立法會
Legislative Council

LC Paper No. CB(1)1085/2025

Ref: CB1/HS/1/23

Paper for the House Committee meeting on 27 June 2025

Report of the Subcommittee on Issues Relating to the Development of Web3 and Virtual Assets

Purpose

This paper reports on the deliberations of the Subcommittee on Issues Relating to the Development of Web3 and Virtual Assets ("the Subcommittee") formed under the House Committee.

Background

2. As an international financial centre, with a robust regulatory environment as well as rich business opportunities and capital support, Hong Kong is an ideal destination for the development of financial technology ("fintech") and Web3. Underpinning the development of Web3 is a constellation of advanced technologies and related applications including blockchain technology, smart contracts, virtual assets ("VAs"), non-fungible tokens and other technologies. With its characteristics of disintermediation, security, transparency and low cost, blockchain technology can solve a lot of challenges and pain points in finance, trading, business operations and even day-to-day life, so as to drive the development and innovation of related fields and applications in daily life and commercial activities. As at April 2025, there were over 1 100 fintech companies, including Web3, covering various aspects of business, including eight digital banks, four virtual insurers and 10 licensed VA trading platforms ("VATPs"). As two leading digital technology flagships in Hong Kong, the Cyberport currently hosts over 430 fintech and Web3 companies, while the Hong Kong Science Park is home to near 100 fintech and Web3 companies.

Regulatory building blocks for virtual assets

3. The Government issued the Policy Statement on Development of Virtual Assets in Hong Kong in October 2022, setting out the commitment

to enhancing the VA regulatory framework under the principle of "same activity, same risks, same regulation". In this regard, the Government has amended the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) ("AMLO") to introduce a licensing regime for VA service providers, ensuring that VATPs comply with relevant international requirements on anti-money laundering and counter-terrorist financing ("AML/CTF") while protecting investors. The licensing regime, administered by the Securities and Futures Commission ("SFC"), has commenced operation from June 2023.

4. As at the end of April 2025, 10 VATPs were licensed under the AMLO to operate a VA exchange and the Securities and Futures Ordinance (Cap. 571) for providing Type 1 (dealing in securities) and Type 7 (providing automated trading services) services.

5. In view of the important roles played by stablecoins in the Web3 and VA ecosystem, and the rising interconnectedness between the traditional financial system and the VA market, the Government introduced the Stablecoins Bill into the Legislative Council ("LegCo") on 18 December 2024 to put in place a regulatory regime for fiat-referenced stablecoin ("FRS") issuers. The Stablecoins Bill was passed by the LegCo on 21 May 2025 and will come into effect on 1 August 2025.

6. As regards over-the-counter ("OTC") trading services of VAs, the Government put forward for consultation in 2024 a regulatory regime to require any person conducting a business in providing relevant services to apply for a licence, having fulfilled the relevant fit-and-proper, investor protection and AML/CTF requirements. Meanwhile, the Government and financial regulators are formulating a proposed licensing regime for VA custodian service providers and will conduct a public consultation in respect of the two aforementioned proposed regimes in 2025.

The Subcommittee

7. The Subcommittee was appointed by the House Committee on 13 October 2023 to review the application and development of Web3 and VA technologies in Hong Kong and make recommendations on the implementation of relevant legislation and policies. The terms of reference and membership of the Subcommittee are set out in **Appendix 1** and **Appendix 2** respectively.

8. Dr Hon Johnny NG Kit-chong and Hon Rock CHEN Chung-nin served as the Chairman and Deputy Chairman of the Subcommittee respectively. The Subcommittee has held a total of six meetings since the

commencement of its work in June 2024 and received 18 written submissions. The organizations/individuals which/who have given views to the Subcommittee are listed in **Appendix 3**. The Subcommittee has also conducted three visits.

Subcommittee's deliberations

9. Given the rapid development of the Web3 technology and those in the area of VAs, and the relevant applications have become increasingly extensive and popular, the Subcommittee has examined how to step up the regulation of VAs, while facilitating the sustainable and vibrant development of the VA industry in Hong Kong, as well as how to leverage the advantages of traditional financial services and innovative technologies in the area of VAs to facilitate the development of the financial industry. In this connection, the Subcommittee has focused its work on the following aspects:

(a) regulation of virtual asset trading (paragraphs 10 to 20);

(b) protection for investors of virtual assets (paragraphs 21 to 25);

(c) promotion of the development of the virtual asset market and fintech industry (paragraphs 26 to 41);

(d) further development of the Web3 ecosystem (paragraphs 42 to 48); and

(e) nurturing of Web3 and fintech talents (paragraphs 49 to 68).

Regulation of virtual asset trading

Legislative proposal to establish a licensing regime for stablecoin issuers

10. The Subcommittee has given views to the Administration on the legislative proposal in relation to the proposed licensing regime for stablecoin issuers. Members has noted the financial resources requirement imposed on stablecoin issuers under the proposed licensing regime, i.e. the minimum paid-up share capital of an issuer should be 1% of the total amount of FRS in circulation, and the issuer must ensure that the total value of the reserve assets backing an FRS was no less than the par value of the FRS in circulation at all times. Members have suggested that the requirements be suitably relaxed to allow more participants to enter the market and facilitate the long-term development of the industry.

11. The Administration has advised that the main consideration in setting the financial resources requirement is to strike a balance between protecting investors and maintaining market competitiveness. The proposed minimum paid-up share capital requirement has been set having regard to public views and adjusted from 2% as initially proposed to 1% of the par value of the FRS in circulation. On reserve assets, the Administration has explained that as each stablecoin represents the value of a particular fiat currency, corresponding reserve assets are fundamentally required to guarantee that the value of a stablecoin can be traced back to the value of the underlying fiat currency and to absorb potential losses from any risk incidents. Relevant international standards also emphasize that reserve assets must cover at least 100% of the issue value.

