Global Financial Services Regulatory Guide - Hong Kong SAR

3. What types of activities require a license in your jurisdiction?

| Contents |
| --- |
| To generate table of contents, right-click here and select **Update Field.** |

# What types of activities require a license in your jurisdiction?

Hong Kong regulates a broad range of activities, including the following:

Financial services "regulated activities" – The SFC currently supervises 10 types of regulated activities (RAs) in Hong Kong (see Note 1). Companies (such as securities brokers and fund managers), individuals and authorized institutions that intend to carry out a business in RAs in Hong Kong must generally be licensed or registered under the SFO to carry out the relevant type of RAs. The types of RAs are as follows:

Type 1: Dealing in securities

Type 2: Dealing in futures contracts

Type 3: Leveraged foreign exchange trading

Type 4: Advising on securities

Type 5: Advising on futures contracts

Type 6: Advising on corporate finance

Type 7: Providing automated trading services

Type 8: Securities margin financing

Type 9: Asset management

Type 10: Providing credit rating services

**Note 1:** The regulatory regime for depositaries of collective investment schemes authorized by the SFC under the SFO (i.e., Type 13 regulated activity (“RA 13”)) will commence on 2 October 2024. Type 11 (dealing in / advising on OTC derivative products) and Type 12 (providing client clearing services for OTC derivative transactions) licensing regimes are not yet in operation and the effective date for which is not yet confirmed.

Exemptions from the licensing requirements for certain RAs may be available in some limited circumstances. For example, the performance of RAs (such as Type 4 - advising on securities, Type 6 - advising on corporate finance, and/or Type 9 - asset management) that are wholly incidental to the carrying out of another RA for which a person is already licensed (such as Type 1 - dealing in securities) does not require additional licenses to be obtained.

Banking and deposit-taking – This covers typical retail and wholesale banking activities involving the operation of current and deposit accounts. Engaging in such business activities in Hong Kong requires authorization by the HKMA under the BO. Hong Kong operates a three-tiered authorization regime, which covers licensed banks, restricted license banks and deposit-taking companies (collectively known as authorized institutions (AIs)).[[1]](file:///C%3A/Users/bmskbd/Documents/Knowledge/FSR/2024/Hong%20Kong%20SAR%20and%20rp_Hong%20Kong%20-%20ELES%20-%20KG.docx#_ftn1)

This regime also covers "virtual banks," which the HKMA defines as banks that primarily deliver retail banking services through the internet or other forms of electronic channels instead of physical branches. Under new guidelines for the authorization of virtual banks adopted by the HKMA in May 2018, a virtual bank must be incorporated in Hong Kong.

The HKMA does not currently impose additional licensing requirements for VA-related activities of AIs. However, such activities are subject to additional regulatory requirements set out in various regulatory guidelines and circulars (including notifying the HKMA in advance where an AI intends to engage in activities involving VAs or it intends to make changes to such activities).

Local representative offices – The establishment and operation of a Hong Kong representative office by a foreign bank or deposit-taking institution that is not an AI requires prior HKMA approval under the BO. Such offices can only engage in limited marketing, representation and liaison activities, but not in substantive business activities (such as receiving or holding funds, making loans, exchanging currencies and money remittances).

Money brokering – Intermediaries who broker certain currency trading and deposit agreements between parties that are (or include) AIs require HKMA approval under the BO. The money broker approval regime applies to voice-broking and online/electronic broking.

Issuing (or facilitating the issuing) of certain stored value facilities – Stored value facilities are prepaid payment facilities. The stored value facility licensing regime under the PSSVFO applies, with certain exemptions, to card and account-based stored value facilities in physical and other forms, which are regulated by the HKMA.

Retail payment systems and their system operators and settlement institutions – The PSSVFO enables the HKMA to regulate retail payment systems. The retail payment system designation regime is intended to cover, in particular, the larger payment card schemes, merchant acquirers, payment gateways and mobile infrastructure (e.g., the infrastructure of the trusted service manager (TSM) of NFC mobile payment services).

Virtual assets -

VA trading platforms – The SFC regulates the operators of VA trading platforms under the SFO and the AMLO. It captures centralized platforms providing trading services in VA using an automated trading engine that matches client orders and also providing custody services as an ancillary service to their trading services. For VAs which are in the form of securities, the SFO regime is applicable. For VAs that are not in the form of securities, the AMLO regime is applicable. Based on the existing SFC policy framework, given that the terms and features of a VA may evolve over time affecting its "securities" classification, the SFC mentions that it would be appropriate for VA trading platforms to apply for licences under both the SFO and AMLO regimes.

Providing services on VA-related products – The HKMA and the SFC have imposed additional compliance requirements on AIs and SFC-regulated intermediaries in distribution of investment products with exposures to VAs (e.g., distribution of VA funds), provision of VA dealing services, provision of asset management services in respect of VA and provision of VA advisory services. Intermediaries are reminded to notify the SFC (and the HKMA, where applicable) in advance if they intend to engage in any activities involving VAs.

Stablecoins - In December 2023, the Financial Services and the Treasury Bureau (FSTB) and the HKMA issued a public consultation paper on the legislative proposal for implementing the regulatory regime for stablecoin issuers. Under such proposed regime, an issuer would be required to obtain a license from the HKMA if it issues a stablecoin that references the value of one or more fiat currencies (“fiat-referenced stablecoin”) in Hong Kong. The HKMA has also recently launched the stablecoin issuer sandbox arrangement in March 2024.

OTC VA trading – In February 2024, the Hong Kong government launched a public consultation on legislative proposals to introduce a new licensing regime for providers of OTC trading services of VA. Under such proposed regime, persons conducting a business in providing services of spot trades of any VA for money in Hong Kong would be required to be licensed with the CED.

