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| **Questionnaire VA-1 - Questionnaire for VA Trading Platform Operator**Specified by the SFC pursuant to the Securities and Futures Ordinance (“SFO”) (Cap 571) and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (“AMLO”) (Cap 615) |

**Explanatory Note:**

If any of the policies, procedures, systems or controls described in your answers to the questions below have not been implemented, please specify the envisaged timeframe for the implementation of these policies, procedures, systems and controls.

Unless otherwise defined, terms used in this questionnaire shall have the same meaning as those defined in the Guidelines for Virtual Asset Trading Platform Operators (“**VATP Guidelines**”).

You may provide a copy of the relevant policy, procedures and flow chart to facilitate our understanding of the matter as you deem appropriate.

If further space is required, please attach a separate document under “Additional Document” in your application, and cross-reference all answers to the relevant question.

**I. Overview of Business Operations**

1. Please advise if you have engaged in proprietary trading, and if any of your group company or affiliates have invested in virtual assets or have proprietary position in virtual assets? If so, please advise on the purpose(s) of your proprietary position.

1. Please provide a detailed organization chart categorized by each business function.

1. Please specify the functions (if any) that are delegated to another entity (including your group company or affiliate) and will not be performed or carried out by you. For each of these functions, please advise whether it is performed or carried out by your group entities, outsourced to external third parties, or you rely on any experts or consultants. Please also advise whether it is a one-off arrangement or an appointment on a recurring basis, whether or not there will be a service agreement, and what due diligence will be or has been performed to ascertain the experience, qualification etc. of the external third parties, experts or consultants to ensure appropriateness.

1. Please describe your policies on reporting incidents to the SFC, including (a) any non-compliance with your licensing conditions or any applicable law, regulations, codes, guidelines, circulars or FAQs, etc.; (b) any unusual or suspicious activities on your platform; (c) any material failures or interruptions of your trading, accounting, clearing and settlement systems; and (d) any material issues as identified by experts or consultants.

1. When there is recommendation or solicitation, how would the platform operator:
	1. 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 you are or should be aware through the exercise of due diligence (see paragraph 9.20 of the VATP Guidelines);

* 1. ensure that a transaction in a complex product is suitable for the client in all the circumstances (see paragraph 9.22 of the VATP Guidelines);

* 1. determine whether a virtual asset may be treated as non-complex or complex product (see Notes 1 and 2 of paragraph 9.22 of the VATP Guidelines).

**II. Financial Soundness**

Please complete this section with reference to the requirements of the Securities and Futures (Financial Resources) Rules (“FRR”) and/or the VATP Guidelines. Please consult your auditor where necessary in relation to accounting and FRR treatments of virtual assets.

1. Please advise whether you could fully comply with the minimum liquid capital requirement under the FRR and the liquid asset requirement under paragraph 6.1 of the VATP Guidelines.

1. Please identify all the major items on your balance sheet. Please also describe the treatment of each item under the FRR and/or the VATP Guidelines and quote the relevant sections of the FRR and/or the VATP Guidelines (where applicable).

1. Please describe your auditors’ capability in acting as auditors of a virtual asset trading platform operator and its associated entity, including their experience and track record in auditing virtual asset related business.

1. How will your profit and loss likely be impacted by the proposed modifications of your business activities, operations, systems and controls (in HK$’000) upon licensed?
2. As a one-off
* Consultancy fee on system development/enhancement/review
* Legal and other professional fees
* Staff costs (for redundancy/severance pay)
* Others (please specify the nature of major items)
1. On an ongoing basis

* Your monthly trading volume
* Your monthly fee income
* Your other monthly income
* Your monthly operating expenses

1. Please provide the following information or estimation:

|  |  |
| --- | --- |
|  | **(HK$’000)** |
| Shareholders’ funds as of the latest month end  |       |
| Shareholders’ funds upon deducting the one-off expenses to be incurred (see para. 9(a))  |       |
| Projected total income generated from fees and charges covering, trading, admission, custodial and any other fees and charges for the first 12 months after being licensed |       |
| Projected total operating expenses for the first 12 months after being licensed |       |
| Amount of capital to be injected in the next 12 months  |       |

1. Where applicable, please
2. state the names and amounts of virtual assets recognised in your financial statement or management accounts as of the latest month-end;

1. specify their classification, i.e. as cash and cash equivalents, financial assets (other than cash and cash equivalents), intangible assets, inventories, or other (please specify); and

1. advise the accounting policy of the virtual assets held for your own account.