12. Members have expressed concern that the industry may have technical difficulties in meeting redemption requests. The Administration has responded that under the proposed licensing regime, FRS issuers must process redemption requests in a timely manner, i.e. within one business day, which is a practicable requirement in the Hong Kong market. In general, FRS users can cash in through well-established exchanges.

13. Members have raised concern about the disclosure and reporting requirements to be imposed on stablecoin issuers under the proposed licensing regime. The accounting profession does not have guidelines on reporting and auditing of VAs for reference. Members have suggested that the Administration should discuss with the Hong Kong Institute of Certified Public Accountants and the Accounting and Financial Reporting Council ("AFRC") to finalize the guidelines as soon as possible for reference of the accounting profession. In this connection, members have suggested that the Administration and the regulators should set up a committee comprising professionals engaging in auditing, accounting or financial reporting in the industry to formulate guidelines that better meet the needs of the industry.

Stablecoin issuer sandbox and implementation of the regime

14. Enquiring about the implementation of the stablecoin issuer sandbox launched by the Hong Kong Monetary Authority ("HKMA") to test out the operation of stablecoin issuers, members have expressed concern about a number of issues, including the number of participants in the sandbox, the transparency in the vetting process, and whether the potential use cases will pose limitations to applicants for stablecoin issuer licence.

15. The Administration has advised that the purpose of launching the stablecoin issuer sandbox is to allow institutions having a genuine interest in and a reasonable plan on issuing stablecoin in Hong Kong to test, in a risk-controlled environment, the feasibility of their stablecoin issuance

processes, business models, as well as investor protection and relevant risk management arrangements, and to have bilateral communications with HKMA directly on the regulatory requirements to be implemented in future. The Administration has not set a limit on the number of sandbox applicants and is of the view that the use cases for which applications for participation in the sandbox are made will not limit the future application of the stablecoin concerned to other use cases. Applicants' sandbox plans will need to explain clearly how they will demonstrate robust and compliant stablecoin issuance operations via the sandbox.

16. Members have urged the Administration to expedite the processing of stablecoin issuer licence applications and the provision of guidelines, and to ensure that members of the public will not be affected by publicity that poses potential risks during the period when the applications are awaiting vetting and approval. Given that stablecoin applications may involve payments across boundaries or between different jurisdictions, members have urged the Administration to strengthen cooperation between Hong Kong and other jurisdictions.

17. The Administration has advised that it currently aims to issue the guidelines around the time of the commencement of the Stablecoins Bill so that applicants can have the information about the regulatory requirements and submit their applications sooner. Also, HKMA and the Financial Services and the Treasury Bureau ("FSTB") have all along been maintaining close communication with the industry players, including the existing sandbox holders and potential applicants. The Administration has already commenced a series of preparatory work, including the preparation of regulatory guidelines and the education and publicity materials for the public and investors. Regarding marketing under the system, the Administration will step up public education and publicity efforts to stress that no one is allowed to carry out marketing for FRS issuance business of an unlicensed issuer, including selling FRS by companies that are granted a provisional licence under the transitional arrangements or non-specified licensed entities, and they commit an offence if they do so. The Administration has also advised that it is open-minded about establishing mutual recognition mechanisms with other overseas financial regulators in future, and it will continue to follow up on this.

Regulation of the over-the-counter trading services and custodian services of virtual assets

18. In members' views, the rapid development of VAs has created both opportunities and challenges. To protect the interests of investors in this changing environment, the Administration should put in place a comprehensive and effective regulatory framework. In this connection,

members have expressed concern about the progress and key consultation points of the proposed licensing regime for regulating OTC trading services of VAs and VA custodian service providers, and have urged the Administration to expedite the introduction of the licences concerned to improve the regulatory framework, with a view to strengthening protection for investors and reinforcing investors' confidence in Hong Kong as an international financial centre. Regarding the proposal in the consultation on the proposed regulatory regime for OTC trading of VAs in 2024 to have the Customs and Excise Department ("C&ED") serving as the regulatory authority, members are of the views that it is inappropriate for a non-financial organization to regulate such financial services. Members have suggested that the SFC, which is currently responsible for regulating VATPs, should regulate OTC trading services of VAs.

19. Also, members have raised concern that the existing legislation had yet to establish a dedicated legal framework for VA custody, and as the existing trust protection mechanism had yet to cover technical loopholes, investors' VAs held in custody may be exposed to potential risks, such as hacking attacks, smart contract vulnerabilities, etc., which can easily be exploited by lawbreakers to cause losses.

20. The Administration has advised that it is pressing ahead with the preparation work regarding the regulatory measures for OTC trading services of VAs and the licensing regime for VA custodian service providers, aiming to conduct a public consultation exercise as soon as possible within 2025 to gauge views from stakeholders and to ensure that the Administration's measures are in line with market needs. In respect of OTC trading services of VAs, the Administration put forward for consultation in 2024 a regulatory regime to require any person who conducts a business in providing relevant services to apply for a licence, as well as to fulfil relevant fit-and-proper, investor protection and AML/CFT requirements. In light of the consultation outcomes, the Government is adjusting the details of the proposed licensing regime. At the same time, the Government and regulators are also formulating a proposed licensing regime for VA custodian service providers. The Administration will conduct a public consultation in respect of the two aforementioned proposed regimes in 2025 as soon as practicable.