Operation of a money service – This covers the operation of a money-changing (currency exchange) service and/or a cross-border money remittance service in Hong Kong. Persons providing these services as a business in Hong Kong require a license from the CED under the AMLO. There are some limited exceptions to this requirement, which apply, for example, to AIs.

Providing a trust and company service – This covers the provision of trust or company services as a business in Hong Kong (e.g., a service of acting or arranging for another person to act as a trustee of an express trust or a similar legal arrangement). Subject to certain exceptions (e.g., for AIs), persons carrying out such business in Hong Kong require a license from the CR under the AMLO.

Lending – Hong Kong retains "old-style" money lenders legislation that, while aimed primarily at preventing "loan sharking," is capable of catching genuine non-bank commercial lending activities. Where applicable, the Money Lenders Ordinance (MLO) imposes licensing and other compliance obligations on consumer and non-consumer lenders. The MLO provides for various exemptions, but only AIs are wholly exempted from the MLO.

Operating an insurance business – In general, any person who wishes to carry out insurance business in or from Hong Kong will need to apply to the IA for authorization to do so. Authorization to carry out insurance business in or from Hong Kong will only be granted to those insurers who meet the authorization requirements prescribed under the Insurance Ordinance and other conditions that the IA may impose.

The IA took over the supervision of authorized insurers and licensed insurance intermediaries in 2017 and 2019, respectively. A concept of "regulated activity" for insurance intermediaries was introduced. The regulatory regime for insurance intermediaries is currently activity-based. The IA regulates five different types of licensed insurance intermediaries under the Insurance Ordinance, as follows:

 Licensed Insurance Agency (Insurance Agency License)

 Licensed Individual Insurance Agent (Individual Insurance Agent License)

 Licensed Technical Representative (Agent) (Technical Representative (Agent) License)

 Licensed Insurance Broker Company (Insurance Broker Company License)

 Licensed Technical Representative (Broker) (Technical Representative (Broker) License)

The regime prohibits a person from carrying on or holding themselves out as carrying on a regulated activity in the course of the person's business or employment or for reward, unless the person is a licensed insurance intermediary. A regulated activity includes the carrying out of activities such as negotiating or arranging a contract of insurance or inviting or inducing another person to enter into a contract of insurance. The IA also monitors compliance by licensed insurance intermediaries who are also registered with MPFA as Mandatory Provident Fund Intermediaries.

MPF sales and marketing activities – In general, a person will be regarded as carrying out a regulated activity under the MPFSO if such person: (a) invites or induces, or attempts to invite or induce another person to make a specified MPF decision (e.g., joining an MPF scheme or making/transferring MPF contributions); or (b) gives advice to another person concerning a specified MPF decision. Persons wishing to conduct such regulated activities in Hong Kong generally must be registered as MPF intermediaries under the MPFSO. Accordingly, if a person engages in MPF sales and marketing activities that may influence a prospective/existing participant of an MPF scheme in making a decision that affects such participants benefits in an MPF scheme, such person is required to be registered with the MPFA as an MPF intermediary.

Dealing in precious metals and stones – The AMLO has been amended to introduce a registration regime for dealers of precious metals and stones, which commenced on 1 April 2023. Any person who is seeking to carry on a business of dealing in precious metals and stones in Hong Kong and engage in any transaction(s) with total value at or above HKD 120,000 in Hong Kong is required to register with the CED.

[[1]](file:///C%3A/Users/bmskbd/Documents/Knowledge/FSR/2024/Hong%20Kong%20SAR%20and%20rp_Hong%20Kong%20-%20ELES%20-%20KG.docx#_ftnref1) The HKMA conducted a public consultation in 2023 regarding the proposed simplification of the three-tier authorization regime (i.e., licensed banks, restricted license banks and deposit-taking companies) into a two-tier system during a five-year transition period. Under the proposed new two-tier regime, licensed banks would continue to form the first tier and restricted license banks the second tier, but deposit-taking companies (i.e., the current third tier) would be "merged" into the second tier. However, the consultation conclusions have not yet been released.

©Copyright © 2025 Baker & McKenzie. All rights reserved. **Ownership**: This documentation and content (Content) is a proprietary resource owned exclusively by Baker McKenzie (meaning Baker & McKenzie International and its member firms). The Content is protected under international copyright conventions. Use of this Content does not of itself create a contractual relationship, nor any attorney/client relationship, between Baker McKenzie and any person. **Non-reliance and exclusion**: All Content is for informational purposes only and may not reflect the most current legal and regulatory developments. All summaries of the laws, regulations and practice are subject to change. The Content is not offered as legal or professional advice for any specific matter. It is not intended to be a substitute for reference to (and compliance with) the detailed provisions of applicable laws, rules, regulations or forms. Legal advice should always be sought before taking any action or refraining from taking any action based on any Content. Baker McKenzie and the editors and the contributing authors do not guarantee the accuracy of the Content and expressly disclaim any and all liability to any person in respect of the consequences of anything done or permitted to be done or omitted to be done wholly or partly in reliance upon the whole or any part of the Content. The Content may contain links to external websites and external websites may link to the Content. Baker McKenzie is not responsible for the content or operation of any such external sites and disclaims all liability, howsoever occurring, in respect of the content or operation of any such external websites. **Attorney Advertising**: This Content may qualify as “Attorney Advertising” requiring notice in some jurisdictions. To the extent that this Content may qualify as Attorney Advertising, PRIOR RESULTS DO NOT GUARANTEE A SIMILAR OUTCOME. **Reproduction**: Reproduction or copying of the Content on this Site without express written authorization is strictly prohibited.