



**fidinam**

**FinTech White Paper**  
**Guidelines for investors - Dec. 2022 Edition**

Switzerland | Hong Kong | Singapore | United Arab Emirates  
Cayman Islands | Republic of Seychelles | British Virgin Islands

# CONTENTS

- 3 INTRODUCTION
- 4 LIST OF DEFINITIONS
- 6 REGULATORY FRAMEWORK
- 9 REGULATORY SANDBOX
- 11 OVERVIEW OF COMMON CORPORATE STRUCTURES
- 14 TAXATION FRAMEWORK
- 16 REGULATORY TRENDS
- 20 FIDINAM SERVICES
- 21 OUR TEAM

# Introduction

Blockchain-based technologies continue their disruptive journey in the financial services industry. Some jurisdictions more than others are taking the stage as Fintech power houses with transformative initiatives and a particular focus on digital assets.

Technology, favourable regulation and ecosystems attract investors and drive the market to innovative solutions. Regulators are addressing the risks while looking at the potential benefits of digital assets and their underlying technologies. The aim is the protection of consumers, investors and businesses, as well as maintaining the safety and soundness of the financial markets.

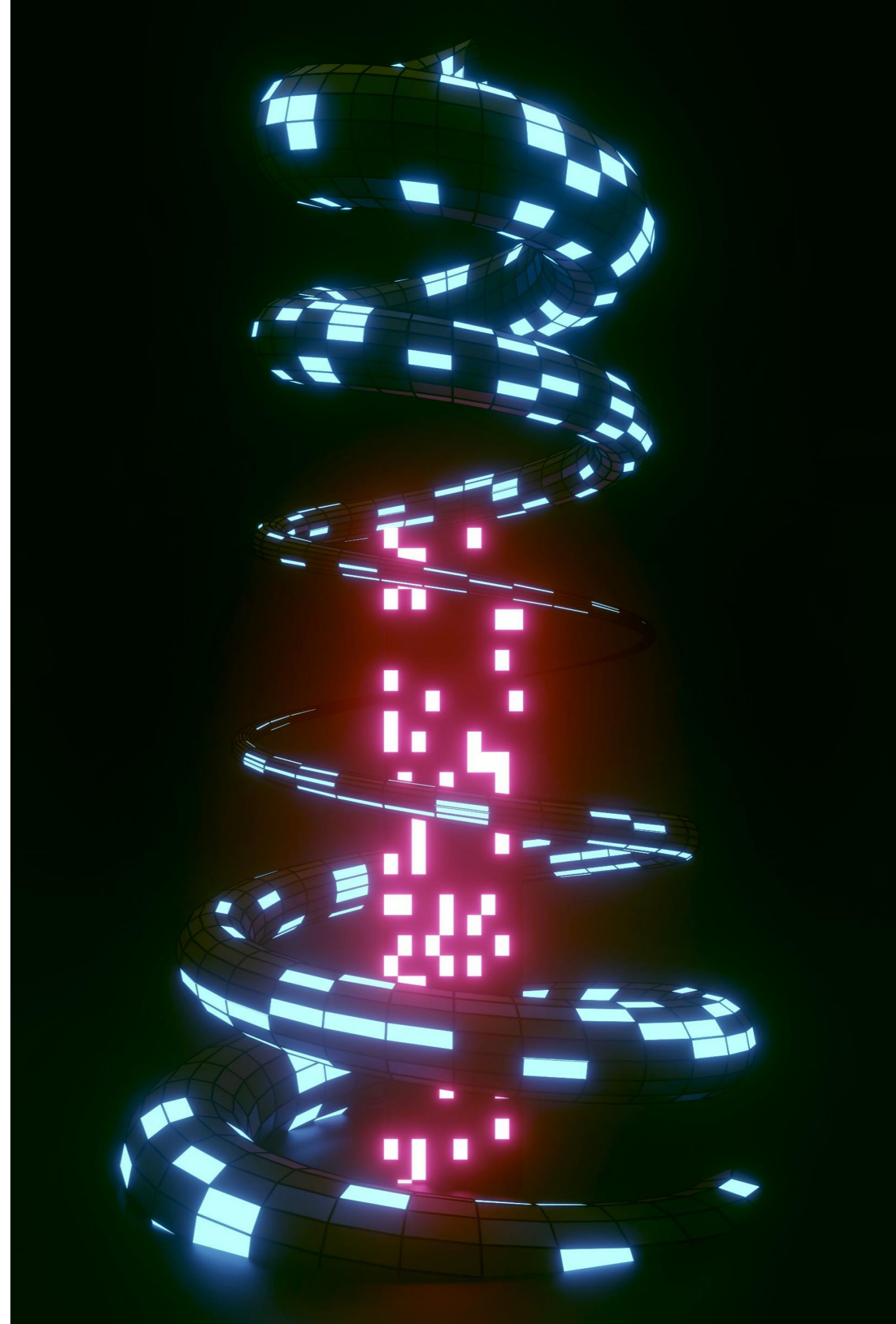
The regulatory framework is evolving rapidly, some jurisdictions have imposed outright bans while others are staunch advocates. Complete restrictions are rare and difficult to enforce, but regulators are struggling to set clear rules to a fast-changing industry.

Monetary and financial authorities around the world are willing to develop consistent compliance and tax frameworks, prevent scams and money laundering schemes, monitor risks and ultimately regulate the industry. Adding to the challenge is the ambiguous nature of digital assets themselves and the lack of standardized definitions.