<u>Protection for investors of virtual assets</u>

Education for investors and the public

21. Members are of the view that with the development of new products and additional trading channels, VAs have become more accessible to retail investors. It is crucial to promote public understanding of the nature and

risks of the relevant products and services. Members have urged the Administration to, apart from implementing regulatory measure to protect investors, enhance education for investors and the public as well, including enabling them to gain an understanding of the common tactics of VA-related scams to prevent fraud, thereby raising their awareness of the potential risks, and making the relevant education resources easily accessible to the public.

22. The Administration has advised that to help investors understand the VATP licensing regime, the Investor and Financial Education Council ("IFEC") under SFC explains the key features of the regime and investor protection measures through various channels, including featured articles, social media posts, talks, videos, and media columns. Among others, since the commencement of the licensing regime in June 2023, IFEC has held online education talks in October 2023, February 2024, and March 2025 respectively. Representatives from FSTB, SFC and the industry are invited to introduce the key features of the licensing regime, common tactics of VA-related scams and the proper channels for trading relevant assets. As at 30 April 2025, the online videos of those talks collectively recorded over 880 000 views.

23. Regarding investment in VAs, IFEC continues to collaborate with the SFC to strengthen education, covering various topics, including the nature of VAs and the potential risks of investing in such assets, VA-related products (e.g. Exchange Traded Funds ("ETF(s)")) and services (e.g. staking), common VA-related scams, and so on. The Administration has added that to engage with student audience, SFC produces an animated video to introduce to primary and secondary school students basic knowledge related to VAs, and encourage them to develop proper financial management attitudes. Upon its launch in March 2025, the animated video garnered over 2.1 million views during the promotion period.

Finfluencers

24. Members have also expressed concern that finfluencers use their platforms to promote financial products and share insights and advice with their followers. While many finfluencers are acting legitimately and not breaking any laws, some may be touting financial products or services illegally and without authorization through online videos and posts. Given the growing phenomenon of unlawful finfluencers and their wide followings on social media, millions of social media users are put at risk. Members have urged the Administration to take the initiative to deal with cases which may be unlawful and consider taking more proactive measures to protect investors. SFC should also launch more targeted communications to build up anti-scam awareness and thus resilience of the investing public.

25. The Administration has advised that SFC commenced a thematic inspection in April 2025 to assess securities brokers' compliance with the applicable regulatory requirements when engaging finfluencers and digital platforms to market financial products and services. The scope of the inspection ranged from reviewing selected securities brokers' due diligence to evaluating their monitoring of finfluencers and digital platforms to ensure that they are not involved in any unlicensed activities or improper practices. SFC has been warning the public about scammers impersonating or posing as finfluencers on social media through its Alert List system and has encouraged the public to utilize the system of the International Organization of Securities Commissions ("IOSCO"), the International Securities & Commodities Alerts Network. SFC will implement anti-scam publicity campaign on an ongoing basis to caution the public against finfluencer-related pitfalls and other common investment scam tactics.

<u>Promotion of the development of the virtual asset market and fintech industry</u>

Policy direction

26. The Government issued the Policy Statement on Development of VA in Hong Kong in October 2022, which focused on the commitment to enhancing regulation of VAs. The Government has yet to provide details in the policy statement on how to further enrich the product options available in the Hong Kong market and assist fintech companies in expanding business through the innovation and application of VA technologies. In this connection, members have enquired when the Administration will promulgate the second policy statement on development of VA to articulate the next-step policy vision and direction.

27. The Administration has advised that the Financial Secretary announced in the 2025-2026 Budget the Government's promulgation of a second policy statement on the development of VAs to explore how to leverage the advantages of traditional financial services and innovative technologies in the area of VAs, enhance the security and flexibility of real economy activities, and encourage local and international companies to explore the innovation and application of VA technologies. The Government will issue the second policy statement in a timely manner after reviewing the latest developments in the local and global VA markets and discussing with industry stakeholders, to outline the next step's policy vision and direction.

Fintech products

28. Members are of the view that the Administration should assist licensed fintech companies in expanding their operations and developing products, such as assisting them in expanding their service scope to the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA"), promoting the asset-under-management size and turnover of ETFs on VAs, enhancing the international competitiveness and attractiveness of VA-related products, as well as developing more futures and options products for VAs, and so on. In this connection, members have expressed concern about the progress of the relevant work.

29. The Administration has advised that to facilitate the continuous and vibrant development of fintech enterprises in Hong Kong, the Administration has adopted a multi-pronged strategy including enhancing Hong Kong's financial infrastructure, building a vibrant fintech ecosystem, nurturing fintech talents, and strengthening our connection and cooperation with the industries in the Mainland and overseas, with a view to creating and providing a conducive environment, thereby promoting fintech innovation and application.

30. The Administration has advised that on advancing investment products related to VAs, SFC authorized the first batch of VA futures ETFs for retail investor trading in December 2022, Asia's first batch of VA spot ETFs in April 2024, as well as Asia's first VA futures inverse product in July 2024. These products have broadened the product diversity of the Hong Kong market, further enhancing Hong Kong's position as Asia's leading ETF market.

31. The Administration has further advised that in February 2025, SFC unveiled 12 ground-breaking initiatives in the area of VAs which sought to elevate the security, innovation, and growth of Hong Kong's VA market under the "ASPIRe" roadmap, built upon five foundational pillars—Access, Safeguards, Products, Infrastructure, and Relationships. The roadmap embodies SFC's forward-looking commitment to tackling the most pressing challenges facing the VA market, positioning Hong Kong as a trusted nexus for global VA liquidity. One of the focuses of the roadmap is to expand the range of VA products and services, so as to fulfil the need of various types of investors under the prerequisite of investor protection, while enhancing the international competitiveness and attractiveness of Hong Kong's VA market.

