

## **Token Admission and Review Policies and Procedures**

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## I. Introduction

### (A) Definitions and interpretations

<b>AE</b>		Panthertrade Holdings Limited
<b>AMLO</b>		Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615)
<b>Admission fees</b>		The fees paid by the Issuer on an annual basis for continued inclusion of the Issuer's virtual asset to be traded by the Company
<b>Application</b>		An application for including a virtual asset to be traded by the Company
<b>Applicant</b>		Any person who applies for a virtual asset to be made available by the Company for trading
<b>Company</b>		Panthertrade (Hong Kong) Limited
<b>CWUMPO</b>		Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32)
<b>PantherTrade</b>		The virtual asset trading platform operated by the Company
<b>Issuer</b>		The issuer, developer, the management/development team, any key known members of the virtual asset, or any entity determined by the Company to be an Issuer for the purpose of this Policy
<b>Managers-in-Charge / MIC</b>		Individuals appointed by the Company to be in charge of core functions of the Company
<b>Policy</b>		This document, i.e. the Token Admission Policies and Procedures
<b>SFC</b>		Securities and Futures Commission
<b>SFO</b>		Securities and Futures Ordinance (Cap. 571)
<b>VATP Guidelines</b>		Guidelines for Virtual Asset Trading Platform Operators published by the SFC (as amended from time to time)

<b>Responsible Officers</b>		Licensed representatives approved by the SFC to act as responsible officers under section 126 of the SFO and/or section 53ZRP of the AMLO
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PantherTrade is a virtual asset trading platform offered by the Company.

This Policy explains how virtual assets should be made available for, or removed from, trading by the Company. It also outlines the Company's expectations for all employees, consultants, and agents in terms of compliance principles and conduct standards. This ensures that the Company and Hong Kong's reputation is protected and investor interests are safeguarded. As a condition of employment, you are responsible for reading, understanding, and complying with this Policy, other applicable compliance materials, and all applicable laws and regulations. You are expected to always act lawfully, ethically, and fairly to maintain the Company's reputation and standing with clients, shareholders, regulator(s), and other stakeholders.

The Company's AE is the custodian for the Company. It is responsible for safeguarding client assets in accordance with this Policy. In any event, the Company will always ensure that the Company and the AE comply with this Policy at all times.

This Policy may require periodic updates to comply with changes in relevant legal and regulatory requirements. The date of the updates will be displayed.

### (B) Purpose and scope of this Policy

This Policy is designed to ensure (i) a thorough due diligence and admission process for virtual assets to be made available for trading by the company and (ii) compliance with the applicable legal and regulatory requirements. Our aim is to provide our clients with a safe and high-quality trading experience, which has become synonymous with our Company.

With the vast number of virtual assets available in the market, the Company has established this Policy to determine how to securely, suitably, and compliantly include virtual assets that meet our standards and continue to meet those standards. This Policy is also designed to ensure that applications for virtual asset inclusion are properly assessed in accordance with transparent and fair criteria.

Our admission process allows us to compliantly include virtual assets that meet legal and regulatory requirements. This allows the Company to add or remove virtual assets while staying compliant with laws and regulations, and continuing to provide our clients with the safe and high-quality experience they expect from the Company.

The Company will provide our clients with information and materials that help them learn about the virtual assets and make informed decisions. This Policy also aims to ensure that we

provide clear and sufficient information to clients, enabling them to make informed assessments of the virtual assets which are made available for trading.

This Policy applies to:

- (a) Virtual assets that are currently being traded or are under consideration for trading by the Company (whether on or off-platform);
- (b) Applicants who wish to have a virtual asset included for trading by the Company (whether on or off-platform); and
- (c) Issuers of such virtual assets (whether on or off-platform).

All senior management and personnel involved in these processes are expected to comply with this Policy, as well as any other internal policies, procedures, and guidelines of the Company. They must also comply with the SFO, the AMLO, and all applicable laws and regulations. Where there are any inconsistencies between the Policy and the relevant legal and regulatory requirements, the latter shall prevail. The Company should also promptly amend or supplement this Policy to ensure consistency with the applicable legal and regulatory requirements.

#### (C) Duty of confidentiality

The Company considers information received from clients to be confidential and will only share such information with professional advisers or service providers, whether within or outside of Hong Kong. The Company may disclose such information when necessary or appropriate in the normal course of business or to conduct their affairs. Additionally, the Company may disclose information when required by applicable law, order of any court of competent jurisdiction, or by law enforcement authorities such as the SFC.

Employees must also maintain the confidentiality of information regarding the virtual assets that are to be admitted until the virtual asset is officially being made available for trading by the Company.

#### (D) Ownership of this Policy

The Company's VA Listing Team is primarily responsible for this Policy. It will be reviewed and updated annually and as necessary to ensure compliance with relevant legal and regulatory requirements and in response to changing technology and market conditions. Any changes to this Policy must be approved by the Token Admission and Review Committee. Other departments may propose changes to this Policy by submitting their proposals to the VA Listing Team.

## II. Categories of virtual assets

We can categorize virtual assets into the following categories:

### (A) Payment tokens

A payment token is a virtual asset that functions as a means of exchange and can be transferred, stored, and traded electronically. Payment tokens are not issued or backed by any central authority or government and are not guaranteed by any party. They typically operate on decentralized networks without specific issuers or promoters. Payment tokens are used primarily as a medium of exchange to purchase goods and services. Examples of payment tokens include Bitcoin, Bitcoin Cash and Litecoin.

### (B) Utility tokens

A utility token is a type of virtual asset that serves a variety of purposes within a blockchain project. It is designed to fund the network and ensure that buyers have access to a portion of the network's products or services. By doing so, it creates an internal economy that is self-regulating and self-sustaining.

Utility tokens are unique in that they are used as a way to access the network and its various offerings. The value of a utility token is primarily determined by the demand for goods or services transacted on the platform and the number of tokens in circulation.

In addition to funding the network, utility tokens can also be used for other purposes within the blockchain project. For example, they can be used to incentivize users to contribute to the network by providing rewards for completing certain tasks or by offering discounts on products or services.

