

Fuelling the Web3 and Digital Asset Ecosystem in Hong Kong

Keynote Speech at the Hong Kong Web3 Festival 2025

Ms Christina Choi
Executive Director, Investment Products

7 April 2025

Good morning, ladies and gentlemen, distinguished guests, and fellow innovators. It is my pleasure to speak to you all at this iconic event for Web3.

Before I elaborate on the Securities and Futures Commission's (SFC) initiatives in this regard, let me start with a quick story. Last week, while scrabbling through a dusty box of forgotten treasures in my room, I unearthed something curious. I held it up to my son and asked, "Do you know what this is?" Without hesitation, he said, "Of course, Mom. That's the save button. Why did you 3D-print it?"

That's right. To him, this little plastic square, a floppy disk, is just a digital symbol he clicks every day. But this mix-up is not just a laugh; it is a vivid reminder of how fast technology races forward. Thirty years ago, the floppy disk was a game-changer that zipped the world of data into something you could slip into your pocket. Today, it is just an icon the youths barely recognise.

This brings us to today's topic: Web3 as the next technological frontier. Just as the floppy disk transformed how we stored information long before Web1.0 took hold, blockchain technology has the potential to rewrite the rules of finance and beyond, enabling new economic models notably through the creation of crypto or here we call them virtual assets (VA) and tokenisation of real-world assets.

Like many of you, I am very much inspired by all these transformative potentials. Aligned with our Government's visionary plans in this area that the Financial Secretary has just shared, the SFC is committed to supporting Hong Kong's Web3 journey. Yet, we all know Web3 is still evolving and its full benefits will unfold in time, likely with twists and turns. Take non-fungible tokens (NFTs) and metaverse as an example, their meteoric rise generated widespread excitement two to three years ago but that energy has since faded. Therefore, rather than chasing every new spark, we believe in a pragmatic approach — strengthening the fundamentals and fostering a supportive ecosystem where Web3 can thrive in a sustainable manner.

Central to this vision are digital assets, the mainstay of blockchain's infrastructure and potential. Today, I will outline how the SFC is leading the efforts in two key areas, ie, VA

Note: This is the text of the speech as drafted, which may differ from the delivered version.



exchange-traded funds (ETFs) and tokenisation, leveraging Hong Kong's strengths as a global financial hub to drive this ecosystem forward.

Virtual asset ETFs: growing in vibrancy

Across the diverse spectrum of digital assets, VAs stand out as the most recognised and familiar entry point to the digital economy. The SFC has long recognised that VAs are an asset class that is here to stay. That prompts us to pioneer a regulatory framework for VAs as early as 2018, and naturally, it has been extended towards VA ETFs, allowing more to participate in this space with confidence through a regulated and traditional pathway.

Last April, Hong Kong became the first in Asia to launch VA spot ETFs, a milestone that underscores our leadership in regulated digital investing. Today, we remain the largest VA ETF market in Asia Pacific. Our robust regulatory framework sets us apart as we license all key players to conduct their VA-specific activities, from fund managers to fund custodians and trading platforms. This includes strict oversight of VA custody, with private keys and seeds secured in Hong Kong, safeguarding investors from unique risks of VAs.

One compelling and unique feature of our framework is enabling in-kind dealing on top of cash, allowing ETF share creation and redemption directly with VAs. For other jurisdictions, this might carry unacceptable risks, but our regime makes this dealing process secure by requiring SFC-licensed participating dealers to ensure compliance with anti-money laundering and Know Your Transaction rules.

But we don't stop just there. Our framework evolves to meet investor needs and advance the Web3 ecosystem. One exciting development is the expansion of eligible VA underlying. Initially, our VA spot ETFs focused on Bitcoin and Ethereum. Today, more coins have become eligible for retail trading, with even more on the horizon. This will pave the way for more innovative ETF offerings, such as a single ETF that tracks a basket of VAs, similar to a diversified index fund.

And now, I have some great news to share: later today, we will publish a circular permitting SFC-licensed VA trading platforms to offer staking services, including for our VA spot ETFs. For those unfamiliar, staking allows investors to lock up their VAs to support blockchain networks and therefore earn rewards in return. It is a popular feature in the crypto world, but it comes with risks. Therefore, we will impose additional safeguards. For example, our licensed platforms must maintain custody of the staked VAs, and we will cap the proportion of VA spot ETFs that can be staked to manage liquidity risk. This once again reflects our core principle – embracing innovation without compromising investor protection.