32. The specific measures of the roadmap include allowing staking services involving VA within systems with sufficient protection measures, to enable investors to earn additional returns. In this regard, SFC provided regulatory guidance respectively to licensed VATPs on their provision of

staking services, and to SFC-authorized funds with exposure to VA ("VA Funds") on their engagement in staking in April 2025. On 10 April 2025, SFC allowed two licensed VATPs to provide staking services to clients through the imposition of relevant licensing conditions, which was followed by two SFC-authorized VA spot ETFs updating their fund documents in April and May 2025 for their engagement in staking activities.

33. The Administration has added that SFC is also considering introducing VA derivatives trading for professional investors and will put in place robust risk management measures. These measures will further enrich the product options available in the Hong Kong market while ensuring that transactions are conducted in an orderly, transparent and safe manner.

34. As for assisting fintech companies in expanding business, the Administration has advised that the Invest Hong Kong works closely with industry players to conduct publicity and promotion in GBA, including participating in major fintech events in the region, as well as connecting with local government departments, regulators, industry associations and innovation and technology parks, with a view to promoting advantages of Hong Kong fintech companies and further expanding into the Mainland market.

Development of virtual assets

35. Members have urged the regulators to allow institutional and retail investors to participate in more VA transactions of different types and currencies, and to relax the eligibility requirements for professional investors. Some members have suggested including VAs as assets under the Securities and Futures (Financial Resources) Rules to facilitate the development of the VA market.

36. The Administration has advised that currently, before including any VAs for trading, licensed VATP operators are required to perform all reasonable due diligence on these VAs, and ensure that these VAs continue to satisfy all criteria. Also, before providing any VA for retail trading, VATPs are required to take all reasonable steps to ensure the selected VAs are of high liquidity. The relevant requirements seek to provide sufficient protection for investors (especially retail investors). SFC will continue to assess the potential risks of VAs in respect of volatility, liquidity, market manipulation, etc., and keep a close watch of relevant international regulatory development, so as to review the aforementioned requirements. Further, in the light of VAs' nature, characteristics and risks, the Administration will continuously evaluate whether the requirements relating to prudential treatment of VA exposures are in line with those in other jurisdictions.

37. In respect of professional investors' qualifying criteria and minimum monetary threshold requirements, the Administration has advised that a review was conducted by SFC during 2019-2020. The outcome of the review is that the current minimum monetary thresholds are simple and easy-to-interpret and appropriately reflect an investor's loss absorption ability, as well as being in line with those in comparable jurisdictions (such as the United States, the United Kingdom, Singapore and Australia). The Administration will continue to evaluate whether the professional investor qualification requirements are in line with those in comparable jurisdictions.

38. The Administration has pointed out that with the IOSCO publication of its Final Report with Policy Recommendations for Crypto and Digital Asset Markets in November 2023, IOSCO recommends that regulatory frameworks should seek to achieve regulatory outcomes for investor protection and market integrity that are the same as, or consistent with, those required in traditional financial markets, which is an approach adopted by SFC since as early as 2018.

Bringing in international fintech companies and applying fintech

39. Regarding the long-term development of the financial service industry/fintech, members have urged the Administration to formulate enhancement measures in the three aspects of regulatory statute, tax concessions as well as publicity and promotion, so as to further attract large-scale international fintech companies to establish presence in Hong Kong and assist the financial service industry in introducing fintech in order to enhance operational efficiency and reduce costs, thereby promoting the upgrading and transformation of the industry.

40. The Administration has advised that to attract more large-scale international fintech companies to establish presence in Hong Kong, the Office for Attracting Strategic Enterprises ("OASES") offers one-stop services and special facilitation measures. On regulation, OASES assists companies in understanding the licensing and regulatory framework of the relevant sectors and coordinates with the financial regulators when necessary to facilitate the licence applications. Regarding tax benefits, OASES shares with companies information of applicable tax benefits and funding schemes and connects companies with the higher education institutions, research and development ("R&D") institutions and innovation and technology ("I&T") parks, with a view to expediting their business development in Hong Kong. Separately, the Administration will further enhance the preferential tax regimes for funds, single family offices and carried interest, including the inclusion of VAs as qualifying transactions eligible for tax concessions. As for publicity and promotion, OASES

actively engages overseas and the Mainland strategic enterprises to introduce the advantages and policies in relation to fintech in Hong Kong through organizing regular duty visits and enterprise exchange activities, thereby attracting more high-potential fintech companies to Hong Kong.

41. The Administration has further advised that it has been working closely with the financial regulators and industry players to actively promote the financial services sector to adopt fintech through multi-pronged measures. According to a survey in 2023, the adoption rate of generative artificial intelligence ("AI") in Hong Kong was the highest (38%) among all markets and well above the global average (26%). In October 2024, the Administration issued a policy statement on the responsible application of AI in the financial market. Since the issue of the policy statement, the Administration has introduced various initiatives to assist the financial institutions in seizing the opportunities and adopting AI responsibly, including publishing practical guidelines, launching sandbox schemes, as well as organizing seminars and talks. The Administration and financial regulators will continue to maintain close liaison with the industry and assess their needs for fintech, with a view to formulating the corresponding support measures for facilitating the development of new quality productive forces.