The purpose of this White Paper is to summarize general guidelines on the most relevant jurisdictions involved in the development of the industry with a particular reference to compliance, taxation, reporting and corporate requirements. The list of countries analyzed include the followings:

- Switzerland;
- Hong Kong S.A.R.;
- Singapore;
- U.A.E.;
- Cayman Islands;
- Republic of Seychelles;
- British Virgin Islands.

In addition, the document includes a section with the definition of the most common terminology used in the FinTech industry by business players and regulators.



# List of definitions

**Blockchain** is a distributed database or ledger that is shared among the nodes of a computer network. As a database, a blockchain stores information electronically in digital format. Blockchains are best known for their crucial role in cryptocurrency systems, such as Bitcoin, for maintaining a secure and decentralized record of transactions. The goal of blockchain is to allow digital information to be recorded and distributed, but not edited. In this way, a blockchain is the foundation for immutable ledgers, or records of transactions that cannot be altered, deleted, or destroyed. This is why blockchains are also known as a distributed ledger technology (DLT).

**CeFi - Centralized Finance** when money is held by banks and third parties who facilitate money movement between parties, with each charging fees for using their services.

**Crypto-assets** are sometimes referred to as virtual assets. There's no universal definition for crypto-assets which have a wide range of variation in terms of structure, nature and usage.

**Cryptocurrency** is a decentralized medium of exchange or store of value designed to enable online transactions without the need for a trusted third-party intermediary. Instead, it uses cryptography to secure and verify transactions, as well as to control the creation of new units of a particular digital currency. Bitcoin is the most popular cryptocurrency, which has virtual tokens or coins that can be used to trade or make purchases.

**Custodial wallet providers** hold on to the private key, so it is responsible for safeguarding a user's funds.

**DeFi - Decentralized Finance** is a financial system enabled by public blockchains. Instead of relying on centralized intermediaries like banks, stock exchanges, or brokers, DeFi services use smart contracts—self-executing software of encoded rule sets that network participants can inspect and audit for authenticity—to record transactions and transfer funds.

**Digital assets** can be defined as anything that exists in a digital format. The phrase 'digital assets' has historically referred to media formats that were traditionally physical items, such as photos, videos, and documents, that began to be created, stored, and shared in a digital environment. However, since the emergence of blockchain technology, the term 'digital assets' has expanded to include investable asset types such as cryptocurrencies, NFTs, asset-backed tokens, and tokenized real estate. As these new blockchain-backed digital assets have become more widely adopted, the definition of the phrase has shifted to being primarily focused on assets that are backed by a distributed ledger, rather than digital media files. The terms virtual assets and digital assets are sometimes used interchangeably, but digital assets are a much broader category that includes virtual assets and other types of assets. All virtual assets are digital assets, but not all digital assets are virtual assets.

**Digital currencies** are a form of currency that is available only in digital or electronic form. It is also called digital money, electronic money, electronic currency, or cybercash. Typical digital currencies do not require intermediaries and are often the cheapest method for trading currencies. They can be regulated or unregulated currency. All cryptocurrencies are digital currencies, but not all digital currencies are cryptocurrencies.

**Digital Token** refers to any cryptographically-secured digital representation of value that can be transferred, stored or traded electronically.

**FinTech (Financial Technology)** is the technology-enabled innovation in financial services. It is commonly considered to cover the application of artificial intelligence, blockchain, cloud computing, and big data in areas such as payments, clearing and settlement, deposits, lending and capital raising, insurance, investment management, and market support.

**Metaverse** is a network of 3D digital spaces that combine aspects of social media, online gaming, augmented reality (AR), virtual reality (VR), and cryptocurrency to enable users to interact and transact in a rich virtual environment. You can experience the metaverse via a computer, virtual reality (VR) headset, or smartphone.

**Mining** is the process by which new cryptocurrency tokens or coins are generated. Digital currency miners use computers to solve cryptographic problems and receive a reward in the form of cryptocurrency.

**Non-custodian wallet providers** retain the full control of the private key to its users to gain access to their crypto assets and sole responsibility for protecting their holdings.

**Non-fungible tokens (NFTs)** are special tokens that represent unique, collectible items. They can represent digital media or real-world, tangible items like artwork and real estate, which makes buying, selling, and trading them more efficient. NFTs can also represent things like identities, property rights, or even a bundle of rights – all encoded into digital contracts or attestations.

**Regulatory Sandbox** is a controlled, time-bound, live testing environment, which may feature regulatory waivers at regulators' discretion. The testing environment may involve limits or parameters within which firms must operate.

**RegTech (Regulatory Technology)** is a class of software applications for managing regulatory compliance. Companies invest in RegTech as a way to save time and money, allowing resources that were once devoted to regulatory compliance to be diverted elsewhere, once RegTech takes over those functionalities.