*(Please choose all applicable options.)*

[ ]  Virtual assets are measured at fair value through profit or loss.

[ ]  Virtual assets are measured at fair value through other comprehensive income.

[ ]  Virtual assets are measured at cost.

[ ]  Others, please specify.

1. Please advise the accounting policy on virtual assets held on behalf of your clients.

*(Please choose all applicable options.)*

[ ]  Recognised as assets in your financial statement and measured at fair value. Equivalent amounts (including subsequent change in fair value of the virtual assets) are recognised as liabilities to reflect the obligations to return the virtual assets to the clients.

[ ]  Recognised as assets in your financial statement and measured at cost on the date of purchase or market price on the date of deposit. Equivalent amounts are recognised as liabilities to reflect the obligations to return the virtual assets to the clients. However, no subsequent fair value adjustment will be made on both the assets and the liabilities.

[ ]  Not recognised as assets in your financial statement and no liability is recognised in the financial statement regarding the obligations to return the virtual assets to the clients.

[ ]  Others, please specify.

**III. Virtual Assets Admitted For Trading**

1.
2. For virtual assets to be admitted for trading on your platform, please describe the admission rules and criteria and the admission process. In particular, do you have a committee responsible for establishing, implementing and enforcing these rules, criteria and process? Please advise the composition and terms of reference of this committee.

1. Please describe your processes in conducting due diligence on virtual assets to be admitted to your platform for trading and whether you would take into account all the factors under paragraph 7.6 of the VATP Guidelines.

1. Please describe your procedures to ensure that the virtual asset is a highly-liquid eligiblelarge-cap virtualasset, i.e., the specific virtual asset should have been included in at least two acceptable indices issued by a minimum of two different index providers, before admitting the virtual asset for retail clients to trade (see paragraph 7.8 of VATP Guidelines).

1. Do you have policies for suspending and withdrawing a virtual asset from trading on your platform? Please describe your processes for the ongoing monitoring of the virtual assets admitted for trading in ensuring compliance with the admission rules and criteria and your policies and process for suspending and withdrawing a virtual asset from trading on your platform.

1. In situations when there is adverse information or anomaly incident on a virtual asset traded on the platform, what procedures will be performed and how will you handle the virtual asset and your clients concerned.

1. Please advise us if all virtual assets currently traded on your platform conform with the admission rules and criteria referred to in para. 13(a). If not, please advise the steps taken or to be taken to withdraw the virtual asset concerned (where applicable).

1. Are you compensated for listing virtual assets, and do you receive an amount of virtual assets in exchange for listing them? Are you also compensated on an on-going basis for the listings? If so, how do you ensure transparency to the market, and how do you prevent trading activities which would be disadvantageous for your clients or market, for example, controls to prevent or manage conflicts of interest and front running?

1. Please describe your policies and procedures in dealing with newly created digital assets arising from, among other things, hard fork or airdrop.

**IV. Dealing with Clients**

**Know Your Client**

1. Please describe the processes you use to assess whether a client is a Professional Investor as defined in section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance (“SFO”).

1. Please describe your procedures (including the information to be collected from your clients and the factors that you will take into consideration) for assessing whether:
2. a client has sufficient knowledge or understanding in virtual assets (including knowledge of relevant risks associated with virtual assets) (see paragraph 9.4 of the VATP Guidelines);

1. the trading of virtual assets matches the investment objective, financial situation and risk profile/appetite of the client; and

1. the firm is acting in the best interests of the client when providing services to a client without knowledge of virtual assets.

If a client is assessed to have no or insufficient knowledge or understanding in virtual assets, please describe the steps you would take. For example, whether you would deny the client’s account opening application, restrict the client from conducting trading activities or provide training to the client concerned.

1. Please explain your processes (including information to be collected from a client and factors that you will take into consideration) for assessing whether a client has financial net worth to bear the loss of investment.

1. Please describe your know-your-client (KYC) and client (local or overseas) onboarding policies and procedures including the systems or technologies used, risk profiling methodology, the information and documents that you will obtain from your clients. Please also advise your IP monitoring procedures.