<u>Further development of the Web3 ecosystem</u>

42. In respect of promoting further development of the Web3 ecosystem, members have suggested that the Administration should step up efforts to promote the application of blockchain technology in government and various industries, including the secured sharing of government documents through blockchain, and to showcase successful applications to encourage and steer the industry forward. Members have suggested that the Administration should assist the financial industry in meeting the challenges ahead, enhancing service quality and expanding the market. Members have also suggested that the Administration should assist in actively promoting the application and development of tokenization technology to create a more efficient, transparent and inclusive financial ecosystem, so as to create greater value for investors and promote the sustainable and healthy development of the industry.

43. The Administration has advised that on the promotion of application of blockchain technology among government departments, the Digital Policy Office ("DPO") launched the Shared Blockchain Platform ("SBP") in June 2022 to facilitate bureaux/departments ("B/Ds") in developing blockchain application systems with greater convenience, thereby providing citizens with various quality e-government services more effectively. Among them, the "Dealers in Precious Metals and Stones Registration

System” of C&ED launched in April 2023 was the first system connected with the SBP.

44. Besides, in order to support B/Ds to issue more documents such as licenses, permits and certificates electronically, DPO has developed the “e-Proof” on SBP to make use of blockchain technology to verify the authenticity of electronic licences and certificates. The “e-Proof” service was launched in May 2024. It covers currently 13 types of fire services licences and certificates from the Fire Services Department, certificates of registration of a school and certificates of provisional registration of a school from the Education Bureau, as well as results of the Common Recruitment Examination and Basic Law and National Security Law Test from the Civil Service Bureau. At present, some 27 000 electronic licences and certificates have been issued. Other types of electronic licences and certificates such as certificate of imprisonment from the Correctional Services Department and senior citizen card from the Social Welfare Department will be introduced progressively starting from early 2025.

45. In order to promote the application of blockchain technology in different areas other than government services, Cyberport launched the “Web3 Proof-of-Concept Scheme” at end-2023 to provide development-stage funding support for innovative technology projects to encourage relevant technology enterprises to collaborate with mature industries to co-develop high-value and innovative solutions. The maximum amount of funding support is $150,000 per project. A total of 45 projects have been approved under the scheme, covering various areas such as real estate and construction, carbon credits certification, as well as arts and culture.

46. Cyberport also set up the “Web3 Living Lab” (“the Lab”) in 2023. The Lab showcases how local enterprises apply blockchain and other related technologies to different aspects of daily life and business. As at November 2024, more than 19 000 people have visited the Lab. The solutions showcased include digital stamps, decentralized social platform, immersive viewing experience, and so on.

47. In respect of R&D of the relevant technologies, members have made a number of suggestions, including the establishment of a Hong Kong Web3 Innovation Fund to allocate resources to develop blockchain infrastructure, such as development of the new generation of blockchain protocols, distributed storage and computing resource expansion, etc.; providing funding support, loan guarantees, etc., to local Web3 enterprises in support of their innovative R&D and commercial operations; and offering tax concessions, such as deduction of R&D expenses, reduction or exemption of

profits tax, etc., to innovators and enterprises engaged in R&D of VA and Web3 technologies.

48. The Administration has advised that various programmes under the Innovation and Technology Fund have been providing funding support to universities, local public research institutes (e.g. R&D centres) and private enterprises to conduct R&D in various technology fields, including projects involving blockchain and distributed ledger technologies. In addition, the I&T parks also provides support to R&D of start-ups through various incubation, accelerator and funding programmes.

<u>Nurturing of Web3 and fintech talents</u>

Supporting start-ups

49. Regarding support for the Web3 and fintech industries, members have urged the Administration to incubate more blockchain-related start-ups via fostering investment and providing subsidies to establish clusters of Web3 enterprises to pool and nurture talents.

50. The Administration has advised that the Government and the I&T parks have been providing comprehensive support to start-ups (including those related to blockchain technology) at different development stages through various incubation programmes, funding, and so on.

51. Taking Cyberport as an example, incubatees under the "Cyberport Incubation Programme" ("CIP") can receive comprehensive entrepreneurial support from Cyberport, such as financial subsidy of up to $500,000, technical support and business consultation, with a view to assisting incubatees in transforming their innovative ideas into substantive businesses or products. In 2023-2024, Cyberport admitted a total of 75 blockchain/Web3-related enterprises through CIP and the Cyberport Incubation Programme for Smart Living Start-ups, accounting for nearly 60% of the total number of enterprises admitted in that year.

52. In addition, through the "Web3 Proof-of-Concept Scheme", Cyberport encourages relevant technology enterprises to collaborate with mature industries to co-develop high-value and innovative solutions. Cyberport also seeks to expand financing channels for related start-ups by bringing together investors through the "Web3.0 Investors Circle" under the "Cyberport Investor Network". Since 2023, Cyberport estimates that its Web3-related community enterprises have successfully raised over HK$500 million.

53. Meanwhile, Cyberport has been actively attracting large-scale enterprises at home and abroad, including blockchain security enterprises from the Mainland, as well as asset custodian and wallet technology providers from overseas. At present, Cyberport houses more than 280 blockchain technology-related enterprises, including three unicorns,[1] of which about 15% are from the Mainland and overseas.

54. In view of the strong demand for fintech talents in Hong Kong, members have suggested that the Administration should assist financial practitioners in enhancing their knowledge of emerging technologies such as blockchain, smart contracts, digital asset regulation, etc.; and equip them with professional knowledge and skills from theory to practice, so as to enable them to flexibility apply their knowledge in areas such as fund management, asset management, fintech, tokenized financial products, etc., and be capable of taking part in promoting the development of the digital asset market in Hong Kong.