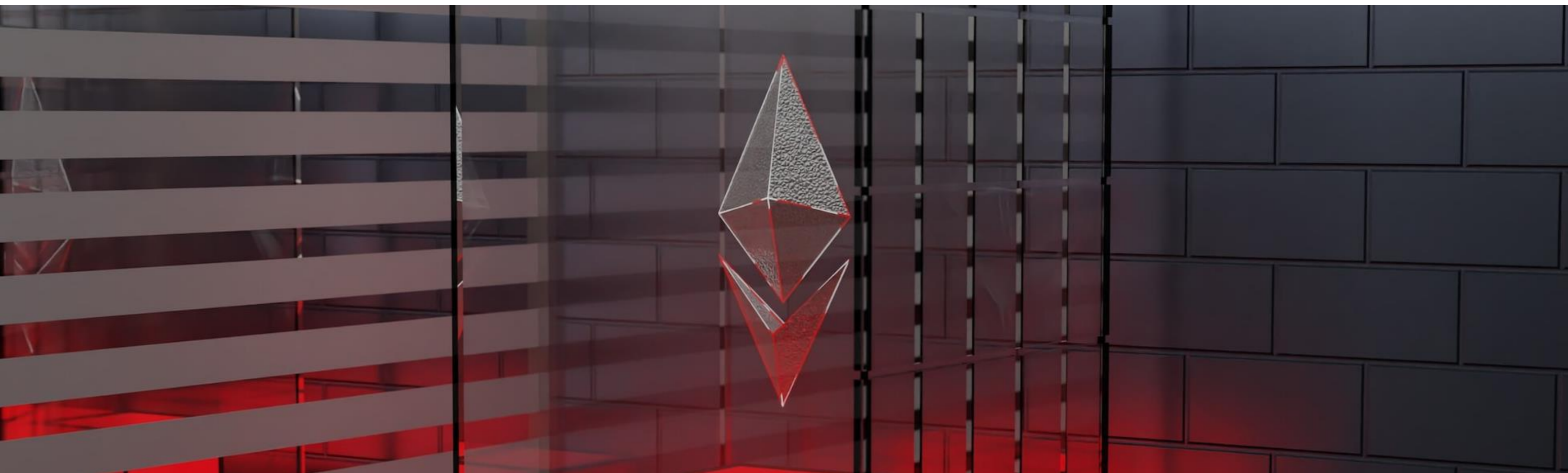
**Sandbox** is a commonly used term in the field of software development. A sandbox refers to an isolated—but fully functional—testing environment where software, applications (apps), and programs can be tested. If a programmer writes a new piece of code, they may use a sandbox to test it.

**Tokenization** is the process of converting any rights or assets into a digital token that can then be used, owned and transferred by the holder through a blockchain, without the need for a third-party intermediary. These tokens can represent tangible assets like gold, real estate, and art, or intangible assets like voting rights, ownership rights, or content licensing.

**Virtual asset** is a digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes. Virtual assets do not include digital representations of fiat currencies and securities.

**Virtual currencies** are unregulated digital currencies controlled by developers or a founding organization consisting of various stakeholders involved in the process. Virtual currencies can also be algorithmically controlled by a defined network protocol. An example of a virtual currency is a gaming network token whose economics is defined and controlled by developers.

**Web3** refers to a decentralized, blockchain-based online ecosystem. Platforms and apps built on Web3 aren't owned or governed by a central authority, rather they are owned by network participants, who earn their ownership stake by helping to develop and maintain those services.



# Regulatory Framework

	SWITZERLAND	HONG KONG	SINGAPORE	UNITED ARAB EMIRATES	CAYMAN ISLANDS	REPUBLIC OF SEYCHELLES	BRITISH VIRGIN ISLANDS
<b>Regulatory Authority</b>	Swiss Financial Market Supervisory Authority (FINMA)	Securities and Futures Commission (SFC)	The Monetary Authority of Singapore (MAS)	Dubai Virtual Assets Regulatory Authority (VARA)  Dubai Financial Services Authority (DFSA)  Securities and Commodities Authority (SCA)  Financial Services Regulatory Authority (FSRA)	Cayman Islands Monetary Authority (CIMA)	Financial Services Authority (FSA)	Financial Services Commission (FSC)
<b>Digital Assets and Digital Assets Service Providers Regulatory Framework and Licensing</b>	<p>There is no specific regulatory framework for digital assets. However, financial intermediaries are regulated by FINMA.</p> <p>According to the FINMA guidelines published on Published 16 February 2018<sup>1</sup>, financial intermediaries, which include below, are subject to the Swiss Act on Anti-Money Laundering (AMLA):</p> <ul style="list-style-type: none"> <li>issuing of payment tokens (synonymous with cryptocurrencies)</li> <li>exchange of a cryptocurrency for fiat money or a different cryptocurrency</li> <li>offering of services to transfer payment tokens if the service provider maintains the private key (custody wallet provider)</li> </ul> <p>However, decentralized trading platforms (a.k.a. decentralized exchange or DEX) are only subject to the</p>	<p>Most crypto/virtual assets are already covered by existing regulations including the Securities and Futures Ordinance (SFO), the Payment Services and Stored Value Facility Ordinance (Payment Systems and SVF Ordinance) and the Banking Ordinance.</p> <p>Depending on the nature of the proposed activity, it is possible that one or more licensing/registration requirements may be applicable. A detailed analysis is required to determine whether and how an activity may be regulated.</p> <p>Service providers related to crypto or virtual assets, such as serve as brokers, custodians, fund managers, investment managers, automated trading services operators, or other similar roles will be regulated by SFC.</p>	<p>Crypto / virtual assets that are digital payment tokens (DPT) or facilitating the exchange of DPT are regulated under the Payment Services Act 2019 ("PS Act"). It is the expectation that DPT service providers should not engage in marketing or advertising of DPT services to the public in Singapore.</p> <p>Crypto/virtual assets that are securities tokens (i.e., constitute a capital markets product) are regulated under the Securities and Futures Act (SFA).</p> <p>The licensing/approval requirements depend on the type of crypto/virtual asset and the nature of the business being carried out.</p> <p>Licensing as a payment service provider under the PS Act may be required where the PS Act applies.</p> <p>Where the SFA applies, a capital markets service</p>	<p>The Emirate of Dubai enacted Law No. 4 of 2022 on the Regulation of Virtual Assets (VAL). This excludes activities related to virtual assets in the Dubai International Finance Centre (DIFC) from its scope of application.</p> <p>The DIFC has its own regulatory framework for virtual assets under the jurisdiction of the DFSA.</p> <p>The UAE SCA issued its regulation in 2020, which seeks to provide clarity as to how crypto and other digital assets may be used as a stored value when purchasing various goods and services.</p> <p>FSRA of Abu Dhabi Global Market (ADGM) has become the first regulator in the UAE to issue comprehensive guidance and regulations on carrying out activities relating to cryptocurrencies. The FSRA regulates Initial Coin/Token</p>	<p>Virtual Assets (Service Providers) Act (the "VASP Act") provides a registration and licensing regime for any person carrying on a "virtual asset service" in the course of business using a Cayman Islands entity or otherwise from within the Cayman Islands.</p> <p>A "virtual asset service" means the issuance of virtual assets or the business of providing one or more of the following services or operations for or on behalf of a natural or legal person or legal arrangement:</p> <ol style="list-style-type: none"> <li>exchange between virtual assets and fiat currencies;</li> <li>exchange between one or more other forms of convertible virtual assets;</li> <li>transfer of virtual assets;</li> </ol>	<p>There is no separate legislative or regulatory framework with respect to virtual assets in Seychelles.</p> <p>The response of the FSA to a company that wants to be a Virtual Asset Service Provider would depend on the specific business operations and shall need to be considered on a case-by-case basis.</p> <p>For Initial Coin Offering (ICO), digital assets permitted to be traded online with a Seychelles resident may bring this activity within the regulatory sphere of the Securities Act, the legislation which governs securities and investment products in Seychelles.</p> <p>All entities (including the crypto-related businesses) are subject to the Anti Money Laundering and Countering the Financing of Terrorism Act, 2020 (AML Act) which sets the</p>	<p>BVI does not currently have a regulatory framework tailored specifically for virtual assets. Industry participants wishing to conduct virtual asset-related business in the BVI, or utilizing BVI entities, will need to carefully consider whether their proposed activities will bring them within the ambit of existing BVI financial services legislation.</p>

