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Published: 19:50, August 29, 2024

## Crypto experts urge balanced regulation as HK aims to become Asia's digital asset hub

By Zhang Tianyuan



*The Securities and Futures Commission of Hong Kong revamped operations two years ago to better target stock manipulation, shareholder vote-rigging and defrauding of minority investors. (PHOTO PROVIDED TO CHINA DAILY)*

Crypto luminaries have called for a regulatory balance between [digital currency](#) sector innovation and risk control as Hong Kong vies to become Asia's [digital asset](#) hub.

The call came as 11 crypto exchanges, categorized as “deemed-to be-licensed” by Hong Kong’s Securities and Futures Commission (SFC), have faced uncertainty in obtaining full licenses due to compliance issues.

These compliance challenges could include [anti-money laundering](#) standards, cybersecurity measures, operational risk management, and

The SFC declined to comment on specific cases. A commission spokesperson stated that in the case of deemed-to-be-licensed virtual asset trading platform operators that are unable to remedy critical deficiencies identified during on-site inspections, the SFC may opt to remove their current status or refuse their license applications.

Experts argued that Hong Kong's traditional financial framework, which has safeguarded the city's status as an [international financial hub](#) through [financial crises](#) in the past decades, needs adaptation for the crypto field.

They cautioned that forcing the industry into conservative financial regulations could stifle innovation and temporarily diminish Hong Kong's allure as a digital asset hub.

Mofiz Chan, chairman of the Hong Kong Securities and Futures Professionals Association, highlighted that decentralization, as a key feature that sets crypto apart, makes conventional due diligence methods ineffective.

"The fast-paced nature of the virtual asset market demands that regulatory measures keep up with its dynamics," Chan said

He warned that awaiting completion of licensing for multiple crypto exchanges could push investors toward unregulated global platforms as "they often provide better user experiences and more diverse products despite uncertainties on the long-term viability and legal status".

Calvin Tang Siu-fung, a district councilor of Sha Tin West and chartered financial analyst, said, "Strict regulatory practices, if well-communicated and consistently applied, could enhance Hong Kong's reputation as a secure and reliable center for digital finance, attracting quality over quantity in terms of market participants."

However, "Due to rigorous regulations, potential entrants to the digital currency realm might perceive the market as difficult to penetrate in the short-term," he added.

The SFC spokesperson said the regulator maintains a close dialogue with these deemed-to-be-licensed firms throughout the licensing process, offering detailed guidance on regulatory expectations.

Hong Kong's regulations mandated crypto exchanges to secure licenses for legal operation, with those failing to do so required to halt service by May 31

OSL Group — gained full operation approvals.

Chan noted a simmering conflict between risk-averse banks and licensed crypto exchanges recently.

Chan said licensed virtual asset traders face “unreasonable obstacles” from banks for basic services like account opening, deposits, and withdrawals. He attributed this to banks’ lack of understanding of virtual asset products, leading to rejections of normal transactions for licensed traders and their clients.

He said all licensed virtual asset traders are regulated by the SFC and subject to anti-money laundering rules.

“With the new regulatory framework for virtual asset service providers, Hong Kong banks should meet the legitimate business needs of licensed providers and offer necessary banking services, as they do for other regulated industries,” Chan said.

Hong Kong has been ramping up efforts to increase its appeal as a regional digital asset center since rolling out a crypto-asset roadmap in late 2022.

In its latest initiative, the [Hong Kong Monetary Authority](#), the city’s de facto central bank, launched a sandbox for wholesale central bank digital currency, aiming to accelerate Hong Kong’s shift toward using digital tokens for asset transactions.

Contact the writer at [tianyuanzhang@chinadailyhk.com](mailto:tianyuanzhang@chinadailyhk.com)

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