55. Members have suggested that the Administration should offer continuing education programmes targeting at working adults in various sectors, and design targeted training proposals on Web3 technologies and applications according to their different professional backgrounds and skill levels. For instance, training for financial practitioners should emphasize the application of blockchain in the financial sector; training for technology personnel should focus on the Web3 new technology framework and the study of cutting-edge technologies. Training can be provided through a combination of online and offline teaching modes to facilitate working adults to make use of their fractional time for learning, with a view to helping them upgrade their skills and achieve career transformation. In the long run, it helps train up more Web3 and financial professionals to participate in internal corporate transformation projects through digitalization and implement tokenization solutions in the aspects of product design, asset management, risk control and so on.

Bringing in fintech talents from outside Hong Kong

56. In relation to attracting fintech talents from outside Hong Kong, members have expressed concern about the effectiveness of the Administration's measures, such as the Technology Talent Admission Scheme ("TechTAS"), the Talent List, etc., in bringing in fintech talents from outside Hong Kong. Members are particularly concerned about how to address the needs of the Mainland talents for purchasing property in Hong Kong. Members have pointed out that notwithstanding the trial implementation of the facilitative measures on the remittances for property

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[1] One of them is a licensed VATP.

purchase in the GBA, the Mainland talents purchasing property in Hong Kong are still subject to foreign exchange quota restrictions. To address the problem of fund relocation encountered by the Mainland talents who purchase property in Hong Kong, members have suggested that the Government should draw reference from the mutual market access mechanism for the financial market and discuss with the Mainland authorities to establish the "Property Purchase Capital Connect" to enable residents of the Mainland and Hong Kong to purchase property in Hong Kong or in the Mainland. In addition, members have suggested that the Administration should consider including in the agenda of the Hong Kong FinTech Week to be held in November 2025 various talent recruitment activities to provide platforms for enterprises and talents around the world to match with each other through exchanges, apart from promoting the original themes featuring the deepening of international exchanges and cooperation as well as development of business opportunities.

57. The Administration has advised that through a series of initiatives, such as the Research Talent Hub, TechTAS and the Talent List, it actively nurtures and attracts I&T talents from the Mainland and overseas. The first edition of Talent List announced in 2018 already included fintech professionals, in order to attract fintech talents from around the world to Hong Kong. As at March 2025, the Immigration Department ("ImmD") has approved 129 applications of fintech professionals through the "Quality Migrant Admission Scheme", "General Employment Policy" and "Admission Scheme for Mainland Talents and Professionals", with a view to meeting the needs for fintech talents in Hong Kong.

58. TechTAS provides a fast-track arrangement for eligible companies to admit non-local technology talents to undertake R&D work for them in Hong Kong, covering technology areas such as fintech and data analytics. As at end-November 2024, the Innovation and Technology Commission allotted a total of 1 105 quotas, while ImmD approved a total of 572 visa or entry permit applications in accordance with relevant quotas. Among the approved visa or entry permit applications, 76 and 60 are related to fintech and data analytics respectively. New technology areas will be added to TechTAS as and when required to fit in with the I&T development in Hong Kong.

59. In response to members' concerns about the relatively small number of fintech professionals coming to Hong Kong as mentioned above, the Administration has explained that similar to talents in other fields, fintech talents can apply for entry to Hong Kong under relevant non-employment talent admission schemes, such as the Top Talent Pass Scheme. Individuals who wish to apply for entry to Hong Kong under these schemes are not required to have secured an offer of employment in Hong Kong upon

application. They are also not required to inform ImmD of their employment in Hong Kong during the validity period of their first visa. As such, the actual number of foreign talents engaged in the fintech industry is far above the aforesaid figures.

Education and training

60. In view of the rapid development of fintech, members are of the view that the fintech-related courses currently offered by universities are mostly focused on traditional financial theories, and may not have adequate coverage about the emerging areas such as AI, blockchain, decentralized finance, and so on. Members have suggested that the Administration should coordinate with various institutions to increase the number of places for the courses concerned, and encourage more elite secondary students to study finance or fintech-related subjects in the universities. Members have also suggested setting the target group for promotion of fintech at a lower age by including technology concepts, such as blockchain, tokenization, etc., in the secondary school curriculum to cultivate young people's interest in the fintech industry at the stage of secondary school education. In members' views, the Administration should implement more diversified public education initiatives, and have suggested that the Government should make use of various channels, such as social media, online courses and offline activities, to promote the general understanding of the basic knowledge about VA and Web3 technologies, including the technical principles, investment risks, compliance requirements, etc., so as to promote the awareness of the public and investors.

61. Members are of the view that from a macro point of view, with growing number of industries applying blockchain technology, relevant B/Ds should provide respective manpower education, retraining, skills upgrading, etc. for the industries under their purview, so as to enhance the local population's level of awareness and mastery of blockchain technology to dovetail with the latest manpower needs. To tie in with the proposed initiatives in the Chief Executive's Policy Address 2023 to consolidate and sustain Hong Kong's "eight centres" positioning under the National 14th Five-Year Plan, members have suggested that the Administration should formulate dedicated strategies for nurturing talents in respect of the industries covered by the "eight centres" positioning, such as financial services, trading, transportation, etc., so as to nurture sufficient talents to help the industries make full use of the latest technologies, such as Web3, blockchain, tokenization of real world assets and AI, with a view to facilitating the future development of the industries and realizing upgrading and transformation of the industries through digitalization.