<sup>1</sup><https://www.finma.ch/en/~media/finma/dokumente/dokumentcenter/myfinma/1bewilligung/fintech/wegleitung-ico.pdf?la=en>

	SWITZERLAND	HONG KONG	SINGAPORE	UNITED ARAB EMIRATES	CAYMAN ISLANDS	REPUBLIC OF SEYCHELLES	BRITISH VIRGIN ISLANDS
	<p>AMLA if they have the possibility of intervening in the transactions of their users (e.g., blocking a transaction).</p> <p>Non-custodian wallet providers and miners are not subject to the AMLA.</p> <p>According to the AMLA, financial intermediaries have a duty to join a self-regulating organization (SRO) recognized by FINMA<sup>2</sup>. The SROs specify the due diligence obligations under AMLA regulations and carry out inspections to ensure that the member financial intermediaries comply with their obligations.</p>	<p>With effect from 1 March 2023, operating a Virtual Asset exchange will need to be licensed under the new licensing regime for virtual asset service providers (VASPs). Licensed VASPs will only be allowed to provide services to professional investors.</p>	<p>license or approval as an approved exchange or recognized market operator may be required.</p>	<p>Offerings and Virtual Currencies (under its Financial Services and Market Regulations).</p>	<p>d) virtual asset custody service; or</p> <p>e) participation in, and provision of, financial services related to a virtual asset issuance or the sale of a virtual asset.</p> <p>Cryptocurrency and other digital asset businesses that are not within the above categories may still be subject to regulation in the Cayman Islands.</p>	<p>reporting requirements for the companies to prevent, detect, and combat money laundering and terrorist financing.</p>	
<b>Other Relevant Regulations / Guidelines</b>	<p>No specific crypto-related laws or regulations exist, however, follows the following legislations related to AML:</p> <ul style="list-style-type: none"> <li>▪ AMLA</li> <li>▪ FINMA-AML-Ordinance</li> </ul> <p>Depending on the structure (e.g. investment funds, securities, etc) of the asset, the company and its business model may be subject under the following rules and regulations:</p> <ul style="list-style-type: none"> <li>▪ Banking Act/Ordinance (in the case of commercial acceptance of public contributions)</li> <li>▪ Financial Market Infrastructure Act/Ordinance (FMIA)</li> </ul>	<p>Crypto assets that qualify as securities or crypto asset products that constitute other types of financial products and services are subject to all rules typically applicable to securities and financial products, as relevant.</p> <p>Licensed crypto or virtual asset service providers are required to comply with the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO) or the industry-specific requirements that are determined by the relevant regulator.</p> <p>Existing regulations include the:</p>	<p>Relevant AML regulations are set out in the following:</p> <ul style="list-style-type: none"> <li>▪ MAS Notice PSN01 ("PSN01"), which applies to payment service providers that provide, among other things, account issuance services, domestic money transfer services or cross-border money transfer services</li> <li>▪ MAS Notice PSN02 ("PSN02"), which applies to payment service providers that provide digital payment token (DPT) services.</li> <li>▪ MAS Notice SFA04-N02, which applies to the securities tokens</li> </ul>	<p>The UAE Securities and Commodities Authority ("SCA") is tasked with monitoring and regulating the UAE's financial markets.</p> <p>SCA:</p> <ul style="list-style-type: none"> <li>▪ Decision No. 23 of 2020 Concerning Crypto Assets Activities Regulation (the SCA Virtual Asset Regulation), which regulates the offering, issuing, listing and trading of Crypto Assets in the State and related Financial Activities</li> <li>▪ Cabinet Resolution No. 36 of 2022 issued on 11 April 2022 concerning Regulated Activity of the Crowdfunding</li> </ul>	<p>Laws cryptocurrencies may fall into, based on its activities:</p> <ul style="list-style-type: none"> <li>▪ Mutual Funds Act; Mutual Funds (Amendment) Act 2020 (MFA)</li> <li>▪ Private Funds Act (as Revised) (PFA)</li> <li>▪ Virtual Asset (Service Providers) Act (as Revised) (VASP Act)</li> <li>▪ Securities Investment Business Law (SIBL)</li> </ul> <p>Apart from the specific regulation mentioned above, following are the relevant legislations:</p> <ul style="list-style-type: none"> <li>▪ Anti-Money Laundering Regulations (as Revised)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Anti-Money Laundering and Countering the Financing of Terrorism Act, 2020 (AML Act)</li> <li>▪ Securities Act, 2007 (Securities Act)</li> </ul>	<p>Laws where crypto currency may fall into based on its activities:</p> <ul style="list-style-type: none"> <li>▪ The Banks and Trust Companies Act, 1990 (BTCA) as amended;</li> <li>▪ The Financing and Money Services Act, 2009 (FMSA) as amended;</li> <li>▪ The Securities and Investment Business Act, 2010 (SIBA);</li> </ul> <p>Apart from the specific regulation mentioned above, the following are the relevant legislations or guidance:</p> <ul style="list-style-type: none"> <li>▪ BVI AML Law</li> <li>▪ Proceeds of Criminal Conduct Act</li> </ul>