1. Please state your control measures to verify a client’s identity during the account opening process.

1. Please advise whether you have any plan or proposal to include any virtual asset for trading by retail clients. If so, how would you:
2. assess a client’s risk tolerance level and risk profile, accordingly determine the client’s risk profile and assess whether it is suitable for the client to participate in the trading of virtual assets (see paragraph 9.6 of VATP Guidelines);

1. set a limit for each client to ensure that the client’s exposure to virtual assets is reasonable, as determined by the platform operator, with reference to the client’s financial situation (including the client’s net worth) and personal circumstances (see paragraph 9.7 of VATP Guidelines);

1. Please state your control measures to ascertain the identity, address and contact details of persons ultimately responsible for originating the instructions in relation to transactions conducted for an account and the beneficial owner(s)) of the account during the account opening process.

1. If any system or technologies (for example, facial recognition, checking of security features on ID documents) have been applied as part of the control procedures in paras. 19, 20 and 21, please describe the testing or evaluation procedures taken to assess the appropriateness and effectiveness of system/technologies and explain how you can comply with the SFC requirements as clarified by related FAQs issued to date.

1. Please describe the additional measures you take to mitigate the impersonation risks associated with client onboarding via non-face-to-face channel. In addition, please describe the measures you take to deal with a prospective client who provides incomplete or suspicious identification information.

1. Please describe the control measures you have implemented to ensure any amendment of client particulars is duly authorized, properly supported by supporting documentation and correctly entered into the client master database.

1. Please explain your policies and procedures for ensuring compliance with the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615), its subsidiary legislation and relevant guidelines. Please also describe the procedures, frequency and timing of your screening of prospective clients and any beneficial owners (where applicable) to identify individuals linked to money laundering and terrorist financing (“ML/TF”) and possible designated parties under the United Nations (Anti-Terrorism Measures) Ordinance (Cap. 575) and to evaluate the ML/TF risks posed by a particular client or business relationship.

 **Account Opening Documents**

1. Please provide a copy of your proforma client agreement or terms of reference, together with all accounting opening documentation and risk disclosure statements.

**Information for Clients**

1. Please provide a copy of the information provided on your website (including but not limited to your insurance policy and business resumption plan), differentiating between what can be accessed publicly or only by your clients. Alternatively, please provide us with a demo account which shows what your onboarded clients will see on your website.

1. What level of detail does your functional documentation provide to clients, including fee structure, market model, order types? Please provide a copy of the said document.

1. Do you specify in your technical specification documents to clients all messages, requests, responses, error codes and status updates? Are examples provided? Please provide a copy of the said document.

1. Do you provide a simulation environment, on the same code base as the production environment, with sufficient simulated order activity so as to enable clients to conduct testing of applications?

1. Please advise the number and location of staff responsible for providing functional and technical support and whether such support is available 24/7?

1. How do you communicate with your clients in case of emergencies and disruptions to the system, such as triggered circuit breakers, trading suspension/downtime, trading resumption and other incidents?

1. Please advise the type of product information about the virtual assets that is available on your platform or provided to your clients. Please refer to paragraphs 9.27 and 9.28 of the VATP Guidelines.

1. Please provide a copy of the terms and conditions or other disclosures to your clients on the dealing and handling of newly created digital assets arising from, among other things, hard fork or airdrop.

1. Please advise whether statements of account are provided to clients. If yes, please specify the valuation policy of the assets held on behalf of clients and advise whether such policy has been disclosed to clients. In particular, please specify the valuation policy for less liquid virtual assets, including hard forks and virtual assets which are suspended from trading, where applicable.

**V. Trading and Settlement**

1. How can investors access your trading platform -
2. Does your firm allow clients to connect to your trading platform via other third party’s order management systems using Application Program Interface (API), Internet browsers, or both?

1. Can overseas investors access your trading platform? Please elaborate if there are any eligibility criteria for accessing your platform.

1. How do you authenticate the identities of users accessing your trading platform (for example, one time password) and ensure only genuine clients instead of other unauthorized persons could access your trading platform?

1. Please explain how you prevent the theft of log-in credentials by external parties as well as internal employees.

1. Clients’ trading accounts –
* Please specify your account management policies, including the different account types, account levels and any account limits.

* Please describe your protection arrangements for clients’ trading accounts (these may include tools like 2-factor authentication, prompt/immediate notification of orders and transactions, monitoring and surveillance mechanisms, data encryption, password policies, session timeout controls, etc.)