Overall, utility tokens play a crucial role in the success of a blockchain project. They create a self-sustaining economy within the network and provide users with access to its various offerings. As the demand for goods and services on the platform increases, the value of the utility token is likely to increase as well, making it a valuable asset for investors and users alike.

In certain occasions, a token can exhibit properties of both an exchange and a utility token. Examples of such tokens include Ether, which is the native token of the Ethereum blockchain. Ether is used as a medium of exchange to purchase goods and services on the Ethereum blockchain (e.g. Ether can be used to purchase non-fungible tokens issued on the Ethereum blockchain), and it can also be used as a utility token to pay for gas fees on the Ethereum blockchain to process transactions and have access to services and applications on the network.

### (C) Security tokens

A security token is a virtual asset that has features of traditional securities and falls under the definition of "securities" in the SFO. Security tokens are usually offered only to professional investors in Hong Kong, unless an exemption applies.

### (D) Stablecoins

Stablecoins is a virtual asset that is designed to maintain a stable value, often by being backed by a reserve asset such as fiat currency, a commodity or virtual assets.

### (E) Non-Fungible Tokens (NFT)

A non-fungible token is a unique digital identifier that is recorded on a blockchain, and is used to certify ownership and authenticity. It cannot be copied, substituted, or subdivided. The ownership of an NFT is recorded in the blockchain and can be transferred by the owner, allowing NFTs to be sold and traded.

## **III. Relevant regulatory requirements for due diligence**

The detailed regulatory requirements in relation to token admission could be found in paragraphs 7.1 to 7.12 of the VATP Guidelines.

Virtual asset trading platform operators are expected to establish a token admission and review committee responsible for setting and enforcing criteria for virtual assets to be admitted for trading, suspending and withdrawing virtual assets, and establishing issuer obligations and restrictions. The committee should consist of senior management and report to the Board of Directors, with transparent and fair criteria disclosed on the website.

A platform operator must exercise due skill, care, and diligence when selecting virtual assets for trading and perform reasonable due diligence on all virtual assets before including them for trading. The platform operator must also ensure that virtual assets continue to meet all admission criteria established by the token admission and review committee, regardless of whether they are available to retail clients or not. The non-exhaustive list of factors which a platform operator should consider include:

- a) the background of the management or development team of a virtual asset or any of its known key members (if any);
- b) the regulatory status of a virtual asset in Hong Kong and whether its regulatory status would also affect the regulatory obligations of the Platform Operator;
- c) the supply, demand, maturity and liquidity of a virtual asset, including its track record, where the virtual asset (except for a security token) must have been issued for at least 12 months if it is made available to retail clients (except for stablecoin issued by a stablecoin issuer licensed by the HKMA pursuant to section 15 of the Stablecoins Ordinance (Cap. 656));
- d) the technical aspects of a virtual asset;
- e) the development of a virtual asset;

- f) the market and governance risks of a virtual asset;
- g) the legal risks associated with the virtual asset and its issuer (where applicable);
- h) whether the utility offered, the novel use cases facilitated, technical, structural or crypto economic innovation, or the administrative control exhibited by the virtual asset clearly appears to be fraudulent or illegal, or whether the continued viability of the virtual asset depends on attracting continuous inflow into the virtual asset;
- i) the enforceability of any rights extrinsic to the virtual asset (for example, rights to any underlying assets) and the potential impact of the virtual asset's trading activity on the underlying markets; and
- j) the money laundering and terrorist financing risks associated with the virtual asset.

Before making any virtual asset available for trading by retail clients, a platform operator should take all reasonable steps to ensure that the virtual asset does not fall within the definition of "securities" under the SFO (unless the offering of such virtual asset to the retail clients complies with the prospectus requirements for offering of shares and debentures under the CWUMPO ) and does not breach the restrictions on offers of investments under Part IV of the SFO, and is of high liquidity.

When assessing the liquidity of a virtual asset for retail trading, a platform operator must ensure it is an eligible large-cap virtual asset, included in at least two acceptable indices from different providers. Acceptable indices must measure the performance of the largest virtual assets, be investible, objectively calculated, and transparent. The two index providers must be separate and independent, and at least one must comply with IOSCO Principles for Financial Benchmarks.

A platform operator must ensure their internal controls, technology, and infrastructure can manage risks specific to virtual assets. Before admitting virtual assets for trading, a smart contract audit should be conducted to ensure there are no vulnerabilities or security flaws. Ongoing monitoring of each virtual asset should be conducted, and regular review reports should be submitted to the token admission and review committee. If a virtual asset is suspended or withdrawn from trading, clients must be notified and treated fairly.

