Leading financial market transformation through technology and ESG

We embrace technology and sustainable finance to transform financial markets to serve the needs of the real economy. It is essential to foster a secure Fintech ecosystem and strengthen Hong Kong's role as a sustainable finance hub through enhanced corporate disclosure standards and intermediation between emerging and developed economies.

Facilitating innovation and embracing technology

Aspiring for a brighter future of Hong Kong's virtual asset ecosystem

To develop Hong Kong as a global virtual asset (VA) hub and enhance the security, innovation and growth of its VA market, we set out a new "**ASPIRe**" roadmap in February 2025. The 12 initiatives under the roadmap seek to streamline access for global liquidity, enable adaptive compliance and product frameworks focusing on security, and drive infrastructure upgrades for traditional finance to tap into blockchain efficiency.

Under the roadmap, new frameworks for regulating VA over-the-counter and VA custodian services will be developed, while VA product and service offerings will be expanded. Other measures encompass optimisation of operational requirements for VA trading platforms, combatting illicit activities, investor education and proactive stakeholder engagement.

Executive Director of Intermediaries Dr Eric Yip spoke at a panel discussion at Consensus Hong Kong conference on the SFC's new "**ASPIRe**" roadmap

Leading financial market transformation through technology and ESG

Providing staking guidance

The SFC recognises that a wider array of VA products and services is crucial to the development of a healthy VA ecosystem in Hong Kong. To expand VA product and service offerings, which is one of the five pillars set out in the "**ASPIRe**" roadmap, the SFC provided regulatory guidance in April 2025 respectively to licensed VA trading platforms on their provision of staking services, and to SFC-authorised funds with exposure to VAs on their engagement in staking.

Licensed

10 VATPs

Reviewing

8 VATPs' licence applications

Regulating virtual asset trading platforms (VATPs)

To enable fully compliant VATPs to bring their services to investors more swiftly, we have adopted a swift licensing process for deemed-to-be-licensed VATP applicants (deemed applicants) since December 2024. This followed our on-site inspection programme in June 2024, during which we effectively provided guidance to these applicants on our expected regulatory standards by directly engaging with their senior management and ultimate controllers.

We extended this swift licensing process to new VATP applicants in January 2025, after completing our risk-based on-site inspections of all deemed applicants.

As at 31 March 2025, the SFC licensed a total of 10 VATPs and was reviewing licence applications of eight VATP applicants, four of which were deemed applicants under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO).

To provide VATPs with greater clarity and guidance on their licensing journey, we issued a circular on the licensing process and revamped Second-phase Assessment in December 2024. In the second phase which is to be performed as a direct assurance engagement, we focus on ensuring that the VATPs have suitably designed and implemented their policies, procedures, systems and controls. The SFC supervises the overall process of the Second-phase Assessment through a tripartite engagement with a VATP and its external assessor.

To enhance regulatory compliance, we conducted on-site inspections on all deemed applicants to assess their cybersecurity measures, safeguarding of client assets and know-your-client processes, amongst others. In January 2025, we published the findings of these inspections and provided more clarity on our expected regulatory standards for VATP operators. They were also reminded to deploy sufficient resources and effective procedures to ensure the proper performance of their businesses.

Broadening VA product offering — Asia's first spot ETFs

Asia's first batch of six VA spot exchange-traded funds (ETFs), authorised by the SFC, were launched in Hong Kong in April 2024, after we released the regulatory guidance on VA funds in late 2023. As at end-March 2025, they had a market capitalisation of US$382 million and an average daily turnover of US$6 million, up 32% and 13% since launch, respectively.

Further to our regulatory guidance on VA funds' engagement in staking issued in April 2025, we permitted two of these ETFs to engage in staking with licensed VATPs for yield enhancement, the first in the Asia Pacific region.

6 VA spot ETFs

Market capitalisation

↑ 32%

Average daily turnover

↑ 13%

since launch in April 2024

Leading financial market transformation through technology and ESG

Promoting Fintech development via active outreach

As part of the SFC's proactive engagement with VATPs, we established a Consultative Panel for VATPs to identify and understand the latest market developments in the VA ecosystem, including opportunities, risks and regulatory perimeter implications of VATPs, VA products and services, paving the way for market developments backed by investor safeguards. Chaired by Dr Yip and comprising all licensed VATPs, the panel successfully concluded its first meeting in February 2025.