1. Please describe briefly your trading system/platform, in particular:
2. Please explain your order book arrangements. Would trading be conducted through periodic auctions, continuous trading, request for quotes, or some/all of the above? Please explain how orders interact under the arrangements and provide a schematic for demonstration. If applicable, please also explain the arrangements for off-platform trading and order routing to other trading platforms.

1. What kind of quotes are made available for trading on your platform? Would they be virtual asset to virtual asset quotes, virtual asset to non-virtual asset quotes, or both?

1. What order types do you offer? For example:
* If stop orders are supported, what is the order priority of the stop order getting into the order book?

* If you support iceberg orders, what is the order priority of the hidden orders getting into the order book?

Please specify the order priority of all other order types you offer.

Please describe the trading order mechanism in your trading platform. If it is a price/time priority algorithm, how do you ensure price/time priority?

1. If market-making/liquidity provision is provided in the process, please provide details of the market makers/liquidity providers and their background and experience, the due diligence you conducted on these market makers/liquidity providers, as well as a copy of the market-making/liquidity provision terms and conditions if any.

1. Please advise whether you would access the order books of other trading platforms when determining the price of the virtual assets traded on your platform. Please also advise whether any orders will be routed to other trading platforms for execution.

1. Please describe what and how data on prices (ask/bid) and executed trades on your platform are disseminated to the investors and maintained as audit trail.

1. Please describe your order recording and handling arrangement and policies, including order instructions through telephone (if applicable).

1. Please describe your off-platform trading arrangements, if any.
2. Please provide explanations of the operational procedures for off-platform trading arrangements.
3. If market-making/liquidity provision is provided in the process, please provide details of the market makers/liquidity providers and their background and experience, the due diligence you conducted on these market makers/liquidity providers, as well as a copy of the market-making/liquidity provision terms and conditions if any.

1. Please describe the trade confirmation and post-trade settlement process for on and off-platform trading respectively, including the transfer of virtual assets and money, if applicable, and provide a schematic of the process.

**Conflicts of Interest**

1. Please advise whether you or any of your affiliates:
* will invest in virtual assets and take proprietary trading positions;

* will be a counterparty to the trades executed on your platform;

* will conduct any back-to-back trades (whether on- or off- the platform) for your clients and impose a mark-up or spread on the trades; and

* will engage in any market making trading of the virtual assets on your trading platform.

1. How can you prevent or manage any perceived, potential or actual conflicts of interest in the following or any other situations (where they apply to you):
* where your staff trades in virtual assets. Please also provide your staff dealing policy (if any); and

* where you or any of your affiliates receive any monetary or non-monetary benefits from the product issuers (whether directly or indirectly) for allowing a virtual asset to be traded on your platform.

Please indicate in your response which of the above situations (and any other potential situations involving conflicts of interest) may apply to you and explain your policies and procedures in preventing or managing conflicts of interest in each situation including but not limited to ensuring client order priority.

**Monitoring/Surveillance**

1. What are your procedures for transaction monitoring to identify suspicious money laundering/ terrorist financing transactions?

1. Please also advise the name of the consultant providing the surveillance system to facilitate you in performing such monitoring (if any).

1. Please explain your transaction monitoring procedures in relation to client deposit and withdrawal of fiat and virtual assets.

1. Please specify all the red-flag indicators which you use for identifying potentially suspicious money laundering/terrorist financing transactions in the following higher risk situations, and describe the corresponding follow-up actions:

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| **Higher risk situation**  | 1. **Red-flag indicators**
 | 1. **Follow-up actions**
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| [ ]  Client, or the client’s beneficial owner, being a politically exposed person or the business relationship assessed is of high risk |       |       |
| [ ]  Use of proxies, any unverifiable or high risk geographical location, disposable email address or mobile number, or use of a constantly changing device to conduct transactions by the client |       |       |
| [ ]  Client transactions involving tainted wallet addresses such as “darknet” marketplace transactions or tumblers |       |       |
| [ ]  Client transactions involving virtual assets with a higher risk or greater anonymity (for example, virtual assets which mask users’ identities or transaction details) |       |       |
| [ ]  Client transactions that are complex, unusually large in amount or of unusual pattern, or have no apparent economic or lawful purpose |       |       |
| [ ]  Others, please specify |       |       |

1. Please describe any arrangement for client account monitoring, such as for low balances and high transaction volumes and any actions to be taken to stop client’s activities.

