proposed business lines
 - (ii) Information about its target clientele, products and services
 - (iii) Information about its remuneration model and basis of calculation

- (iv) Description of its modes of operation such as the extent of system automation and outsourcing arrangements
 - (v) Analysis of risks inherent to the key business lines, such as market risk, credit risk, liquidity risk and operational risk
- (b) Corporate governance
- (i) The presence of a shareholding structure clearly setting out its chain of ownership and voting power² such that all substantial shareholders³, all ultimate owners⁴ or both can be properly identified
 - (ii) The presence of an organisational structure clearly setting out the management structure of the corporation, including the roles, responsibilities, accountability and reporting lines of its senior management personnel
 - (iii) Policies and procedures for establishing, documenting and maintaining an effective management and organisational structure
 - (iv) The board of directors and senior management, including committees of the board, are composed of individuals with an appropriate range of skills and experience to understand and run the corporation's proposed activities
 - (v) The board of directors and senior management, including committees of the board, are organised in a way which enables the board to address and control the activities of the corporation
 - (vi) Systems and controls to supervise those who act under the authority delegated by the board of directors
- (c) Staff competencies
- (i) Policies and procedures to ensure that positions are taken by suitably qualified staff including, but not limited to, all ROs, LRs, Managers-In-Charge (MICs)⁵ and other supervisory staff
 - (ii) All supervisory staff for both front and back offices should have not less than three years of relevant experience and appropriate qualifications
 - (iii) Arrangements to ensure that operational and control policies and procedures are communicated to new recruits

² For a corporation with a complex ownership or control structure (for example, structures involving multiple layers, cross-holdings, trusts or nominee arrangements) without an obvious commercial purpose, the SFC may obtain further information to understand whether there is a legitimate reason for the particular structure.

³ As defined in section 6 of Part 1 of Schedule 1 to the SFO.

⁴ As defined in section 53ZR of the AMLO.

⁵ MICs refer to individuals appointed by a Platform Operator to be principally responsible, either alone or with others, for managing any of the core functions of the Platform Operator. A Platform Operator should ensure that any person it employs or appoints to conduct business is fit and proper and qualified to act in the capacity so employed or appointed.

- (iv) Arrangements to ensure that updated operational and control manuals are distributed to staff and are accessible at all times
 - (v) Arrangements to ensure that any changes to operational and control policies and procedures are communicated to staff
 - (vi) Policies and procedures to ensure staff competencies including compliance with the CPT requirements
- (d) Internal controls
- (i) Adequate internal control systems set up in accordance with the relevant codes and guidelines published by the SFC
 - (ii) Arrangements to ensure that proper audit trails are maintained
 - (iii) Requirements for the proper documentation of all operational and control procedures⁶
 - (iv) Reporting systems ensuring that robust information is produced for risk management and decision-making purposes
 - (v) Appropriate control procedures to ensure data integrity and that data flowing into the risk management system should be consistent with trade and financial information
 - (vi) Appointment of a qualified information technology manager who is appropriately experienced to maintain the integrity of the corporation's operating systems
- (e) Operational review⁷
- (i) The presence of a function for reviewing the adherence to, and the adequacy and effectiveness of, the corporation's internal control systems
 - (ii) Operational review personnel have appropriate qualifications and working experience to understand the corporation's activities and risk profile
 - (iii) Operational review personnel are independent of core business functions and report directly to an independent, high-level authority
 - (iv) Operational review function to perform periodic (at least annual) risk assessment and ascribe various levels of risk to an appropriate review cycle

⁶ Proper documentation of all operational and control procedures is essential for providing staff with the necessary guidance in running the business in accordance with the corporation's business objectives, professional standards and regulatory requirements.

⁷ The review function may not necessarily be performed by internal auditors.

- (v) All review findings and issues that are not resolved within established time frames must be reported to senior management
- (f) Risk management
 - (i) Policies and procedures with reference to the proposed business lines including:
 - (I) the setting of proper exposure limits for each key business line
 - (II) the manner in which risk exposure limits are set and communicated to the responsible persons
 - (III) the manner in which risks are being measured and monitored
 - (IV) the procedures to deal with exceptions to risk limits
 - (ii) Anticipated risks and outlays being supported by sufficient capital available to the corporation (typically demonstrated by a projection of excess liquid capital computed according to Part VI (Financial Soundness) below)
 - (iii) The timing of reviews of established policies (for example, subject to regular review, or with respect to changes in business and markets)
 - (iv) Appointment of an independent risk manager⁸ who has the appropriate qualifications and authority to oversee and monitor the corporation's risk exposures and systems
 - (v) Processes to ensure that the corporation regularly carries out stress testing using appropriate measures
- (g) Compliance
 - (i) Policies and procedures to ensure its compliance with all applicable legal and regulatory requirements as well as with its own internal policies and procedures
 - (ii) Policies and procedures to ensure that information submitted to the SFC is complete and accurate
 - (iii) Policies and procedures to deal with non-compliance
 - (iv) Adequate internal control systems to ensure its compliance with Part VI (Financial Soundness) below, and for it to commence and maintain its business operations

⁸ The SFC expects there to be clear segregation of duties; the responsibilities of the risk manager should be clearly separated from that of front office personnel and in most circumstances, more than one person will need to be appointed. The SFC will only permit alternative arrangements to the appointment of an independent risk manager in limited circumstances if the arrangements are sufficient to manage business risk exposures and enable effective control to be exercised over operations.

- (v) Policies and procedures for “Chinese Walls” including a “Wall Crossing Procedure” and other control procedures to address conflicts of interest arising from or in relation to carrying on the Relevant Activities in the corporation or its group of companies
- (vi) Adequate internal control systems to address other conflicts of interest such as employee dealing and client priority
- (vii) Policies and procedures to ensure that the corporation’s business activities conducted in a jurisdiction outside Hong Kong, if any, fully comply with the relevant legal and regulatory requirements of that other jurisdiction, including activities performed by any individuals acting for and on behalf of it in such a jurisdiction
- (viii) Policies and procedures to ensure any branch office in Hong Kong or elsewhere has an appropriate risk management and control strategy to comply with the relevant legal and regulatory requirements as well as internal policies and procedures

Requirements for individuals

3.8 An individual applying to carry on the Relevant Activities has to demonstrate competence and satisfy the SFC that he or she:

- (a) has the necessary academic, professional or industry qualifications;
- (b) has sufficient relevant industry and management experience (where applicable);
- (c) has a good understanding of the regulatory framework, including the laws, regulations and associated codes governing the virtual asset sector; and
- (d) is familiar with the ethical standards expected of a financial practitioner⁹.

Recognised industry qualification (RIQ) and local regulatory framework paper (LRP)

3.9 Individuals are expected to obtain the RIQs (Hong Kong Securities and Investment Institute (HKSI) administered Licensing Examination for Securities and Futures Intermediaries (LE) Papers 7 and 8) and pass the LRPs (HKSI LE Paper 1 for LR, HKSI LE Papers 1 and 2 for RO) not more than three years prior to the submission of the application.

3.10 However, the SFC may recognise RIQs gained more than three years ago if the individual has substantial relevant working experience and has remained in the industry or can prove a recent licence or registration with a relevant regulator either in Hong Kong or elsewhere. The SFC may also recognise LRPs gained more than three years ago if the individual is or has been an LR or RO within the past three years for a regulated activity¹⁰ in which the LRPs are relevant.

⁹ For example, *Ethics in Practice – A Practical Guide for Financial Practitioners* first published jointly by the SFC, the Independent Commission Against Corruption and other organisations in October 1999.

¹⁰ As specified under Part 1 of Schedule 5 to the SFO.

- 3.11 Without compromising investor protection, the SFC may, at its sole discretion, consider granting an individual an exemption from obtaining an RIQ, passing an LRP or both if the individual can demonstrate that he or she possesses comparable qualifications. Criteria under which exemptions may be considered are detailed below in paragraphs 3.24 to 3.38.

Note: For the avoidance of doubt, the exemptions from the RIQ and LRP requirements in paragraphs 3.24 to 3.38 below will also apply to (i) an individual who was previously given consent to act as an executive officer of a registered institution under section 71C of the Banking Ordinance (Cap. 155) as if the individual were an RO, and (ii) a relevant individual whose name was entered in the register maintained by the Hong Kong Monetary Authority under section 20 of the Banking Ordinance as if the individual were an LR.

Industry experience

- 3.12 Relevant industry experience generally refers to hands-on working experience acquired through the carrying on of the Relevant Activities in Hong Kong or similar activities regulated elsewhere. The SFC may also accept experience gained in a non-regulated situation, for example, where the experience is relevant to the carrying on of the Relevant Activities but the related activities are exempted from the licensing or registration requirements in Hong Kong or elsewhere.
- 3.13 In assessing the “relevance” of an individual’s experience, the SFC will consider whether the substance of the experience is directly relevant or crucial to the Relevant Activities proposed to be carried on by the individual and the role that the individual will undertake (see also paragraph 3.18 below).
- 3.14 In assessing whether an individual has acquired “sufficient” relevant industry experience, the SFC may consider the individual’s overall career history accumulated within the industry in totality. However, the SFC will critically review the experience of an individual who, for example:
- (a) claims industry experience with any firm or virtual asset trading platform which has been largely or completely dormant for a prolonged period; or
 - (b) shows a pattern of being accredited to his or her previous principals only for a short period.

These kinds of situations may cast doubt as to whether the individual has in fact carried on Relevant Activities for his or her principal, and such industry experience purportedly gained by him or her will less likely fulfil the competence requirements.

- 3.15 The SFC will consider all relevant factors in assessing each individual’s application on a case-by-case basis, taking into account his or her principal’s business model, governance structure and internal control systems as well as the competence of all its key personnel.

Responsible officers

- 3.16 In assessing the competence of an individual applying to be an RO (whether under the SFO, the AMLO or both), the SFC will need to be satisfied that he or she

possesses the appropriate ability, skills, knowledge and experience to properly manage and supervise the corporation's proposed activities. For an individual applying to be an RO (whether under the SFO, the AMLO or both), a summary of the options for satisfying the competence requirements is set out below:

	Option A	Option B	Option C	
Academic or professional qualifications	Degree ¹¹ in the designated fields ¹² ; other degree ¹¹ (with passes in at least two courses in the designated fields ¹²); or professional qualifications ¹³	Other degree (without passes in two courses in the designated fields ¹²)	Attained Level 2 in either English or Chinese as well as in Mathematics in the HKDSE or equivalent ¹⁴	
Relevant industry experience	At least 3 years over the past 6 years	At least 3 years over the past 6 years	At least 3 years over the past 6 years	At least 5 years over the past 8 years
RIQ¹⁵ or Extra CPT¹⁶	-	Obtained RIQ (HKSI LE Papers 7 and 8) or completed relevant Extra CPT ¹⁶	Obtained RIQ (HKSI LE Papers 7 and 8)	Completed relevant Extra CPT ¹⁶
Management experience	2 years	2 years	2 years	
LRP¹⁷	Pass (HKSI LE Papers 1 and 2)	Pass (HKSI LE Papers 1 and 2)	Pass (HKSI LE Papers 1 and 2)	

¹¹ If an applicant who is a degree holder has attained a post-graduate diploma or certificate which is (a) issued by a university or other similar tertiary institution in Hong Kong or elsewhere; or (b) recognised as Level 6 or above under the Qualifications Framework in Hong Kong, then the post-graduate diploma or certificate will also be taken into account in assessing the applicant's competence. For further details about the Qualifications Framework in Hong Kong, please visit www.hkqf.gov.hk.

¹² "Designated fields" refer to accounting, business administration, economics, finance and law.

¹³ Internationally-recognised professional qualifications in law, accounting or finance. Internationally-recognised professional qualifications in finance include Chartered Financial Analyst (CFA), Certified International Investment Analyst (CIIA) and Certified Financial Planner (CFP).

¹⁴ The SFC also recognises as equivalent to HKDSE (a) the attainment of grade E or above in either English or Chinese as well as in Mathematics in the Hong Kong Certificate of Education Examination (HKCEE) and (b) passes in the same subjects in other high school public examinations (such as university entry examinations) in Hong Kong or elsewhere.

¹⁵ Please note: (i) the RIQ requirements will be updated on the SFC's website as and when changes occur; (ii) the SFC will also accept industry qualifications for Type 1 regulated activity listed in Appendix C of the previous Guidelines on Competence published by the SFC under section 399 of the SFO in June 2011 (please refer to the SFC's website for the previous version). Whilst the SFC may also accept qualifications obtained elsewhere, the individual has to provide supporting documents issued by the relevant academic or professional body which demonstrate the equivalence of the qualifications to the required HKSI or Vocational Training Council papers.

¹⁶ "Extra CPT" means that the individual must complete five CPT hours which is a one-off requirement, irrespective of whether the individual is applying under the SFO, the AMLO or both. The additional CPT hours should be taken within six months preceding the submission of the application.

¹⁷ Please note the LRP requirements will be updated on the SFC's website as and when changes occur.

- 3.17 For an individual who does not possess the academic or professional qualifications set out in paragraph 3.16 but was a licensee before 1 January 2022¹⁸, the SFC will consider his or her application if he or she has:
- (a) acquired at least eight years of relevant industry experience in the Relevant Activities over the past 11 years; and
 - (b) met the management experience and LRP requirements set out in paragraph 3.16 above.
- 3.18 In assessing the “relevant industry experience” of an individual, the SFC will take a pragmatic approach. For example, the SFC may recognise an individual’s previous direct experience in technology as relevant if the individual has been a key person in developing, or ensuring the proper and continued functioning of, a technology, platform or system (ie, not merely providing system support); and the technology, platform or system in which the individual has expertise is central to the virtual asset trading platform operated by his or her new principal¹⁹.
- 3.19 “Management experience” refers to hands-on experience in supervising and managing essential regulated functions or projects in a business setting, including the management of staff engaging in these functions or projects. For example, managing individuals conducting Relevant Activities may be considered relevant management experience.
- 3.20 The SFC will also accept management experience acquired in the financial industry. However, the SFC would not normally accept management experience which is purely administrative (for example, supervision of human resources or office administration staff).
- 3.21 An individual who holds a directorship in, or is engaged in the business of, companies other than his or her principal should properly address any conflicts of interest arising from such activities, especially when the directorship or engagement will likely prejudice the interests of investors due to concerns about confidentiality or other factors.

Licensed representatives

- 3.22 In assessing the competence of an individual applying to be an LR, the SFC will expect him or her to have a basic understanding of the market in which he or she is to work as well as the laws and regulatory requirements applicable to the industry. For an individual applying to be an LR (whether under the SFO, the AMLO or both), a summary of the options for satisfying the competence requirements is set out below:

¹⁸ 1 January 2022 is the effective date of the revised Guidelines on Competence which is applicable to applications for SFO-licensed Platform Operators, SFO-LRs and SFO-ROs. Similar requirements have been introduced here for consistency.

¹⁹ Where an RO applicant mainly relies on a technology background for the purpose of satisfying the “relevant industry experience” requirement, and subject to meeting other licensing requirements, the SFC may approve the RO application and impose a “non-sole” condition on the individual’s licence. This means that the individual must, when actively participating in or directly supervising the Relevant Activities for which the Platform Operator is licensed, do so under the advice of another RO who is not subject to the same condition.

	Option A	Option B		Option C	
Academic or professional qualifications	Degree ²⁰ in the designated fields ²¹ ; other degree ²⁰ (with passes in at least two courses in the designated fields ²¹); or professional qualifications ²²	Other degree (without passes in two courses in the designated fields ²¹)		Attained Level 2 in either English or Chinese as well as in Mathematics in the HKDSE or equivalent ²³	
Relevant industry experience	—	At least 2 years over the past 5 years	—	At least 2 years over the past 5 years	—
RIQ²⁴ or Extra CPT²⁵	—	—	Obtained RIQ (HKSI LE Papers 7 and 8) or completed relevant Extra CPT ²⁵	Completed relevant Extra CPT ²⁵	Obtained RIQ (HKSI LE Papers 7 and 8)
LRP²⁶	Pass (HKSI LE Paper 1)	Pass (HKSI LE Paper 1)		Pass (HKSI LE Paper 1)	

3.23 For an individual who does not possess the academic or professional qualifications set out in paragraph 3.22 but was a licensee before 1 January 2022²⁷, the SFC will consider his or her application if he or she has:

- (a) acquired either:
- (i) at least five years of relevant industry experience in the Relevant Activities over the past eight years; or
 - (ii) at least two years of relevant industry experience in the Relevant Activities over the past five years and obtained the relevant RIQ; and

²⁰ If an applicant who is a degree holder has attained a post-graduate diploma or certificate which is (a) issued by a university or other similar tertiary institution in Hong Kong or elsewhere; or (b) recognised as Level 6 or above under the Qualifications Framework in Hong Kong, then the post-graduate diploma or certificate will also be taken into account in assessing the applicant's competence. For further details about the Qualifications Framework in Hong Kong, please visit www.hkqf.gov.hk.

²¹ "Designated fields" refer to accounting, business administration, economics, finance and law.

²² Internationally-recognised professional qualifications in law, accounting or finance. Internationally-recognised professional qualifications in finance include Chartered Financial Analyst (CFA), Certified International Investment Analyst (CIIA) and Certified Financial Planner (CFP).

²³ The SFC also recognises as equivalent to HKDSE (a) the attainment of grade E or above in either English or Chinese as well as in Mathematics in the HKCEE and (b) passes in the same subjects in other high school public examinations (such as university entry examinations) in Hong Kong or elsewhere.

²⁴ Please note: (i) the RIQ requirements will be updated on the SFC's website as and when changes occur; (ii) the SFC will also accept industry qualifications listed in Appendix C of the previous Guidelines on Competence published by the SFC under section 399 of the SFO in June 2011 (please refer to the SFC's website for the previous version).

²⁵ "Extra CPT" means that the individual must complete five CPT hours which is a one-off requirement. The additional CPT hours should be taken within six months preceding the submission of the application.

²⁶ Please note the LRP requirements will be updated on the SFC's website as and when changes occur.

²⁷ See explanation in footnote 18 above.

- (b) met the LRP requirements set out in paragraph 3.22 above.

Exemptions from the RIQ and LRP requirements

General principles

- 3.24 The objective of requiring individuals conducting Relevant Activities to obtain RIQ and pass LRP is to ensure they are adequately equipped to carry on the Relevant Activities and are aware of their legal responsibilities and potential liabilities.
- 3.25 Notwithstanding this fundamental objective, the SFC will review and consider all relevant facts and circumstances presented in an application in a pragmatic manner, and may at its sole discretion consider:
- (a) granting an individual an exemption from obtaining an RIQ, passing an LRP or both, if he or she can demonstrate possession of comparable qualifications or industry experience; or
 - (b) approving the licence application of an individual on the condition that he or she must pass an LRP within six months of obtaining the approval.
- 3.26 In granting the exemptions or approvals, the SFC may impose licensing conditions on, and request the provision of confirmations or undertakings from, the individuals, sponsoring corporation or both, as and when appropriate.
- 3.27 Exemptions or approvals so granted are specific to the facts and circumstances set forth in the application and in the context of the individual's engagement with the sponsoring corporation, and are therefore non-transferable. The individual may be required to obtain an RIQ or pass an LRP if there are changes to his or her role or the sponsoring corporation.
- 3.28 The criteria under which exemptions may be considered are detailed in paragraphs 3.30 to 3.38 below. These criteria may be changed and updated where necessary.
- 3.29 Individuals and sponsoring corporations are reminded that:
- (a) breaching any of the conditions imposed or undertakings provided, or providing false or misleading information in the confirmations, may impugn the fitness and properness of the individual, the sponsoring corporation or both; and
 - (b) failure to pass the requisite LRP within the specified time may render the approval invalid and cause the licence to lapse unless the SFC grants a further extension. The SFC may consider an extension under exceptional circumstances as it considers appropriate. Where appropriate, the SFC may also impose additional conditions on the individual licensee limiting the scope of his or her business activities. In addition, the above grace period (including any further extension) is usually granted once with respect to each LRP. If the individual has previously been granted a grace period (including any further extension) but did not pass the LRP concerned, he or she is expected to obtain a pass in that LRP before submitting his or her application again.

RIQ exemptions

A. Full exemption for ROs and LRs

3.30 An individual may apply for a full exemption from the RIQ requirements if he or she has been licensed by the SFC within the past three years or is currently licensed by the SFC and now applies to carry on the Relevant Activities with the same RIQ requirements²⁸ and in the same role²⁹ as previously licensed by the SFC.

B. Conditional exemption for ROs and LRs

3.31 Under exceptional circumstances, an individual may apply for a conditional exemption from the RIQ requirements if he or she is currently licensed by the SFC and has five years of related local experience over the past eight years and now applies to carry on the Relevant Activities with different RIQ requirements²⁸ but in the same role²⁹.

- (a) Conditions to be imposed: The SFC would consider imposing licensing conditions which restrict the scope of activities to be undertaken by the individual or any other licensing conditions as the SFC considers appropriate.
- (b) Confirmations and undertakings to be provided: The individual must complete an additional five CPT hours in industry or product knowledge in respect of the conduct of the Relevant Activities, which is a one-off requirement.

Note 1: The additional CPT hours may be completed within six months preceding the submission of the application. In this case, both the individual and the sponsoring corporation should provide confirmation that the individual has already completed the required CPT hours.

Note 2: Alternatively, the additional CPT hours may be completed within 12 months after licence approval is granted. In this case, both the individual and the sponsoring corporation should provide undertakings to this effect.

Note 3: The supporting records and documentary evidence for the CPT hours completed may be inspected by the SFC as and when required.

LRP exemptions

A. Full exemption for ROs and LRs

3.32 An individual may apply for a full exemption from the LRP requirements if he or she:

²⁸ Please refer to paragraphs 4.2.2 (RO) and 4.3.2 (LR) of the Guidelines on Competence published under the SFO by the SFC for the RIQ requirements for different regulated activities.

²⁹ Either as RO or as LR.

- (a) has been a licensee within the past three years or is a current licensee and now applies to carry on Relevant Activities with the same LRP requirements³⁰ and in the same role³¹ as previously licensed; or

Note: An individual applying to be an LR may only rely on this exemption if he or she has attempted HKSI LE Paper 1. Where the individual has never attempted HKSI LE Paper 1, he or she may consider relying on LRP Conditional Exemption 5.

- (b) has been actively involved in regulatory or compliance work:
- (i) in Hong Kong;
 - (ii) on a full-time basis;
 - (iii) for at least three years over the past six years; and
 - (iv) in the Relevant Activities for a Platform Operator licensed by the SFC.

The SFC would consider imposing licensing conditions which restrict the scope of activities to be undertaken by the individual or any other licensing conditions as the SFC considers appropriate.