<sup>2</sup> <https://www.finma.ch/en/authorisation/self-regulatory-organisations-sros/>

	SWITZERLAND	HONG KONG	SINGAPORE	UNITED ARAB EMIRATES	CAYMAN ISLANDS	REPUBLIC OF SEYCHELLES	BRITISH VIRGIN ISLANDS
	<p>(qualification as securities, licensing requirement for trading systems, reporting requirements for derivatives, trading regulations)</p> <ul style="list-style-type: none"> <li>Financial Institutions Act (authorization requirements as securities dealer)</li> <li>Financial Services Act/Ordinance (obligation to issue prospectus for publicly offered securities, conduct rules)</li> <li>Collective Investment Schemes Act (licensing requirement for investment funds)</li> <li>Stock Exchange Ordinance (SESTO)<sup>3</sup></li> <li>Federal Law to Developments in Distributed Ledger Technology (the DLT Act)</li> </ul>	<ul style="list-style-type: none"> <li>Securities and Futures Ordinance (SFO),</li> <li>the Payment Services and Stored Value Facility Ordinance (Payment Systems and SVF Ordinance) and the Banking Ordinance.</li> <li>Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO)</li> </ul>	<p>(i.e., constitute a capital markets product).</p> <p>MAS also published on May 2020 a Guide to Digital Token Offerings which details the regulations surrounding digital tokens and their applicability to securities, collective investments, derivative contracts and the determination of whether a token is a type of capital market product.</p>	<p>Platform Operator' (the Crowdfunding Regulations).</p> <ul style="list-style-type: none"> <li>Enabling Technologies Guidelines, which includes guidelines for distributed ledger technology (DLT).</li> </ul> <p>ADGM:</p> <ul style="list-style-type: none"> <li>the Financial Services and Markets Regulations (FSMR);</li> <li>Guidance on Regulation of Digital Securities Activities in ADGM;</li> <li>Guidance on Regulation of Digital Security Offerings and Virtual Assets under the FSMR; and</li> <li>Guidance on Regulation of Virtual Asset Activities in ADGM</li> </ul> <p>DIFC:</p> <ul style="list-style-type: none"> <li>the Regulatory Law 2004, as amended;</li> <li>the Law Regulating Islamic Financial Business 2004;</li> <li>the Investment Trust Law 2006;</li> <li>the Collective Investment Law 2010;</li> <li>the Markets Law 2012</li> <li>Regulatory framework for Investment Tokens</li> </ul>	<ul style="list-style-type: none"> <li>CIMA's Guidance Notes (Amendment) (No. 5)</li> <li>Rules and Regulations relating to AML, Combating Terrorist Financing (CTF), proliferation financing (PF) and targeted financial sanctions (TSF)</li> <li>AML Travel Rules</li> <li>The Cayman Islands Data Protection Act (as Revised) (DPA)</li> <li>Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS)</li> </ul>		<ul style="list-style-type: none"> <li>Economic Substance</li> <li>Beneficial Ownership Secure Search System Act 2017 (the BOSS Act)</li> <li>Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS)</li> <li>Guidance on Regulation of Virtual Assets in the BVI<sup>4</sup></li> </ul>

<sup>3</sup> <https://www.jbs.cam.ac.uk/wp-content/uploads/2020/08/2019-04-ccaf-global-cryptoasset-regulatory-landscape-study.pdf>