1. Please describe your measures (if any) to monitor abnormal and risky conditions such as large price discrepancies and volatilities. Are there volatility control mechanisms put in place for the trading of virtual assets on your platform? If yes, please describe.

1. Please describe how you conduct surveillance of trading activities on your platform and how you set perimeters for identifying market manipulative or abusive trading activities (including arrangements whereby market surveillance is conducted through a professional third party); and how you deal with market manipulative or abusive trading activities discovered in the process (please elaborate on the procedures involved).

**VI. Risk Management**

1. Please describe the risks associated with your business activities and the risk management measures you are using to manage and mitigate these risks. In particular, please specify the measures implemented to manage counterparty and market risks, including your processes in determining and monitoring the position limits (per virtual asset) and trading limits (aggregate amount per client for all virtual assets) assigned to each client and any other related risk management measures.

**VII. Cybersecurity Risk Management Procedures and Business Contingency Plan**

1. Please describe the roles, responsibilities and relevant qualifications of key personnel who are responsible for cybersecurity management, provide an organization chart showing the reporting lines and explain the cybersecurity risk management framework and governance structure.

1. Have you encountered any cybersecurity incident in the past? Please describe the arrangements for cybersecurity incident response and reporting, including the manner in which a suspected or actual cybersecurity incident should be escalated and reported.

1. Please provide detailed information about your mechanisms and tools for detecting and preventing potential cyber-attacks, which may include Intrusion Prevention System (IPS) and Intrusion Detection System (IDS), and any tests conducted against these systems.

1. What kind of key storage medium do you use? If Hardware Security Module (“HSM”) is in use, what rating does the HSM achieve (for example, FIPS 140-2 level 3)?

1. Please provide detailed information about your application testing for the purpose of detecting application level vulnerabilities.

1. Please provide detailed information about your anti-Distributed Denial of Service (“DDoS”) mechanisms.

1. Please describe the established procedures for regular internal review and rehearsal of your security and technology related arrangements, having regard to the continuing developments in technology.

1. Please provide information about regular independent assessments of the adequacy of IT systems and cybersecurity resilience and the latest assessment, where applicable.

1. Has your firm encountered any cyber-attack leading to interruption of services, leakage of information or loss of assets? If yes, please briefly describe the incident(s) and the rectification steps taken.

1. Please describe your network infrastructure, including proper network segmentation, protection for critical systems and client data against cyber-attacks.

1. Please describe your application protection arrangements and how you ensure the correctness of your application logic in handling transactions as well as handling of various exceptions for your platform.

1. Please describe your patch management process and explain how it can address potential vulnerabilities.

1. Please describe your end-point protection arrangements, including the anti-virus and anti-malware solutions adopted and the update policy.

1. Please describe your user access management and identity verification procedures and provide a copy of the procedures, if any. Please also elaborate on how separation of roles and principle of least privilege are being enforced.

1. Do you have standard operating procedures (“SOP”) for performing system upgrades and maintenance in writing?

1. Do the SOP contain the method(s) of communication, how pending orders still in the orderbook are dealt with, and how long orders can be entered/amended/cancelled after a system downtime, and before continuous trading resumes?

1. Do the SOP cover the process applicable for unexpected and unplanned system failures which may affect an orderly market?

1. How do you provide the SOP to your clients

1. If your planned outages for performing updates and testing on your systems may affect your clients, how many days of advance notice would clients be given?

1. In the event of unexpected system failures such as connectivity issues, system outage or trading suspension, how and how soon would you notify your clients of the incident, the expected duration and how pending orders, deposits and withdrawals on the platform would be handled as per the SOP?

1. Please describe your system, data backup and data protection arrangements, including how records, transaction information, supporting documentation, etc. are backed up, how the backups are protected and the recovery plan.

1. Please describe the arrangements for system upgrade and maintenance and how to mitigate the risk of disruption due to downtime resulting from a major system change.

1. Please describe your business continuity management and contingency planning arrangements and provide the information on the contingency drill conducted, if any.

1. Please describe your physical security arrangements to protect critical system components (for example, system servers and network devices) in a secure environment and to prevent unauthorised physical access to the facilities hosting the trading system as well as the critical system components.

1. If your infrastructure security management is outsourced (or partly outsourced) to any third party service providers, please describe how you can ensure the operations outsourced remain subject to adequate security controls and supervision, and that confidentiality and integrity of data and information will not be compromised. Please also provide information about the third party service providers (including the entities, their background and experience, etc.) if any, and a copy of the service agreements if any.