B. Conditional exemptions for ROs only

LRP Conditional Exemption 1

3.33 An RO applicant may apply for a conditional exemption from the LRP requirements if he or she can demonstrate all of the following:

- (a) Experience: The individual has proven, substantial related experience but simply lacks the required level of local regulatory exposure.

Note: "Substantial" means having at least:

- (i) eight years of related experience in a jurisdiction where any of the specified exchanges in Schedule 3 to the Financial Resources Rules is domiciled; or
- (ii) six years of related experience with at least two of these years licensed in Hong Kong,

with some part of it gained in the most recent three years.

- (b) Restriction of permitted activities:

- (i) The individual is either only involved in a limited scope of activities for the sponsoring corporation or only assuming a very senior management level role; or

³⁰ Please refer to paragraphs 4.2.3 (RO) and 4.3.3 (LR) of the Guidelines on Competence published under the SFO by the SFC for the LRP requirements for different regulated activities.

³¹ Either as RO or as LR.

- (ii) the sponsoring corporation will only be carrying on a limited scope of business activities.
- (c) Regulatory support from other personnel:
- (i) There is at least one approved RO at the sponsoring corporation who is licensed for conducting the Relevant Activities, and would be directly reporting to or otherwise responsible for advising the individual as well as supervising the daily conduct of the Relevant Activities.
 - (ii) This approved RO should be designated by name to the SFC and replaced with someone else equivalently approved if the designated person changes job functions or employment. Instead of notifying the SFC whenever there are changes in the designated persons, the sponsoring corporation should provide a confirmation to the SFC that it has a system to maintain records whereby these designations are kept current to reflect personnel changes so that the SFC can inspect them if needed. If a designated person is not available, the exempted individual and the sponsoring corporation will immediately inform the SFC.
- (d) Internal control systems in place: The sponsoring corporation has in place an appropriate risk and regulatory compliance infrastructure (including a comprehensive risk management system, internal audit, compliance staff and procedures).
- (e) Conditions to be imposed: The SFC would consider imposing licensing conditions which restrict the scope of activities to be undertaken by the individual, the sponsoring corporation or both (for example, the individual's activities are all confined within the same group of related companies, or the individual does not engage in any activities with retail clients) or any other licensing conditions as the SFC considers appropriate.
- (f) Confirmations and undertakings to be provided: The individual and sponsoring corporation should provide the following confirmations and undertakings³², as applicable:
- (i) confirmation from the sponsoring corporation that it has suitably qualified back office staff (including finance, compliance, and audit staff);
 - (ii) undertakings from both the individual and the sponsoring corporation that they will update the SFC on any significant change to the underlying circumstances, including the job functions or the Relevant Activities the individual engages in, the sponsoring corporation's business activity relevant to the individual, or changes in any designated licensed or support personnel; and
 - (iii) the individual must complete an additional five CPT hours in local regulatory knowledge in the Relevant Activities which is a one-off requirement.

³² These items are not intended to be exhaustive.

- The additional CPT hours may be completed within six months preceding the submission of the application. In this case, both the individual and the sponsoring corporation should provide confirmation that the individual has already completed the required CPT hours.
- Alternatively, the additional CPT hours may be completed within 12 months after the licence approval is granted. In this case, both the individual and the sponsoring corporation should provide undertakings to this effect.
- The supporting records and documentary evidence for the CPT hours completed may be inspected by the SFC as and when required.

Note: After the individual has obtained the above conditional exemption and been licensed for three years, the requirement for a designated RO to provide regulatory support can be removed.

LRP Conditional Exemption 2

3.34 An RO may apply for a conditional exemption from the LRP requirements if he or she has five years of related local experience over the past eight years and now applies to carry on Relevant Activities with different LRP requirements³³.

- (a) Conditions to be imposed: The SFC would consider imposing licensing conditions which restrict the scope of activities to be undertaken by the individual, the sponsoring corporation or both, or imposing any other licensing conditions as it considers appropriate.
- (b) Confirmations and undertakings to be provided: The individual must complete an additional five CPT hours in local regulatory knowledge relevant to the Relevant Activities, which is a one-off requirement.
 - (i) The additional CPT hours may be completed within six months preceding the submission of the application. In this case, both the individual and the sponsoring corporation should provide confirmation that the individual has already completed the required CPT hours.
 - (ii) Alternatively, the additional CPT hours may be completed within 12 months after the licence approval is granted. In this case, both the individual and the sponsoring corporation should provide undertakings to this effect.
 - (iii) The supporting records and documentary evidence for the CPT hours completed may be inspected by the SFC as and when required.

³³ See footnote 30 above.

LRP Conditional Exemption 3

- 3.35 An LR of a Platform Operator applying for approval to become an RO of a Platform Operator may apply for a conditional exemption from the LRP requirements if he or she possesses at least three more years of relevant industry experience in addition to the general competence requirements set out in paragraph 3.16. The additional three years must be recent and licensed experience acquired in Hong Kong.
- (a) Confirmations and undertakings to be provided: The individual must complete an additional five CPT hours in local regulatory knowledge in the Relevant Activities, which is a one-off requirement.
- (i) The additional CPT hours may be completed within six months preceding the submission of the application. In this case, both the individual and the sponsoring corporation should provide confirmation that the individual has already completed the required CPT hours.
- (ii) Alternatively, the additional CPT hours may be completed within 12 months after the licence approval is granted. In this case, both the individual and the sponsoring corporation should provide undertakings to this effect.
- (iii) The supporting records and documentary evidence for the CPT hours completed may be inspected by the SFC as and when required.

C. Conditional exemptions for LRs only

LRP Conditional Exemption 4

- 3.36 Itinerant professionals, being individuals from elsewhere who need to visit Hong Kong repeatedly for a short period each time to conduct Relevant Activities in Hong Kong, may apply for a conditional exemption from the LRP requirements.
- (a) Conditions to be imposed:
- (i) The individual shall not carry on Relevant Activities in Hong Kong for more than 30 days in each calendar year;
- (ii) the individual shall at all times be accompanied by a licensed person in carrying on Relevant Activities in Hong Kong; and
- (iii) without compromising investor protection, the SFC may consider removing the chaperoning requirement in condition (ii) and impose an alternative condition to the effect that the individual can only provide services which constitute Relevant Activities to institutional professional investors.
- (b) Undertakings to be provided:
- (i) For itinerant professionals subject to conditions (i) and (ii) above, the sponsoring corporation should provide an undertaking to the effect that it will assume full responsibility for the supervision of the individual's

activities during his or her stay in Hong Kong and ensure that he or she will comply with the relevant rules and regulations at all times.

- (ii) For itinerant professionals subject to condition (i) and alternative condition (iii) above, the sponsoring corporation should provide additional undertakings that it will:
 - provide training to the individual in the form of a structured course to ensure that he or she is fully aware of the Hong Kong regulatory framework before he or she commences carrying on Relevant Activities in Hong Kong; and
 - comply with the requirements set out under paragraph 3.33(c), whereby it will arrange for at least one approved RO who is licensed in the Relevant Activities to directly supervise or otherwise be responsible for advising the individual in conducting Relevant Activities in Hong Kong.

LRP Conditional Exemption 5

3.37 An individual who has been an LR within the past three years or is a current LR and (a) has never attempted HKSI LE Paper 1 before and now applies to carry on Relevant Activities with the same LRP requirements³⁴ and in the same role³⁵; or (b) now applies to carry on Relevant Activities with different LRP requirements³⁴ but in the same role³⁵, may apply for a conditional exemption from the LRP requirements.

(a) Confirmations and undertakings to be provided:

The individual must complete an additional five CPT hours in local regulatory knowledge in Relevant Activities, which is a one-off requirement.

- (i) The additional CPT hours may be completed within six months preceding the submission of the application. In this case, both the individual and the sponsoring corporation should provide confirmation that the individual has already completed the required CPT hours.
- (ii) Alternatively, the additional CPT hours may be completed within 12 months after the licence approval is granted. In this case, both the individual and the sponsoring corporation should provide undertakings to this effect.
- (iii) The supporting records and documentary evidence for the CPT hours completed may be inspected by the SFC as and when required.

Re-entrant exemption

3.38 An individual may apply for a conditional exemption from both the RIQ and LRP requirements if he or she is a former practitioner who has left the industry for

³⁴ See footnote 30 above.

³⁵ Either as RO or LR.

between three to eight years and re-applies for a licence with the same RIQ and LRP requirements³⁶ and in the same role³⁷ as previously licensed.

To be eligible for the exemption:

- (a) the individual must complete five CPT hours, per year of absence (any fraction of a year would be rounded up), with training in local regulatory knowledge making up at least 50% of the CPT activities;
- (b) the required CPT hours should be completed before the submission of the application;
- (c) both the individual and the sponsoring corporation should provide confirmation that the individual has already completed the required CPT hours and that training in local regulatory knowledge made up not less than 50% of the CPT activities; and
- (d) the supporting records and documentary evidence for the CPT hours completed may be inspected by the SFC as and when required.

³⁶ See footnotes 28 (RIQ requirements) and 30 (LRP requirements) above.

³⁷ Either as RO or LR.

IV. Continuous Professional Training Requirements

- 4.1 CPT is the systematic maintenance, improvement and broadening of knowledge and skills to enable individuals carrying on Relevant Activities to perform their duties competently and professionally. The objectives of the CPT programme are:
- (a) to maintain and enhance their technical knowledge and professional expertise;
 - (b) to provide reasonable assurance to investors at large that they have the technical knowledge, professional skills and ethical standards required to carry on Relevant Activities efficiently, effectively and fairly; and
 - (c) to maintain and enhance Hong Kong's international reputation for high professional standards.
- 4.2 The SFC takes the view that the CPT objectives could not be achieved solely through work experience or on-the-job training. It will generally be necessary for individuals to undertake CPT if they are to remain fit and proper.
- 4.3 The CPT requirements will vary according to the size and nature of the business and the nature of the responsibilities to be undertaken by an individual. Rather than mandating particular programmes, these Guidelines describe the general attributes of the CPT programme.
- 4.4 Licensed persons are required to confirm their compliance (or explain non-compliance) with the applicable CPT requirements annually with the SFC, and shall provide such confirmation for the previous calendar year when they submit their annual returns electronically³⁸.
- 4.5 Failure to satisfy any applicable CPT requirements will cast doubt on the fitness and propriety of corporations and individuals to remain licensed and may lead to disciplinary action by the SFC. Nevertheless, the SFC will adopt a pragmatic approach taking into account the circumstances and the facts of the breach before taking any action.

Requirements for corporations

- 4.6 Corporations are held primarily responsible for planning and implementing a continuous education programme best suited to the training needs of the individuals they engage which will enhance their industry knowledge, skills and professionalism. The apportioning of training costs will be a matter between the corporations and the individuals.
- 4.7 Corporations should evaluate their training programmes at least annually and make commensurate adjustments to cater for the training needs of the individuals they engage.

³⁸ For example, in their electronic submission of an annual return with an anniversary date in 2024, they would confirm their compliance (or non-compliance) with the CPT requirements for calendar year 2023.

- 4.8 In developing training programmes, consideration should be given to the corporation's size, organisational structure, risk management system and scope of business activities as well as the prevailing regulatory framework and market development.
- 4.9 The training programmes can be provided internally or the corporations can make use of appropriate external sources. In selecting training courses, corporations should satisfy themselves of the quality of the trainers and the standard of the training programmes. They should also ensure that the contents of the courses are appropriately structured and of benefit to the individuals in performing their functions. Subjects which are relevant to the individuals' functions and may help to enhance the performance of their functions would meet the CPT purpose.
- 4.10 Neither the SFC nor its Academic and Accreditation Advisory Committee (AAAC)³⁹ would endorse any training courses, whether provided internally or externally.
- 4.11 Corporations should keep the details of the training conducted, the attendance records and materials provided for individuals who have completed the training.
- 4.12 Sufficient records of the programmes and the CPT activities undertaken by individuals should be kept for a minimum of three years and made available for inspection or upon request by the SFC.

Requirements for individuals

- 4.13 Individuals must remain fit and proper at all times. One of the criteria is that an individual is continuously competent to carry on Relevant Activities. The SFC considers that an individual's continued competence to carry on Relevant Activities may be achieved by undertaking training that enhances his or her technical skills, professional expertise, ethical standards and regulatory knowledge.
- 4.14 An LR must undertake a minimum of 10 CPT hours per calendar year⁴⁰. In view of the greater responsibility and accountability placed on ROs, they are required to complete two additional CPT hours (ie, at least 12 CPT hours per calendar year⁴¹). These two additional CPT hours should cover topics relating to regulatory compliance.
- 4.15 An individual should complete at least five CPT hours per calendar year (out of the 10 hours for LRs and 12 hours for ROs) on topics directly related to the Relevant Activities. As a general principle, such CPT hours should be allocated to cover the practice areas of the individual in proportion to the time and effort that the individual spends in each area.
- 4.16 Within the 12 months after a person first becomes LR or RO⁴², that person must undertake two CPT hours on ethics, which include, but are not limited to, topics

³⁹ The AAAC is comprised of representatives from the SFC, the industry and academic institutions. It regularly reviews the CPT requirements to ensure they meet general market needs and international standards and also considers applications as recognised institutions for CPT purposes.

⁴⁰ For the avoidance of doubt, an LR, irrespective of whether he or she is licensed under the SFO, the AMLO or both, is only required to take 10 CPT hours per calendar year.

⁴¹ For the avoidance of doubt, an RO, irrespective of whether he or she is licensed under the SFO, the AMLO or both, is only required to take 12 CPT hours per calendar year.

⁴² This refers to an individual who first becomes an LR or RO under the SFO or the AMLO, whichever is earlier.

relating to integrity, fairness, due care and diligence, good faith, objectivity, best interests of clients, treating clients fairly, avoidance of conflicts of interest and confidentiality of clients' information. Thereafter, he or she is required to complete at least two CPT hours per calendar year on topics relating to ethics or compliance. Topics relating to compliance include, but are not limited to, the legal and regulatory framework for the financial industry and the codes of conduct and industry guidelines issued by regulatory authorities as well as policies and guidelines set out by individual corporations internally or by other professional bodies.

- 4.17 For the avoidance of doubt, an individual who first joins the industry can count the mandatory two CPT hours on ethics towards the annual CPT requirement set out in paragraph 4.16 above. However, these do not count towards the two additional CPT hours required of ROs set out in paragraph 4.14 above nor may they be used to meet the CPT requirements for a conditional exemption from the RIQ and LRP requirements.
- 4.18 Individuals are also required to retain appropriate records of all CPT activities completed in each calendar year. Documentary evidence sufficient to support their attendance or completion of the CPT activities, such as certificates of attendance issued by the course providers and examination results, should be kept by the individuals for a minimum of three years. The SFC may request LRs and ROs to produce this documentary evidence as and when required.
- 4.19 Several practical issues regarding the accumulation of CPT hours are set out in the following paragraphs.
- (a) The CPT hours required for an individual⁴³ who is first licensed during the year can be applied pro-rata with reference to the licensed period⁴⁴. For example, if an individual was granted a licence as an LR on 1 July, the total number of CPT hours required of him or her for the calendar year would be five (ie, half of the annual CPT requirement for LRs).
 - (b) The training courses attended prior to the date of licence but within the same calendar year can count towards CPT hours. This would include study hours for fulfilling competence requirements if a pass in the relevant examination is proven.
 - (c) When an individual changes his or her employer within the same calendar year, he or she can carry forward his or her CPT hours undertaken at the previous employer. The new employer does not need to obtain the CPT information from the previous employer. It can rely on the declaration and documentary evidence provided by the individual.
 - (d) It is not necessary for an individual to apportion the CPT hours he or she undertakes to accord with his or her periods of employment with the previous and new employers.

⁴³ Including the (i) 10 CPT hours per calendar year for LRs and ROs; (ii) additional two CPT hours on regulatory compliance for ROs; and (iii) five CPT hours on topics directly relevant to the Relevant Activities in which an individual engages.

⁴⁴ Except for the one-off mandatory requirement of two CPT hours on ethics required of new joiners as set out in paragraph 4.16 above.

- (e) The new employer will not be accountable for the non-compliance of the individual who has not undertaken enough CPT hours at his or her previous employer. Thereafter, it has to ensure that the individual meets the annual CPT hour requirements, ie, 10 CPT hours for LRs or 12 CPT hours for ROs.
- (f) Excess CPT hours accumulated in one calendar year cannot be carried forward to the following year.

Relevant CPT activities

- 4.20 CPT hours are time spent by individuals in undertaking CPT activities. The CPT activities should be relevant to the functions to be performed by them⁴⁵ and they should incorporate significant intellectual and practical content and involve interaction with other persons.
- 4.21 The following are acceptable means of obtaining CPT:
- (a) attending courses, workshops, lectures and seminars⁴⁶;
 - (b) distance learning which requires submission of assignments;
 - (c) self-study or online learning courses⁴⁷;
 - (d) industry research;
 - (e) publication of papers;
 - (f) delivery of speeches⁴⁶;
 - (g) giving lectures or teaching⁴⁶;
 - (h) providing comments on industry consultation papers;
 - (i) attending meetings or undertaking activities as members of the SFC's regulatory committees or formal working groups⁴⁸; and
 - (j) attending luncheon talks which normally last for one to two hours in total (0.5 hour will be counted).
- 4.22 Normal working activities, general reading of financial press or technical, professional, financial or business literature and activities which do not involve interaction with other persons are generally not regarded as CPT activities.

⁴⁵ See paragraph 4.15 above for specific requirements.

⁴⁶ Both face-to-face and virtual formats are acceptable.

⁴⁷ Independent assessments (such as evaluation or test results) and sufficient records are required to demonstrate fulfilment and duration of training.

⁴⁸ Formal working groups set up for the purpose of making decisions on a predetermined subject, meetings of which are presided over by a chairman and with minutes.

Relevant topics

- 4.23 Individuals are required to remain fit and proper to perform their functions at a professional level. Relevant topics for individuals at the LR level include:
- (a) applicable compliance, legislative and regulatory standards⁴⁹;
 - (b) business conduct and ethical standards⁵⁰;
 - (c) market developments, new financial products and risk management systems;
 - (d) business communication skills and trade practices;
 - (e) general law principles;
 - (f) basic accounting theories;
 - (g) fundamental economic analysis;
 - (h) Fintech and virtual assets;
 - (i) environmental, social and governance (ESG);
 - (j) cybersecurity; and
 - (k) information technology.
- 4.24 Relevant topics for ROs who play a crucial role in ensuring effective corporate governance and control may, in addition to the above topics, include the following:
- (a) business management;
 - (b) risk management and control strategies;
 - (c) general management and supervisory skills;
 - (d) macro and micro economic analysis; and
 - (e) financial reporting and quantitative analysis.
- 4.25 The topics listed above are only examples and are by no means exhaustive.
- 4.26 Generally speaking, language courses do not count towards CPT. Management training can count towards CPT if the training assists in enhancing the person's ability to carry out the Relevant Activities.
- 4.27 Seminars given by the SFC pertaining to regulatory updates and other relevant topics can count towards CPT.

⁴⁹ See paragraph 4.16 above.

⁵⁰ See paragraphs 4.16 and 4.17 above.

- 4.28 Repeatedly undertaking the same CPT activity with the same content will not satisfy the requirements.

V. Conduct of Business Principles

- 5.1 Platform Operators should comply with the spirit of these principles when carrying on any Relevant Activities.
- (a) In conducting its business activities, a Platform Operator should act honestly, fairly, and in the best interests of its clients and the integrity of the market.
 - (b) In conducting its business activities, a Platform Operator should act with due skill, care and diligence, in the best interests of its clients and the integrity of the market.
 - (c) A Platform Operator should have and employ effectively the resources and procedures which are needed for the proper performance of its business activities.
 - (d) A Platform Operator should seek from its clients⁵¹ information about their financial situation, investment experience and investment objectives and assess their risk tolerance level and risk profile relevant to the services to be provided.
 - (e) A Platform Operator should make clear and adequate disclosure of relevant material information in its dealings with clients.
 - (f) A Platform Operator should try to avoid conflicts of interest, and when they cannot be avoided, should ensure that its clients are fairly treated.
 - (g) A Platform Operator should ensure the reliability and security of its trading platform.
 - (h) A Platform Operator should comply with all regulatory requirements applicable to the conduct of Relevant Activities so as to promote the best interests of clients and the integrity of the market. The Platform Operator should also respond to requests and enquiries from the regulatory authorities in an open and cooperative manner.
 - (i) A Platform Operator should ensure that client assets are promptly and properly accounted for and adequately safeguarded.
 - (j) A Platform Operator should maintain proper records.
 - (k) The senior management⁵² of a Platform Operator should bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures by the Platform Operator.

⁵¹ Except for clients which are institutional and qualified corporate professional investors.

⁵² In determining where responsibility lies, and the degree of responsibility of a particular individual, regard shall be had to that individual's apparent or actual authority in relation to the particular business operations, levels of responsibility within the Platform Operator, any supervisory duties he or she may perform, and the degree of control or knowledge he or she may have concerning any failure by the Platform Operator or persons under his or her supervision to follow these Guidelines.

VI. Financial Soundness

Financial resources and soundness

- 6.1 A Platform Operator should maintain in Hong Kong at all times assets which it beneficially owns and are sufficiently liquid, for example, cash, deposits, treasury bills and certificates of deposit (but not virtual assets), equivalent to at least 12 months of its actual operating expenses calculated on a rolling basis.
- 6.2 A Platform Operator must at all times maintain paid-up share capital of not less than HK\$ 5,000,000 (referred to as “minimum paid-up share capital”).
- 6.3 A Platform Operator must at all times maintain liquid capital which is not less than its required liquid capital. The Platform Operator, for the purposes of calculating its liquid capital and required liquid capital, should account for all its assets, liabilities and transactions in accordance with Part 4 of the Financial Resources Rules⁵³ and follow the computation basis prescribed in Division 2 of Part 4 of the Financial Resources Rules. Specifically:
- (a) liquid capital means the amount by which the Platform Operator’s liquid assets exceeds its ranking liabilities, where:
 - (i) liquid assets means the aggregate of the amounts required to be included in the Platform Operator’s liquid assets under the provisions of Division 3 of Part 4 of the Financial Resources Rules; and
 - (ii) ranking liabilities means the aggregate of the amounts required to be included in the Platform Operator’s ranking liabilities under the provisions of Division 4 of Part 4 of the Financial Resources Rules; and
 - (b) required liquid capital means the higher of HK\$ 3,000,000 and the basic amount as defined in section 2 of the Financial Resources Rules.
- 6.4 For the purposes of Part VI of these Guidelines, a Platform Operator must account for all assets and liabilities:
- (a) in accordance with generally accepted accounting principles, unless otherwise specified in the Financial Resources Rules; and
 - (b) in a way which recognises the substance of a transaction, arrangement or position.