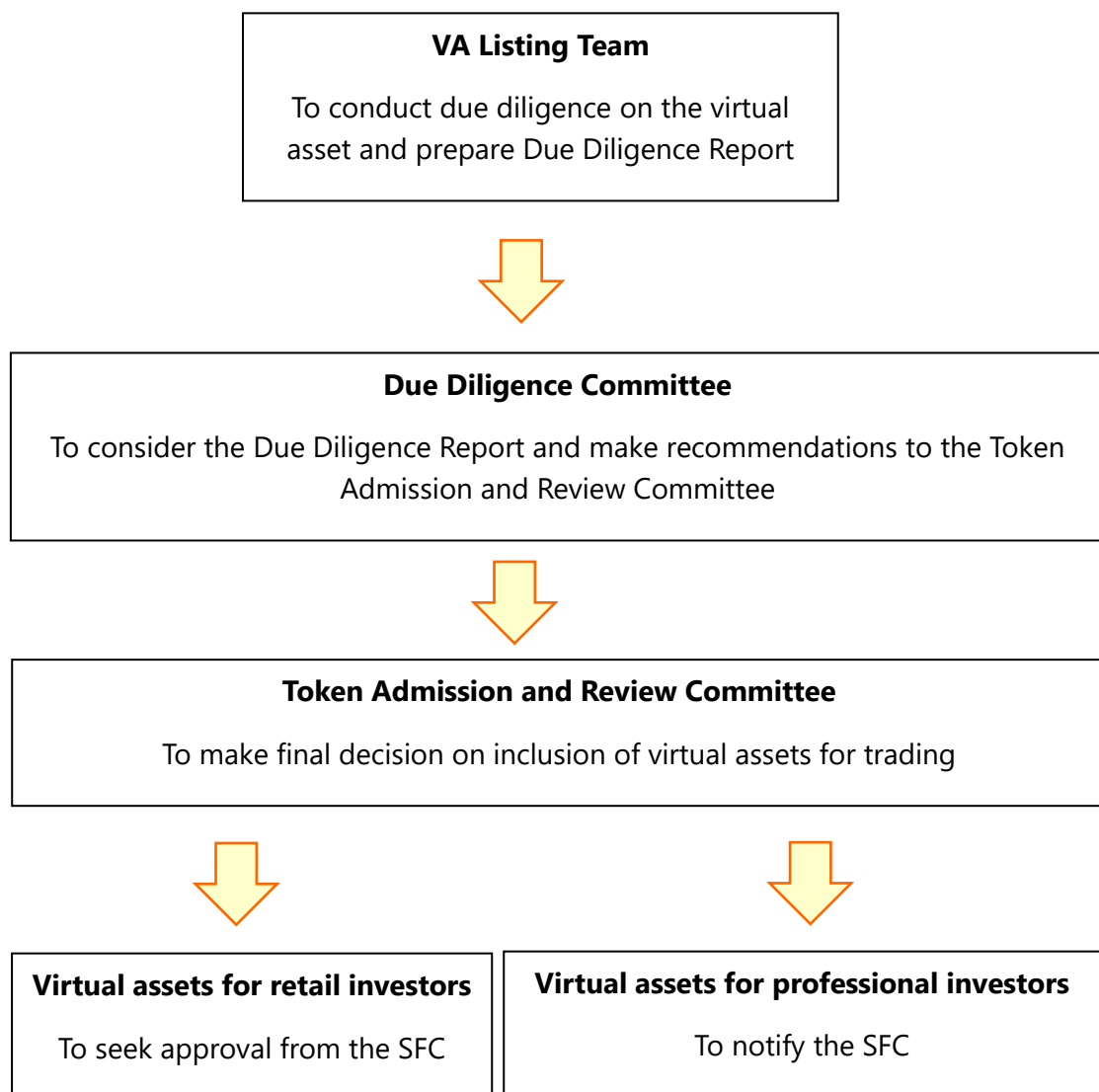
A platform operator should monitor virtual assets being traded by clients to ensure they do not fall under the definition of "securities" under the SFO. If a virtual asset does fall under this definition, the Platform Operator should stop offering it for trading by retail clients.

## IV. Due diligence and process for including a virtual asset

### (A) General principles

- (1) The Company should evaluate applications for admission based on any criteria it sees fit, while taking into consideration the factors outlined in this Policy (see Part V below) that may apply to each virtual asset.
- (2) The decision-making process for admission needs to be transparent and fair. The criteria for admitting, suspending and withdrawing a virtual asset from trading will be disclosed on the Company's website.
- (3) The Company should establish fees and charges for applications for admission and make them publicly available on its website.
- (4) The Company should develop, implement, and enforce procedures to:
  - a. obtain written approval from the SFC before any plan or proposal to make, suspend, or remove a virtual asset for trading by retail investors is executed,
  - b. notify the SFC in advance of any plan or proposal to make, suspend, or remove a virtual asset for trading by professional investors;
- (5) The Company should have policies and procedures in place to prevent and manage any conflicts of interest in the token admission and review process.
- (6) The Company should maintain all records relating to token admission and review for at least seven years, including but not limited to:
  - a. Due diligence plans, reports, assessments, and other related documents outlining the results of due diligence conducted on any Applicant, Issuer, or virtual asset;
  - b. Legal advice obtained by the Company or provided by any third party in relation to any Applicant, Issuer, or virtual asset;
  - c. Other relevant documents that the Company considers applicable.
- (7) The Company should have procedures for handling data discrepancies or inconsistencies between information sources during the due diligence process. Any material disparity must be further analyzed by VA Listing Team. Resolution shall be achieved through a predefined hierarchy of methods, which may include consulting a third, authoritative source, applying a conservative valuation based on the most reliable data point, or disqualifying the metric from use if reliability cannot be established. In the event that a metric is invalidated and excluded from the analysis, the VA Listing Team must escalate the issue to the Due Diligence Committee. The Committee will then make the final decision on the token listing recommendation.

(B) Due diligence and admission process for a virtual asset



Proposals for admission of any virtual asset may be initiated internally by the VA Listing Team. Such proposals should be submitted to the Due Diligence Committee for review and approval by the VA Listing Team.

Where an Issuer or Applicant wishes to apply to include a virtual asset for trading by the Company, the VA Listing Team should request the Issuer or Applicant to submit an application to the Company using the appropriate form specified by the Company.

**(1) Due diligence by VA Listing Team**

The VA Listing Team will work together to communicate directly with Issuers or Applicants, gather due diligence information and documents, conduct research on relevant virtual assets, and perform due diligence assessments on virtual assets that intend to be included for trading by the Company.

In conducting due diligence, the VA Listing Team should engage members of the operations, IT, compliance, risk management, and relevant teams to provide their expert views on the virtual asset.

The VA Listing Team should prepare corresponding questionnaires which are customized for different types of virtual assets, and analyse the virtual asset with reference to the factors specified in Part V below.

When conducting due diligence, the VA Listing Team will make a best effort to collect information on each virtual asset. This will include completing the due diligence questionnaire with supporting documents and information based on public internet searches. If possible, the VA Listing Team will also conduct its own searches on public registries, gather information and documents from other reliable sources, and discuss directly with the Issuer or Applicant's team. All documents and information provided by the Issuer or Applicant will be kept in an orderly manner. When reviewing gathered or provided information, the VA Listing Team will maintain a sceptical perspective.

The VA Listing Team should also appoint an independent assessor to conduct a smart contract audit for smart-contract based virtual asset, unless it would be reasonable to rely on a smart contract audit conducted by an independent assessor engaged by a third party. However, where the VA Listing Team considers it reasonable to rely on a smart contract audit conducted by an independent assessor engaged by a third party, the VA Listing Team must conduct due diligence on such assessor. This due diligence shall include an assessment of the assessor's independence, capability, and professional competence.