62. The Administration has advised that in respect of nurturing talents, a number of local institutions have achieved top international rankings in blockchain technology, which demonstrates Hong Kong's robustness in relevant research and teaching. Some institutions have taken the lead in offering master degree programmes in blockchain technology in 2022. In September 2022, the Government launched the Pilot Scheme on Training Subsidy for Fintech Practitioners to provide practitioners having attained professional qualifications with funds support for training. As at April 2025, over 560 practitioners have enrolled the relevant training courses. In October 2023, the Government launched the GBA Fintech Twoway Internship Scheme for Post-secondary Students to subsidize students from the Mainland and Hong Kong to participate in short-term internship in fintech companies, with a view to enhancing talent exchange and enlarging the fintech talent pool. So far, over 80 students have participated in the internship scheme.

63. The Administration has further advised that Cyberport and the Hong Kong Science and Technology Parks Corporation have been organizing different I&T career expos and internship programmes from time to time, so as to introduce job and entrepreneurial opportunities to local I&T talents and students, and encourage the youths to join the relevant fields. For instance, Cyberport has launched the "Cyberport Web 3.0 Internship Programme 2024", "Cyberport University Partnership Programme 2024" and other training programmes to provide different blockchain-related internship and training opportunities to inspire them to join the industry.

64. Separately, to strengthen the knowledge of related technologies for government staff and to play a leading role among the other industries, DPO has organized over 90 relevant training courses and seminars in 2024, covering topics such as Internet of Things, blockchain, big data and AI. Many of these were delivered by industry practitioners, and nearly 900 staff have received the training. DPO will continue to organize relevant training activities.

Professional Qualifications Framework and certification system for fintech professionals

65. Members are of the view that talents are crucial to promoting the high-quality development of GBA. Facilitating mutual recognition of professional qualifications will not only provide a wider range of career paths for outstanding financial talents in the region, but will also bring the standards of the Qualifications Framework in Guangdong, Hong Kong and Macao more in line with each other. At the same time, financial institutions in the region will also benefit from the exchange of talents across boundaries, which will in turn be conducive to the closer interconnection in GBA. The

mutual recognition of professional qualifications between the Mainland and Hong Kong will facilitate the development in the area of digital finance in GBA. The establishment of a widened and deepened talent mechanism as well as the related certification standards will not only act as an important supplementary initiative to the existing certification systems for talents in the Mainland and Hong Kong, but will also provide strong support for the free exchange of talents in the field of digital finance. Members have suggested that Administration should consider further promoting the mechanism for mutual recognition of financial professional qualifications between the Mainland and Hong Kong based on the Enhanced Competency Framework on Fintech formulated by HKMA.

66. The Administration has advised that the Hong Kong Institute of Bankers and the secretariat of the Shenzhen-Hongkong-Macau FinTech Professional Programme ("SHMFTPP") signed a strategic cooperation memorandum in March 2024, with the support of the Government of the Hong Kong Special Administrative Region, to officially launch the mutual recognition of Enhanced Competency Framework – Associate Fintech Professional and SHMFTPP Level One. Under the mutual recognition mechanism, banking practitioners in the Mainland and Hong Kong can obtain "dual qualifications", i.e. two qualifications, by completing bridging courses and relevant assessments. This initiative expands the professional qualifications mutually recognized between the Mainland and Hong Kong, while promoting the exchange of financial talents between the Mainland and Hong Kong, or in the entire GBA, as well as the development of fintech. Noting members' suggestions, the Administration has advised that it will continue with the study of this matter.

On-the-job training for the accounting and legal professions

67. In view of the heavy workload of the practitioners in the accounting industry throughout the year and the lack of training resources for the industry, in particular for small and medium-sized accounting firms, members have urged the Administration to allocate training resources to assist the accounting industry in introducing and making use of technologies, such as AI or blockchain tools, and to facilitate the industry's long-term development as well as upgrading and transformation through digitalization. Members have also expressed concern that VA-related disputes and scams are expected to increase in future, but quite a number of lawyers are in lack of Web3 knowledge and training. Members have suggested that the Government should provide funding support to nurture more legal practitioners with knowledge about new technologies, such as Web3 smart contracts and blockchain, to enable them to effectively participate in handling compliance, dispute mediation and other cases relating to fintech and VAs.

68. The Administration has advised that AFRC is closely monitoring the market trends and actively collaborating with the industry organizations to provide support in relation to the training needs of the accounting profession. The Administration has also advised that it understands the need for additional relevant training for the legal practitioners in view of the emerging industries and the regulatory regime, and will continue to communicate with the legal services industry and the Law Society of Hong Kong on how to provide suitable opportunities, and work together to promote talent training for the industry.

Visits

69. The Subcommittee has conducted the following three visits to:

(a) "Web3 Living Lab" in the Cyberport on 12 November 2024 to conduct exchanges with start-ups focusing on applications of blockchain-related technologies to understand how enterprises in Hong Kong deploy blockchain and other related technologies in daily life and business scenarios to boost efficiency and create new economic value by adopting innovative ideas;

(b) Consensus Hong Kong on 20 February 2025 which brought together leaders, investors and start-ups from the global cryptocurrency, blockchain, Web3 and fintech industries. Through keynote speeches, summits, and investor matchmaking activities, the participants explored popular topics and future trends related to VAs, open currencies, AI, etc.; and

(c) Hong Kong Web3 Festival on 7 April 2025 to understand the latest development of blockchain infrastructure, crypto finance, as well as Web3 security and compliance.