**VIII. Handling of Client Assets**

**Client Deposits and Withdrawals**

1. Please provide details on the fiat currency fund deposit and withdrawal processes (fiat currency or otherwise), and if applicable, the relevant bank arrangements.

1. Please specify the permissible deposit and withdrawal channels (e.g., bank account, digital currency ATM kiosks, credit cards) and describe the anti-money laundering/counter-financing of terrorism controls in place.

1. Do you accept third party fund deposit or withdrawal?

1. Please provide details on wallet whitelisting, the handling of virtual asset deposits and withdrawals processes, including whether address generation, 4-eye principle, email confirmation and any other safeguards measures adopted.

1. How can you ensure that digital wallets belong to a client when the client deposits or withdraws virtual assets to or from the digital wallets?

1. Please provide details of the circumstances under which you would suspend virtual asset deposit and withdrawals, how this would be communicated to your clients and the SFC, and the conditions/circumstances under which such deposits and withdrawals would be resumed.

1. Please advise whether there is deposit/ withdrawal limits and how such limits are set.

**Custody of Client Assets**

1. Please provide the following information in respect of **your wallet addresses** relating to the conduct of Relevant Activities[[1]](#footnote-2):

(a) Full wallet address(es) which is(are) active:

(b) Full wallet address(es) which is(are) dormant:

(c) Full wallet address(es) which has(have) been frozen by a competent authority:

In relation to the wallet address(es) above, please also provide the name(s) of its associated blockchain protocol and specify whether the wallet address(es) is or was designated for holding client virtual assets or assets belonging to the Platform Operator.

1. Please provide the following information in respect of the **wallet addresses of your Associated Entity** relating to the conduct of Relevant Activities:

(a) Full wallet address(es) which is(are) active:

(b) Full wallet address(es) which is(are) dormant:

(c) Full wallet address(es) which has(have) been frozen by a competent authority:

In relation to the wallet address(es) above, please also provide the name(s) of its associated blockchain protocol and specify whether the wallet address(es) is or was designated for holding client virtual assets or assets belonging to the Platform Operator.

1. Please describe your wallet structure and infrastructure. In particular:

(a) nature of each wallet (online or offline; client or house);

(b) how the seeds and private keys are generated;

(c) where the private keys are kept (e.g. Hardware Security Module (HSM) with appropriate certification);

(d) whether the seeds and private keys are generated with applicable international security standards and industry best practices so as to ensure the seeds or private keys are generated in a non-deterministic manner which ensures randomness;

(e) wallet operation for deposit and withdrawal of virtual assets in order to ensure not more than 2% of clients’ virtual asset in hot wallet;

(f) backup arrangement;

(g) services / system / technology providers (if any); and

(h) due diligence work that you have conducted on the providers.

1. Please advise who is responsible for the design and operation of your custody function and his/her credential. Please also advise and the number of staff involved in the custody function and their respective role and duties.

1. What background screening do you conduct for personnel which are granted access to client assets? Please provide a list of such personnel.

1. Please describe how you prevent unauthorised employees from gaining access to the private keys of client wallets.

1. Do you have systems and properly documented processes to restrict access to keys, seeds and information relating to virtual assets? Please provide details**.**

1. What is your process of transferring virtual assets from a client wallet at your platform to your house wallet?

1. What is your process of transferring virtual assets from hot to cold storage and vice versa?

1. Please advise whether you have set limits on the percentage of clients’ virtual assets held or to be held in cold and hot wallets respectively. If yes, please specify the limits and describe the monitoring measures implemented to ensure that these limits are being adhered to.

1. What are the processes and systems to safeguard the virtual assets held in hot wallet? Please provide details on multi signature wallets, seed and key generation, how entropy is generated and how many individuals are involved, where the hot wallet environment is hosted, any access control against unauthorised employees, and procedures for administrative access.

1. Please provide details of specific testing around hot wallet security and withdrawals.

1. In respect of your cold storage, please provide details on hardware choice, redundancy, access restrictions and security.Please also describe the storage management and transfer policy, and provide a copy of the policy, if any.

1. What is your communication policy in case you detect fraudulent activities affecting the virtual assets in your storage?