<sup>4</sup> [https://www.bvifsc.vg/sites/default/files/guidance\\_on\\_regulation\\_of\\_virtual\\_assets\\_in\\_the\\_virgin\\_islands\\_bvi\\_final.pdf](https://www.bvifsc.vg/sites/default/files/guidance_on_regulation_of_virtual_assets_in_the_virgin_islands_bvi_final.pdf)



# Regulatory Sandbox

	SWITZERLAND	HONG KONG	SINGAPORE	UNITED ARAB EMIRATES	CAYMAN ISLANDS	REPUBLIC OF SEYCHELLES	BRITISH VIRGIN ISLANDS
<b>Regulatory Framework</b>	<p>Under the Sandbox, the company can accept customer money, sell financial services, issue bank cards, and can carry out many other activities even before obtaining authorization from FINMA.</p> <p>FinTech companies that meet the following requirements qualify to get into the Sandbox:</p> <ul style="list-style-type: none"> <li>The total amount of assets received from clients (regardless of number) does not exceed CHF1 million (approx. USD1 million)</li> <li>The received funds are not invested, and interest is not paid.</li> </ul> <p>Depositors must be informed in advance that the company is not supervised by FINMA and their deposit is not protected under the Swiss depositor protection regime.</p> <p>There is no specific limit in time in terms of duration of the Sandbox.</p>	<p>The SFC Regulatory Sandbox has been established to provide a confined regulatory environment for qualified companies to operate regulated activities under SFO before FinTech is used on a fuller scale. SFC may impose licensing conditions on qualified firms, which may include limiting the types of clients that the firm may service, limiting the scope of business in regulated activities, etc.</p> <p>The SFC, the Hong Kong Monetary Authority (HKMA) and the Insurance Authority (IA) have launched their respective Sandboxes. If a company intends to conduct a pilot trial of a cross-sector FinTech product, it may apply to seek access to the Sandbox it considers most relevant. The regulator will act as the primary point of contact and assist in liaising with the other regulators for the firm to access the Sandboxes concurrently.</p> <p>There is no specific limit in time in terms of duration of the Sandbox.</p>	<p>The MAS FinTech Regulatory Sandbox framework, including Regulatory Sandbox (2016), Sandbox Express (2019), and Sandbox Plus (2022).</p> <p>The MAS has implemented a regulatory Sandbox to provide financial institutions and start-ups with a conducive regulatory environment for technological innovation.</p> <p>The Sandbox for each participant would have specified boundaries and duration. Depending on the proposed financial service, the applicant involved and the application made, MAS will determine the specific legal and regulatory requirements that it is prepared to relax for each case.</p> <p>Singapore is offering 3 Sandbox options:</p> <ol style="list-style-type: none"> <li>Sandbox – for more complex business models where customization is required to balance the risks and benefits. Based on the existing List of Sandbox experiments, the Sandbox duration provided is between 9 to 12 months.</li> <li>Sandbox Express – Fast-track approvals for activities where the risks are low and well</li> </ol>	<p>There are various regulatory Sandboxes in the UAE. Two well-known Sandboxes are as follows:</p> <ul style="list-style-type: none"> <li>ADGM RegLab – The first RegLab in the region. It provides a controlled environment for FinTech participants and is designed to foster innovation within the UAE financial services market for both new market entrants and existing financial institutions. To qualify, FinTech participants must demonstrate an innovative technological solution at a stage of development, ready for testing. The solution should also contribute to the development of the financial sector in the UAE.</li> </ul> <p>Sandbox duration is two years.</p> <ul style="list-style-type: none"> <li>DFSA Innovation Testing Licence (ITL) Programme – this provides a controlled environment for ITL holders to test new and innovative financial products, services and business models. Its objectives include providing a gateway to innovate the market participants and enhancing supervisory</li> </ul>	<p>Sandbox: The Virtual Asset (Service Providers) Law 2020 ("VASP Law") introduces the concept of a Sandbox licence that provides CIMA with the flexibility to regulate businesses that utilize innovative technologies or are engaged in activities that have the potential to benefit the financial services industry in the Cayman Islands.</p> <p>A Sandbox licence that will be issued by CIMA is a temporary licence granted for a period of up to one year.</p> <p>This framework however was recently introduced and therefore not yet fully established.</p>	<p>The "Financial Services Authority (Regulatory Sandbox Exemption) Regulations, 2019" (Regulations) introduced the Regulatory Sandbox (Sandbox), which allows for small-scale testing of innovative eligible financial services or products within a regulated environment with defined conditions and restrictions, and may obtain exemptions from licensing, disclosure and reporting requirements under the Securities Act. FSA however is currently carrying out a Risk Assessment on the Regulatory Sandbox. At the end of the assessment, clear guidelines and requirements for the application for the Regulatory Sandbox will be provided.</p> <p>Sandbox duration varies.</p>	<p>In June 2020, enactment of the "Financial Services (Regulatory Sandbox) Regulations, 2020" created a mechanism established within the Financial Services Commission (FSC) to enable the processing and acceptance of participants into a Regulatory Sandbox.</p> <p>Participants testing an innovative financial services product or service within the Regulatory Sandbox do not have to comply with the provisions of any regulatory legislation listed in Part 1 of Schedule 2 of the Financial Services Commission Act, 2001 except for the Proceeds of Criminal Conduct Act, 1997 and its subsidiary legislation.</p> <p>Sandbox participants must also comply with the requirements of the Regulations and any guidelines the FSC issues in relation to the Regulations.</p> <p>Sandbox duration is 18 months with a possibility to be extended up to 6 more months in exceptional circumstances.</p> <p>So far, only 2 companies are in the regulatory Sandbox.</p>