Recommendations

70. In the course of deliberations, the Subcommittee has made the following recommendations with respect to issues relating to the development of Web3 and VAs for the Administration to consider:

Licensing regime for stablecoin issuers

(a) suitably relax the relevant requirements to allow more participants to enter the market (see paragraph 10 above);

(b) expeditiously finalize the licensing guidelines and take on board the views of the accounting profession in the course of formulating the guidelines so as to draw up guidelines that better meet the needs of the industry (see paragraph 13 above);

(c) strengthen cooperation between Hong Kong and other jurisdictions in response to the use of stablecoin across boundaries or between different jurisdictions (see paragraph 16 above);

Over-the-counter trading services of virtual assets

(d) SFC instead of C&ED should be responsible for regulating OTC trading services of VAs to ensure regulatory consistency with the responsible authority regulating VATPs (see paragraph 18 above);

Protection for investors of virtual assets

(e) enhance VA-related education for investors and the public to promote their understanding of the nature and risks of the relevant products and services and to raise their awareness of VA-related scams (see paragraph 21 above);

(f) take the initiative to deal with cases involving finfluencers which may be unlawful (see paragraph 24 above);

Promotion of the development of the virtual asset market and fintech industry

(g) assist licensed fintech companies in expanding their operations and developing products (see paragraph 28 above);

(h) allow institutional and retail investors to participate in more VA transactions of different types and currencies (see paragraph 35 above);

(i) attract large-scale international fintech companies to establish presence in Hong Kong (see paragraph 39 above);

(j) assist the financial service industry in introducing fintech for upgrade and transformation (see paragraph 39 above);

Promotion of development of the Web3 ecosystem

(k) promote the application of blockchain technology in government and various industries (see paragraph 42 above);

(l) promote the application of tokenization technology in financial ecosystem (see paragraph 42 above);

(m) establish a dedicated fund for Web3 to allocate resources to develop blockchain infrastructure (see paragraph 47 above);

(n) provide funding support, offer tax concession and other benefits for local Web3 enterprises in support of their innovative R&D (see paragraph 47 above);

Nurturing of Web3 and fintech talents

(o) pool and nurture talents by supporting Web3 and fintech enterprises (see paragraph 49 above);

(p) assist financial practitioners in enhancing their knowledge of technologies such as blockchain, smart contracts and digital asset regulation (see paragraph 54 above);

(q) offer continuing education programmes relating to Web3 technologies and applications for working adults in various sectors to help them enhance their skills and to assist enterprises in realizing upgrading and transformation (see paragraph 55 above);

(r) establish the "Property Purchase Capital Connect" to facilitate talents from the Mainland to purchase property in Hong Kong so as to attract more technology talents (see paragraph 56 above);

(s) provide platforms for talents to match with each other through the Hong Kong FinTech Week so as to enable enterprises to attract talents (see paragraph 56 above);

(t) increase the number of places for the fintech-related courses, include technology concepts, such as blockchain, and tokenization, in the secondary school curriculum, and promote the general understanding of the basic knowledge about VA and Web3 technologies (see paragraph 60 above);

(u) formulate dedicated strategies for nurturing talents in respect of the industries covered by the "eight centres" positioning (see paragraph 61 above);

(v) examine the mutual recognition of financial professional qualifications between the Mainland and Hong Kong to support the free exchange of talents in the field of digital finance in GBA (see paragraph 65 above); and

(w) provide on-the-job training for practitioners in the accounting and legal sectors on new technologies such as Web3 and blockchain (see paragraph 67 above).

Advice sought

71. Members of the House Committee are invited to note the work of the Subcommittee.

Council Business Divisions
Legislative Council Secretariat
26 June 2025

Appendix 1

Subcommittee on Issues Relating to the Development of Web3 and Virtual Assets

Terms of reference

To review the application and development of Web3 and virtual asset technologies in Hong Kong and make recommendations on the implementation of relevant legislation and policies.

Appendix 2

Subcommittee on Issues Relating to the Development of Web3 and Virtual Assets

Membership List

Chairman	Dr Hon Johnny NG Kit-chong, MH, JP
Deputy Chairman	Hon Rock CHEN Chung-nin, SBS, JP
Members	Hon MA Fung-kwok, GBS, JP Hon Elizabeth QUAT, SBS, JP Hon Holden CHOW Ho-ding, JP Hon CHAN Chun-ying, BBS, JP Hon Robert LEE Wai-wang Ir Hon LEE Chun-keung, JP Hon LAM San-keung, JP Hon Duncan CHIU Hon Benson LUK Hon-man Hon Edmund WONG Chun-sek Hon TANG Ka-piu, BBS, JP Hon Carmen KAN Wai-mun, JP Dr Hon TAN Yueheng, JP Hon Erik YIM Kong, JP Hon Adrian Pedro HO King-hong Hon SHANG Hailong Prof Hon William WONG Kam-fai, MH (Total: 19 members)
Clerk	Mr Derek LO
Legal Adviser	Miss Emily MOK

Appendix 3

Subcommittee on Issues Relating to the Development of Web3 and Virtual Assets

List of organizations/individuals which/who have given views to the Subcommittee

1. Hangzhou Fuzamei Technology Co., Ltd
2. Hong Kong Blockchain Association
3. Hong Kong Web3.0 Standardization Association
4. PricewaterhouseCoopers Limited
5. Global Legal Entity Identifier Foundation
6. Solowin Holdings
7. MUNG Legal
8. Certik
9. Web3 Harbour
10. HashKey Digital Asset Group
11. IDA Finance Hong Kong Limited
12. Liberal Party
13. Mr Calvin TANG Siu-fung, Sha Tin District Council Member
14. Mr WU Chengtao
15. Mr CHENG Anya
16. Mr CHENG Alex
17. BAO Yu
18. A group of members of the public