The VA Listing Team will then prepare a due diligence report in accordance with this Policy. The Head of the VA Listing Team should ensure that due diligence work has been satisfactorily completed, and that the Due Diligence Report has been duly prepared in accordance with this Policy. The VA Listing Team may recommend that the Due Diligence Committee establish conditions regarding agreements to be entered into between the Company and any Issuer or Applicant related to making a virtual asset available for trading.

The VA Listing Team should work with the Company's legal team regarding any potential legal issues. If necessary, the VA Listing Team and the legal team may consider engaging professional advisors on specific legal matters. However, the VA Listing Team and the legal team should still exercise professional scepticism before relying on any advice and should review such advice with due care and objectivity. In particular, if any information or assumption made in the legal advice is inconsistent with information known to them, they should conduct reasonable follow-up work to resolve the inconsistency and obtain revised legal advice as necessary.

## **(2) Preparation of due diligence report**

The VA Listing Team is responsible for creating a due diligence report on the virtual asset being considered for admission. This report, which will be based on the information and documents gathered during the due diligence process, will be reviewed by the Due Diligence

Committee. If recommended by the Due Diligence Committee, the report will then be submitted to the Token Admission and Review Committee for approval.

The Due Diligence Report must include (but not limited to) the following areas:

- Name and type of the virtual asset;
- Name of the Issuer/Applicant;
- Market capitalisation of the virtual asset;
- Daily and 30 days average trading volume;
- Business, financial position, management and prospects of the issuer/applicant, including:
  - Relevant corporate and financial documentation (if applicable);
  - Particulars and operating history (if applicable);
- Key features of the virtual asset:
  - Product description and functionality;
  - Key risks;
  - Material technology that supports the virtual asset, including any relevant consensus protocol;
  - Specific information related to the virtual asset;
  - Detailed documentation in respect of the virtual asset and the underlying asset (if applicable);
- Project description (if applicable);
- Key features of the project, including the leading project team, business model, technical development, token economy, community, and other important information (if applicable);
- The indices that have included the virtual asset as one of their constituents; and
- Risk assessment, including project due diligence conducted.
- List of independent sources and references used to verify the information contained in the report, ensuring that all information sources used are appropriate and that the respective data and metrics employed are representative, accurate, and adhere to industry best practices; and ensuring that all references cited in the due diligence report prioritize first-hand information (e.g., official websites, project-provided materials, on-chain explorer data, and reputable third-party market data providers) to the maximum extent practicable, with reputable media used only as a secondary information and sources; During the annual review, the Due Diligence Committee will assess these information and sources to confirm their continued reliability and suitability for the report.

### **(3) Due Diligence Committee**

The roles of the Due Diligence Committee are as follows:

- (a) Reviewing the due diligence work and Due Diligence Report prepared by the VA Listing Team. If needed, instruct the VA Listing Team to seek additional clarification with the Issuer/Applicant and update the Due Diligence Report.

- (b) Evaluating whether the due diligence work has been satisfactorily completed and the Due Diligence Report is comprehensive, and assessing whether the virtual asset meets all requirements and can be recommended to the Token Admission and Review Committee for further review and approval.
  
- (c) In exceptional circumstances, the Due Diligence Committee may bypass the ordinary reporting chain and escalate matters directly to the Board of Directors. In such cases, the Board of Directors may assume the same decision-making authority ordinarily exercised by the Token Admission and Review Committee , including the authority to approve or reject the admission of a token, and to decide on the suspension or removal of a token from trading.
  
- (d) Ensuring that all information sources used by the VA Listing Team are appropriate, and that the respective data and metrics employed are representative, accurate, and adhere to industry best practices; and ensuring that all references cited in the due diligence report prioritize first-hand information (e.g., official websites, project-provided materials, on-chain explorer data, and reputable third-party market data providers) to the maximum extent practicable, with reputable media used only as a secondary reference.

The Due Diligence Committee should comprise, at least, the following members:

- (a) Head of Custody Operations Team
- (b) Head of Exchange Operations Team
- (c) Head of Infrastructure and Cybersecurity Team
- (d) Head of Legal Department

#### **(4) Token Admission and Review Committee**

The roles of the Token Admission and Review Committee are as follows:

- (a) Establishing, implementing, and enforcing criteria for admitting virtual assets for trading and outlining the application procedures, if applicable. This includes deciding which virtual assets are eligible for trading on the platform, based on specific criteria and factors, and communicating the application procedures to potential clients.

- (b) Establishing, implementing, and enforcing criteria for suspending and withdrawing virtual assets from trading, and communicating the available options to clients holding those assets. This involves deciding when to suspend or withdraw a virtual asset from trading, based on established criteria, and communicating the available options to clients who hold those assets.
- (c) Making the final decision to admit, suspend, or withdraw virtual assets for trading, based on the established criteria. This involves making the final decision on whether a virtual asset is eligible for trading on the platform, based on the established criteria, and deciding when to suspend or withdraw a virtual asset from trading.
- (d) Establishing, implementing, and enforcing rules that specify the obligations and restrictions of virtual asset issuers (e.g. notifying the Platform Operator of proposed voting, hard fork, or airdrop, any significant changes in the issuer's business, or any regulatory action taken against the issuer), if applicable. This includes creating and enforcing rules that specify the obligations and restrictions of virtual asset issuers, and ensuring that these issuers comply with these rules.
- (e) Regularly reviewing the criteria and rules for admitting, suspending, and withdrawing virtual assets for or from trading, as well as the obligations and restrictions of virtual asset issuers, as well as reviewing virtual assets admitted for trading to ensure that they continue to meet the admission criteria. This involves regularly reviewing the criteria and rules for admitting virtual assets for trading and the obligations and restrictions of virtual asset issuers and monitoring virtual assets that have been admitted for trading to ensure that they continue to meet the admission criteria.

The Token Admission and Review Committee should comprise, at least, the following members:

- (a) MIC for key business line of the Company
- (b) MIC for compliance of the Company
- (c) MIC for risk management of the Company
- (d) MIC for information technology of the Company

When deciding whether to make a virtual asset available for trading, the Token Admission and Review Committee should ensure that decisions align with the corporate values, risk appetite, and business strategy of the Company. The Committee should also consider whether making the token available for trading will be beneficial to investors and the virtual asset market in Hong Kong, taking into account the admission criteria in Part V below.