1. What systems do you use to detect fraudulent client transaction requests?

1. Are there any segregation arrangements for clients’ virtual assets? If yes, please describe the arrangements.

1. Are there any segregation arrangements for client money (in fiat currency)? If yes, please describe the arrangements and provide details of the banks with which these accounts are held**.**

1. Please advise whether a client’s virtual assets will be segregated from the assets of other clients of your trading platform.

1. Where the client is a fund manager, please advise whether the accounts will be opened or registered in the name of the fund manager or in the names of the respective funds managed by the fund manager.

**IX. Insurance**

1. Please provide the following information in relation to your planned insurance coverage over the assets held on behalf of the clients respectively.

(a) Insurance coverage for theft/ misappropriation/ loss of assets held on behalf of clients and provide a copy of the policy where available.

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| --- | --- | --- | --- |
| **Name of insurance provider** | **Details of insurance coverage** | **Amount of insurance limit** **(per account or type of virtual asset)** | **Amount of excess/ deductible not covered (per claim), if any** |
|       |       |       |       |
|       |       |       |       |
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Please also indicate if you plan to compensatefor any loss of client assets using your firm’s own assets.

(b) cybersecurity insurance coverage to address the losses arising from cybersecurity incidents

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| --- | --- | --- |
| **Name of insurance provider** | **Details of insurance coverage** | **Amount of insurance limit**  |
|       |       |       |
|       |       |       |
|       |       |       |

(c) insurance coverage to cover key man risk

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| --- | --- | --- |
| **Name of insurance provider** | **Details of insurance coverage** | **Amount of insurance limit**  |
|       |       |       |
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(d) funds (held in the form of a demand deposit or time deposit which will mature in 6 months or less) or virtual assets set aside on trust and designated as compensation arrangement, if applicable (see paragraph 10.22(b) of the VATP Guidelines)

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|  | **HK$** |
| **Funds of the Platform Operator**  |       |
| **Funds of any corporation within the same group of companies as the Platform Operator**  |       |

(e) bank guarantee provided by an authorized financial institution, if applicable (see paragraph 10.22(c) of the VATP Guidelines)

**X. Record Keeping**

1. Please describe your record-keeping policy, including the location where you keep your records, the record retention period and the measures implemented to ensure the integrity, security, availability, reliability and completeness of records required to be kept under Part XIV of the VATP Guidelines and the records obtained from the customer due diligence and ongoing monitoring process.

1. Please advise whether you use external electronic data storage. If so, please provide details and arrange to submit the required documents set out in our FAQs on the use of external electronic data storage.

**XI. List of Information**

1. Please provide a copy of your policy and procedure for the following areas:

• Know-your-client, client due diligence and client on-boarding

• Anti-money laundering / counter-financing of terrorism

• Cyber security and information security

• Market surveillance

• Trading rules and operations

• Risk management

• Virtual asset admission/listing rules

• Custody of client assets, wallet structure, management and operations

• Transaction monitoring

• Business contingency/ disaster recovery

• Record retention

• Staff dealing

 **Questionnaire VA-1 -** **Virtual Asset Trading Platform Operator**

**Declaration**

**We:**

* **Declare** that all the information provided in this questionnaire and any associated documentation is complete, true and correct.
* **Understand** that providing false or misleading information in, or in support of this questionnaire could be an offence under section 383 and/or 384 of the SFO, section 53ZTO and/or 53ZTP and/or 53ZTQ of the AMLO.
* **Understand** that the Securities and Futures Commission may take criminal and/or disciplinary action against a person who has made a false or misleading representation in, or in support of, this questionnaire.
* **Understand** that if any information contained in this questionnaire, or any associated documentation changes prior to the Securities and Futures Commission making a decision in respect of any related application, we should notify the Securities and Futures Commission in writing immediately of the changes.
* **Understand** that the Securities and Futures Commission may make such enquiries and seek such further information as it thinks appropriate.

**(To be signed by two directors\* or persons authorised by the board of directors of the corporation.)**

|  |  |
| --- | --- |
| **For and on behalf of:** |       |
|  | Name of corporation  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|       |  |       |  |       |
| Name of director/person authorised by the board of directors |  | Signature  |  | Date |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|       |  |       |  |       |
| Name of director/person authorised by the board of directors |  | Signature  |  | Date |

\* Can be signed by one director if the corporation has only one director.

1. The term “Relevant Activities” is as defined in the VATP Guidelines [↑](#footnote-ref-2)