The Platform Operator must not, without notifying the SFC under paragraph 6.10, change any of its accounting principles, other than those referred to in subparagraph (a), in a way that may materially affect the paid-up share capital or liquid capital which it maintains or is required to maintain under paragraphs 6.2 and 6.3 respectively.

⁵³ For the purposes of Part VI of these Guidelines, any reference to a licensed corporation in the Financial Resources Rules should be read to mean a Platform Operator, except for (b)(ii)(D) of the definition of marketable debt securities and sections 9(6)(b)(i)(D) and 19(2)(a)(iii) of the Financial Resources Rules.

Financial returns

- 6.5 A Platform Operator shall, in respect of each month at the end of which it remains licensed, submit to the SFC, no later than three weeks after the end of the month concerned, a return which is in the form specified by the SFC and includes:
- (a) the Platform Operator's liquid capital computation, as at the end of the month;
 - (b) the Platform Operator's required liquid capital computation, as at the end of the month;
 - (c) a summary of bank loans, advances, credit facilities and other financial accommodation available to the Platform Operator, as at the end of the month;
 - (d) an analysis of the Platform Operator's client assets, as at the end of the month; and
 - (e) an analysis of the Platform Operator's profit and loss account.

The Platform Operator shall sign and submit the return to the SFC in the manner specified by the SFC.

- 6.6 A Platform Operator may elect to submit the return required under paragraph 6.5 above, in respect of periods of not less than 28 days but not more than 35 days, each of which ending not more than seven days before or after the end of a month. The Platform Operator must determine such periods so that the ending date of each period is predictable. Where the Platform Operator elects to submit the return in this manner, it is deemed to have submitted the return concerned in respect of that period.
- 6.7 A Platform Operator shall, in respect of each financial year, submit to the SFC, no later than four months after the end of that financial year, a return which is in the form specified by the SFC that is made up to the last day of the financial year and includes the information specified under paragraphs 6.5(a) to 6.5(d) above.

Notifications

- 6.8 If a Platform Operator becomes aware of its inability to maintain, or to ascertain whether it maintains, sufficient assets, the paid-up share capital or liquid capital which it is required to maintain under paragraphs 6.1, 6.2 and 6.3 respectively, it shall as soon as reasonably practicable notify the SFC by notice in writing of that fact, including the full details of the matter and the reason therefor as well as any steps it is taking, has taken or proposes to take to redress the inability.
- 6.9 A Platform Operator must notify the SFC in writing as soon as reasonably practicable and in any event within one business day of becoming aware of any of the following matters:
- (a) its liquid capital falls below 120% of its required liquid capital;

- (b) its liquid capital falls below 50% of the liquid capital stated in its last return submitted to the SFC under paragraph 6.5 above;
- (c) any information contained in any of its previous returns submitted to the SFC under paragraph 6.5 above has become false or misleading in a material particular;
- (d) the aggregate of the amounts it has drawn down on any loan, advance, credit facility or other financial accommodation provided to it by banks exceeds the aggregate of the credit limits thereof;
- (e) it has been or will be unable, for three consecutive business days, to meet in whole or in part any calls or demands for payment or repayment (as the case may be), from any of its lenders, credit providers or financial accommodation providers;
- (f) any of its lenders or any person who has provided credit or financial accommodation to it (lending person) has exercised, or has informed it that the lending person will exercise, the right to liquidate security provided by the Platform Operator to the lending person in order to reduce its liability or indebtedness to the lending person under any outstanding loan, advance, credit facility balance or other financial accommodation provided to it by the lending person;
- (g) the aggregate of the maximum amounts which can be drawn down against it under any guarantee, indemnity or any other similar financial commitment provided by it:
 - (i) exceeds HK\$ 5,000,000; or
 - (ii) would, if deducted from its liquid capital, cause its liquid capital to fall below 120% of its required liquid capital;
- (h) the aggregate of the amounts of any outstanding claims made in writing by it or against it (whether disputed or not) exceeds or is likely to exceed HK\$ 5,000,000; and
- (i) the aggregate of the amounts of any outstanding claims made in writing by it or against it (whether disputed or not) would, if deducted from its liquid capital, cause its liquid capital to fall below 120% of its required liquid capital.

Where the Platform Operator notifies the SFC of any of the abovementioned matters, it must include in the notice full details of the matter and the reasons therefor and, in the case of a notification under subparagraph (a), (b), (d), (e), or (f), include in the notice full details of any steps it is taking, has taken or proposes to take to prevent its liquid capital from falling below its required liquid capital or to improve its liquidity.

- 6.10 Where a Platform Operator intends to change any of its accounting principles in a way that may materially affect the paid-up share capital or liquid capital it maintains or is required to maintain under paragraphs 6.2 and 6.3 respectively, it must notify

the SFC in writing of the details of, and the reasons for, the intended change not less than five business days prior to effecting the change.

- 6.11 A Platform Operator which makes an election under any provision of the Financial Resources Rules for the purpose of complying with Part VI of these Guidelines is bound by the election until withdrawal of the election. If the Platform Operator wishes to withdraw from any election, it must notify the SFC in writing of the details of, and the reasons for, the withdrawal not less than five business days prior to the withdrawal.
- 6.12 For the avoidance of doubt, in addition to the requirements under Part VI of these Guidelines, an SFO-licensed Platform Operator should also comply with the Financial Resources Rules which are applicable to licensed corporations⁵⁴. Where there are any inconsistencies between such requirements and those under these Guidelines, the more stringent requirement should prevail.

⁵⁴ “Licensed corporation” has the meaning as defined in section 1 of Part 1 of Schedule 1 to the SFO.

VII. Operations

Token admission and review committee

- 7.1 A Platform Operator should set up a token admission and review committee which will be responsible for:
- (a) establishing, implementing and enforcing the criteria for a virtual asset to be admitted for trading (ie, the token admission criteria), taking into account factors specified in paragraphs 7.6 to 7.12 below, and the application procedures if applicable;
 - (b) establishing, implementing and enforcing the criteria for suspending and withdrawing a virtual asset from trading, and the options available to clients holding that virtual asset;
 - (c) making the final decision as to whether to admit, suspend and withdraw a virtual asset for clients to trade based on the criteria;
 - (d) establishing, implementing and enforcing the rules which set out the obligations of and restrictions on virtual asset issuers (for example, the obligation to notify the Platform Operator of any proposed voting, hard fork or airdrop, any material change in the issuer's business or any regulatory action taken against the issuer), if applicable; and
 - (e) reviewing regularly the criteria and rules mentioned under subparagraphs (a), (b) and (d) above to ensure they remain appropriate, as well as the virtual assets admitted for trading to ensure they continue to satisfy the token admission criteria.
- 7.2 A Platform Operator should ensure that the criteria for admitting, suspending and withdrawing a virtual asset for or from trading is transparent and fair and disclose such criteria on its website (see paragraph 9.27 below).
- 7.3 The token admission and review committee should at least consist of members from senior management who are principally responsible for managing the key business line, compliance, risk management and information technology functions of the Platform Operator.
- 7.4 A Platform Operator should ensure that the decisions (and the reasons thereof) made by the token admission and review committee are properly documented.
- 7.5 The token admission and review committee should:
- (a) report to the board of directors at least monthly, and its report should, at a minimum, cover the details of the virtual assets made available to retail clients for trading and other issues noted; and
 - (b) promptly escalate to the board of directors critical matters such as the suspension and withdrawal of virtual assets from trading.

Due diligence on virtual assets

- 7.6 A Platform Operator should act with due skill, care and diligence when selecting virtual assets to be made available for trading. The Platform Operator should perform all reasonable due diligence on all virtual assets before including them for trading (irrespective of whether they are made available to retail clients or not), and ensure that they continue to satisfy all the admission criteria established by the token admission and review committee. Set out below is a non-exhaustive list of factors which a Platform Operator must consider, where applicable:
- (a) the background of the management or development team of a virtual asset or any of its known key members (if any);
 - (b) the regulatory status of a virtual asset in Hong Kong and whether its regulatory status would also affect the regulatory obligations of the Platform Operator;
 - (c) the supply, demand, maturity and liquidity of a virtual asset, including its track record, where the virtual asset (except for a security token) should be issued for at least 12 months;
 - (d) the technical aspects of a virtual asset;
 - (e) the development of a virtual asset;
 - (f) the market and governance risks of a virtual asset;
 - (g) the legal risks associated with the virtual asset and its issuer (where applicable);
 - (h) whether the utility offered, the novel use cases facilitated, technical, structural or cryptoeconomic innovation, or the administrative control exhibited by the virtual asset clearly appears to be fraudulent or illegal, or whether the continued viability of the virtual asset depends on attracting continuous inflow into the virtual asset;
 - (i) the enforceability of any rights extrinsic to the virtual asset (for example, rights to any underlying assets) and the potential impact of the virtual asset's trading activity on the underlying markets; and
 - (j) the money laundering and terrorist financing risks associated with the virtual asset.
- 7.7 Before making any virtual asset available for trading by retail clients, in addition to ensuring that the virtual asset fulfils all the token admission criteria established by the token admission and review committee, a Platform Operator should take all reasonable steps to ensure that the virtual asset:
- (a) does not fall within the definition of “securities” under the SFO, unless the offering of such virtual asset to the retail clients complies with the prospectus requirements for offering of shares and debentures under the Companies

(Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) (C(WUMP)O)⁵⁵ and does not breach the restrictions on offers of investments under Part IV of the SFO; and

(b) is of high liquidity.

7.8 In assessing the liquidity of a specific virtual asset for trading by retail clients, a Platform Operator should, at a minimum, ensure that the virtual asset is an eligible large-cap virtual asset, ie, the specific virtual asset should have been included in a minimum of two acceptable indices issued by at least two different index providers.

Note 1: An acceptable index refers to an index which has a clearly defined objective to measure the performance of the largest virtual assets in the global market, and should fulfil the following criteria:

- (a) The index should be investible, meaning the constituent virtual assets should be sufficiently liquid.
- (b) The index should be objectively calculated and rules-based.
- (c) The index provider should possess the necessary expertise and technical resources to construct, maintain and review the methodology and rules of the index.
- (d) The methodology and rules of the index should be well documented, consistent and transparent.

Note 2: The two index providers should be separate and independent from each other, the issuer of the virtual asset (if applicable) and the Platform Operator (for example, they are not within the same group of companies). Further, at least one of the indices should be issued by an index provider which complies with the IOSCO Principles for Financial Benchmarks and has experience in publishing indices for the conventional securities market.

Note 3: If a Platform Operator intends to make a specific virtual asset available for trading by its retail clients and such virtual asset fulfils all the token admission criteria under Part VII of these Guidelines except for this paragraph, the Platform Operator may submit a detailed proposal on the virtual asset for the SFC's consideration on a case-by-case basis.

7.9 A Platform Operator should ensure that its internal controls and systems, technology and infrastructure (for instance, its anti-money laundering monitoring and market surveillance tools) could support and manage any risks specific to the virtual assets which it intends to make available to its clients for trading.

7.10 Before admitting any virtual assets for trading, a Platform Operator should exercise due skill, care and diligence in selecting and appointing an independent assessor to conduct a smart contract audit for smart-contract based virtual assets, unless the Platform Operator demonstrates that it would be reasonable to rely on a smart contract audit conducted by an independent assessor engaged by a third party. The

⁵⁵ Parts II and XII of the C(WUMP)O.

smart contract audit should focus on reviewing that the smart contract is not subject to any contract vulnerabilities or security flaws to a high level of confidence.

- 7.11 A Platform Operator should conduct ongoing monitoring of each virtual asset admitted for trading and consider whether to continue to allow it for trading (for example, whether in respect of a particular segment of its clients or whether a virtual asset continues to satisfy all the token admission criteria). Regular review reports should be submitted to the token admission and review committee. Where the committee decides to suspend or withdraw a virtual asset from trading, the Platform Operator should as soon as practicable notify clients of its decision and its rationale, inform clients holding that virtual asset of the options available, and ensure that clients are fairly treated.

Note: As an example, where an admitted virtual asset falls outside the constituent virtual assets of an acceptable index as provided in paragraph 7.8 above, the Platform Operator is not required to automatically suspend or withdraw a virtual asset from trading. However, the Platform Operator should evaluate whether to continue to allow trading of this virtual asset by retail clients. Factors which the Platform Operator may consider include why the virtual asset was removed from an acceptable index and whether there is any material adverse news (including those relating to underlying liquidity issues) for the virtual asset. Where such factors would unlikely be resolved in the near future, the Platform Operator should consider whether the trading of the virtual asset should be suspended or whether retail clients should be restricted to the selling of their positions only.

- 7.12 Given that the specific features of a virtual asset may change throughout its life cycle, a Platform Operator should have appropriate monitoring procedures in place to keep track of any changes to a virtual asset being traded by its clients through its platform that may cause the virtual asset's legal status to change such that the virtual asset falls within or ceases to fall within the definition of "securities" under the SFO. Should a virtual asset traded by its retail clients subsequently falls within the definition of "securities" under the SFO, the Platform Operator should cease to offer that virtual asset for trading by retail clients.

Offering of virtual assets

- 7.13 A Platform Operator should note in particular, but without limitation, the following offer of investments requirements:
- (a) prospectus requirements for offering of shares and debentures under the C(WUMP)O⁵⁶;
 - (b) restrictions on offers of investments under Part IV of the SFO, in particular the restrictions on offering of unauthorised collective investment schemes (CIS) and structured products (for example, overseas exchange-traded exchange traded funds, unauthorised CIS and structured products) notwithstanding the offer is made by or on behalf of an intermediary licensed or registered for Type

⁵⁶ Parts II and XII of the C(WUMP)O.

1 (dealing in securities), Type 4 (advising on securities) or Type 6 (advising on corporate finance) regulated activity under the SFO⁵⁷; and

- (c) relevant requirements relating to the offering of CIS on the internet as set out in the Guidance Note for Persons Advertising or Offering Collective Investment Schemes on the Internet issued by the SFC.

7.14 A Platform Operator should implement appropriate access rights and controls such that the public (including retail clients) would not be able to invest in or view materials relating to virtual assets in circumstances that would constitute a breach of the C(WUMP)O or Part IV of the SFO.

Order recording and handling

- 7.15 A Platform Operator should record the particulars of all order instructions received from clients.
- 7.16 Where order instructions are received from clients through the telephone, a Platform Operator should use a telephone recording system to record the instructions and maintain telephone recordings as part of its records for at least six months.
- 7.17 A Platform Operator should prohibit its staff from receiving client order instructions through mobile phones when they are on the trading floor, in the trading room, in the usual place of business where orders are received or in the usual place where business is conducted, and should have a written policy in place to explain and enforce this prohibition.
- 7.18 A Platform Operator should take all reasonable steps to promptly execute client orders in accordance with clients' instructions.
- 7.19 A Platform Operator should handle orders of clients fairly and in the order in which they are received.
- 7.20 A Platform Operator should not withdraw or withhold client orders for its own convenience or for the convenience of any other person. For the avoidance of doubt, this only applies in respect of market orders and limit orders that can be executed on the platform at the relevant price.
- 7.21 A Platform Operator when acting for or with clients should execute client orders on the best available terms.

Trading of virtual assets

- 7.22 A Platform Operator should establish and maintain policies and procedures in relation to the trading process to prevent or detect errors, omissions, fraud and other unauthorised or improper activities.
- 7.23 A Platform Operator should execute a trade for a client only if there are sufficient fiat currencies or virtual assets in the client's account with the Platform Operator to cover that trade except for any off-platform transactions to be conducted by

⁵⁷ Sections 103(2)(a) and 103(11) of the SFO.

institutional professional investors in respect of virtual assets which are not issued by (a) the Platform Operator and any corporation within the same group of companies as the Platform Operator or (b) the client and any corporation within the same group of companies as the client concerned and except under permitted circumstances specified by the SFC.

- 7.24 Except for the circumstances described in paragraph 7.23 above, a Platform Operator should not provide any financial accommodation⁵⁸ for its clients to acquire virtual assets. It should ensure, to the extent possible, that no corporation within the same group of companies as the Platform Operator does so unless for exceptional circumstances which have been approved by the SFC on a case-by-case basis.
- 7.25 A Platform Operator should not conduct any offering, trading or dealing activities in virtual asset futures contracts or related derivatives.
- 7.26 A Platform Operator should not:
- (a) provide algorithmic trading services⁵⁹ to its clients;
 - (b) make any arrangements with its clients on using the client virtual assets held by the Platform Operator or its Associated Entity with the effect of generating returns for the clients or any other parties; or
 - (c) offer any gift, other than a discount of fees or charges, to its client for the trading of a specific virtual asset.
- 7.27 A Platform Operator should prepare comprehensive trading and operational rules governing its platform operations for both on-platform trading and off-platform trading (where applicable). These should, at the minimum, cover the following areas:
- (a) trading and operational matters;
 - (b) trading channels (such as website, dedicated application and application programming interface (API));
 - (c) trading hours;
 - (d) different types of orders; detailed description of the functionality and their priorities;
 - (e) order minimum and maximum quantity limits per underlying currency or virtual asset (in the case of virtual asset trading pairs);
 - (f) order execution conditions and methodology;
 - (g) situations in which orders can be amended and cancelled;
 - (h) trade verification procedures;

⁵⁸ “Financial accommodation” has the meaning as defined in section 1 of Part 1 of Schedule 1 to the SFO.

⁵⁹ For the purpose of this paragraph, algorithmic trading refers to computer generated trading activities created by a predetermined set of rules aimed at delivering specific execution outcomes.

- (i) arrangements during trading suspension, outages and business resumption, including arrangements during restart before entering continuous trading;
- (j) rules preventing market manipulative and abusive activities;
- (k) clearing and settlement arrangements;
- (l) deposit and withdrawal procedures, including the procedures and time required for transferring virtual assets to a client's private wallet and depositing fiat currencies to a client's bank account when returning client assets to the client;
- (m) custodial arrangements, risks associated with such arrangements, the internal controls implemented to ensure that client assets are adequately safeguarded, and insurance/compensation arrangements to protect against any losses arising from the custody of client virtual assets (see paragraphs 10.22 to 10.26 below);
- (n) the internal control procedures which have been put in place to ensure the fair and orderly functioning of its market and to address potential conflicts of interest;
- (o) prohibited trading activities, including, but not limited to, churning, pump-and-dump schemes, ramping, wash trading and other market manipulation aimed at creating a false representation of price, quantity or both; and
- (p) actions the Platform Operator might take should it discover that a client is engaged in prohibited trading activities, including suspension of the client's account, termination of the client's account or both.

Market access

7.28 If the Platform Operator provides programmable access to its platform through one or multiple channels (API access), thorough and detailed documentation should be provided to clients. This includes, but is not limited to, detailed descriptions and examples for all synchronous and asynchronous interactions and events, as well as all potential error messages. A simulation environment, simulating a reasonable amount of market activity, should be provided for clients to test their applications.

Fair and reasonable charges

7.29 A Platform Operator should adopt a fee structure that is clear, fair and reasonable in the circumstances, and characterised by good faith. In relation to trading, the Platform Operator should clearly set out how different fees may apply based on the type of order (including whether the client is providing or taking liquidity), transaction size and type of virtual asset transacted (if applicable). In relation to admission of virtual assets for trading, the fee structure (if applicable) should be designed to avoid any potential, perceived or actual conflicts of interest (for example, charging all virtual asset issuers a flat rate for admission).

VIII. Prevention of Market Manipulative and Abusive Activities

Internal policies and controls

- 8.1 A Platform Operator should establish and implement written policies and controls for the proper surveillance of trading activities on its trading platform in order to identify, prevent and report any market manipulative or abusive trading activities. The policies and controls should, at a minimum, cover the following:
- (a) identifying and detecting anomalies, which includes performing periodic independent reviews of suspicious price spikes;
 - (b) monitoring and preventing any potential use of abusive trading strategies; and
 - (c) taking immediate steps to restrict or suspend trading upon discovery of manipulative or abusive activities (for example, temporarily suspending accounts).
- 8.2 Upon becoming aware of any market manipulative or abusive activities, whether actual or potential, on its trading platform, a Platform Operator should notify the SFC of such matter as soon as practicable, provide the SFC with such additional assistance in connection with such activities as it might request and implement appropriate remedial measures.

Market surveillance system

- 8.3 In addition to internal market surveillance policies and controls referred to in paragraph 8.1 above, a Platform Operator should adopt an effective market surveillance system provided by a reputable and independent provider to identify, monitor, detect and prevent any market manipulative or abusive activities on its trading platform, and provide access to this system for the SFC to perform its own surveillance functions when required.
- 8.4 A Platform Operator should review the effectiveness of the market surveillance system provided by the independent provider on a regular basis, at least annually, and make enhancements as soon as practicable to ensure that market manipulative or abusive activities are properly identified. The review report should be submitted to the SFC upon request.

IX. Dealing with Clients

- 9.1 Where a Platform Operator advises or acts on behalf of a client, it should ensure that any representations made and information provided to the client are accurate and not misleading.
- 9.2 A Platform Operator should ensure that invitations and advertisements in respect of its services do not contain information that is false, disparaging, misleading or deceptive.

Access to trading services

- 9.3 A Platform Operator should ensure that it complies with the applicable laws and regulations in the jurisdictions in which it provides services. It should establish and implement measures which include:
- (a) ensuring its marketing activities are only conducted in permitted jurisdictions without violation of the relevant restrictions on offers of investments; and
 - (b) implementing measures to prevent persons from jurisdictions which have banned trading in virtual assets from accessing its services (for example, by checking IP addresses and blocking access). For the avoidance of doubt, a Platform Operator should also implement appropriate measures to detect and prevent persons who are attempting to circumvent the relevant jurisdictions' ban on trading virtual assets (for example, by using a virtual private network to mask their IP addresses) from accessing its services.
- 9.4 Except for institutional and qualified corporate professional investors, a Platform Operator should assess the knowledge of the investors in virtual assets (including knowledge of relevant risks associated with virtual assets) before opening an account for them. The Platform Operator may open an account for an investor who does not possess such knowledge or allow such an investor to access its services, only if the Platform Operator has provided adequate training to the investor.

Note: The following are some criteria (which are not exhaustive) for assessing if an investor can be regarded as having knowledge of virtual assets:

- (a) whether the investor has undergone training or attended courses on virtual assets;
- (b) whether the investor has current or previous work experience related to virtual assets; or
- (c) whether the investor has prior trading experience in virtual assets.

Know your client

- 9.5 A Platform Operator should take all reasonable steps to establish the true and full identity of each of its clients, and, except for institutional and qualified corporate professional investors, each client's financial situation, investment experience, and investment objectives. Where an account opening procedure other than a face-to-

face approach is used, it should be one that satisfactorily ensures the identity of the client.