	SWITZERLAND	HONG KONG	SINGAPORE	UNITED ARAB EMIRATES	CAYMAN ISLANDS	REPUBLIC OF SEYCHELLES	BRITISH VIRGIN ISLANDS
			<p>understood by the market. Based on the existing List of Sandbox Express experiments, the sandbox duration provided is around 9 months.</p> <p>3. Sandbox Plus – One-stop assistance in areas of regulatory support and financial grant. Available since 1 January 2022. As of this writing, there's no existing List of Sandbox Plus experiments and Sandbox duration is not explicitly defined.</p>	<p>understanding.</p> <p>Sandbox duration is between 6 and 12 months.</p> <p>VARA (the sole authority regulating virtual assets across Dubai's free zones and mainland, except within the jurisdiction of DFSA) has established a MetaHQ on the Sandbox metaverse platform. This will service as:</p> <ul style="list-style-type: none"> <li>○ a channel to initiate applications for virtual asset platforms, Virtual Asset Service Providers (VASPs) and all other matters related to virtual assets,</li> <li>○ enable younger licensees to enter the metaverse,</li> <li>○ openly share knowledge and experiences with consumers and peer regulators to raise awareness,</li> <li>○ enable safe adoption,</li> <li>○ facilitate collaborative engagement between global VASPs, industry thought leaders, and international regulatory authorities.</li> </ul>			

# Overview of common corporate structures

The following summary shows the general requirements of the most common entities that are used in FinTech-related investments as per our experience. Additional requirements may apply depending on the intended activities. This information is for illustration purposes only and does not mean to be exhaustive.

	SWITZERLAND	HONG KONG	SINGAPORE	UNITED ARAB EMIRATES	CAYMAN ISLANDS	REPUBLIC OF SEYCHELLES	BRITISH VIRGIN ISLANDS
<b>Common types of entities used to register the company</b>	Joint Stock Company	Private Limited Company	Private Limited Company	Limited Company	Limited Liability Company	International Business Company	International Business Company
<b>Registered Agent / Corporate Secretary</b>	It is not a required procedure to appoint a company secretary.	The company must have a Company Secretary in Hong Kong.	The company must have a Corporate Secretary in Singapore for all the company secretarial/filing matters.	The company must have a Corporate Secretary in Dubai.	The company must have a Registered Agent in Cayman for all the company secretarial/filing matters.	The company must have a Registered Agent in Seychelles for all the company secretarial/filing matters.	The company must have a Registered Agent in BVI for all the company secretarial/filing matters.
<b>Registered Office</b>	The registered office must be a physical address in Switzerland.	The registered office must be a physical address in Hong Kong.	The registered office must be a physical address in Singapore.	The registered office must be a physical address in Dubai. (Either a physical office or flex-desk type office)	The registered office must be a physical address in Cayman.	The registered office must be a physical address in Seychelles.	The registered office must be a physical address in BVI.
<b>Directors</b>	Minimum of 1 Director, can be of any nationality but need to be resident in Switzerland.	Minimum of 1 individual Director, can be of any nationality and does not need to be resident in Hong Kong. However, for an SFC-licensed company, at least 1 director needs to be an executive director resident in Hong Kong.  For a licensed company, it is required to obtain the prior approval of the SFC for the appointment of directors and must meet fit and proper criteria.	A minimum of 1 Director can be of any nationality but need to be resident in Singapore.  For a capital market service (CMS) licensed company, a minimum of 2 directors, and at least 1 must be resident in Singapore. It is required to obtain the prior approval of the MAS for the appointment of directors and must meet fit and proper criteria.	Minimum of 1 Director, can be of any nationality and does not need to be resident in Dubai.	Minimum of 1 Director, can be of any nationality and does not need to be resident in Cayman.	Minimum of 1 Director, can be of any nationality and does not need to be resident in Seychelles.	Minimum of 1 Director, can be of any nationality and does not need to be resident in BVI.
<b>Managers / Responsible Officer</b>	Minimum of 1 Manager, can be of any nationality but need to be resident in Switzerland.	For an SFC-licensed company, at least 2 Responsible Officers are required per each regulated activity.	For CMS company, it is required to have a CEO who is resident in Singapore and minimum of 2 full-time Singapore-based representatives for each regulated activity.	For a Freezone company, minimum of 1 Manager, can be of any nationality, and no need to be resident in Dubai.	N/A	N/A	N/A
<b>Shareholders</b>	Minimum of 1 Shareholder, can be of any nationality and does not need to be resident in Switzerland.	Minimum of 1 Shareholder, can be of any nationality and does not need to be resident in Hong Kong.  For a licensed company, the shareholder(s) must meet fit and proper criteria.	Minimum of 1 Shareholder, can be of any nationality and does not need to be resident in Singapore.  For a licensed company, the shareholder(s) must meet fit and proper criteria.	Minimum of 1 Shareholder, can be of any nationality and does not need to be resident in Dubai.	Minimum of 1 Shareholder, can be of any nationality and does not need to be resident in Cayman.	Minimum of 1 Shareholder, can be of any nationality and does not need to be resident in Seychelles.	Minimum of 1 Shareholder, can be of any nationality and does not need to be resident in BVI.