The SFC actively co-organised and participated in the 2024 Hong Kong FinTech Week. Our senior executives spoke to market practitioners about the SFC's initiatives in fostering a vibrant VA market in Hong Kong, surveyed the city's current Fintech landscape and elaborated the SFC's regulatory policy on tokenisation.

To further enhance investor education and market outreach, we spoke at a number of interviews, seminars, webinars, training sessions and events organised by or partnered with Government authorities, international regulatory bodies, industry associations, media and universities. We emphasise our commitment to providing a clear and consistent regulatory framework that enables the industry to experiment with tokenisation with certainty.

Executive Director of Investment Products Ms Christina Choi spoke at the Hong Kong Web3 Festival 2025

Facilitating the industry in harnessing generative artificial intelligence (AI)

To promote the responsible use of generative AI language models, we set out our regulatory expectations on their use in a circular to licensed corporations in November 2024. We highlighted the risks associated with this technology and detailed requirements around four core principles: senior management responsibilities, AI model risk management, cybersecurity and data risk management, and third-party provider risk management.

Licensees under the AMLO

	As at 31.3.2025	As at 31.3.2024
Licensed providers	**10**	0
Licensed individuals	**104**	0
Total	**114**	0

Licensing applications under the AMLO

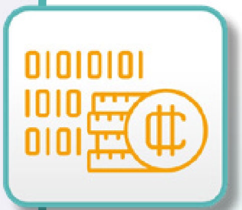
	2024/25	2023/24	YoY change (%)
Applications for SFC licences	**158**	35	351.4

Championing asset tokenisation to future-proof financial markets

With facilitative initiatives including the Project Ensemble Sandbox launched in August 2024, market participants are leveraging them as powerful tools of financial innovation through experiments and testing of tokenisation use cases. This has played a pivotal role in advancing Hong Kong's Fintech industry towards a new stage: moving beyond proof-of-concept pilots and looking very seriously at commercialisation use cases.

In order to scale the tokenisation market in Hong Kong, the SFC provides regulatory guidance continuously to Sandbox participants to support their experimentation under different themes. Under the Sandbox, we co-lead the tokenisation initiatives for the asset management industry with the Hong Kong Monetary Authority (HKMA).

Over the past year, Sandbox participants have made encouraging progress on various use cases for investment products. Guided by the SFC, a local bank in October 2024 successfully simulated the first-of-its-kind trading and dealing of a tokenised money market fund using tokenised deposits within a controlled sandbox environment. This paves the way for further exploration of the atomic settlement for tokenised funds and money on a 24/7 basis in practical business scenarios. We are working closely with other Sandbox participants to advance their fund tokenisation use cases.



1st batch of tokenised retail money market funds in Asia Pacific

Additionally, in the first quarter of 2025, we authorised the first batch of three tokenised retail money market funds[a] in Asia Pacific, investing primarily in HKD and USD money market instruments. Their tokenised classes had a total AUM of $736 million (US$94 million) as of 31 March 2025.

[a] These include the introduction of tokenised classes to existing SFC-authorised money market funds.

Promoting sustainable development for markets

Supporting voluntary code for ESG rating and data providers

To promote higher transparency and quality of environmental, social and governance (ESG) information for Hong Kong's financial markets, an industry-led working group published the SFC-supported voluntary code of conduct for ESG ratings and data products providers in October 2024. As of 31 March 2025, 18 international and local providers had indicated their intention to sign up for the code.

An SFC-backed and Bloomberg-hosted launch event for the code was held in November 2024, attracting over 200 attendees. In light of the publication of the code, we issued guidance to asset managers to encourage them to take the code into account in their due diligence process when engaging these providers.

Gatekeeping ESG funds

Gatekeeping against greenwashing remains one of the SFC's priorities. As of 31 March 2025, there were 218 SFC-authorised ESG funds with total assets under management of $1,083.0 billion (US$139.2 billion).

