



BC Group Statement on SFC CEO Ashley Alder's 3 November 2020 Speech on Mandatory Digital Asset Licensing in Hong Kong

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Today's comments by the SFC on mandatory licensing for digital asset firms in Hong Kong is a pivotal and historic development for the sector, paving the way for the growth of institutionally focused firms like OSL in the market. Hong Kong has again proven itself to be a world leader and pioneer in digital asset regulation.

The new regulations provide stringent consumer protections, and allow for the creation of new and innovative products for the growing institutional and professional client segment.

As the first firm to be granted approval-in-principle from the SFC for regulated digital asset activities in the region, OSL is uniquely positioned to gain market share as institutions continue to adopt and transact with digital assets.

Any platform that transacts in any type of digital asset, even if the asset is not classified as a security (e.g. Bitcoin), will be subject to this new licensing regime. If a service provider is operating in Hong Kong, or if it seeks Hong Kong-based investors, a license will be required for it to operate its digital asset business.

As a result, no doubt some firms may choose to relocate to avoid regulations. This game of regulatory arbitrage has a limited runway however, as the Financial Action Task Force's June 2019 recommendations made it clear all 39 FATF member jurisdictions will follow Hong Kong's path.

This new proposed legislation will add immense momentum and weight behind the opt-in framework announced last year and ensure a level playing field in the industry. All digital asset platforms in Hong Kong must meet high standards of compliance, security and consumer protection, benchmarked against well-known existing regulatory principles for securities brokers and trading venues.

This continuation of the trend towards regulation will further provide confidence to operators and customers alike, and positions the digital asset industry in Hong Kong for increased institutional participation and overall growth in the near and long term.