Note: The Platform Operator should refer to the SFC's website, circulars and FAQs regarding account opening approaches which the SFC would consider to be acceptable for the purpose of this requirement.

- 9.6 Except for institutional and qualified corporate professional investors, a Platform Operator should assess a client's risk tolerance level, accordingly determine the client's risk profile and assess whether it is suitable for the client to participate in the trading of virtual assets. The Platform Operator should exercise due skill, care and diligence to ensure the methodology for risk profiling is properly designed and should determine the client's risk profile based on an assessment of the information about the client obtained through its know-your-client process. The methodology adopted for categorising clients and an explanation of the risk profiles of clients should be made available to the client.

Note: Where risk-scoring questionnaires are used to risk profile clients, the Platform Operator should pay particular attention to the design of the questions and the underlying scoring mechanism, which should be properly designed to accurately reflect the personal circumstances of a client. The Platform Operator should also have appropriate processes in place to periodically review the risk profiling methodology and mechanism for clients.

- 9.7 Except for institutional and qualified corporate professional investors, a Platform Operator should set a limit for each client to ensure that the client's exposure to virtual assets is reasonable, with reference to the client's financial situation (including the client's net worth) and personal circumstances.

Note 1: When assessing the client's exposure to virtual assets, the Platform Operator should take into account the client's overall holdings in virtual assets (held with the Platform Operator or otherwise) on a best effort basis.

Note 2: The Platform Operator should notify the client of the assigned limit and review this limit regularly to ensure that it remains appropriate.

Client identity: origination of instructions and beneficiaries

- 9.8 A Platform Operator should be satisfied on reasonable grounds about⁶⁰:

- (a) the identity, address and contact details of:
 - (i) the person or entity (legal or otherwise) ultimately responsible for originating the instruction in relation to a transaction;

⁶⁰ The Platform Operator must satisfy itself about and record information that identifies those who are really behind a transaction: those who ultimately originate instructions in relation to a transaction and those who ultimately benefit from, or bear the risk of, that transaction. The SFC is concerned about the substance of what is going on with a transaction and not the technicalities.

- (ii) the person or entity (legal or otherwise) that stands to gain the commercial or economic benefit of the transaction, bear its commercial or economic risk or both gain the benefit and bear its risks; and
 - (b) the instruction given by the person or entity referred to in subparagraph (a).
- 9.9 A Platform Operator should not do anything to effect a transaction unless it has complied with paragraph 9.8 above and kept records in Hong Kong of the details referred to in paragraph 9.8 above.
- 9.10 In relation to a collective investment scheme or discretionary account, the “entity” referred to in paragraph 9.8 above is the collective investment scheme or account, and the manager of that collective investment scheme or account, not those who hold a beneficial interest in that collective investment scheme or account.

Client agreement

- 9.11 In conducting any Relevant Activities, a Platform Operator should enter into a written client agreement with each and every client⁶¹ before services are provided to the client. The client agreement should include the following provisions:
- (a) the full name and address of the client as verified by a retained copy of the identity card, relevant sections of the passport, business registration certificate, corporation documents, or any other official document which uniquely identifies the client;
 - (b) the full name and address of the Platform Operator's business including the Platform Operator's licensing status with the SFC and the CE number (being the unique identifier assigned by the SFC);
 - (c) undertakings by the Platform Operator and the client to notify the other in the event of any material change to the information (as specified in subparagraphs (a), (b), (d) and (e)) provided in the client agreement;
 - (d) a description of the nature of services to be provided to or available to the client;
 - (e) a description of any remuneration (and the basis for payment) that is to be paid by the client to the Platform Operator;
 - (f) the risk disclosure statements as specified in paragraph 9.26 below and Schedule 2 to these Guidelines; and
 - (g) the following clause:

“In conducting any Relevant Activities, if we [the Platform Operator] solicit the sale of or recommend any product including any virtual assets to you [the client], the product must be reasonably suitable for you having regard to your financial situation, investment experience and investment objectives. No other

⁶¹ Except for institutional and qualified corporate professional investors.

provision of this agreement or any other document we may ask you to sign and no statement we may ask you to make derogates from this clause.”

- 9.12 The client agreement should be in Chinese or English according to the language preference of the client, as should any other agreement, authority, risk disclosure, or supporting document.
- 9.13 A Platform Operator should provide a copy of the documents referred to under paragraph 9.12 above to the client and draw the relevant risks to the client’s attention. Where an account opening procedure other than a face-to-face approach is used, the covering correspondence should specifically direct the client’s attention to the appropriate risk disclosure statements.
- 9.14 A Platform Operator should ensure that it complies with its obligations under a client agreement and that a client agreement does not operate to remove, exclude or restrict any rights of a client or obligations of the Platform Operator under the law.
- 9.15 A client agreement should properly reflect the services to be provided. Where the services to be provided are limited in nature, the client agreement may be limited accordingly.
- 9.16 A Platform Operator should not incorporate any clause, provision or term in the client agreement or in any other document signed or statement made by the client at the request of the Platform Operator which is inconsistent with its obligations under these Guidelines. No clause, provision, term or statement should be included in any client agreement (or any other document signed or statement made by the client at the request of the Platform Operator) which misdescribes the actual services to be provided to the client.

Note: This paragraph precludes the incorporation in the client agreement (or in any other document signed or statement made by the client) of any clause, provision or term by which a client purports to acknowledge that no reliance is placed on any recommendation made or advice given by the Platform Operator.

Suitability obligations

- 9.17 A Platform Operator should perform all reasonable due diligence on the virtual assets before making them available to clients (see paragraph 7.6 above) and provide sufficient and up-to-date information on the nature, features and risks of these virtual assets (see also paragraph 9.27(d) below) on its website in order to enable clients to understand them before making an investment decision.
- 9.18 Where a Platform Operator posts any product-specific materials (whether on the platform or off the platform), it should ensure that such materials are factual, fair and balanced. For the avoidance of doubt, the Platform Operator should not post any advertisement in connection with a specific virtual asset.
- 9.19 A Platform Operator may engage in off-platform trading activities as part of its Relevant Activities.
- 9.20 Except for dealing with institutional and qualified corporate professional investors, a Platform Operator should, when making a recommendation or solicitation, ensure

the suitability of the recommendation or solicitation for the client is reasonable in all the circumstances having regard to information about the client of which the Platform Operator is or should be aware through the exercise of due diligence.

Note 1: The question of whether there has been a “solicitation” or “recommendation” triggering the suitability requirement is a question of fact which should be assessed in light of all the circumstances leading up to the point of sale or advice.

A Platform Operator should refer to guidance published by the SFC (which may be updated from time to time) on the circumstances under which the suitability requirement would likely or unlikely be regarded as being triggered.

Note 2: The context (such as the manner of presentation) and content of product-specific materials posted on the platform, its website or both coupled with the design and overall impression created by the content of the platform, website or both would determine whether the suitability requirement is triggered.

The posting of factual, fair and balanced product-specific materials would not in itself amount to a solicitation or recommendation and would not trigger the suitability requirement. This is so in the absence of other circumstances which amount to a solicitation or recommendation of a particular virtual asset. This would occur, for example, where the Platform Operator emphasises some virtual assets over others or there have been interactive one-to-one communications involving solicitations or recommendations through the platform.

A Platform Operator should refer to guidance published by the SFC (which may be updated from time to time) on how the posting of materials on the platform would or would not trigger the suitability requirement.

9.21 In discharging its suitability obligations, a Platform Operator should also note in particular (but not exclusively) the following where applicable:

- (a) The Platform Operator should establish a proper mechanism to assess the suitability of virtual assets for clients. Such mechanism should be holistic (ie, all relevant factors concerning the personal circumstances of a client, including concentration risk, should be taken into account).
- (b) The Platform Operator should match the risk return profile of the recommended virtual asset with the personal circumstances of the client. This may involve:
 - (i) risk profiling the client (see paragraph 9.6 above). The Platform Operator should have appropriate processes in place to periodically review and update (where appropriate⁶²) the individual risk profile of a client; and

⁶² For example, this may not apply to a dormant client account.

- (ii) risk profiling the virtual asset. The Platform Operator should ascertain the risk return profile of the virtual asset and accordingly assign a risk profile to the virtual asset. The Platform Operator should exercise due skill, care and diligence to ensure the risk profiling methodology it uses is properly designed to take into account both quantitative and qualitative factors and consider all risks involved and should make available on the platform information about the methodology adopted (including an explanation on the risk profile of the virtual assets). The Platform Operator should have appropriate processes in place to periodically review the risk profiling methodology and mechanism for virtual assets and the risk profiles of virtual assets.

However, merely matching a virtual asset's risk rating mechanically with a client's risk tolerance level may not be sufficient to discharge the suitability obligation.

- (c) The Platform Operator should have in place appropriate tools for assessing a client's concentration risk and such an assessment should be based on the information about the client obtained by the Platform Operator through its know your client process and any virtual assets held with the Platform Operator.
- (d) The Platform Operator should act diligently and carefully in providing any advice and ensuring that advice and recommendations are based on thorough analysis and take into account available alternatives.
- (e) The Platform Operator should ensure that any conflicts of interest are properly managed and minimised to ensure that clients are fairly treated, for example, the Platform Operator should not take commission rebates or other benefits as the primary basis for soliciting or recommending a particular virtual asset to clients.

9.22 Except for dealing with institutional and qualified corporate professional investors, subject to paragraph 9.23 below, a Platform Operator should ensure that a transaction in a complex product is suitable for the client in all the circumstances. The Platform Operator should also ensure that there are prominent and clear warning statements to warn clients about a complex product prior to and reasonably proximate to the point of sale or advice.

Note 1: "Complex product" refers to a virtual asset whose terms, features and risks are not reasonably likely to be understood by a retail investor because of its complex structure. The factors to determine whether a virtual asset is complex or not are set out below:

- (a) whether the virtual asset is a derivative product;
- (b) whether a secondary market is available for the virtual asset at publicly available prices;
- (c) whether there is adequate and transparent information about the virtual asset available to retail investors;
- (d) whether there is a risk of losing more than the amount invested;

- (e) whether any features or terms of the virtual asset could fundamentally alter the nature or risk of the investment or pay-out profile or include multiple variables or complicated formulas to determine the return⁶³; and
- (f) whether any features or terms of the virtual asset might render the investment illiquid, difficult to value or both.

Note 2: The Platform Operator should determine whether a virtual asset may be treated as non-complex or complex with due skill, care and diligence. In making such determination, the Platform Operator should have regard to the factors set out in Note 1 and refer to the guidance issued by the SFC from time to time for examples of complex products.

- 9.23 For orders in virtual assets (including virtual assets classified as complex products) which are placed by the client directly on the platform, a Platform Operator is not required to comply with paragraphs 9.21 and 9.22 above for such transactions if there has been no solicitation or recommendation made by the Platform Operator.

Opening of multiple accounts

- 9.24 A Platform Operator should not allow a single client to open multiple accounts, unless in the form of sub-accounts.

Disclosure

- 9.25 When posting any information and materials on its platform and providing any information to clients, a Platform Operator should act with due skill, care and diligence to ensure that all information is accurate, presented in a clear and fair manner which is not misleading and communicated in an easily comprehensible manner.
- 9.26 Except for dealing with institutional and qualified corporate professional investors, a Platform Operator should take all reasonable steps to disclose, in a prominent manner, the nature and risks that clients may be exposed to in trading virtual assets and using the Platform Operator's virtual asset trading services (including the disclosures set out in Schedule 2 to these Guidelines).
- 9.27 A Platform Operator should, at a minimum, make the following information available on its website:
- (a) adequate and appropriate information about its business, including contact details and services available to clients;
 - (b) its trading and operational rules as well as token admission and removal rules and criteria (including the criteria for admitting, suspending and withdrawing a virtual asset for or from trading and the "acceptable indices" referenced by the

⁶³ This would include, for example, investments that incorporate a right for the issuer to convert the instrument into a different investment.

Platform Operator for admitting a virtual asset for trading by retail clients (if applicable));

- (c) its admission (for example, the fees charged to issuers for admitting their virtual assets for trading on the platform as set out in paragraph 7.29 above) and trading fees and charges, including illustrative examples of how the fees and charges are calculated;
- (d) the relevant information for each virtual asset admitted for trading to enable clients to appraise the position of their investments;
- (e) the rights and obligations of the Platform Operator and the client under the client agreement (see paragraph 9.11 above);
- (f) arrangements for dealing with settlement failures in respect of transactions executed on its platform;
- (g) detailed documentation of market models, order types and trading rules as well as deposit and withdrawal processes for fiat currencies and virtual assets (where applicable);
- (h) if API access is offered, detailed documentation regarding different connectivity channels, all synchronous and asynchronous requests and responses, market events, error messages and all other messages. The documentation should also include detailed examples for each of these matters;
- (i) detailed documentation regarding the simulation environment as well as constant and active simulated quote and order feed into the simulation environment;
- (j) client's liability for unauthorised virtual asset transactions;
- (k) client's right to stop payment of a preauthorised virtual asset transfer and the procedure for initiating such a stop-payment order;
- (l) circumstances under which the Platform Operator may disclose the client's personal information to third parties, including regulators and auditors;
- (m) client's right to prior notice of any change in the Platform Operator's rules, procedures or policies;
- (n) dispute resolution mechanisms, including complaints procedures;
- (o) system upgrades and maintenance procedures and schedules; and
- (p) the types of services that would only be available to professional investors.

Where the Platform Operator makes any revisions or updates, it should, as soon as practicable thereafter, publish them on its website and circulate them to its clients. The Platform Operator should also identify the material amendments which have been made and provide an explanation for making them.

- 9.28 In respect of the posting of information for each virtual asset in paragraph 9.27(d) above, the types of information which are considered relevant include:
- (a) price and trading volume of the virtual asset on the platform, for example, in the last 24-hours and since its admission for trading on the platform;
 - (b) background information about the management or development team of the virtual asset or any of its known key members (if any);
 - (c) issuance date of the virtual asset (if any);
 - (d) material terms and features of the virtual asset;
 - (e) affiliation of the Platform Operator with the issuer of the virtual asset and the management or development team (or any of its known key members) of the virtual asset (if any);
 - (f) link to the virtual asset's official website and Whitepaper (if any);
 - (g) link to the smart contract audit report and other bug reports of the virtual asset (if any); and
 - (h) where the virtual asset has voting rights, how those voting rights will be handled by the Platform Operator.
- 9.29 In respect of posting any product-specific materials and other materials on the platform, a Platform Operator should take all reasonable steps to ensure that the information does not contain information that is false, biased, misleading or deceptive.
- 9.30 A Platform Operator should, upon request, disclose the financial condition of its business to a client by providing a copy of the latest audited balance sheet and profit and loss account required to be filed with the SFC, and disclose any material changes which adversely affect the Platform Operator's financial condition after the date of the accounts.

Provision of prompt confirmation to clients

- 9.31 Prior to the execution of each transaction in virtual assets, a Platform Operator should confirm with its clients the following terms:
- (a) name of the virtual asset in the proposed transaction;
 - (b) amount or value of the proposed transaction;
 - (c) fees and charges to be borne by the client including applicable exchange rates; and
 - (d) a warning that once executed the transaction may not be undone.
- 9.32 After a Platform Operator has effected a transaction for a client, it should confirm promptly with the client the essential features of the transaction. The following information should be included:

- (a) name of the virtual asset in the transaction;
- (b) amount or value of the transaction; and
- (c) fees and charges borne by the client including applicable exchange rates.

Provision of contract notes, statements of account and receipts to clients

9.33 A Platform Operator should provide to each client timely and meaningful information about the transactions conducted with the client or on the client's behalf, the client's holdings and movements of client virtual assets and fiat currencies, and other activities in the client's account. Where contract notes, statements of account and receipts are provided by a Platform Operator to a client, the Platform Operator should ensure that the information included in the contract notes, statements of account and receipts is fit for purpose, comprehensive and accurate in respect of the particular type of virtual asset involved. In particular:

Contract notes

- (a) Where a Platform Operator enters into a relevant contract with or on behalf of a client, it must prepare and provide a contract note to the client no later than the end of the second business day after entering into the relevant contract. The term "*relevant contract*" means a contract, entered into by the Platform Operator with or on behalf of a client in the conduct of its businesses which constitute any Relevant Activity, that is a contract for dealing in virtual assets.
- (b) Where a Platform Operator enters into more than one relevant contract with or on behalf of a client on the same day, unless the client has given contrary instructions to the Platform Operator, the Platform Operator may prepare a single contract note which:
 - (i) records all of those relevant contracts; and
 - (ii) in respect of each of those relevant contracts includes all of the information which would have been required to be included in the contract note.

If such a single contract note is prepared, the Platform Operator should provide it to the client no later than the end of the second business day after entering into those relevant contracts.

- (c) A contract note should include, to the extent applicable, the following information:
 - (i) the name under which the Platform Operator carries on business;
 - (ii) the name and account number of the client;
 - (iii) full particulars of the relevant contract including:
 - (I) the quantity, name, description and such other particulars of the virtual asset involved, as are sufficient to enable it to be identified;

- (II) the nature of the dealing;
- (III) where the Platform Operator is acting as principal, an indication that it is so acting;
- (IV) the date (i) on which the relevant contract is entered into; (ii) of settlement or performance of the relevant contract; and (iii) on which the contract note is prepared;
- (V) the price per unit of the virtual asset traded;
- (VI) the rate or amount of fees and charges payable in connection with the relevant contract; and
- (VII) the amount of consideration payable under the relevant contract.

Monthly statements of account

- (d) Where any of the following circumstances applies, a Platform Operator should prepare and provide a monthly statement of account to the client no later than the end of the seventh business day after the end of the monthly accounting period:
 - (i) during a monthly accounting period, the Platform Operator is required to prepare and provide to the client a contract note or receipt;
 - (ii) at any time during a monthly accounting period, the client has an account balance that is not nil; or
 - (iii) at any time during a monthly accounting period, any client virtual assets are held for the account of the client.
- (e) Where a Platform Operator is required to prepare a monthly statement of account, it should include the following information:
 - (i) the name under which the Platform Operator carries on business;
 - (ii) the name, address and account number of the client to whom the Platform Operator is required to provide the statement of account;
 - (iii) the date on which the statement of account is prepared; and
 - (iv) where the client assets of a client to whom the Platform Operator is required to provide the statement of account are held for the client's account by the Associated Entity, the name under which the Associated Entity carries on business.
- (f) A Platform Operator should also include, to the extent applicable, the following information in the monthly statement of account:
 - (i) the address of the Platform Operator's principal place of business in Hong Kong;

- (ii) the outstanding balance of that account as at the beginning and as at the end of that monthly accounting period and details of all movements in the balance of that account during that period;
- (iii) details of all relevant contracts entered into by the Platform Operator with or on behalf of the client during that monthly accounting period, indicating those initiated by the Platform Operator;
- (iv) details of all movements during that monthly accounting period of any client virtual assets held for that account;
- (v) the quantity, and, in so far as readily ascertainable, the market price and market value of each client virtual asset held for that account as at the end of that monthly accounting period; and
- (vi) details of all income credited to and charges levied against that account during that monthly accounting period.

Duty to provide statements of account upon request

- (g) Where a Platform Operator receives a request from a client for a statement of account as of the date of the request, it should:
 - (i) prepare a statement of account in respect of the client which includes the information required for all statements of account (see subparagraph (e)) and, to the extent applicable, the following information relating to the account of the client as of the date of the request:
 - (I) the outstanding balance of that account; and
 - (II) the quantity, and, in so far as readily ascertainable, the market price and market value of each client virtual asset, held for that account; and
 - (ii) provide the statement of account to the client as soon as practicable after the date of the request.

Receipts

- (h) On each occasion that a Platform Operator or its Associated Entity receives any client assets from or on behalf of a client, the Platform Operator or its Associated Entity should prepare and provide a receipt to the client no later than the end of the second business day after receiving the client assets.
- (i) The requirement under subparagraph (h) is not applicable in the following circumstances:
 - (i) where client money is deposited directly into the bank account of a Platform Operator or its Associated Entity, by the client or on behalf of the client by any person other than the Platform Operator or its Associated Entity; or

- (ii) where a contract note or other trade document provided to the client expressly states that it also serves as a receipt and includes the information specified in subparagraph (j).
- (j) A Platform Operator should include the following information in the receipt:
 - (i) the name under which the Platform Operator or its Associated Entity (as the case may be) carries on business;
 - (ii) the date on which the receipt is prepared;
 - (iii) the name and account number of the client; and
 - (iv) in respect of the client assets received:
 - (I) the quantity, description and such other particulars of the client assets as are sufficient to enable them to be identified;
 - (II) the account into which they have been deposited; and
 - (III) the date on which they were received.

Miscellaneous

- (k) Where a Platform Operator or its Associated Entity receives a request from a client for a copy of any contract note, statement of account or receipt that the Platform Operator or its Associated Entity was required to provide to the client, the Platform Operator should, as soon as practicable after receiving the request, provide the copy to the client. A Platform Operator may impose a reasonable charge for a copy of a document provided by it under this subparagraph.
- (l) If, on an application made by a client, the SFC so directs, the Platform Operator should make available for inspection by the client during the ordinary business hours of the Platform Operator a copy of any contract note, statement of account or receipt, except for those dated after the expiration of the period for which the Platform Operator or its Associated Entity is required to retain them.
- (m) Where a Platform Operator is required to prepare any contract note, statement of account or receipt, the Platform Operator should prepare it in the Chinese or English language as preferred by the client to whom it is intended to be provided.
- (n) Any contract note, statement of account or receipt (or any copy of any such document) required to be provided to a client should for all purposes be regarded as duly provided to the client if it is served on:
 - (i) the client; or
 - (ii) any other person (except an officer or employee of the Platform Operator or the Associated Entity which is required to provide the

document to the client) designated by the client for the purposes of this subparagraph by notice in writing to the Platform Operator or the Associated Entity that is required to provide the document to the client,

and it is:

- (I) delivered to the person by hand;
- (II) left at (where applicable), or sent by post to the person's address;
- (III) sent by facsimile transmission to the person's last known facsimile number;
- (IV) sent by electronic mail transmission to the person's last known electronic mail address; or
- (V) provided to the person by access through the Platform Operator's website.