Leading global and Hong Kong's sustainable finance efforts

We continue to lead efforts in advancing Hong Kong's position as an international sustainable finance hub and develop an effective regulatory framework for our financial system to better support the low-carbon transition of the economy.

Leading financial market transformation through technology and ESG

The Steering Group meeting in February 2025

Our Chief Executive Officer (CEO) Ms Julia Leung serves as a Vice Chair of the International Organization of Securities Commissions' (IOSCO) Sustainable Finance Task Force (STF). The IOSCO STF is a Board-level taskforce which coordinates regulatory action on corporate sustainability disclosures, sustainability assurance, carbon markets and transition plans, among other topics. The SFC is a member of all workstreams under the IOSCO STF[1].

In addition, we lead the Sustainable Finance Working Group of IOSCO's Asia-Pacific Regional Committee (APRC) and actively participate in various international initiatives to advance the global sustainable finance agenda. See "Sustainability" on pages 112-118 for details.

The IOSCO STF plenary meeting in Singapore in September 2024

Locally, we co-chair the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group)[2] with the HKMA. We participate in all of its working groups, and key initiatives of the year include:

- Development of the Roadmap on Sustainability Disclosure in Hong Kong. See sidebar on page 79;
- Development of the Transition Finance Knowledge Hub; and
- Enhancement and promotion of free climate data tools, including two greenhouse gas emissions calculation and estimation tools, as well as the Climate and Environmental Risk Questionnaire for non-listed companies and small and medium-sized enterprises.

In February, the Steering Group set out three focus areas for 2025: developing the local sustainability disclosure ecosystem, facilitating transition plan disclosure and transition finance, and promoting the use of data and technology. See "Sustainability" on pages 112-118 for details on the Steering Group's current initiatives.

1 These include the IOSCO STF workstreams on corporate reporting, carbon markets, transition plans, and green finance and innovation.

2 Established in May 2020, the Steering Group is co-chaired by the SFC and HKMA, and also includes the Financial Services and the Treasury Bureau (FSTB), Environment and Ecology Bureau (EEB), Insurance Authority (IA), Mandatory Provident Fund Schemes Authority (MPFA), Accounting and Financial Reporting Council (AFRC) and Hong Kong Exchanges and Clearing Limited (HKEX).

Leading financial market transformation through technology and ESG

Engaging with stakeholders on sustainability

We work with the Investor and Financial Education Council (IFEC), an SFC subsidiary dedicated to improving financial literacy in Hong Kong, to raise public awareness and understanding of sustainable finance through mass communication and public outreach initiatives.

The IFEC developed education resources and communications to help retail investors understand ESG and sustainable investing and make informed choices aligned with their values. These materials also highlighted the use of ESG reports, indexes and ratings, helping investors make informed decisions.

During the year, SFC senior executives participated in various local, regional and international forums to share insights on sustainable finance and introduce our regulatory initiatives. Our CEO Ms Leung spoke at the launch event of the Hong Kong's voluntary code of conduct for ESG ratings and data products providers, encouraging asset managers to leverage this code to facilitate their due diligence and ongoing assessments. She also delivered opening remarks at the Vietnam State Securities Commission Symposium in Da Nang, Vietnam, highlighting the importance of IOSCO APRC to the sharing of experiences and technical expertise.

Ms Leung spoke at the Vietnam State Securities Commission Symposium

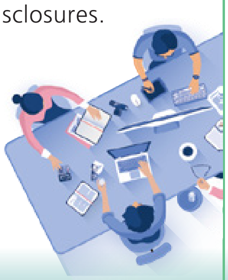
SFC plays an instrumental role in IOSCO STF initiatives

Corporate sustainability disclosures

Our CEO co-chairs the STF's Corporate Reporting Workstream. We drive IOSCO's engagement with the International Sustainability Standards Board (ISSB) and other international stakeholders, and support its work to promote adoption of the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards (ISSB Standards) among IOSCO members.

Transition plans

We organised an industry roundtable in April 2024 to understand Hong Kong and regional perspectives on transition plan disclosures. The findings informed the *IOSCO Report on Transition Plans*, which highlights five components of transition plan disclosures most useful to investors.