Tokenisation development: ecosystem taking shape

Moving on from VA ETFs, which allow digital assets and traditional finance to meet each other, tokenisation offers a complementary path by applying blockchain technology to traditional assets and real-world assets alike, going from bonds and funds to real estate and art. It could enhance efficiency, unlock liquidity and access to these assets, and bridge them to the Web3 ecosystem. The financial landscape will therefore become more interconnected.

Some market participants have predicted that tokenised assets could be a trillion-dollar market by 2030, mirroring the ETF growth story. Some estimated that tokenisation of asset management alone could deliver cost savings exceeding US\$100 billion annually. Here in Hong Kong, progress is already underway to capitalise on these opportunities.

The journey began with our tokenisation circulars published in November 2023. They provide regulatory clarity for tokenising investment products, and also signal Hong Kong's commitment to facilitate development in this area. Fast forward to today: our efforts are starting to bear fruits. We have seen in our city privately offered tokenised structured notes, warrants, bonds and private tokenised funds and a retail tokenised gold product. Just recently, three retail tokenised money market funds hit the market, one of them being the largest debut of its kind.

In parallel with that progress, Project Ensemble, launched by the Hong Kong Monetary Authority (HKMA) in 2024, serves as our innovation sandbox for tokenised money – an important building block for enabling seamless transactions of tokenised assets. The SFC is co-leading the asset management-related pilots under the project, collaborating with the industry to integrate tokenised money into the trading and dealing of tokenised products. These experiments are yielding valuable insights for real-world adoption to deliver tangible benefits, such as instant fund subscriptions, redemptions, and shorter settlement times.

Next, we will explore secondary market trading, an area generating much excitement. It is no doubt a critical piece in the long run that would give tokenised assets 24/7 liquidity and access, from peer-to-peer over-the-counter (OTC) trades to full-on exchange trading. But investor protection remains our priority. Just as stock exchanges have evolved over the decades, the challenges in this area would be equally, if not more, complex, including custody, liquidity provision, fair pricing, order matching, and the unique risks of tokenised assets. It follows that we will proceed thoughtfully and certainly explore measures to support industry efforts along the way.

Hong Kong has it all

So, what do all these mean, collectively? Why choose Hong Kong for your Web3 project? The answer is clear: Hong Kong has it all. Ranking third in the Global Financial Centres Index, we have a rock-solid financial system of time-tested resilience.

We have a trusted legal framework rooted in common law, renowned worldwide for its integrity and fairness. Our location at the heart of Asia—geographically, economically, and culturally—makes us the natural hub for the flow of digital assets and Web3 talents across the region.

Beyond these foundations, Hong Kong's authorities are taking concrete and coordinated steps to realise our vision. The Government's **Policy Statement on the Development of Virtual Assets in Hong Kong** and the coming 2.0 statement will affirm our commitment and ambition to drive VA innovations. Meanwhile, the HKMA is pushing boundaries with **Project e-HKD+**, **Project mBridge** and **a stablecoin sandbox** to explore a central bank digital currency, blockchain-based cross-border payments, and regulated stablecoins.

And of course, the SFC unveiled the **"A-S-P-I-Re" roadmap** in February 2025, to lay out our forward-looking plan centred on the five pillars of **Access**, **Safeguards**, **Products**, **Infrastructure**, and **Relationships**. The roadmap outlines a comprehensive strategy for VA market development, including the licensing frameworks for VA OTC trading and custody services.

These initiatives are driving us toward a tipping point for Hong Kong's Web3 ecosystem. But we must be patient, pragmatic and persistent. Think of artificial intelligence. It reached critical



mass and scale only after decades of research and development. Web3 is likely to follow a similar path of success, hopefully much faster.

Closing

On a final note, I must emphasise that we stand today at the crossroads where traditional finance and the digital economy are converging to drive promising outcome for our financial markets. The zero-to-one breakthrough has been made, and its future success would very much depend on how we nurture this convergence, that is, how we go from one to 100. Much like the zero-to-one stride that the floppy disk made a few decades ago, which accelerated the growth for the entire personal computing industry since then.

So today, let's all work together on our way towards "100". By integrating the reliability of traditional finance with the vitality of the digital economy, we will work together to build a vibrant, interconnected ecosystem that drives us forward, just as Hong Kong has always done. Thank you.