X. Custody of Client Assets

Handling of client virtual assets and client money

- 10.1 A Platform Operator should only hold client assets on trust for its clients through its Associated Entity. The Associated Entity should not conduct any business other than that of receiving or holding client assets on behalf of the Platform Operator.
- 10.2 In the handling of client transactions and client assets (ie, client money and client virtual assets), a Platform Operator should act to ensure that client assets are accounted for properly and promptly. Where the Platform Operator or its Associated Entity is in possession or control of client assets, the Platform Operator should ensure that client assets are adequately safeguarded.
- 10.3 A Platform Operator should have, and should also ensure that its Associated Entity has, appropriate and effective procedures to protect the client assets from theft, fraud and other acts of misappropriation. In particular, the Platform Operator and its Associated Entity should ensure that the authority of the Platform Operator, its Associated Entity and their staff to acquire, dispose of and otherwise move or utilise client assets is clearly defined and followed.
- 10.4 A Platform Operator should have, and should also ensure that its Associated Entity has, a robust process to prepare, review and approve reconciliations of client assets in a timely and efficient manner to identify and highlight for action any errors, omissions or misplacements of client assets. Reconciliations should be checked and reviewed by appropriate staff members, and material discrepancies and long outstanding differences should be escalated to senior management on a timely basis for appropriate action.

Client virtual assets

- 10.5 A Platform Operator should ensure that all client virtual assets are properly safeguarded and held in wallet address(es) which are established by its Associated Entity and are designated for the purpose of holding client virtual assets. The Platform Operator should ensure that client virtual assets are segregated from the assets of the Platform Operator and its Associated Entity. The Platform Operator should ensure the Associated Entity's compliance with this requirement.
- 10.6 A Platform Operator should establish and implement, and should also ensure that its Associated Entity establishes and implements, written internal policies and governance procedures which include, but are not limited to, the following:
- (a) The Platform Operator and its Associated Entity should hold virtual assets that are the same as those virtual assets which are owed to or held on behalf of its clients and in the same amount.
 - (b) Subject to paragraph 7.26(b) above, the Platform Operator and its Associated Entity should not deposit, transfer, lend, pledge, repledge or otherwise deal with or create any encumbrance over the virtual assets of a client except for the settlement of transactions, and fees and charges owed by the client to the Platform Operator in respect of the Relevant Activities carried out by the

Platform Operator on behalf of the client or in accordance with the client's standing authorities (see paragraph 10.17 below) or one-off written directions.

- (c) The Platform Operator and its Associated Entity should store 98% of client virtual assets in cold storage (such as Hardware Security Module (HSM)-based cold storage) except under limited circumstances permitted by the SFC on a case-by-case basis to minimise exposure to losses arising from a compromise or hacking of the platform.
 - (d) The Platform Operator and its Associated Entity should minimise transactions out of the cold storage in which a majority of client virtual assets are held.
 - (e) The Platform Operator and its Associated Entity should have detailed specifications for how access to cryptographic devices or applications is to be authorised and validated, covering key generation, distribution, storage, use and destruction.
 - (f) The Platform Operator and its Associated Entity should document in detail the mechanism for the transfer of virtual assets between hot, cold and other storages. The scope of authority of each function designated to perform any non-automated process in such transfers should be clearly specified.
 - (g) The Platform Operator and its Associated Entity should have detailed procedures for how to deal with events such as voting, hard forks or airdrops from an operational and technical point of view.
- 10.7 A Platform Operator should not conduct any deposits and withdrawals of client virtual assets through any wallet address other than an address which belongs to the client and is whitelisted by the Platform Operator, except under permitted circumstances specified by the SFC. The Platform Operator should ensure the Associated Entity's compliance with this requirement.
- 10.8 A Platform Operator should establish and implement strong internal controls and governance procedures for private key management to ensure all cryptographic seeds and private keys are securely generated, stored and backed up. The Platform Operator should ensure that the Associated Entity establishes and implements the same controls and procedures. These will include the following:
- (a) The generated seeds and private keys must be sufficiently resistant to speculation or collusion. The seeds and private keys should be generated in accordance with applicable international security standards and industry best practices so as to ensure that the seeds (where Hierarchical Deterministic Wallets, or similar processes, are used) or private keys (if seeds are not used) are generated in a non-deterministic manner which ensures randomness and thus are not reproducible. Where practicable, seeds and private keys should be generated offline and kept in a secure environment, such as a HSM, with appropriate certification for the lifetime of the seeds or private keys.
 - (b) Detailed specifications for how access to cryptographic devices or applications is to be authorised and validated, covering key generation, distribution, use, storage and destruction, as well as the immediate revocation of a signatory's access as required. Where practicable, multi-factor authentication is used to

authenticate authorised personnel for access to applications governing the use of private keys.

- (c) Access to seeds and private keys relating to client virtual assets is tightly restricted amongst authorised personnel who have undergone appropriate screening and training, no single person has possession of information on or access to the entirety of the seeds, private keys or backup passphrases, and controls are implemented to mitigate the risk of collusion amongst authorised personnel.
- (d) Distributed backups of seeds or private keys are kept so as to mitigate any single point of failure. The backups need to be distributed in a manner such that an event affecting the primary location of the seeds or private keys does not affect the backups. The backups should be stored in a protected form on external media (preferably HSM with appropriate certification). Distributed backups should be stored in a manner that ensures seeds or private keys cannot be re-generated based solely on the backups stored in the same physical location. Access control to the backups needs to be as stringent as access control to the original seeds or private keys.
- (e) Seeds and private keys are securely stored in Hong Kong.

10.9 A Platform Operator should assess the risks posed to each storage method in view of the new developments in security threats, technology and market conditions and implement appropriate storage solutions to ensure the secure storage of client virtual assets. The Platform Operator should also ensure that its Associated Entity implements the same. In particular, the Platform Operator should keep, and should ensure that its Associated Entity keeps, the wallet storage technology up-to-date and in line with international best practices or standards. Wallet storage technology and any upgrades should be fully tested before deployment to ensure reliability and security. The Platform Operator should implement, and should ensure that its Associated Entity implements, measures to deal with any compromise or suspected compromise of all or part of any seed or private key without undue delay, including the transfer of all client virtual assets to a new storage location as appropriate.

10.10 A Platform Operator should have, and should ensure that its Associated Entity has, adequate processes in place for handling deposit and withdrawal requests for client virtual assets to guard against losses arising from theft, fraud and other dishonest acts, professional misconduct or omissions:

- (a) the Platform Operator should continuously monitor developments (such as technological changes or the evolution of security threats) relevant to all virtual assets included for trading. Clear processes should be in place to evaluate the potential impact and risks of these developments, as well as for handling fraud attempts specific to distributed ledger technology (such as 51% attacks), and these processes should be proactively executed;
- (b) the Platform Operator and its Associated Entity should monitor client IP addresses to identify and follow up on potential deposit or withdrawal instructions that are not originated from the client;
- (c) the Platform Operator and its Associated Entity should also ensure that wallet addresses used for deposit and withdrawal are whitelisted, using appropriate

methods (for example, verify a client owns a wallet address via proof of ownership test such as message signing or micropayment test);

- (d) the Platform Operator and its Associated Entity should have clear processes in place to minimise the risks involved with handling deposits and withdrawals, including whether deposits and withdrawals are performed using hot, cold or other storages, whether withdrawals are processed real time or only at certain cut-off times, whether there are transaction size limits and hourly/daily velocity limits, whether the withdrawal process is automatic or involves manual authorisation, and when to suspend irregular deposits and withdrawals to conduct investigations;
- (e) the Platform Operator and its Associated Entity should ensure that any decision to suspend the withdrawal of client virtual assets is made on a transparent and fair basis, and the Platform Operator will inform the SFC and all its clients without delay; and
- (f) the Platform Operator and its Associated Entity should ensure that the above processes include safeguards against fraudulent requests or requests made under duress as well as controls to prevent one or more officers or employees from transferring assets to wallet addresses other than the client's designated wallet address. The Platform Operator and its Associated Entity should ensure that destination addresses of client withdrawal instructions cannot be modified before the transactions are signed and broadcasted to the respective blockchain.

Client money

10.11 A Platform Operator should properly handle and safeguard client money and ensure that its Associated Entity does the same. This includes but is not limited to the following:

- (a) Establishing one or more segregated accounts by the Associated Entity with an authorized financial institution in Hong Kong or another bank in another jurisdiction as agreed by the SFC from time to time.
- (b) Within one business day after the Platform Operator or its Associated Entity receives any client money, the Platform Operator or its Associated Entity should:
 - (i) pay it into a segregated account maintained with an authorized financial institution in Hong Kong;
 - (ii) pay it into a segregated account maintained with another bank in another jurisdiction as agreed by the SFC from time to time if the client money is received outside Hong Kong;
 - (iii) pay it to the client from whom or on whose behalf it has been received; or
 - (iv) pay it in accordance with the client's standing authority (see paragraph 10.17 below) or one-off written direction.

- (c) No client money should be paid, or permitted to be paid, to:
- (i) any officers or employees of the Platform Operator or its Associated Entity; or
 - (ii) any officer or employee of any corporation with which the Platform Operator is in a controlling entity relationship or in relation to which its Associated Entity is a linked corporation⁶⁴,

unless that officer or employee is the client of the Platform Operator from whom or on whose behalf such client money has been received or is being held.

- (d) No client money should be paid out of a segregated account other than for (i) paying the client on whose behalf it is being held; (ii) meeting the client's settlement obligations in respect of dealings in virtual assets carried out by the Platform Operator for the client, being the client on whose behalf it is being held; (iii) paying money that the client, being the client on whose behalf it is being held, owes to the Platform Operator in respect of the conduct of Relevant Activities; or (iv) paying in accordance with the client's standing authority (see paragraph 10.17 below) or one-off written direction.

10.12 Subject to paragraph 10.13 below, any amount of interest derived from the holding of client money in a segregated account should be dealt with in accordance with paragraph 10.11 above.

10.13 A Platform Operator should ensure that any amount of interest retained in a segregated account which the Platform Operator or its Associated Entity is entitled to retain under an agreement in writing with a client of the Platform Operator, being the client on whose behalf the client money is being held, should be paid out of the account within one business day after:

- (a) the interest is credited to the account; or
- (b) the Platform Operator or its Associated Entity becomes aware that the interest has been credited to the account,

whichever is later.

10.14 A Platform Operator or its Associated Entity which becomes aware that it is holding an amount of money in a segregated account that is not client money shall, within one business day of becoming so aware, pay that amount of money out of the segregated account.

10.15 A Platform Operator should not deposit and withdraw client money through any bank account other than the account which is opened in the name of the client and designated by the client for this purpose, except under permitted circumstances

⁶⁴ "Linked corporation", in relation to the Associated Entity, means a corporation: (a) of which the Associated Entity is a controlling entity; (b) which is a controlling entity of the Associated Entity; or (c) which has as its controlling entity a person which is also a controlling entity of the Associated Entity.

specified by the SFC. The Platform Operator should ensure the Associated Entity's compliance with this requirement.

- 10.16 A Platform Operator should use, and should also ensure that its Associated Entity uses, its best endeavours to match any unidentified receipts in its bank accounts (including segregated accounts) with all relevant information in order to establish the nature of any receipt and the identity of the person who has made it.
- (a) Upon ascertaining that a receipt represents client money, the amount should be transferred into a segregated account within one business day, even if it has not been able to identify which specific client has made the payment.
 - (b) Where the receipt is not client money, within one business day of becoming so aware, that amount of money should be paid out of the segregated account.

Standing authority to deal with client assets

10.17 A standing authority is a written instruction that is given to a Platform Operator or its Associated Entity which:

- (a) authorises the Platform Operator or its Associated Entity to deal with client assets from time to time received from or on behalf of or held on behalf of the client, in one or more specified ways;
- (b) specifies a period not exceeding 12 months during which it is valid. This does not apply to a standing authority which is given to the Platform Operator or its Associated Entity by a client of the Platform Operator who is a professional investor; and
- (c) specifies the manner in which it may be revoked.

10.18 A standing authority which is not revoked prior to its expiry:

- (a) may be renewed for one or more further periods:
 - (i) not exceeding 12 months, if the client of the Platform Operator who gave it is not a professional investor; or
 - (ii) of any duration, if the client of the Platform Operator who gave it is a professional investor,

at any one time, with the written consent of the client of the Platform Operator who gave it; or

- (b) shall be deemed to have been renewed if:
 - (i) at least 14 days prior to the expiry of the standing authority, the Platform Operator or its Associated Entity to which it was given gives a written notice to the client of the Platform Operator who gave the standing authority, reminding the client of its impending expiry, and informing the client that unless the client objects, it will be renewed upon expiry upon

the same terms and conditions as specified in the standing authority and for:

- (I) an equivalent period to that specified in the standing authority;
 - (II) any period not exceeding 12 months specified by the Platform Operator or its Associated Entity, if the client of the Platform Operator is not a professional investor; or
 - (III) a period of any duration specified by the Platform Operator or its Associated Entity, if the client of the Platform Operator is a professional investor; and
- (ii) the client does not object to the renewal of the standing authority before its expiry.

Where a standing authority is deemed to have been renewed in accordance with subparagraph (b), the Platform Operator or its Associated Entity (as the case may be) shall give a written confirmation of the renewal of the standing authority to the client of the Platform Operator within one week after the date of expiry.

Disclosure to clients

10.19 A Platform Operator should fully disclose to its clients the custodial arrangements in relation to client assets held on their behalf, including the rights and obligations of each party and how client assets are stored. This should include:

- (a) Client virtual assets may not enjoy the same protection as that conferred on “securities” under the SFO, the Securities and Futures (Client Securities) Rules (Cap. 571H) and the Securities and Futures (Client Money) Rules (Cap. 571I).
- (b) Where the client money is received or held overseas, such assets may not enjoy the same protection as that conferred on client money received or held in Hong Kong.
- (c) How the Platform Operator and its Associated Entity will compensate its clients in the event of hacking or any other loss of client virtual assets caused by the default of the Platform Operator or its Associated Entity.
- (d) The treatment of client virtual assets and their respective rights and entitlements when events such as, but not limited to, voting, hard forks and airdrops occur. Upon becoming aware of such events, the Platform Operator should notify its clients as soon as practicable.

Ongoing monitoring

10.20 A Platform Operator should assign designated staff member(s) to conduct regular internal audits to monitor its compliance with the requirements for custody of client assets, and its established policies and procedures in respect of handling of these assets. The designated staff member(s) should report to the senior management of

the Platform Operator as soon as practicable upon becoming aware of any non-compliance.

- 10.21 A Platform Operator should closely monitor account activities to check if there are inactive or dormant accounts. It should establish internal procedures as to how deposits and withdrawals of client assets in these accounts should be handled.

Insurance/compensation arrangement

- 10.22 A Platform Operator should have in place a compensation arrangement approved by the SFC to cover potential loss⁶⁵ of 50% of client virtual assets in cold storage and 100% of client virtual assets in hot and other storages held by its Associated Entity (referred to as the “Compensated Amount”). The arrangement should include any or a combination of the options below:

- (a) third-party insurance;
- (b) funds (held in the form of a demand deposit or time deposit which will mature in six months or less) or virtual assets of the Platform Operator or any corporation within the same group of companies as the Platform Operator which are set aside on trust and designated for such a purpose; and
- (c) bank guarantee provided by an authorized financial institution in Hong Kong.

Any subsequent changes in the compensation arrangement should be pre-approved by the SFC.

- 10.23 A Platform Operator should establish, implement and enforce internal controls and procedures to monitor on a daily basis the total value of client virtual assets under custody and ascertain whether the compensation arrangement continues to comply with paragraph 10.22 above.
- 10.24 Where a Platform Operator becomes aware that the total value of the Compensated Amount exceeds the covered amount under the compensation arrangement and the Platform Operator anticipates such a situation to persist, the Platform Operator should notify the SFC, and take prompt remedial measures to ensure compliance with the requirement under paragraph 10.22 above.
- 10.25 Where a Platform Operator adopts the option of setting aside:
- (a) funds, it should ensure that such funds are set aside appropriately, including:
 - (i) where the funds are held in a manner controlled by the Platform Operator or its Associated Entity, the funds should be held in an segregated account with an authorized financial institution and segregated from any assets of the Platform Operator, its Associated Entity and any corporation within the same group of companies as the Platform Operator and any client assets; and

⁶⁵ Potential loss may arise from, amongst other things, hacking incidents on the platform, theft, fraud, or default on the part of the Platform Operator or its Associated Entity (whether or not as a result of its acts, errors, omissions, or gross negligence).

- (ii) where the funds are held in a manner controlled by an independent third party (for example, a trust or company service provider licensed under the AMLO), the Platform Operator should provide the SFC with such party's written acknowledgement of the designated purpose of such funds and such party should disclose information relating to such funds at the SFC's request.
 - (b) virtual assets, it should ensure that such virtual assets are set aside appropriately, including:
 - (i) the virtual assets should be held by its Associated Entity in cold storage and segregated from any virtual assets of the Platform Operator, its Associated Entity and any corporation within the same group of companies as the Platform Operator and any client virtual assets; and
 - (ii) the virtual assets should be the same as those client virtual assets which are covered under the compensation arrangement.
- 10.26 When selecting an insurance company to provide insurance coverage, a Platform Operator should base its choice of insurance company on verifiable and quantifiable criteria. These include a valuation schedule of assets insured, maximum coverage per incident and overall maximum coverage, as well as any excluding factors. The insurance company may be a captive insurer as defined in the Insurance Ordinance (Cap. 41).

XI. Management, Supervision and Internal Control

Responsibilities of senior management

- 11.1 Senior management of a Platform Operator should assume full responsibility for the Platform Operator's operations and its Associated Entity's operations to ensure that the operations are conducted in a sound, efficient, effective and compliant manner, including:
- (a) the development and implementation of the Platform Operator's internal controls and its Associated Entity's internal controls and ensuring the ongoing effectiveness of these controls and adherence thereto by employees; and
 - (b) the establishment and maintenance of proper and effective policies and procedures for the identification and management of the risks associated with the Platform Operator's business and its Associated Entity's business.
- 11.2 Senior management of a Platform Operator should understand the nature of the business of the Platform Operator, its internal control procedures and its policies on the assumption of risk.
- 11.3 Senior management of a Platform Operator should clearly understand their own authority and responsibilities. In respect of that authority and those responsibilities:
- (a) they should have access to all relevant information about the business on a timely basis to ensure that they are continually and timely appraised of the Platform Operator's operations and its Associated Entity's operations; and
 - (b) they should have available to them and seek where appropriate all necessary advice on that business and on their own responsibilities.
- 11.4 Senior management of a Platform Operator should establish and maintain an effective management and organisation structure and clear reporting lines for the Platform Operator and its Associated Entity, with supervisory and management responsibilities assigned to qualified and experienced individuals. The senior management should also ensure that detailed policies and procedures pertaining to authorisations and approvals, as well as the authority of key positions are clearly defined and communicated to and followed by employees.

Segregation of duties

- 11.5 A Platform Operator should ensure that it and its Associated Entity's key duties and functions are appropriately segregated, particularly those duties and functions which, when performed by the same individual, may result in potential conflicts of interest or undetected errors or may be susceptible to abuses which may expose the Platform Operator, its Associated Entity or its clients to inappropriate risks. In particular:
- (a) front office functions (which include sales staff, staff responsible for handling client orders) and back office functions (which include staff responsible for handling client assets, settlement and accounting) should be carried out by different staff with separate reporting lines; and

- (b) compliance and internal audit functions should be (i) segregated from and independent of the operational functions mentioned in subparagraph (a); and (ii) separated from each other. In addition, these functions should report directly to the senior management of the Platform Operator.

Capabilities

- 11.6 A Platform Operator should have and employ effectively the resources and procedures which are needed for the proper performance of its and its Associated Entity's business activities and to minimise the risk of loss due to the absence or departure of key staff members.
- 11.7 A Platform Operator should ensure that any person it or its Associated Entity employs or appoints to conduct business is fit and proper and otherwise qualified to act in the capacity so employed or appointed (including having relevant professional qualification, training or experience).
- 11.8 A Platform Operator should ensure that it and its Associated Entity have adequate resources to supervise diligently and do supervise diligently persons employed or appointed by them to conduct business on their behalf. The Platform Operator and its Associated Entity should be responsible for the acts or omissions of these employees and persons.
- 11.9 A Platform Operator should establish appropriate training policies with adequate consideration given to training needs to ensure compliance with the Platform Operator's and its Associated Entity's operational and internal control policies and procedures, and all applicable legal and regulatory requirements to which the Platform Operator, its Associated Entity and their employees are subject. A Platform Operator should ensure that it and its Associated Entity provide adequate training suitable for the specific duties which their employees perform both initially and on an ongoing basis.

Internal controls

- 11.10 A Platform Operator should have internal control procedures and financial and operational capabilities which can be reasonably expected to protect its and its Associated Entity's operations, clients and assets from financial losses arising from theft, fraud, and other dishonest acts, professional misconduct or omissions.

Risk management

- 11.11 A Platform Operator should establish and maintain appropriate and effective policies and procedures to identify, quantify, monitor and manage the risks, whether financial or otherwise, to which the Platform Operator, its Associated Entity and its clients are exposed. The Platform Operator should ensure its and its Associated Entity's risks of suffering losses are maintained at acceptable and appropriate levels, and take appropriate and timely action to contain and otherwise adequately manage such risks. In particular, the Platform Operator and its Associated Entity should only take on positions which they have the financial and management capacity to assume.

11.12 A Platform Operator should establish and maintain an effective and independent risk management function. The risk management function, together with the senior management of the Platform Operator, should:

- (a) clearly define the Platform Operator's and its Associated Entity's risk policies and establish and maintain risk measures commensurate with their business strategies, size, complexity of its operations and risk profile; and
- (b) monitor the implementation of the risk management policies and procedures of the Platform Operator and its Associated Entity and regularly review these policies and procedures to ensure that they remain appropriate and effective.

The senior management should be provided with exposure reports on a regular basis and promptly alerted to any material exposures and significant variances.

11.13 A Platform Operator should put in place effective risk management and supervisory controls for the operation of its trading platform. These controls should include:

- (a) system controls to enable the Platform Operator to:
 - (i) prevent "fat finger" errors such as input limits or thresholds for order price and quantity;
 - (ii) immediately prevent the platform from accepting suspicious client orders; and
 - (iii) cancel any unexecuted orders on the platform.
- (b) automated pre-trade controls that are reasonably designed to:
 - (i) prevent the entry of any orders that would exceed the limits prescribed for each client, including exposure limit referred to under paragraph 9.7 above;
 - (ii) alert the user to the entry of potential erroneous orders and prevent the entry of erroneous orders; and
 - (iii) prevent the entry of orders that are not in compliance with regulatory requirements.
- (c) regular post-trade monitoring to reasonably identify any:
 - (i) suspicious market manipulative or abusive activities. Upon the identification of any suspected manipulative or abusive trading activities, the Platform Operator should take immediate steps to prevent such activities from continuing; and
 - (ii) market events or system deficiencies, such as unintended impact on the market, which call for further risk control measures.