The Token Admission and Review Committee should report directly to the Company's Board of Directors monthly, with a report covering (i) minutes of the Committee meetings, (ii) any changes to the composition of the Committee, (iii) details of the virtual assets made available to retail clients for trading, (iv) details of the virtual asset which are being removed or suspended, and (v) other issues noted. Where there are any critical matters such as the

suspension and withdrawal of virtual assets from trading, the Committee should promptly escalate the same to the Board of Directors for their attention.

## **(5) Procedures of Committee Meetings**

The following procedures shall apply to the:

- (a) Due Diligence Committee; and
- (b) Token Admission and Review Committee.

The Due Diligence Report or updated report should be distributed among the Committee members at least 1 business day before the Committee meeting. This will provide the relevant Committee with enough time to review the report prepared by the VA Listing Team. If the Committee considers that they need more time to review the report, they may request to postpone the meeting and extend the review time.

### **i. Notice of Meetings**

The Committee must provide notice of a meeting to all its members at least 3 business days in advance, unless all members unanimously waive such notice. This gives the Committee members sufficient time to fully consider the reports. If there is insufficient notice, members may request to postpone the meeting to allow for enough time to review the reports. Regardless of whether there is sufficient notice, attendance of a meeting by a Committee member or his proxy will be deemed as a waiver of the required length of notice. Notice of any adjourned meetings is not required if the adjournment is fewer than 5 business days.

An agenda of items to be discussed and the accompanying supporting papers must be sent to the members of the relevant Committee at least 3 business days before the Committee meeting, unless all members unanimously waive such notice.

The Committee members are required to disclose, at the outset, any actual or perceived conflict of interest and recuse himself from discussion and voting in respect of that specific virtual asset in which he or she may have. However, such member may still be included in the quorum at such meeting which the virtual asset application is being considered.

### **ii. Voting**

Resolutions of the Committee at any meeting should be passed by a majority of votes of the Committee members. Every Committee member should have one vote.

### **iii. Meeting Frequency**

The Due Diligence Committee does not follow a fixed meeting schedule. Instead, it may convene on an ad-hoc basis whenever deemed necessary, for example in response to urgent review requirements or material developments relating to specific tokens.

The Token Admission and Review Committee shall convene at least once per month to review token admission, suspension, and delisting matters, as well as related governance issues. Extraordinary meetings may be called as needed for urgent matters.

**iv. Proper records of meeting**

Minutes for each Committee meeting must be circulated to the members of the Committee and ensure each member adopts the minutes. The Company should keep proper records of the minutes for at least seven years.

## V. Criteria for making a virtual asset available for trading

This Part outlines several factors that the Company must consider when deciding whether to make a virtual asset available for trading, regardless of whether it is offered to retail or professional investors:

- (a) the background of the management or development team of a virtual asset or any of its known key members, if applicable;

Notes:

- ❖ An Applicant must be duly incorporated, established or registered in a jurisdiction acceptable to the Company. The Applicant should provide all necessary supporting documentation to the Company to verify the following:
  - The Company is legally established;
  - Its direct and indirect beneficial owners or controllers of the Applicant;
  - Competence and financial soundness of the Applicant;
  - Identities, background and experience of the Applicant's management or development team;
- ❖ The Company should determine the jurisdictions which are acceptable for Applicants and Issuers, having regard to its assessment of money-laundering risks, and applicable laws and regulations in the relevant jurisdictions.
- ❖ The Applicant must comply with all applicable laws and regulations. They must ensure that they are not prohibited from issuing or offering their virtual asset based on applicable requirements. If available, they should provide the Company with supporting documentation or legal advice to demonstrate that the issuance or offering of its virtual asset does not contravene any laws or regulations.
- ❖ The Company should also consider the governance arrangements of the Applicant or Issuer, including the experience and reputation of the persons involved in the virtual asset.

- (b) the regulatory status of a virtual asset in Hong Kong and whether its regulatory status would also affect the regulatory obligations of the Company;

Notes:

- ❖ If an Applicant is present, the Company may consider requiring the Applicant to provide a legal opinion to confirm the regulatory status of the virtual asset and how it will affect the regulatory obligations of the Company.
- ❖ The Company should also consider whether the following factors may have any implications on its regulatory obligations:
  - The benefits/entitlements given to holders of the virtual asset;

- Whether the virtual asset falls under the definition of "securities" under the SFO and in any other relevant jurisdictions;
  - If the virtual asset is not a "security" under the SFO, what its regulatory treatment is; and
  - If applicable, the conditions or requirements under which the virtual asset could be transferred, redeemed, or exchanged.
- ❖ If the virtual asset falls under the "securities" definition of the SFO, the Company should comply with any additional requirements published by the SFC from time to time on the issuance of security tokens.
  - ❖ The Company should confirm that the virtual asset's ownership can be transferred on the blockchain and any smart contracts associated with it without any additional procedures required to complete the process.

(c) the supply, demand, maturity and liquidity of a virtual asset, including its track record, where the virtual asset (except for a security token) must have been issued for at least 12 months if it is made available to retail clients (except for stablecoin issued by a stablecoin issuer licensed by the HKMA pursuant to section 15 of the Stablecoins Ordinance (Cap. 656));

- Notes:
- ❖ The Company should consider whether the virtual asset is traded on other major virtual asset trading platforms.
  - ❖ The availability of market makers or liquidity providers for this virtual asset should also be taken into account.
  - ❖ Where the virtual assets will be offered for trading by retail clients, the Company should also assess its liquidity by ensuring that the virtual asset is an eligible large-cap virtual asset, i.e., the specific virtual asset should have been included in a minimum of two acceptable indices issued by at least two different index providers.
  - ❖ An acceptable index refers to an index which has a clearly defined objective to measure the performance of the largest virtual assets in the global market, and should fulfil the following criteria:
    - The index should be investible, meaning the constituent virtual assets should be sufficiently liquid.
    - The index should be objectively calculated and rules-based.
    - The index provider should possess the necessary expertise and technical resources to construct, maintain and review the methodology and rules of the index.