Voluntary carbon markets

We contributed to the *IOSCO Final Report on Voluntary Carbon Markets* (published November 2024). It outlined good practices for enhancing the financial integrity and orderly functioning of voluntary carbon markets globally.

Leading financial market transformation through technology and ESG

Ms Kung spoke at the Beijing International Sustainability Conference 2024

Our Senior Director and Head of International Affairs and Sustainable Finance Ms Christine Kung spoke at the IOSCO Asia Pacific Hub webinar "2025 Regional Outlook: Emerging Regulatory Risks for the Asia Pacific Region" and the Beijing International Sustainability Conference 2024 on sustainability disclosures, showcasing Hong Kong's approach to fully adopt the ISSB Standards and develop a comprehensive sustainability disclosure ecosystem.

Nurturing sustainable finance talent

Talent is the very foundation for Hong Kong's development as a sustainable finance hub, and the SFC stands ready to support talent development.

With keen participation of more than 100 promising university students, our seminar on "Developing a comprehensive sustainability disclosures ecosystem" in July 2024 covered broad-ranging topics on sustainable finance. These included the latest local and global sustainable finance trends, the importance of disclosures to drive capital allocation towards sustainability and transition, the use cases of carbon credits in corporate decarbonisation, and the potential of green Fintech in scaling sustainable finance.

Award presentation ceremony of the Hong Kong Securities and Investment Institute Case Competition, in which the SFC served as a judge

We were a judge of the Hong Kong Securities and Investment Institute Case Competition, which aimed to incubate and showcase innovative sustainability solutions developed by university students from both Hong Kong and the Guangdong-Hong Kong-Macao Greater Bay Area.

Our Sustainable Finance Internship Programme, in its third year, continues to offer university students exposure to sustainable finance policy development and implementation. We also continue to help administer the HKSAR Government's Pilot Green and Sustainable Finance Capacity Building Support Scheme.

SFC's seminar on sustainability disclosures for over 100 university students

Embracing global sustainability reporting standards in Hong Kong

Sustainability disclosures aligned with international standards are integral to meeting investors' needs for comparable, consistent and decision-useful information. They are also key to reinforcing Hong Kong's leading position as a sustainable finance centre.

Hong Kong has set out a pathway to fully adopt the ISSB Standards. The SFC co-led a working group[a] to develop the Roadmap on Sustainability Disclosures in Hong Kong, which the HKSAR Government published in December 2024. Under this roadmap, large publicly accountable entities in Hong Kong, including large listed issuers and financial institutions carrying a significant weight, will fully adopt the ISSB Standards and apply the Hong Kong Sustainability Disclosure Standards (Hong Kong Standards)[b] no later than 2028.

To prepare listed companies for reporting against the Hong Kong Standards, the Stock Exchange of Hong Kong Limited (SEHK) introduced enhanced climate-related disclosure requirements after the SFC's approval. These enhanced requirements are modelled on IFRS S2 Climate-related Disclosures and have taken effect in phases starting January 2025. SEHK also published an implementation guidance that references IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information to assist issuers.

To help develop Hong Kong's comprehensive sustainability disclosure ecosystem outlined in the roadmap, we supported all-round capacity building and talent development, developed greenhouse gas emissions calculation and estimation tools, and promoted green Fintech[c]. In January 2025, we hosted an industry roundtable, with representatives from the ISSB, listed companies and financial institutions discussing the local sustainability reporting landscape and ways to increase market capacity.

The Steering Group hosted an industry roundtable with the ISSB's representatives

[a] The working group is co-chaired by the FSTB and SFC. Members include the EEB, HKMA, IA, MPFA, AFRC, HKEX, and the Hong Kong Institute of Certified Public Accountants (HKICPA).

[b] As the local sustainability reporting standard setter, HKICPA published the final Hong Kong Financial Reporting Standards Sustainability Disclosure Standards in December 2024. These standards are fully aligned with the ISSB Standards, with an effective date of 1 August 2025.

[c] See "Sustainability" on pages 112-118 for details.