11.14 Where institutional professional investors are allowed to conduct off-platform transactions without sufficient fiat currencies or virtual assets in the client's account with a Platform Operator (see paragraph 7.23 above), the Platform Operator should,

based on its operational model, establish appropriate limits to ensure that the Platform Operator's risks of suffering losses, as a consequence of client defaults or changing market conditions, are maintained at acceptable and appropriate levels. These limits should be checked and reviewed for effectiveness on a regular basis.

Compliance

- 11.15 A Platform Operator should comply with, and implement and maintain measures appropriate to ensure its and its Associated Entity's compliance with the law, rules, regulations and codes administered or issued by the SFC, the requirements of any regulatory authority which apply to the Platform Operator and its Associated Entity, and the Platform Operator's and its Associated Entity's internal policies and procedures.
- 11.16 A Platform Operator should establish and maintain an effective and independent compliance function. The compliance function, together with the senior management of the Platform Operator, should:
- (a) establish, maintain and enforce clear and effective compliance policies and procedures which cover all relevant aspects of the Platform Operator's and its Associated Entity's operations; and
 - (b) ensure that regular compliance reviews are conducted to detect potential violations or non-compliance by the Platform Operator, its Associated Entity or its staff with legal and regulatory requirements and the Platform Operator's and its Associated Entity's internal policies and procedures.
- 11.17 A Platform Operator should implement proper measures to ensure that all occurrences of material non-compliance by the Platform Operator, its Associated Entity or its staff with legal and regulatory requirements, as well as with the Platform Operator's and its Associated Entity's own policies and procedures, are promptly reported to its senior management and the relevant regulatory authorities, such as the SFC, where applicable.
- 11.18 A Platform Operator and its Associated Entity, as a firm, should not, without reasonable excuse, prohibit persons it employs from performing expert witness services for the SFC.

Internal audit

- 11.19 A Platform Operator should establish and maintain an independent audit function to objectively examine, evaluate and report on the adequacy, effectiveness and efficiency of the Platform Operator's and its Associated Entity's management, operations and internal controls. The audit function should:
- (a) be free from operating responsibilities, with a direct line of communication to the senior management or the audit committee of the Platform Operator, as applicable;
 - (b) follow clearly defined terms of reference which set out the scope, objectives, approach and reporting requirements;

- (c) adequately plan, control and record all audit and review work performed; and
- (d) report to the senior management of the Platform Operator the findings, conclusions and recommendations noted in the audit and ensure that all matters and risks highlighted in the audit reports are followed up and resolved satisfactorily in a timely manner.

Complaints

11.20 A Platform Operator should ensure that:

- (a) clients are provided with the Platform Operator's contact details for handling client complaints;
- (b) written policies and procedures are established and maintained to ensure that complaints are properly handled and appropriate remedial action is promptly taken;
- (c) complaints from clients relating to its business are handled independently by staff who are not involved in the subject matter of complaint and in a timely and appropriate manner;
- (d) steps are taken to investigate and respond promptly to the complaints;
- (e) where a complaint is not remedied promptly, the client is advised of any further steps which may be available to the client under the regulatory system; and
- (f) where a complaint has been received, the subject matter of the complaint is properly reviewed. If the subject matter of the complaint relates to other clients, or raises issues of broader concern, the Platform Operator should take steps to investigate and remedy such issues, notwithstanding that the other clients may not have filed complaints with the Platform Operator.

Anti-bribery

11.21 A licensed person and all directors and staff of a Platform Operator, its Associated Entity or both should be familiar with the Prevention of Bribery Ordinance (Cap. 201) (PBO) and follow related guidance issued by the Independent Commission Against Corruption. The PBO may prohibit an agent (normally an employee) from soliciting or accepting an advantage without the permission of the principal (normally the employer) when conducting the principal's business. A person who offers the advantage may also commit an offence.

XII. Cybersecurity

- 12.1 A Platform Operator should ensure that the platform (including the trading system and custody infrastructure) is properly designed and operated in compliance with all applicable laws and regulations. The Platform Operator should ensure that all systems and processes underpinning the operation of the platform are robust and properly maintained such that the risk of theft, fraud, and other dishonest acts, professional misconduct, errors and omissions, interruptions or other operational or control failures is minimised and appropriately managed.
- 12.2 A Platform Operator should ensure that there are robust governance arrangements in place for overseeing the operation of its platform as well as adequate human, technology and financial resources available to ensure that the operations of its platform are carried out properly.
- 12.3 A Platform Operator should effectively manage and adequately supervise the design, development, deployment, operation and modification of the platform. It should establish and implement written internal policies and procedures for the design, development, deployment, operation and modification of the platform, to ensure the following:
- (a) The key personnel of a Platform Operator should possess the necessary professional qualifications, management and technical experience to ensure the proper and continued provision of the virtual asset trading services offered by it. A Platform Operator should identify key personnel (such as the founder or chief developer of the platform) and have plans in place to mitigate the associated key man risks.
 - (b) A Platform Operator should have at least one responsible officer responsible for the overall management and supervision of its platform and for defining a cybersecurity management framework and setting out key roles and responsibilities. These responsibilities include:
 - (i) reviewing and approving policies and procedures relating to the design, development, deployment, operation, modification and cybersecurity risk management matters of the platform;
 - (ii) reviewing and approving the budget and spending on resources for the platform and cybersecurity risk management;
 - (iii) arranging to conduct a technology audit (see paragraph 12.7) and an independent cybersecurity assessment (see paragraph 12.13) on a periodic basis;
 - (iv) reviewing significant issues arising from emergencies, disruptions and cybersecurity incidents relating to the platform;
 - (v) reviewing major findings identified from internal and external audits and cybersecurity reviews; endorsing and monitoring the completion of remedial actions;

- (vi) monitoring and assessing cybersecurity threats and attacks, including maintaining up-to-date knowledge of the cyber threat landscape, new vulnerabilities, bugs and attack vectors, gathering cyber threat intelligence and performing vulnerability scans regularly with automated tools;

Note: The requirement to perform vulnerability scans regularly with automated tools does not include performing penetration tests based on attack simulations.

- (vii) reviewing and approving the contingency plan developed for the platform; and
- (viii) reviewing and approving the initial and ongoing due diligence of, and the service level agreement and contract with a third-party service provider relating to the provision of outsourced services to the platform, where applicable.

These responsibilities can be delegated, in writing, to a designated committee or operational unit, but overall accountability remains with the responsible officer(s).

- (c) There should be a formalised governance process with input from the dealing, risk and compliance functions.
- (d) There should be clearly identified reporting lines with supervisory and reporting responsibilities assigned to appropriate staff members.
- (e) There should be managerial and supervisory controls which are designed to manage the risks associated with the use of the platform by clients.

- 12.4 A Platform Operator should conduct regular reviews to ensure that these internal policies and procedures are in line with changing market conditions, the cyber threat landscape and regulatory developments and promptly remedy any deficiencies identified.
- 12.5 A Platform Operator should assign adequately qualified staff, expertise, technology and financial resources to the design, development, deployment, operation and modification of the platform.
- 12.6 Where the platform or any activities associated with the platform is provided by or outsourced to a third party service provider, a Platform Operator should perform appropriate due diligence, conduct ongoing monitoring and make appropriate arrangements to ensure that the Platform Operator meets the requirements in these Guidelines (including Part XII of these Guidelines and Part XIV (Record Keeping) below⁶⁶). In particular, the Platform Operator or its Associated Entity should enter into a formal service-level agreement with the service provider which specifies the terms of services and responsibilities of the provider. This service-level agreement should be regularly reviewed and revised, where appropriate, to reflect any changes

⁶⁶ In response to a request for information made by the SFC, information in possession of a third party service provider that is proprietary in nature may be provided to the SFC directly from the service provider.

to the services provided, outsourcing arrangements or regulatory developments. Whenever possible, such agreements should provide sufficient levels of maintenance and technical assistance with quantitative details.

- 12.7 A Platform Operator should arrange a periodic (at least annual) technology audit by a suitably qualified independent professional so as to be satisfied that the Platform Operator and its Associated Entity have fully complied with Part XII of these Guidelines. A Platform Operator should exercise due skill, care and diligence in the selection and appointment of the independent professional and should have regard to their experience and track record in reviewing virtual asset related technology. It should take, and should ensure its Associated Entity takes, prompt rectification measures upon the identification of any non-compliance.

Adequacy of platform

- 12.8 A Platform Operator should ensure the integrity of the platform, maintain a high degree of reliability, security and capacity in respect of its systems, and have appropriate contingency measures in place.

Reliability of platform

- 12.9 A Platform Operator should have standard operating procedures (SOP) in writing for performing system upgrades and maintenance. The SOP need to contain:
- (a) the method(s) of communication, as well as how pending orders still in the order book are dealt with;
 - (b) information on how long orders can be entered, amended or cancelled after a system downtime, and before continuous trading resumes; and
 - (c) the process applicable for unexpected and unplanned system failures which affect an orderly market.
- 12.10 A Platform Operator should ensure that its platform and all modifications to the platform, such as implementing a new system or upgrading an existing system, are tested before deployment and are regularly reviewed to ensure that the platform and modifications are reliable. Specifically, a Platform Operator should at least conduct the following before deployment:
- (a) reviewing and signing off on the test results by senior management;
 - (b) fully backing up the system and data; and
 - (c) devising a contingency plan to switch back to the previous version of the platform in the event of any critical and unrecoverable errors in the new version.

A Platform Operator should maintain a clear audit trail for all modifications made to the platform.

- 12.11 Where a Platform Operator plans to have outages to perform updates and testing of its platforms or systems, it should inform its clients as far in advance as practicable if such outages may affect them.

Security of platform

- 12.12 A Platform Operator should employ adequate, up-to-date and appropriate security controls to protect the platform from being abused. The security controls should at least include:
- (a) robust authentication and authorisation methods and technology to ensure that access to the platform is restricted to authorised persons only on a need-to-have basis. Specifically:
 - (i) only permit members of its staff to have access to trading information concerning orders placed, or transactions conducted, on its platform and only to the extent necessary to enable the platform to operate properly and efficiently, and at all times keep the senior management informed as to:
 - (I) the identity of each such staff member (by title and department) and the information to which he or she has access;
 - (II) the basis upon which it is necessary, in each case, for such access to be permitted; and
 - (III) any change made in relation to the staff members to whom such access is permitted and the basis for such change;
 - (ii) adopt appropriate user authentication method to enable the relevant user to be uniquely identified;
 - (iii) review, at least on a yearly basis, the user access list of the platform and databases to ensure that access to or use of the platform and databases remain restricted to persons approved to use them on a need-to-have basis, and revoke unnecessary user access and privileges (for example, for departed staff) on a timely basis;
 - (iv) maintain an adequate access log which records the identity and role of the staff members who have access to its platform, the information accessed, the time of access, any approval given for such access and the basis upon which such access was permitted in each case, and have adequate protections in place to prevent tampering or erasure of the log; and
 - (v) have adequate and effective policies, systems and controls in place to guard against, and detect the occurrence of errors, omissions or unauthorised insertion, alteration or deletion of data (including clients' information and trading information), information leakage or abuse by members of its staff in relation to the trading information concerning

orders placed, transactions conducted on its platform or both to which they have access;

- (b) two-factor authentication⁶⁷ for login to clients' accounts;
- (c) effective policies and procedures to ensure that a client login password is generated and delivered to a client in a secure manner during the account activation and password reset processes. A client login password should be randomly generated by the system and sent to a client through a channel of communication which is free from human intervention and from tampering by staff of the Platform Operator. In a situation where a client login password is not randomly generated by the system, the Platform Operator should implement adequate compensating security controls such as compulsory change of password upon the first login after client account activation;
- (d) stringent password policies and session timeout controls on its platform, which include:
 - (i) minimum password length;
 - (ii) periodic reminders for those clients who have not changed their passwords for a long period;
 - (iii) minimum password complexity (ie, alphanumeric) and history;
 - (iv) avoidance of passwords that contain values known to be commonly-used, expected, or compromised;
 - (v) appropriate controls on invalid login attempts; and
 - (vi) session timeout after a period of inactivity;
- (e) prompt notification to clients after certain client activities have taken place in their accounts. These activities should at least include:
 - (i) system login;
 - (ii) password reset;
 - (iii) trade execution; and
 - (iv) changes to client and account-related information;

The channel of notification to clients should be different from the one used for system login (as outlined in subparagraph (b)). Clients may choose to opt out from "trade execution" notifications only. Under such circumstances, except for dealing with institutional and qualified corporate professional investors, adequate risk disclosures should be provided by the Platform Operator to the

⁶⁷ Two-factor authentication refers to an authentication mechanism which utilises any two of the following factors: what a client knows, what a client has, and who a client is.

client and an acknowledgement should be executed by the client confirming that the client understands the risks involved in doing so.

- (f) adequate security controls over the infrastructure of the platform. Specifically, the Platform Operator should:
- (i) deploy a secure network infrastructure through proper network segmentation, ie, a Demilitarised Zone (DMZ) with multi-tiered firewalls, to protect critical systems and client data against cyber-attacks;
 - (ii) grant access (including remote access) to its internal network and different segments of it on a need-to-have basis and implement security controls over such access;
 - (iii) monitor and evaluate security patches or hotfixes released by software provider(s) on a timely basis and, subject to an evaluation of the impact, conduct testing as soon as practicable and implement the security patches or hotfixes within one month following the completion of testing;
 - (iv) implement and update anti-virus and anti-malware solutions as well as endpoint detection and response technology on a timely basis to detect malicious applications and malware on critical system servers and workstations;
 - (v) implement Intrusion Prevent System (IPS), Intrusion Detection System (IDS) and System Information and Event Management (SIEM) solutions to detect and generate alerts on any intrusion or unauthorised access to critical system servers and workstations on a real time basis;

Note: the detection rules of the endpoint detection and response technology and SIEM solutions mentioned in subparagraphs (iv) and (v) above should be updated as and when necessary such as when there are new attack or threat scenarios that require additional detection rules.

- (vi) establish a Security Operations Center (SOC) or equivalent function with sufficient resources to take charge of all security monitoring processes and technologies and act as a coordinator for efficient incident detection and handling;
- (vii) implement security controls to prevent unauthorised installation of hardware and software, and ensure that only authorised storage media and devices are used to store and transfer critical data; and
- (viii) establish physical security policies and procedures to protect critical platform components (for example, the HSM, the authorised storage media and devices used to store and transfer critical data, system servers and network devices) in a secure environment and to prevent unauthorised physical access to the facilities hosting the platform as well as the critical platform components, and where applicable, apply segregation of duty or privilege separation to the access to critical platform components;

- (g) up-to-date data encryption and secure transfer technology, in accordance with industry best practices and international standards, to protect the confidentiality and integrity and assure source authenticity of information stored on the platform and during transmission between internal and external networks. In particular, the Platform Operator should use a strong encryption algorithm to:
 - (i) encrypt sensitive information such as client login credentials (ie, user ID and password) and trade data during transmission between internal networks and client devices;
 - (ii) protect client login passwords stored on the platform;
 - (iii) protect critical data transferred between components of the Platform Operator's system infrastructure; and
 - (iv) protect the backup copies of the platform's critical data;
- (h) up-to-date security tools to detect, prevent and block any potential unauthorised intrusion, security breach and cyberattack attempts. In particular, the Platform Operator should implement an effective monitoring and surveillance mechanism to detect unauthorised access to clients accounts or the Platform Operator's accounts (if any); and
- (i) adequate internal procedures and training for the Platform Operator's staff at least on a yearly basis and regular alerts and educational materials for its clients to raise awareness of the importance of cybersecurity and the need to strictly observe security measures when using the platform.

12.13 A Platform Operator should perform a stringent independent cybersecurity assessment, before the launch or deployment of modifications to its platform, and periodically thereafter. The scope of the cybersecurity assessment should at least cover:

- (a) user application security (ie, desktop/web-based/mobile app);
- (b) wallet security;
- (c) physical security; and
- (d) network and system security (including penetration testing, source code review of the custody system and other systems which interface or connect with the custody system⁶⁸, and vulnerability scanning).

⁶⁸ In relation to the source code review of the custody system and other systems which interface or connect with the custody system, whilst the assessment prior to the launch of the platform and the ongoing periodic assessments should be performed by an independent third party, the review in relation to modifications prior to their deployment can be performed by either an independent third party or by the Platform Operator itself. For the avoidance of doubt, if no changes have been made to the custody system or the other systems which interface or connect with the custody system after the platform's initial launch, then no source code review needs to be performed.

The Platform Operator should maintain sufficient documentation on the cybersecurity assessment, including the testing scope and methodology and the assessment results.

- 12.14 A Platform Operator should establish written policies and procedures specifying the manner in which a suspected or actual cybersecurity incident should be escalated internally and externally (for example, the clients, the SFC and other regulatory authorities, where appropriate).

Capacity of platform

- 12.15 A Platform Operator should ensure that:
- (a) the usage capacity of the platform is regularly monitored and appropriate capacity planning is developed. As part of the capacity planning, a Platform Operator should determine and keep a record of the required level of spare capacity;
 - (b) the capacity of the platform is regularly stress tested to establish system behaviour under different simulated market conditions, and the results of the stress tests and any actions taken to address the findings of the stress tests are documented;
 - (c) the platform has sufficient capacity to handle any foreseeable increase in the volume of business and market turnover; and
 - (d) there are contingency arrangements to:
 - (i) handle clients' orders when the capacity of the platform is exceeded; and
 - (ii) inform clients about the arrangements and ensure alternative means of executing orders are available and offered to clients.

System and data backup

- 12.16 A Platform Operator should back up business records, client and transaction databases, servers and supporting documentation in an offline medium at least on a daily basis. Off-site storage is generally expected to be subject to proper security measures. A Platform Operator should also implement proper measures to ensure the availability and integrity of the backup copies.

Contingencies

- 12.17 A Platform Operator should identify and manage the associated risks (including any unintended consequences) prudently with appropriate contingency arrangements in place. Such arrangement should include a written contingency plan to cope with emergencies and disruptions (including cybersecurity situations) related to the platform, including checking and ensuring data integrity after system recovery and ensuring that trading can be conducted in a fair and orderly manner after resumption.

- 12.18 The contingency plan should at least include:
- (a) the potential disruptive scenarios, including cyber-attack scenarios, such as distributed denial-of-service attacks and total loss of business records and client data resulting from cyber-attacks, and the corresponding procedures for activating the contingency plan;
 - (b) a suitable backup facility which will enable the Platform Operator to continue providing its trading services or alternative arrangements for order execution in the event of an emergency; and
 - (c) the availability of trained staff to deal with clients' and regulators' enquiries.
- 12.19 A Platform Operator should ensure that the backup facility and the contingency plan are reviewed, updated and tested for viability and adequacy at least on a yearly basis.
- 12.20 In the event of material system delay or failure, a Platform Operator should, in a timely manner:
- (a) rectify the situation; and
 - (b) inform clients about the situation as soon as practicable and how their pending orders, deposits and withdrawals will be handled.

XIII. Conflicts of Interest

13.1 A Platform Operator should avoid, and should also ensure that its Associated Entity, its associates⁶⁹ and its Associated Entity's 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. Where the Platform Operator, its Associated Entity, its associates and its Associated Entity's associates cannot avoid acting in any actual or potential conflict of interest situation, the Platform Operator should make appropriate prior disclosure to the client, where applicable, and take all reasonable steps to manage the conflict and ensure fair treatment of the client.

13.2 A Platform Operator should not engage in proprietary trading in virtual assets for its own account or any account in which it has an interest, except for off-platform back-to-back transactions entered into by the Platform Operator and other circumstances permitted by the SFC on a case-by-case basis.

Note: For the purpose of this paragraph, off-platform back-to-back transactions refer to those transactions where a Platform Operator, after receiving:

- (a) a purchase order from a client, purchases a virtual asset from a third party and then sells the same virtual asset to the client; or
- (b) a sell order from a client, purchases a virtual asset from the client and then sells the same virtual asset to a third party,

and no market risk is taken by the Platform Operator.

13.3 A Platform Operator should ensure that any corporation within the same group of companies as the Platform Operator does not conduct any proprietary trading in virtual assets through the Platform Operator (whether on-platform or off-platform) except for circumstances permitted by the SFC on a case-by-case basis.

13.4 A Platform Operator should not engage in market making activities on a proprietary basis.

13.5 A Platform Operator should establish, and ensure that its Associated Entity establishes, clear policies which set out the circumstances under which the acceptance of gifts, rebates or benefits from clients or other counterparties by the Platform Operator, its Associated Entity or their staff members are allowed and the corresponding approval required.

Employee dealings

13.6 A Platform Operator should have, and should also ensure that its Associated Entity has, a policy which has been communicated to employees in writing governing employees' dealings in virtual assets and virtual asset-related products to eliminate, avoid, manage or disclose actual or potential conflicts of interests which may arise from such dealings. For purposes of Part XIII of these Guidelines, the term:

⁶⁹ "Associate" has the meaning as defined in section 1 of Part 1 of Schedule 1 to the SFO.

- (a) “*employees*” includes directors (other than non-executive directors) of a Platform Operator or its Associated Entity; and
 - (b) “*related accounts*” refer to accounts of the employee’s minor children and accounts in which the employee holds any beneficial interest.
- 13.7 Where employees of a Platform Operator or its Associated Entity are permitted to deal in virtual assets and virtual asset-related products for their own accounts and related accounts:
- (a) the written policy should specify the conditions under which employees may deal in virtual assets and virtual asset-related products for their own accounts and related accounts (in particular, those who possess non-public information should be prohibited from dealing in the relevant virtual asset);
 - (b) the employees should generally be required to deal through the Platform Operator;
 - (c) where these accounts have been set up with the Platform Operator’s trading platform, employees should be required to identify them as such and report them to the Platform Operator’s senior management and any transactions for employees’ own accounts and related accounts should be separately recorded and clearly identified in the records of the Platform Operator; and
 - (d) where these accounts have been set up with a person other than the Platform Operator, the Platform Operator and the employee should arrange for duplicate trade confirmations and statements of account to be provided to the Platform Operator’s senior management.
- 13.8 Senior management of a Platform Operator should actively monitor all virtual asset and virtual asset-related products transactions for employees’ own accounts and related accounts. The senior management should not have any beneficial or other interest in these transactions and should maintain procedures to detect irregularities.
- 13.9 A Platform Operator should have, and should also ensure its Associated Entity has, procedures in place to ensure that orders of clients have priority over orders for the account of their employees and their employees do not deal (for the benefit of the Platform Operator, its Associated Entity, the employee or a client) in virtual assets where the employee concerned effects the dealing in order to “*front-run*” pending transactions for or with clients. The procedures should also ensure that the employees of the Platform Operator and its Associated Entity do not deal in virtual assets on the basis of other non-public information, which could materially affect the prices of those virtual assets, until the information becomes public.
- 13.10 A Platform Operator should not knowingly deal in virtual assets for an employee of another platform operator unless it has received written consent from that platform operator.