- The methodology and rules of the index should be well documented, consistent and transparent.
- ❖ The two index providers should be separate and independent from each other, the issuer of the virtual asset (if applicable) and the Platform Operator (for example, they are not within the same group of companies). Further, at least one of the indices should be issued by an index provider which complies with the IOSCO Principles for Financial Benchmarks and has experience in publishing indices for the conventional securities market.

(d) the technical and security aspects of a virtual asset;

- Notes:
- ❖ The Company should assess whether the virtual asset conforms to a common industry standard. Any deviations from this standard should be considered based on compatibility with the Company's system, particularly the technical development required to admit that virtual asset for trading (e.g., any new wallet system or trading infrastructure).
  - ❖ The Issuer or Applicant's technical expertise should be assessed to ensure that they can respond proactively to security threats and appropriately address any reported security threats that may jeopardize the virtual asset's existence or value.
  - ❖ The security infrastructure of the blockchain protocol underlying the virtual asset should be assessed.
  - ❖ The network's size, potential barriers to scaling, and ability to grow and handle user adoption should be assessed. This includes the susceptibility to an attack, such as a 51% attack, the existence of a clear timeline with stages of development and reasonable project milestones or built-in development incentives, and barriers to scaling the network with relevant proposed solutions.
  - ❖ The development status of the virtual asset, including the outcomes of any projects and previous major incidents associated with its history and development, should be assessed.

(e) the development of a virtual asset;

- Notes:
- ❖ The Company should assess the level of adoption across the ecosystem.

- (f) the market and governance risks of a virtual asset;

Notes:

- ❖ The Company should take into account whether there is sufficient transparency regarding the virtual asset's technology, protocols, key personnel, and significant holders.
- ❖ The Company should consider whether there is a reward mechanism in the network and its applicability to different network stakeholders and holders of virtual assets.
- ❖ The protocol governing decision-making, including any major updates or hard forks (such as the type of consensus protocol and whether holders of virtual assets have any specific advantage or consensus rights), should also be taken into account.

- (g) the legal risks associated with the virtual asset and its issuer (where applicable);

- (h) whether the utility offered, the novel use cases facilitated, technical, structural or crypto economic innovation, or the administrative control exhibited by the virtual asset clearly appears to be fraudulent or illegal, or whether the continued viability of the virtual asset depends on attracting continuous inflow into the virtual asset;

Notes:

- ❖ The Company should evaluate if the virtual asset has any anonymity features and determine whether such features may significantly impact the company's ability to comply with anti-money laundering laws and regulations.
- ❖ The features and purpose of the virtual asset should be clear and legitimate, including any project, use case, intended applications, or capital raising goals.

- (i) the enforceability of any rights extrinsic to the virtual asset (for example, rights to any underlying assets) and the potential impact of the virtual asset's trading activity on the underlying markets;

- (j) the money laundering and terrorist financing risks associated with the virtual asset;  
and

- (k) whether the Company's internal controls and systems, technology and infrastructure (for instance, its anti-money laundering monitoring and market surveillance tools)

could support and manage any risks specific to the virtual assets which it intends to make available to its clients for trading.

## **VI. Admission of a virtual asset for trading**

### (A) Action plan

The Exchange Operations Team is responsible for establishing and implementing a detailed action plan for making a virtual asset available for trading, which includes token information, trading fees and other arrangements.

The Customer Relations Team should also ensure that the Company's marketing activities are only conducted in permitted jurisdictions without violation of the relevant restrictions on offers of investments, and implement measures to prevent persons from jurisdictions which have banned trading in virtual asset from accessing its services (for example, by checking its IP addresses and blocking access).

### (B) Wallet creation

The Custody Operations Team will be responsible for working with the AE to assess the technical infrastructure of the new virtual asset and to create a wallet in the AE's wallet management system so as to hold the new virtual asset.

The Custody Operations Team must be familiar with the typical wallet features for the virtual assets and develop a secured custody plan for the new virtual asset. The custody plan should also be reviewed and endorsed by the Information Technology & Cybersecurity Department.

When creating a new wallet (both hot and cold wallets) to hold the new virtual asset, the Custody Operations Team should follow the Company's custody of client virtual assets policies and procedures to ensure that the new virtual asset is safely held by the AE. Before the wallet actually comes into use, there should be testing through deposit and withdrawal functions to ensure the wallet and the corresponding processes are safe and secure.

### (C) Parameter configuration

The Custody Operations Team will configure the following parameters for the trading of such new virtual asset. These will include:

- (a) Checking virtual asset-specific parameters, e.g. minimum withdrawal unit, minimum withdrawal amount and blockchain browser address;
- (b) Checking related transaction pairs for specific parameters, e.g. transaction fees, trading unit and minimum unit of virtual asset;
- (c) Setting virtual asset parameters; and
- (d) Setting transaction pair parameters.

(D) Seeking SFC's approval/notification and announcement

When all relevant documents are ready, the Company will submit the proposal to the SFC for prior approval (if offered to retail) or as prior notification (if offered to professional investors).

The VA Listing Team will be responsible for making the announcement upon receiving the greenlight from the SFC.

## VII. Disclosure

The Exchange Operations Team will, among other things, make the following information available on this website the relevant information for each virtual asset admitted for trading to enable clients to appraise the position of their investments. These will include:

- (a) price and trading volume of the virtual asset on the platform, for example, in the last 24-hours and since its admission for trading on the platform;
- (b) background information about the management or development team of the virtual asset or any of its known key members (if any);
- (c) issuance date of the virtual asset (if any);
- (d) material terms and features of the virtual asset;
- (e) affiliation of the Company with the issuer of the virtual asset and the management or development team (or any of its known key members) of the virtual asset (if any);
- (f) link to the virtual asset's official website and Whitepaper (if any);
- (g) link to the smart contract audit report and other bug reports of the virtual asset (if any); and
- (h) where the virtual asset has voting rights, how those voting rights will be handled by the Company.

In posting any product-specific materials, the Exchange Operations Team will take all reasonable steps to ensure that the information does not contain information that is false, biased, misleading or deceptive.

The Exchange Operations Team shall disclose on the Company's website which virtual assets admitted for trading by the licensee for professional investors do not have a 12-month track record and enhance the risk disclosures of such virtual assets.