XIV. Record keeping

General record keeping requirements for Platform Operators and its Associated Entity

- 14.1 A Platform Operator should establish, and should also ensure that its Associated Entity establishes, policies and procedures to ensure the integrity, security, availability, reliability and completeness of all information, both in physical and electronically stored form, in relation to the Relevant Activities.
- 14.2 A Platform Operator should, in relation to the Relevant Activities:
- (a) keep, where applicable, such accounting, trading and other records as are sufficient to:
 - (i) explain, and reflect the financial position and operation of, such businesses;
 - (ii) enable profit and loss accounts and balance sheets which give a true and fair view of its financial affairs to be prepared from time to time;
 - (iii) account for all client assets it receives or holds;
 - (iv) enable all movements of such client assets to be traced through its accounting systems;
 - (v) reconcile, on a monthly basis, any differences in its balances or positions with other persons, including its Associated Entity and banks, and show how such differences were resolved;
 - (vi) demonstrate compliance with, and that it has systems of control in place to ensure compliance with, Part X (Custody of Client Assets) above; and
 - (vii) enable it readily to establish whether it has complied with Part VI (Financial Soundness) above;
 - (b) keep those records in such a manner as will enable an audit to be conveniently and properly carried out; and
 - (c) make entries in those records in accordance with generally accepted accounting principles.

The records required to be kept are specified in paragraphs 14.7 to 14.9 below.

- 14.3 A Platform Operator should, and should also ensure that its Associated Entity will, in respect of the client assets that its Associated Entity receives or holds:
- (a) keep, where applicable, such accounting and other records as are sufficient to:
 - (i) account for all client assets;

- (ii) enable all movements of the client assets to be traced through its accounting systems;
 - (iii) show separately and account for all receipts, payments, deliveries and other uses or applications of the client assets effected by it, or on its behalf, and on whose behalf such receipts, payments, deliveries or other uses or applications of the client assets have been effected;
 - (iv) reconcile, on a monthly basis, any differences in its balances or positions with other persons, including the Platform Operator and banks, and show how such differences were resolved; and
 - (v) demonstrate compliance with, and that it has systems of control in place to ensure compliance with, Part X (Custody of Client Assets) above;
- (b) keep those records in such a manner as will enable an audit to be conveniently and properly carried out; and
 - (c) make entries in those records in accordance with generally accepted accounting principles.

The records required to be kept are specified in paragraph 14.7 below.

Form and premises in which records are to be kept

- 14.4 A Platform Operator should keep, and should also ensure that its Associated Entity keeps, all the required records:
- (a) in writing in the Chinese or English language; or
 - (b) in such a manner as to enable them to be readily accessible and readily convertible into written form in the Chinese or English language.
- 14.5 A Platform Operator should adopt, and should also ensure that its Associated Entity adopts, all reasonably necessary procedures to guard against the falsification of any of the required records, to facilitate the discovery of any such falsification, and to ensure the security, authenticity, reliability, integrity, confidentiality and timely availability of required records.
- 14.6 A Platform Operator should keep, and should also ensure that its Associated Entity keeps, all the required records at the premises used by the Platform Operator which have been approved under section 130(1) of the SFO and/or section 53ZRR of the AMLO. If the Platform Operator wishes to keep any required records exclusively with an electronic data storage provider, it should obtain prior written approval from the SFC.

Records to be kept

- 14.7 A Platform Operator should retain, and should also ensure that its Associated Entity retains, the following records for a period of not less than seven years:
- (a) Records showing particulars of:

- (i) all money received by it, whether or not such money belongs to it, or is paid into accounts maintained by it or on its behalf, and disbursed by it;
 - (ii) all income received by it, whether the income relates to charges made by it for the provision of services, commissions, brokerage, remuneration, interest or otherwise;
 - (iii) all expenses, commissions and interest incurred or paid by it;
 - (iv) all disposals of client virtual assets initiated by it, showing in the case of each disposal:
 - (I) the name of the client;
 - (II) the date on which the disposal was effected;
 - (III) the charges incurred for effecting the disposal; and
 - (IV) the proceeds of the disposal and how such proceeds were dealt with;
 - (v) its assets and liabilities, including financial commitments and contingent liabilities;
 - (vi) all virtual assets belonging to it, identifying:
 - (I) with whom such virtual assets are deposited; and
 - (II) the date on which they were so deposited;
 - (vii) all virtual assets held by it but not belonging to it, identifying:
 - (I) for whom such virtual assets are held and with whom they are deposited;
 - (II) the date on which they were so deposited; and
 - (III) virtual assets which are deposited with another person for safe custody;
 - (viii) all wallet addresses from which deposits of virtual assets were received, and to which withdrawals of virtual assets were made;
 - (ix) all bank accounts held by it, including segregated accounts maintained;
 - (x) all other accounts held by it; and
 - (xi) all off-balance sheet transactions or positions.
- (b) Records of all contracts (including written agreements with clients) entered into by it.

- (c) Records evidencing:
 - (i) any standing authority given to it by a client, and any renewal of such authority; and
 - (ii) any one-off written direction given to it by a client.
- (d) In respect of a client who is a professional investor:
 - (i) records showing particulars sufficient to establish that the client is a professional investor; and
 - (ii) any notice given by it to the client.
- (e) Records in respect of transactions conducted in its systems, as particularised below:
 - (i) details of the clients, including their registered names and addresses, dates of admission and cessation, and client agreements;
 - (ii) details of any restriction, suspension or termination of the access of any clients to its systems, including the reasons for this;
 - (iii) all notices and other information, whether written or communicated through electronic means, provided by the Platform Operator to the users of its systems, whether individually or generally;
 - (iv) routine daily and monthly summaries of trading in its systems, including:
 - (I) the virtual assets in respect of which transactions have been executed; and
 - (II) the transaction volume, expressed in numbers of trades, numbers of virtual assets traded and total settlement value.
- (f) Records relating to the inclusion of virtual assets on its platform (as provided in Part VII (Operations) above), including the due diligence plan, procedures, assessment and results of due diligence performed, legal opinions and all relevant correspondences.
- (g) Records of knowing your clients, including the process and outcomes of any risk profiling.
- (h) Records of suitability assessments conducted.
- (i) Records of reconciliation between a distributed ledger and an internal ledger on client virtual assets.
- (j) A copy of each monthly statement of account prepared in accordance with paragraph 9.33 above.

- (k) Records of all client complaints relating to client assets and details of follow-up actions, including the substance and resolution of each complaint.
- (l) Records regarding client identity for confirmation on origination of instructions and beneficiaries and details of the instructions as prescribed in paragraph 9.8 above.
- (m) To the extent not already covered elsewhere in this paragraph, records evidencing the Platform Operator's and the Associated Entity's compliance with these Guidelines.

14.8 A Platform Operator, and its Associated Entity (where applicable), should retain the following for a period of not less than two years:

- (a) A copy of each contract note and receipt prepared in accordance with paragraph 9.33 above.
- (b) A copy of each statement of account prepared upon request by the client in accordance with paragraph 9.33(g) above.
- (c) Time-sequenced records of orders and instructions that the Platform Operator receives or initiates, containing particulars including, but not limited to, the following:
 - (i) the date and time that any order or instruction was received, executed, modified, cancelled or expired (where applicable);
 - (ii) the identity, address and contact details of the client initiating an entry, modification, cancellation or execution of an order or instruction;
 - (iii) the particulars of any subsequent modification and execution of any order or instruction (where applicable), including but not limited to, the virtual assets involved, the size and side (buy or sell) of the order, the order type and any order designation, time and price limit or other conditions specified by the client originating the order;
 - (iv) the particulars of the allocation and re-allocation (where applicable) of an execution;
 - (v) the particulars of each transaction entered into by it or on its behalf to implement any such order or instruction;
 - (vi) the particulars identifying with whom or for whose account it has entered into such a transaction; and
 - (vii) the particulars which enable the transaction to be traced through its accounting, trading and settlement systems.
- (d) To the extent not already covered in subparagraph (c) above, time-sequenced records of all off-platform transactions.
- (e) Audit logs for the activities of its systems including but not limited to audit trails and access logs referred to in Part XII (Cybersecurity) above.

- (f) Incident reports for all material system delays or failures.

Details of the requirements for the recording of audit logs and incident reports referred to in subparagraphs (e) and (f) are set out in Schedule 3 to these Guidelines.

Records to be kept for not less than two years after the platform or system ceases to be used

- 14.9 A Platform Operator should keep the following records for a period of not less than two years after the Platform Operator's platform or system ceases to be used:
 - (a) comprehensive documentation of the design, development, deployment and operation of its platform or system, including any testing, reviews, modifications, upgrades or rectifications of its system; and
 - (b) comprehensive documentation of the risk management controls of its platform or system.
- 14.10 A Platform Operator should give the SFC access to the required records upon request. Given the nature of the technology behind the virtual assets, a Platform Operator should, at all times, maintain proper access to the platform or system nodes for the full records of the Relevant Activities.

XV. Auditors

- 15.1 A Platform Operator should exercise due skill, care and diligence in the selection and appointment of the auditors⁷⁰ to perform an audit of the financial statements of the Platform Operator and its Associated Entity, and should have regard to their experience and track record auditing virtual asset-related business and their capability in acting as auditors of the Platform Operator and its Associated Entity.
- 15.2 For the purpose of matters reportable by auditors under sections 53ZSD(4)(a)(i) and 53ZSD(4)(b)(i) of the AMLO, such matters are:
- (a) in relation to an auditor of a Platform Operator, a matter that constitutes, on the part of the Platform Operator, a failure to comply with any requirements in Part VI (Financial Soundness), Part X (Custody of Client Assets) and Part XIV (Record Keeping) above; and
 - (b) in relation to an auditor of an Associated Entity of a Platform Operator, a matter that constitutes, on the part of the Associated Entity of the Platform Operator, a failure to comply with any requirements Part X (Custody of Client Assets) and Part XIV (Record Keeping) above.

⁷⁰ “Auditor” is defined in section 1 of Part 1 of Schedule 1 to the SFO and section 53ZR of the AMLO.

XVI. Ongoing Reporting and Notification Obligations

- 16.1 Pursuant to section 128(1) of the SFO and/or sections 53ZTI(1) and (2) of the AMLO, applicants should provide any information that the SFC reasonably requires to enable it to consider the applications made under Part V of the SFO and/or Part 5B of the AMLO, including but not limited to the following information:

	Information specified in	Type of applications
(a)	Part 1 of Schedule 4	Applications by Platform Operators
(b)	Part 2 of Schedule 4	Applications by licensed representatives
(c)	Part 3 of Schedule 4	Other applications

- 16.2 Where there is a change in the information specified in relevant part of Schedule 4 to these Guidelines that has been provided to the SFC under any provision of Part V of the SFO and Divisions 3, 4 and 7 of Part 5B of the AMLO⁷¹, a notice in writing of the change containing a full description of it shall, within seven business days after the change takes place, be given to the SFC by the following persons:

	Information specified in	Changes to be notified by
(a)	Part 4 of Schedule 4	Platform Operator
(b)	Part 5 of Schedule 4	Associated Entity
(c)	Part 6 of Schedule 4	Licensed representative
(d)	Part 7 of Schedule 4	Substantial shareholder and ultimate owner

- 16.3 Nothing in Schedule 4 to these Guidelines shall require disclosure of information concerning an ongoing criminal investigation by a regulatory body or criminal investigatory body if such disclosure is prohibited by any statutory provision in Hong Kong or elsewhere, but the person shall notify the SFC of the results of the investigation within seven business days after the person becomes aware of the completion of the investigation.

- 16.4 A Platform Operator should obtain the SFC's prior written approval for any plan or proposal to include any virtual asset for trading by retail clients, or suspend trading of, or remove any virtual asset which is made available to retail clients.

- 16.5 A Platform Operator should notify the SFC in writing in advance of any plan or proposal to include any virtual asset for trading by professional investors only, or suspend trading of or remove any virtual asset which is made available to professional investors only.

⁷¹ This also applies to applications that have not been withdrawn or granted or otherwise finally disposed of. In this respect, a reference to "Platform Operator", "Associated Entity", "licensed representative", "substantial shareholder" and "ultimate owner" would mean a person applying to be a Platform Operator, Associated Entity, licensed representative, substantial shareholder and ultimate owner respectively.

- 16.6 A Platform Operator should submit such information as may be specified and requested by the SFC from time to time, and this includes but is not limited to:
- (a) the monthly volume of virtual asset transactions conducted through the Platform Operator (whether on or off-platform), with a breakdown by type of virtual asset (as specified by the SFC) traded by clients;
 - (b) its operating expenses in the past 12 months and the amount of assets maintained in accordance with paragraph 6.1 above as at the end of the month; and
 - (c) other statistics on trading, custody and other incidental activities, as applicable, in Hong Kong.
- 16.7 A Platform Operator, and its Associated Entity (where applicable), should also notify the SFC immediately of matters specified under other Parts of these Guidelines and upon the occurrence of the following:
- (a) any proposed change to the following which might affect the Platform Operator's or its Associated Entity's operations, with an explanation for the proposed change, prior to its implementation:
 - (i) the trading rules, admission and removal rules or criteria, trading sessions and operating hours, hardware, software and other technology of its systems, and, where applicable, all system interfaces between its own platform and other platforms;
 - (ii) the Platform Operator's or its Associated Entity's contractual responsibilities in relation to its clients; and
 - (iii) the contingency and business recovery plan in relation to its platform;
 - (b) any causes, or possible causes, impact analysis and recovery measures to be taken in respect of material service interruptions or other significant issues related to the Platform Operator's or its Associated Entity's platform or systems;
 - (c) any material failure, error or defect in the operation or functioning of the Platform Operator's or its Associated Entity's trading, custody, accounting, clearing and settlement systems or equipment;
- Note: The Platform Operator, and its Associated Entity (where applicable), should submit the incident report (see Schedule 3 to these Guidelines) in relation to the notification in subparagraphs (b) and (c) above without undue delay to the SFC.
- (d) any material breach or infringement of or non-compliance with these Guidelines, any applicable law (including the SFO and the AMLO), rules, regulations, codes, guidelines, circulars or FAQs administered or issued by the SFC, or where the Platform Operator or its Associated Entity suspects any such breach, infringement or non-compliance whether by itself or persons the Platform Operator or its Associated Entity employs or appoints to conduct business with clients;

Note: The Platform Operator, and its Associated Entity (where applicable), should give particulars of the breach, infringement or non-compliance, or suspected breach, infringement or non-compliance, and relevant information and documents.

- (e) the passing of any resolutions, the initiation of any proceedings, or the making of any order which may result in the appointment of a receiver, provisional liquidator, liquidator or administrator or the winding-up, re-organisation, reconstruction, amalgamation, dissolution or bankruptcy of the Platform Operator or its Associated Entity or any of the Platform Operator's substantial shareholders, ultimate owners or the making of any receiving order or arrangement or composition with creditors;
- (f) the bankruptcy of any of the Platform Operator's or its Associated Entity's directors; and
- (g) the exercise of any disciplinary measure against the Platform Operator or its Associated Entity by any regulatory or other professional or trade body or the refusal, suspension or revocation of any regulatory licence, consent or approval required in connection with the Platform Operator's or its Associated Entity's business.

Schedule 1 Professional Investors

Overview of professional investor terminology

For the purposes of setting out exemptions and for ease of reference under these Guidelines, a “professional investor” is referred to in the Guidelines in the following terms:

“*Institutional professional investor*” means a person falling under paragraphs (a) to (i) of the definition of “professional investor” in section 1 of Part 1 of Schedule 1 to the SFO.

“*Corporate professional investor*” means a trust corporation, corporation or partnership falling under sections 4, 6 and 7 of the Securities and Futures (Professional Investor) Rules (Cap. 571D) (Professional Investor Rules).

“*Qualified corporate professional investor*” means a corporate professional investor which has passed the assessment requirements under paragraph 1 below and gone through the procedures under paragraph 2 below.

Determination of whether corporate professional investors are qualified

1. Assessment requirements for corporate professional investors
 - (a) In making the assessment on a corporate professional investor in relation to virtual assets, the Platform Operator should assess whether or not it is reasonably satisfied that the corporate professional investor satisfies all of the following three criteria:
 - (i) the corporate professional investor has the appropriate corporate structure and investment process and controls (ie, how investment decisions are made, including whether the corporation has a specialised treasury or other function responsible for making investment decisions);
 - (ii) the person(s) responsible for making investment decisions on behalf of the corporate professional investor has(have) sufficient investment background (including the investment experience of such person(s)); and
 - (iii) the corporate professional investor is aware of the risks involved, which is considered in terms of the person(s) responsible for making investment decisions.
 - (b) The above assessment should be in writing. Records of all relevant information and documents obtained in the assessment should be kept by the Platform Operator so as to demonstrate the basis of the assessment.
 - (c) A Platform Operator should undertake a new assessment where a corporate professional investor has ceased to trade in virtual assets for more than two years.
2. Procedures for dis-applying certain requirements when dealing with corporate professional investors

- (a) Prior to dis-applying certain requirements⁷² in these Guidelines, a Platform Operator should also:
- (i) obtain a written and signed declaration from the client that the client has given consent; and
 - (ii) fully explain to the client the consequences (ie, all relevant regulatory exemptions that the Platform Operator is entitled to) of being treated as a professional investor and that the client has the right to withdraw from being treated as such at any time.
- (b) A Platform Operator should carry out a confirmation exercise annually to ensure that the client continues to fulfil the requisite requirements under the Professional Investor Rules. In carrying out the annual confirmation exercise, a Platform Operator should remind the client in writing of:
- (i) the risks and consequences (ie, all relevant regulatory exemptions that the Platform Operator is entitled to) of being treated as a professional investor, in particular, the Platform Operator is not required to comply with the regulatory requirements; and
 - (ii) the right for the client to withdraw from being treated as a professional investor.

⁷² The following requirements are dis-applied for qualified corporate professional investors:

- The need to conduct virtual asset knowledge assessment (paragraph 9.4)
- The need to establish a client's financial situation, investment experience and investment objectives (paragraphs 5.1(d) and 9.5)
- The need to assess a client's risk tolerance level and risk profile (paragraph 9.6)
- The need to set an exposure limit (paragraph 9.7)
- The need to enter into a written agreement and the provision of relevant risk disclosure statements (paragraphs 9.11 and 9.26)
- The need to ensure the suitability of a recommendation or solicitation (paragraph 9.20)
- The need to ensure the suitability of a transaction in a complex product, to provide sufficient information about a complex product and to provide warning statements (paragraph 9.22)
- The need to provide adequate risk disclosures for opting out from "trade execution" notifications (paragraph 12.12(e))

Schedule 2 Risk Disclosure Statements

The following risk disclosures should be made to clients (where applicable):

- (a) virtual assets are highly risky and investors should exercise caution in relation to the products;
- (b) a virtual asset may or may not be considered “property” under the law, and such legal uncertainty may affect the nature and enforceability of a client’s interest in such a virtual asset;
- (c) the offering documents or product information provided by the issuer have not been subject to scrutiny by any regulatory body;
- (d) the protection offered by the Investor Compensation Fund does not apply to transactions involving virtual assets (irrespective of the nature of the tokens);
- (e) a virtual asset is not a legal tender, ie, it is not backed by the government and authorities;
- (f) transactions in virtual assets may be irreversible, and, accordingly, losses due to fraudulent or accidental transactions may not be recoverable;
- (g) the value of a virtual asset may be derived from the continued willingness of market participants to exchange fiat currency for a virtual asset, which means that the value of a particular virtual asset may be completely and permanently lost should the market for that virtual asset disappear. There is no assurance that a person who accepts a virtual asset as payment today will continue to do so in the future;
- (h) the extreme volatility and unpredictability of the price of a virtual asset relative to fiat currencies may result in a total loss of the investment over a short period of time;
- (i) legislative and regulatory changes may adversely affect the use, transfer, exchange and value of virtual assets;
- (j) some virtual asset transactions may be deemed to be executed only when recorded and confirmed by the Platform Operator, which may not necessarily be the time at which the client initiates the transaction;
- (k) the nature of virtual assets exposes them to an increased risk of fraud or cyberattack; and
- (l) the nature of virtual assets means that any technological difficulties experienced by the Platform Operator may prevent clients from accessing their virtual assets.

Schedule 3 Audit Logs and Incident Reports

Requirements for Audit Logs and Incident Reports

A Platform Operator should make arrangements to keep the audit logs and incident reports referred to in paragraphs 14.8(e) and (f) of these Guidelines. The logs and reports should be made available to the SFC upon request. It is important that the logs and reports be reviewed regularly for detecting potential problems and planning preventive measures.

1. Audit logs

Audit logs should document the order process and transaction flow through the trading platform, where applicable. This should at a minimum include:

- (a) order placement/cancellation/modification/execution (with time stamping and the assignment of unique reference number);
- (b) system login attempts including login details such as user identity, date and time of the login attempts;
- (c) trading limits/position limits/cash limits validation exceptions - which for example, may include the logging of instances where the trading limits/position limits/cash limits have been exceeded, thereby causing the client to have exceeded the trading/position limit or traded without cash upfront;
- (d) compliance validation exceptions – which for example may include logging exceptions where the client does not have sufficient holdings of virtual assets to actually sell them;
- (e) the assigning of hierarchical user access – where different levels of access are allocated to different job responsibilities within the Platform Operator;
- (f) details of the changes to critical system parameters and master files; and
- (g) erroneous order inputs – which for example may include order prices which materially deviated from the prevailing order prices or last traded prices, order sizes exceeding the client's trading limits, and orders in a virtual asset which do not accord to client instructions.

2. Incident reports

Incident reports should document instances where the Platform Operator's platform or system experiences a material delay or failure that renders it unusable by clients. At a minimum, it should include:

- (a) a clear explanation of the problem, including the root cause analysis;
- (b) the time of outage or delay;
- (c) the duration of outage or delay;
- (d) the platforms or systems affected during outage or delay and subsequently;

- (e) whether this problem or a related problem has occurred before;
- (f) the number of clients affected at the time and the impact on these clients;
- (g) the steps taken to rectify the problem; and
- (h) steps taken to ensure that the problem does not occur again.

Schedule 4 Required Information and Notifications

Terminology

“*Applicant*” means the person making an application under the SFO and/or the AMLO to the SFC.

“*CE number*” means the central entity identification number assigned by the SFC.

“*Complaints officer*”, in relation to a Platform Operator, means a person appointed by the intermediary to handle complaints made to the Platform Operator.

“*Controlling person*”, in relation to a corporation, means each of the directors, substantial shareholders and ultimate owners of the corporation.

“*Criminal investigatory body*” means the Hong Kong Police Force and the Independent Commission Against Corruption established under section 3 of the Independent Commission Against Corruption Ordinance (Cap. 204), and public bodies in Hong Kong or elsewhere carrying out criminal investigations.