The Exchange Operations Team should also arrange for full disclosure of the custodial arrangements in respect of the new virtual asset and in particular:

- (a) Client virtual assets may not enjoy the same protection as that conferred on "securities" under the SFO, the Securities and Futures (Client Securities) Rules (Cap. 571H) and the Securities and Futures (Client Money) Rules (Cap. 571I).
- (b) Where the client money is received or held overseas, such assets may not enjoy the same protection as that conferred on client money received or held in Hong Kong.
- (c) How the Company and its Associated Entity will compensate its clients in the event of hacking or any other loss of client virtual assets caused by the default of the Company or its Associated Entity.
- (d) The treatment of client virtual assets and their respective rights and entitlements when events such as, but not limited to, voting, hard forks and airdrops occur. Upon becoming aware of such events, the Platform Operator should notify its clients as soon as practicable.

As to the disclosure of risks, the VA Listing Team will work closely with the Exchange Operations Team to draft and review the appropriate risk disclosures. All such information

must be provided to users in a clear and fair manner and not misleading. The disclosed risks should include but not limited to:

- (a) virtual assets are highly risky and investors should exercise caution in relation to the products;
- (b) a virtual asset may or may not be considered "property" under the law, and such legal uncertainty may affect the nature and enforceability of a client's interest in such a virtual asset;
- (c) the offering documents or product information provided by the issuer have not been subject to scrutiny by any regulatory body;
- (d) the protection offered by the Investor Compensation Fund does not apply to transactions involving virtual assets (irrespective of the nature of the tokens);
- (e) a virtual asset is not a legal tender, i.e., it is not backed by the government and authorities;
- (f) transactions in virtual assets may be irreversible, and, accordingly, losses due to fraudulent or accidental transactions may not be recoverable;
- (g) the value of a virtual asset may be derived from the continued willingness of market participants to exchange fiat currency for a virtual asset, which means that the value of a particular virtual asset may be completely and permanently lost should the market for that virtual asset disappear. There is no assurance that a person who accepts a virtual asset as payment today will continue to do so in the future;
- (h) the extreme volatility and unpredictability of the price of a virtual asset relative to fiat currencies may result in a total loss of the investment over a short period of time;
- (i) legislative and regulatory changes may adversely affect the use, transfer, exchange and value of virtual assets;
- (j) some virtual asset transactions may be deemed to be executed only when recorded and confirmed by the Platform Operator, which may not necessarily be the time at which the client initiates the transaction;
- (k) the nature of virtual assets exposes them to an increased risk of fraud or cyberattack; and
- (l) the nature of virtual assets means that any technological difficulties experienced by the Platform Operator may prevent clients from accessing their virtual assets.

The Company will make disclosure to its clients via the following manner:

- (a) The Company's website
- (b) Clients' Email

All documents in relation to the admission or removal process of the virtual assets should be properly retained in accordance with the Company's policies on Record Keeping.

## VIII. Suspension and removal of a virtual asset

Factors which the Company should consider in deciding whether to suspend or remove a virtual asset for trading:

- (a) whether the virtual asset falls under the definition of “securities” in the SFO;
- (b) unusual movements in the price of a virtual asset in trading services provided by the Company or on other reputable virtual asset trading platforms or where the price difference or spread is unusually high;
- (c) blockchain or related technology of that virtual asset becomes compromised or defective;
- (d) the virtual asset is no longer supported or maintained by the Issuer or its known members;
- (e) complaints by users or other persons;
- (f) allegations of fraud in relation to the virtual asset;
- (g) the virtual asset is involved in any illegal activity within any jurisdiction;
- (h) there is reasonable belief that the Issuer is manipulating the price of the virtual asset, and the circumstances are serious, or where a false market for trading or may have developed;
- (i) any changes to the development team of the virtual asset which the Company considers to have material adverse impact on the Virtual Assets or the underlying assets or products;
- (j) there is a lack of liquidity in the virtual assets’ market over a prolonged period of time;
- (k) no order of the virtual asset is recorded over a prolonged period of time;
- (l) the Issuer conducts a hard fork of the virtual asset resulting in the Company no longer able to support the token;
- (m) the market capitalisation of the virtual asset drops below US\$300,000,000;
- (n) the daily average transaction volume of the virtual asset is less than US\$1,000,000 for more than 30 days;
- (o) The Issuer does not take immediate action or provide a solution in the event of a crisis considered by the Company that is causing a detrimental impact to the Company and its users. Examples of such crises include, but are not limited to, the discovery of substantially inaccurate information, or technical issues such as a security breach;
- (p) the Issuer conducts any activity that damages the reputation of the Company or adversely affecting users’ interests;
- (q) a breach of the Company’s listing rules which cannot be, or has not been, remedied within 14 days; or
- (r) any other circumstances that, in the opinion of the Company, is/are sufficient for suspension or removal, including any circumstances which cause the virtual assets to be no longer eligible or appropriate to continue to be listed.

#### (A) Process of suspension of virtual assets from trading

- (1) The VA Listing Team will investigate the cause of the event and report the incident to the Due Diligence Committee, which will then escalate to the Token Admission and Review Committee for decision.
- (2) The Token Admission and Review Committee will convene an extraordinary management meeting within 24 hours to discuss whether the virtual asset in question should be suspended from trading and promptly escalate to the board of directors if necessary
- (3) If the Token Admission and Review Committee decides to suspend the virtual asset, the Company should:
  - a. Publish an announcement on the website, explaining the decision and providing supporting reasoning;
  - b. Notify all users via email and provide updates on the situation as they become available;
  - c. Disable funding and trading in the virtual asset, or cancel users' pending orders;
  - d. Close corresponding functions at the backend; and
  - e. With the approval from the Token Admission and Review Committee, re-open the function once the incident has been resolved.