“*Minor offence*” means an offence punishable by a fixed penalty under the Fixed Penalty (Traffic Contraventions) Ordinance (Cap. 237), the Fixed Penalty (Criminal Proceedings) Ordinance (Cap. 240) or the Fixed Penalty (Public Cleanliness and Obstruction) Ordinance (Cap. 570), or offence of a similar nature committed outside Hong Kong.

“*Permanent identity card*” has the meaning assigned to it by section 1A of the Registration of Persons Ordinance (Cap. 177).

“*Regulatory body*” includes the SFC, the Monetary Authority, a recognised exchange company, any professional body or association, an examination authority, an inspector appointed under any enactment, and other equivalent bodies or persons in Hong Kong or elsewhere.

“*Valid business registration certificate*” has the meaning assigned to it by section 2(1) of the Business Registration Ordinance (Cap. 310).

In this Schedule, the terms “*basic information*” and “*relevant information*” shall be construed as follows:

Basic information

1. Basic information, in relation to an individual, means, in so far as applicable, the following particulars of the individual—
 - (a) the title and the full personal name and surname in Chinese and English;
 - (b) the date and place of birth;
 - (c) gender;
 - (d) the Chinese commercial code and the number on his or her identity card issued under the Registration of Persons Ordinance (Cap. 177), and, if he or she is not the holder of a permanent identity card, the number, the name of

the issuing agency and the date of expiry, of his or her passport, travel or other document issued by a competent government agency providing proof of identity;

- (e) nationality;
- (f) the business, residential and correspondence addresses; and
- (g) the contact telephone and facsimile numbers and electronic mail address.

2. Basic information, in relation to a corporation, means, in so far as applicable, the following particulars of the corporation—

- (a) the corporate name and business name in Chinese and English;
- (b) former names and periods during which those names were used;
- (c) the date and place of incorporation;
- (d) the number of its valid business registration certificate;
- (e) in the case of a corporation incorporated outside Hong Kong, the date of the certificate of registration issued in respect of the corporation under Part XI of the Companies Ordinance (Cap. 32) before it was repealed or section 777 of Part 16 of the Companies Ordinance (Cap. 622);
- (f) the address of its registered office;
- (g) the addresses of its places of business;
- (h) the correspondence address; and
- (i) the telephone and facsimile numbers, electronic mail address and website address.

Relevant information

3. Relevant information, in relation to an individual, means information on whether or not the individual is or has been, in Hong Kong or elsewhere—

- (a) convicted of or charged with any criminal offence (other than a minor offence) whether or not evidence of such conviction is admissible in proceedings in Hong Kong or elsewhere;
- (b) subject to any disciplinary action or investigation by a regulatory body or criminal investigatory body (as the case may be);
- (c) subject to any order of the court or other competent authority for fraud, dishonesty or misfeasance;
- (d) a substantial shareholder, ultimate owner or director of a corporation or business that is or has been subject to any disciplinary action or investigation by a regulatory body or criminal investigatory body (as the case may be), or involved in the management of such a corporation or business;

- (e) a substantial shareholder, ultimate owner or director of a corporation or business that is or has been subject to any order of the court or other competent authority for fraud, dishonesty or misfeasance, or involved in the management of such a corporation or business;
 - (f) engaged in any judicial or other proceedings;
 - (g) a party to a scheme of arrangement, or any form of compromise, with his or her creditors;
 - (h) in default of compliance with any judgement or court order;
 - (i) a substantial shareholder, ultimate owner or director of a corporation or business that was wound up otherwise than by way of a members' voluntary winding up, or involved in the management of such a corporation or business;
 - (j) a partner of a firm which was dissolved other than with the consent of all the partners;
 - (k) bankrupt or aware of the existence of any matters that might render him or her insolvent or lead to the appointment of a provisional trustee of his or her property under the Bankruptcy Ordinance (Cap. 6);
 - (l) refused or restricted from the right to carry on any trade, business or profession for which a specific licence, registration or other authorisation is required by law;
 - (m) a substantial shareholder, ultimate owner or director of a corporation that has been refused or restricted from the right to carry on any trade, business or profession for which a specific licence, registration or other authorisation is required by law, or involved in the management of such corporation; and
 - (n) disqualified from holding the office of director.
4. Relevant information, in relation to a corporation, means information on whether or not the person is or has been, in Hong Kong or elsewhere —
- (a) convicted of or charged with any criminal offence (other than a minor offence) whether or not evidence of such conviction is admissible in proceedings in Hong Kong or elsewhere;
 - (b) subject to any disciplinary action or investigation by a regulatory body or criminal investigatory body (as the case may be);
 - (c) subject to any order of the court or other competent authority for fraud, dishonesty or misfeasance;
 - (d) a substantial shareholder or director of a corporation or business that is or has been subject to any disciplinary action or investigation by a regulatory body or criminal investigatory body (as the case may be), or involved in the management of such a corporation or business;

- (e) a substantial shareholder or director of a corporation or business that is or has been subject to any order of the court or other competent authority for fraud, dishonesty or misfeasance, or involved in the management of such a corporation or business;
- (f) engaged in any judicial or other proceedings;
- (g) a party to a scheme of arrangement, or any form of compromise, with its creditors;
- (h) in default of compliance with any judgement or court order;
- (i) a substantial shareholder or director of a corporation or business that was wound up otherwise than by way of a members' voluntary winding up, or involved in the management of such a corporation or business;
- (j) a partner of a firm which was dissolved other than with the consent of all the partners;
- (k) in the case of a corporation other than a registered institution, insolvent or aware of the existence of any matters that might render it insolvent or lead to the appointment of a liquidator;
- (l) refused or restricted from the right to carry on any trade, business or profession for which a specific licence, registration or other authorisation is required by law; and
- (m) a substantial shareholder or director of a corporation that has been refused or restricted from the right to carry on any trade, business or profession for which a specific licence, registration or other authorisation is required by law, or involved in the management of such corporation.

Applications

Part 1 – Applications by Platform Operators⁷³

1. Basic information in respect of—
 - (a) the applicant;
 - (b) each controlling person of the applicant;
 - (c) each person who is, or is proposed to be, a responsible officer of the applicant;
 - (d) each subsidiary of the applicant that carries on any regulated activity or Relevant Activities; and

⁷³ Applications by Platform Operators include:

- an application under section 116 of the SFO and/or section 53ZRK of the AMLO by a corporation for a licence;
- an application under section 127 of the SFO and/or section 53ZRN of the AMLO by a Platform Operator for variation of the regulated activity and/or the VA service for which a Platform Operator is licensed; and
- an application under section 134 of the SFO by a Platform Operator for the grant of a modification or waiver, in relation to the Platform Operator, in respect of any conditions imposed on its licence.

- (e) each related corporation of the applicant that carries on any regulated activity or Relevant Activities.
2. Basic information in respect of—
 - (a) any corporation that is, or is proposed to be, an Associated Entity of the applicant; and
 - (b) any person who is, or is proposed to be, an executive officer of an Associated Entity referred to in paragraph (a).
3. The name, correspondence address, contact telephone and facsimile numbers and electronic mail address of—
 - (a) each contact person appointed by the applicant as the person whom the SFC may contact in the event of market emergency or other urgent need; and
 - (b) each person who is, or is proposed to be, a complaints officer of the applicant.
4. In the case of an application for—
 - (a) variation, under section 127 of the SFO and/or section 53ZRN of the AMLO, of the regulated activity and/or the VA service for which the person is licensed; and
 - (b) the grant of a modification or waiver under section 134 of the SFO,

a statement setting out the nature of the application and the reasons for the application.
5. The details of any authorisation (however described) to carry on any regulated activity or Relevant Activities by an authority or regulatory organisation in Hong Kong or elsewhere in respect of each of the persons referred to in item 1.
6. The relevant information in respect of each of the persons referred to in item 1.
7. In so far as applicable, the employment record in respect of each of the persons referred to in item 1 stating, in relation to each employer—
 - (a) the name of his or her employer;
 - (b) the position in which he or she is, or was, employed; and
 - (c) the dates of such employment.
8. The nature of the business carried on or to be carried on and types of services provided or to be provided by the applicant.
9. Information relating to the human and technical resources, operational procedures and organisational structures of the applicant showing that it is capable of carrying on its Relevant Activities, and its proposed Relevant Activities, competently.

10. The business history (if any) of the applicant and a business plan of the applicant covering internal controls, organisational structure, contingency plans and related matters.
11. The capital and shareholding structure of the applicant and the basic information in respect of any person in accordance with whose directions or instructions it is, or its directors are, accustomed or obliged to act.
12. Whether any assets of the applicant are subject to any charge (including pledge, lien or encumbrance), and if so, the following particulars—
 - (a) the date on which the assets are subject to the charge;
 - (b) a description of the assets; and
 - (c) the amount secured under the charge.
13. The particulars in respect of wallet addresses of the Platform Operator or its Associated Entity relating to the conduct of Relevant Activities stating—
 - (a) whether a wallet address has been created or is active or has become dormant or ordered to be frozen by a competent authority;
 - (b) the full wallet address along with the name of its associated blockchain protocol; and
 - (c) whether the wallet address is or was designated for holding client virtual assets or assets belonging to the Platform Operator.
14. In the case of a person applying to be licensed as a Platform Operator, the following particulars in respect of any bank account that the person has opened for the purpose of carrying on Relevant Activities—
 - (a) the name of the bank with which the account is opened;
 - (b) the number of the account; and
 - (c) whether the account is or was a trust account.
15. The name of the auditor of the applicant and the date of his or her appointment.
16. The address of each of the premises where—
 - (a) the business of the applicant is, or is to be, conducted; and
 - (b) records or documents of the applicant are, or are to be, kept.
17. In the case of a person applying to be licensed as a Platform Operator, whether any substantial shareholder of the Platform Operator, ultimate owner of the Platform Operator or both that is an individual has ever been a patient as defined in section 2 of the Mental Health Ordinance (Cap. 136).

18. In the case of a person applying to be licensed as a Platform Operator, the financial information in respect of the person showing that the person is capable of meeting its obligations under Part VI (Financial Soundness) above.

Part 2 – Applications by licensed representatives⁷⁴

1. Basic information and CE number (if any) in respect of—
 - (a) the applicant; and
 - (b) the Platform Operator to which the applicant is accredited or seeks to be accredited.
2. In the case of an application for—
 - (a) variation, under section 127 of the SFO and/or section 53ZRN of the AMLO, of the regulated activity and/or the VA service for which the person is licensed; and
 - (b) the grant of a modification or waiver of conditions under section 134 of the SFO,

a statement setting out the nature of the application and the reasons for the application.
3. The details of any authorisation (however described) to carry on any regulated activity or Relevant Activities of the applicant by an authority or regulatory organisation in Hong Kong or elsewhere, and whether the applicant's travel document is endorsed with a condition of stay prohibiting him or her from taking employment in Hong Kong.
4. The types of services provided or to be provided by the applicant on behalf of the Platform Operator to which the applicant is accredited or seeks to be accredited.
5. A description of any current directorship, partnership or proprietorship of the applicant and the dates of appointment, or commencement, of any such directorship, partnership or proprietorship (as the case may be).
6. The relevant information in respect of the applicant.
7. In so far as applicable, the following details in respect of each of the persons referred to in item 1—

⁷⁴ Applications by licensed representatives include:

- an application under section 120(1) or of the SFO and/or sections 53ZRL(1) and (2) of the AMLO by an individual for a licence;
- an application under section 122(1) of the SFO and/or section 53ZRM(1) of the AMLO by a licensed representative for approval of his or her accreditation, or under section 122(2) of the SFO and/or section 53ZRM(2) of the AMLO for approval of the transfer of his or her accreditation to another Platform Operator;
- an application under section 126 of the SFO and/or section 53ZRP of the AMLO by a licensed representative for approval as a responsible officer of a Platform Operator to which he or she is accredited;
- an application under section 127 of the SFO and/or section 53ZRN of the AMLO by a licensed representative for variation of the regulated activity and/or the VA service for which the representative is licensed; and
- an application under section 134 of the SFO by a licensed representative for the grant of a modification or waiver in respect of any condition imposed on the representative's licence.

- (a) his or her academic record stating—
 - (i) the names of post secondary educational or vocational establishments that he or she has attended;
 - (ii) the courses completed at such establishments and the dates when those courses were attended;
 - (iii) the examinations passed to obtain any post secondary educational or vocational qualification; and
 - (iv) in the case of a person who has not obtained a post secondary educational or vocational qualification, whether or not he or she has obtained passes in the Hong Kong Certificate of Education Examination, or equivalent examinations, in the following subjects—
 - (I) Chinese or English language; and
 - (II) Mathematics;
 - (b) his or her professional record stating—
 - (i) the names of educational or vocational establishments that he or she has attended;
 - (ii) the courses completed at such establishments and the dates when those courses were attended; and
 - (iii) the details of any professional qualifications obtained; and
 - (c) his or her employment record stating, in relation to each employer—
 - (i) the name of his or her employer;
 - (ii) the position in which he or she is, or was, employed; and
 - (iii) the dates of such employment.
8. Whether the applicant has ever been a patient as defined in section 2 of the Mental Health Ordinance (Cap. 136).

Part 3 – Other applications⁷⁵

1. Basic information in respect of—
 - (a) the applicant;
 - (b) each controlling person of the applicant;
 - (c) each person who is, or is proposed to be, a responsible officer of the applicant;
 - (d) each subsidiary of the applicant that carries on any regulated activity or Relevant Activities; and
 - (e) each related corporation of the applicant that carries on any regulated activity or Relevant Activities.
2. Basic information in respect of—
 - (a) any corporation that is, or is proposed to be, an Associated Entity of the applicant; and
 - (b) any person who is, or is proposed to be, an executive officer of an Associated Entity referred to in paragraph (a).
3. In the case of an application for—
 - (a) any matter requiring the approval of the SFC under Part V of the SFO (other than those matters referred to in sections 128(1)(a), (b), (c), (d), (e), (f), (g) and (h) of the SFO) and/or under Part 5B of the AMLO (other than those matters referred to in sections 53ZTI(a), (b), (c), (d), (e) and (f) of the AMLO); and
 - (b) the grant of a modification or waiver under section 134 of the SFO,

a statement setting out the nature of the application and the reasons for the application.
4. In the case of a person applying for approval of premises under section 130(1) of the SFO and/or section 53ZRR(2) of the AMLO—
 - (a) the address of each of the premises where records or documents required under the SFO and/or the AMLO are to be kept by the applicant; and

⁷⁵ Other applications include:

- an application under section 130(1) of the SFO and/or section 53ZRR(2) of the AMLO by a person for approval of premises to be used by a Platform Operator for keeping records or documents required;
- an application under section 132 of the SFO, section 53ZRQ of the AMLO or both sections by a person for approval to become or continue to be (as the case may be) a substantial shareholder of a Platform Operator, an ultimate owner of a Platform Operator or both;
- an application under section 134 of the SFO by a person (other than a Platform Operator or a licensed representative) for the grant of a modification or waiver in respect of any condition imposed on that person; and
- an application by a person under any matter requiring the SFC's approval under Part V of the SFO and/or Part 5B of the AMLO.

- (b) evidence that the premises are suitable for being used for the purpose of keeping records or documents required under the SFO and/or the AMLO.
5. The relevant information in respect of each of the persons referred to in item 1.
6. In the case of a person applying for approval to become or continue to be (as the case may be) a substantial shareholder of a Platform Operator, an ultimate owner of a Platform Operator or both, under section 132 of the SFO, section 53ZRQ of the AMLO or both sections—
- (a) the financial information in respect of the applicant showing that the person is a fit and proper person to be a substantial shareholder of the Platform Operator, an ultimate owner of the Platform Operator or both;
 - (b) the details of any authorisation (however described) to carry on any regulated activity or Relevant Activities by an authority or regulatory organisation in Hong Kong or elsewhere in respect of each of the persons referred to in item 1;
 - (c) in so far as applicable, the employment record in respect of each of the persons referred to in item 1 stating, in relation to each employer—
 - (i) the name of his or her employer;
 - (ii) the position in which he or she is, or was, employed; and
 - (iii) the dates of such employment.
7. In the case of an individual applying to be approved as a substantial shareholder of a Platform Operator, an ultimate owner of a Platform Operator or both, whether he or she has ever been a patient as defined in section 2 of the Mental Health Ordinance (Cap. 136).

Notifications of changes

Part 4 – Changes to be notified by Platform Operators

1. Changes in the basic information in respect of—
- (a) the Platform Operator;
 - (b) each controlling person of the Platform Operator;
 - (c) each person who is a responsible officer of the Platform Operator; and
 - (d) each subsidiary of the Platform Operator that carries on any Relevant Activities.
2. Changes in the persons who are controlling persons, responsible officers or subsidiaries of the Platform Operator that carry on a business in any Relevant Activities.
3. Changes in the following particulars of any corporation that is, or becomes, or ceases to be, an Associated Entity of the Platform Operator—

- (a) the basic information in respect of the corporation;
 - (b) the date of its becoming, or ceasing to be, an Associated Entity;
 - (c) whether it has any executive officers;
 - (d) the basic information in respect of its executive officers (if any);
 - (e) in the case of a corporation becoming an Associated Entity, the facts that gave rise to the corporation becoming an Associated Entity; and
 - (f) in the case of a corporation ceasing to be an Associated Entity, the facts that gave rise to the corporation ceasing to be an Associated Entity and confirmation that all client assets of the Platform Operator that are received or held by the corporation prior to its ceasing to be an Associated Entity have been fully accounted for and properly disposed of and, if not, the particulars of any such client assets of the Platform Operator that have not been fully accounted for and properly disposed of.
4. Changes in the name, correspondence address, contact telephone and facsimile numbers and electronic mail address of—
 - (a) each contact person appointed by the Platform Operator as the person whom the SFC may contact in the event of market emergency or other urgent need; and
 - (b) each person who is, or is proposed to be, a complaints officer of the Platform Operator.
 5. Changes in the status of any authorisation (however described) to carry on any regulated activity or Relevant Activities by an authority or regulatory organisation in Hong Kong or elsewhere in respect of each of the persons referred to in item 1.
 6. Changes in the relevant information in respect of each of the persons referred to in item 1.
 7. Significant changes in the scope and nature of the business carried on or to be carried on and types of services provided or to be provided by the Platform Operator.
 8. Significant changes in the business plan of the Platform Operator covering internal controls, organisational structure, contingency plans and related matters.
 9. Changes in the capital and shareholding structure of the Platform Operator and the basic information in respect of any person in accordance with whose directions or instructions the Platform Operator is, or its directors are, accustomed or obliged to act.
 10. Changes in the information in respect of any assets of the Platform Operator that are subject to any charge (including pledge, lien or encumbrance).
 11. Changes in the particulars in respect of wallet addresses of the Platform Operator or its Associated Entity relating to the conduct of Relevant Activities stating—

- (a) whether a wallet address has been created or is active or has become dormant or ordered to be frozen by a competent authority;
 - (b) the full wallet address along with the name of its associated blockchain protocol; and
 - (c) whether the wallet address is or was designated for holding client virtual assets or assets belonging to the Platform Operator.
12. Changes in the particulars in respect of bank accounts of the Platform Operator relating to the conduct of Relevant Activities stating—
- (a) whether an account has been opened or closed or has become dormant or ordered to be frozen by a competent authority;
 - (b) the name of the bank with which the account has been opened or closed or has become dormant or ordered to be frozen by a competent authority;
 - (c) the number of the account;
 - (d) the date of opening or closing any such account; and
 - (e) whether the account is or was a trust account.
13. Changes in the name of the auditor of the Platform Operator and the reasons for the change in the auditor.
14. Changes in the address of each of the premises where the business of the Platform Operator is, or is to be, conducted.
15. The address of each of the premises where records or documents of the Platform Operator are no longer kept.

Part 5 – Changes to be notified by Associated Entities

1. Changes in the following particulars of any corporation that becomes an Associated Entity—
- (a) the name of the Platform Operator;
 - (b) the date of its becoming an Associated Entity;
 - (c) its name and business name (if different);
 - (d) the date and place of its incorporation;
 - (e) its telephone and facsimile number, electronic mail address and website address (if any);
 - (f) each of the following addresses, together with its effective date—
 - (i) the address of its principal place of business in Hong Kong (if any);
 - (ii) the address of its registered office;

- (iii) its correspondence address; and
 - (iv) the address of each of the premises where books and records relating to client assets of the Platform Operator, received or held by it in Hong Kong, are kept;
- (g) the details of its bank account for holding client assets of the Platform Operator received or held in Hong Kong, including—
- (i) the name of the bank with which the account is opened; and
 - (ii) the number of the account;
- (h) whether it is aware of the existence of any matter that might render it insolvent or lead to the appointment of a liquidator;
- (i) the facts that gave rise to its becoming such an Associated Entity; and
- (j) in relation to each of its executive officers who are its directors responsible for directly supervising the receiving or holding of the client assets of the Platform Operator—
- (i) the executive officer's name;
 - (ii) the executive officer's Hong Kong identity card number, or details of documents issued by a competent government agency providing proof of identity; and
 - (iii) the executive officer's contact details, including residential address in Hong Kong (if any) and correspondence address.
2. Changes in the following particulars of any corporation that ceases to be an Associated Entity—
- (a) the date of ceasing to be such an Associated Entity;
 - (b) the name of the Platform Operator;
 - (c) whether all client assets of the Platform Operator received or held by it before it ceases to be such an Associated Entity have been fully accounted for and properly disposed of and, if not, the particulars of any such client assets that have not been fully accounted for and properly disposed of; and
 - (d) the facts that gave rise to its ceasing to be such an Associated Entity.

Part 6 – Changes to be notified by licensed representatives

1. Changes in the basic information in respect of the licensed representative.
2. Changes in the status of any authorisation (however described) to carry on any regulated activity or Relevant Activities by an authority or regulatory organisation in Hong Kong or elsewhere in respect of the licensed representative.

3. Significant changes in the types of services provided or to be provided by the licensed representative on behalf of the Platform Operator to which the licensed representative is accredited or seeks to be accredited.
4. Changes in the relevant information in respect of the licensed representative.
5. Changes in whether the licensed representative has ever been a patient as defined in section 2 of the Mental Health Ordinance.
6. Changes in the status of any directorships, partnerships or proprietorships of the licensed representative.

Part 7 – Changes to be notified by substantial shareholders and ultimate owners

1. Changes in the basic information in respect of the substantial shareholder or ultimate owner.
2. Changes in the relevant information in respect of the substantial shareholder or ultimate owner.
3. Significant changes in the capital and shareholding structure of the substantial shareholder.
4. Changes in whether the substantial shareholder or ultimate owner has ever been a patient as defined in section 2 of the Mental Health Ordinance (if applicable).