#### (B) Process for removal of virtual assets from trading

- (1) The VA Listing Team will investigate the cause of the event. Where the incident is so serious that the virtual asset is recommended to be removed, the team will prepare a report to the Due Diligence Committee with a recommendation to remove from trading.
- (2) If the Due Diligence Committee approves the report, the report will be submitted to the Token Admission and Review Committee for decision.
- (3) The Token Admission and Review Committee will convene an extraordinary management meeting within 24 hours to discuss whether the virtual asset in question should be suspended from trading and promptly escalate to the board of directors if necessary.
- (4) If the Token Admission and Review Committee decides to remove the virtual asset, the Company should:
  - a. Publish an announcement on the website, explaining the decision and providing supporting reasoning;
  - b. Notify all users via email and provide updates on the situation as they become available;
  - c. Disable funding and trading in the virtual asset, or cancel users' pending orders; and
  - d. Close corresponding functions at the backend.

When deciding whether to suspend or remove the trading of a virtual asset, the overarching principle is to consider whether the continued trading of the virtual asset may prejudice the interests of investors.

The Company should take all reasonable and practical steps to provide clients with opportunities to unwind their position or manage any risks they may have related to the affected virtual asset.

It should also provide reasonable assistance to clients to exercise any rights they have in relation to the virtual asset. This is particularly important when the suspension or discontinuation of the virtual asset for trading could prejudice the exercise of such rights.

### (C) Suspension or removal notice

When any of the events or circumstances listed in this Section occur that require suspension of a virtual asset from trading, the Company will issue a suspension notice on the Company's website. The notice will clearly explain the reasons for suspension and specify the effective date. The Company will simultaneously notify all affected clients via email about the suspension and provide regular updates on the situation as developments occur. The Company will notify the SFC in writing as soon as practicable after any suspension decision.

When any of the events or circumstances listed in this Section occur that require removal of a virtual asset from trading and the Issuer is contactable, the Company may first give the Issuer a warning. The Issuer would then have a reasonable time period (around 14 days) to migrate and/or remedy the problem to the satisfaction of the Company. If the Issuer fails to do so, the Token Admission and Review Committee will take action to remove the virtual asset from trading by the Company.

The Company will notify the SFC in writing as soon as practicable after deciding to remove a virtual asset from trading by the Company.

The Company will issue a removal announcement for virtual assets that are to be removed by the Token Admission and Review Committee. The announcement will be made on the Company's website, 7 days prior to the official removal, unless there is an urgent situation that is approved by the Token Admission and Review Committee and warrants immediate removal. Any pending orders received before the announcement date will be executed within that period.

Within 30 days of the announcement, clients may transfer relevant virtual assets to their personal wallet or other trading platform accounts, where possible. In certain instances, the Company may decide to shorten the withdrawal period due to technical or compliance reasons, such as when the Issuer does not provide enough time for clients to exit. The Token Admission and Review Committee will determine this.

The Company will give sufficient notice of the final day for removing the virtual asset through its website. The Company is not responsible for any loss or damage incurred by its clients if a client fails to withdraw a removed virtual asset before the deadline for any reason or due to events beyond the control of the Company. However, even if a client fails to withdraw, the Company will still ensure the safekeeping of the client virtual assets.



## IX. Ongoing monitoring

The VA Listing Team is responsible for establishing, implementing, and enforcing policies and procedures to effectively monitor, assess, and review each virtual asset on an ongoing basis.

The VA Listing Team should conduct monthly reviews to determine whether there are any material changes to the virtual assets, evaluate the risks associated with continuing to make such virtual assets available for trading by the Company, and ensure that they remain eligible and suitable for trading.

The VA Listing Team shall prepare and submit monthly review reports to the Token Admission and Review Committee covering all admitted virtual assets. These reports shall summarize the ongoing monitoring activities conducted, any material changes identified, and recommendations for continued trading or potential suspension/removal of virtual assets.

The VA Listing Team may also conduct an ad-hoc review of a listed virtual asset if circumstances arise that may impact whether the Company should continue to make a virtual asset available for trading.

Where the VA Listing Team deems it appropriate or necessary to protect clients due to changes in relation to virtual assets, it may take the following actions:

- (a) Issue information regarding the virtual asset on the website to inform and protect clients and ensure smooth trading operations.
- (b) Make recommendations to the Due Diligence Committee to seek approval from the Token Admission and Review Committee on suspending or discontinuing the trading of any virtual asset as necessary.

Factors which should be considered include:

- (c) Whether the virtual asset continues to satisfy the token admission criteria set out in this Policy;
- (d) Any material changes to the virtual asset, e.g. hard fork events;
- (e) Any specific events or circumstances relating to the Issuer or the virtual asset which may affect its eligibility;
- (f) Any legal/regulatory action or change in legal/regulatory status relating to the virtual asset;
- (g) Any adverse news about the virtual asset;
- (h) Any complaints from users;
- (i) Trading performance of the virtual asset on trading platforms of the Company and other operators; or
- (j) Hacking incidents in relation to the virtual asset.

In the event of an announcement of a fork, airdrop, or other automated distribution related to a virtual asset, the VA Listing Team should determine if such an event or the new virtual asset would compromise the system security of the Company. If so, the trading of such virtual assets should be suspended. The Company should also consider the following non-

exhaustive factors when deciding whether to support the new virtual asset created through a fork, airdrop, or other automated distribution related to a virtual asset:

- Whether the new virtual asset meets the admission criteria outlined in this Policy, and whether it can be offered to retail investors;
- Whether there are any security vulnerabilities in the protocol or client software related to the new virtual asset; and
- Whether the new virtual assets can be supported by the Company's wallet system and trading infrastructure.

Each fork, airdrop, and other automated token distribution will be evaluated on a case-by-case basis. If the Company decides to support a fork, airdrop, or other automated distribution, it will inform its clients as early as possible via its website, and by email. The Company will also detail the level of support it is prepared to provide for the new virtual asset.

Throughout the lifecycle of a virtual asset, its specific features may be subject to change. To ensure that a virtual asset does not fall under or cease to fall under the definition of "securities" under the SFO, the VA Listing Team should conduct ongoing monitoring and establish procedures to keep track of changes.

The VA Listing Team may review public information, including the whitepaper, social media updates, websites, blogs, and regulatory actions taken by regulators, as well as conduct ongoing due diligence as appropriate. If necessary, the VA Listing Team should engage the Company's Legal Department & Compliance Department to review the legal advice and determine whether it is still up-to-date and whether there is a need to obtain updated advice in view of the change in circumstances.

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