	SWITZERLAND	HONG KONG	SINGAPORE	UNITED ARAB EMIRATES	CAYMAN ISLANDS	REPUBLIC OF SEYCHELLES	BRITISH VIRGIN ISLANDS
<b>Minimum Share Capital</b>	Minimum share capital of CHF100,000 (approx. USD100,000). Minimum of CHF50,000 or 20% of the share capital must be paid up at the time of incorporation.	For an SFC-licensed company, minimum capital will depend on the type of regulated activity.	PS Act: Under PS Act, the corporate applicant must have the following minimum base capital: a. Standard payment institution license: SGD 100,000; b. major payment institution license: SGD 250,000  SFA: For SFA corporate applicant, minimum capital requirement depends on the business activities involved.	Minimum share capital of AED50,000	No minimum share capital. The company share capital may be expressed in any currency. Shares can be issued with or without a par value and do not need to be fully paid on issuance.	No minimum share capital. The company share capital may be expressed in any currency. Shares can be issued with or without a par value and do not need to be fully paid on issuance.	No minimum share capital. The company share capital may be expressed in any currency. Shares can be issued with or without a par value and do not need to be fully paid on issuance.
<b>Maximum Share Capital</b>	No maximum share capital and no maximum number of shares.	No maximum share capital and no maximum number of shares.	No maximum share capital and no maximum number of shares.	No maximum share capital and no maximum number of shares.	No maximum share capital and no maximum number of shares.	No maximum share capital and no maximum number of shares.	The maximum number of shares that can be issued is 50,000.
<b>Accounting</b>	The company is required to submit audited financial statements.	The company is required to submit audited financial statements.	The company is required to submit audited financial statements.	The company is required to submit audited financial statements.	All entities are legally required to maintain and provide accounting records relating to transactions or operations. The documents can be kept anywhere in the world. However, there is no obligation to file the Financial Statements with the tax authority and there is no audit requirement. However, for a licensed company (i.e., VASP company), audited accounts will need to be submitted annually to CIMA.	Pursuant to the legislative amendments to the International Business Companies Act 2016 that came into force on 1 January 2022, all entities are legally required to maintain and provide accounting records relating to transactions or operations to be kept in Seychelles at all times (electronic copies of accounting documents are also fine). However, there is no obligation to file the Financial Statements with the tax authority and there is no audit requirement.	All entities are legally required to maintain and provide accounting records relating to transactions or operations. The documents can be kept anywhere in the world. However, there is no obligation to file the Financial Statements with the tax authority and there is no audit requirement.
<b>Anti-Money Laundering (AML) Compliance Duties</b>	AML Compliance can be outsourced, but the financial intermediary remains ultimately responsible for the proper fulfilment of the delegated duties.	Administrative duties can be outsourced to another licensed entity, provided that the organization proposing to outsource the services conducts sufficient due diligence and monitoring of the third-party service provider undertaking the AML activities on its behalf.	It is possible for AML functions to be outsourced, but the licensed entity remains responsible and accountable for all outsourced AML functions.  The outsourcing of AML functions will likely constitute a material outsourcing arrangement	AML Compliance can be outsourced, but the company remains ultimately responsible for the proper fulfilment of the delegated duties.	AML Compliance can be outsourced, but the company remains ultimately responsible for the proper fulfilment of the delegated duties.	For a licensed company, Compliance Officer needs to be resident in Seychelles.  The current AML Act has no provisions for the outsourcing of compliance activities.	Section 51 of the BVI FSC Regulatory Code, 2009 issued under section 41(1) of the FSC Act, prohibits the outsourcing of compliance functions.

	SWITZERLAND	HONG KONG	SINGAPORE	UNITED ARAB EMIRATES	CAYMAN ISLANDS	REPUBLIC OF SEYCHELLES	BRITISH VIRGIN ISLANDS
		The regulatory responsibility for compliance with AML obligations including the filing of any Suspicious Transaction Reports (STRs) and other requirements cannot be outsourced.	under the MAS Guidelines on Outsourcing, and the licensed entity should comply with the requirements under the MAS Guidelines on Outsourcing, including conducting a robust assessment of the service provider and establishing mechanisms to monitor and control the outsourcing arrangement on an ongoing basis.				

# Taxation Framework

	SWITZERLAND	HONG KONG	SINGAPORE	UNITED ARAB EMIRATES	CAYMAN ISLANDS	REPUBLIC OF SEYCHELLES	BRITISH VIRGIN ISLANDS
<b>Tax Provisions</b>	<p>Legal entities holding cryptocurrencies are subject to the following tax:</p> <ul style="list-style-type: none"> <li>Annual Capital tax – Legal entities have to declare cryptocurrencies in their tax assessment at cost of acquisition or, if this value is lower converted at the year-end exchange rate provided by Federal Tax Administration. Cryptocurrencies with no market value provided by the FTA are to be declared at acquisition costs.</li> <li>Corporate income tax – This is on any net taxable earnings from the sale of cryptocurrencies. Non-realized gains are only subject to corporate income tax in case of a mark-to-market accounting in the Swiss GAAP accounts of the corporate investor.</li> <li>Value Added Tax (VAT) – cryptocurrencies are treated the same way as legal tender, meaning that the trading or exchange activities of cryptocurrencies and additional services related to such trading or exchange activities are exempt from VAT.</li> </ul>	<p>Currently, Hong Kong has no specified tax laws that govern the taxation of digital assets but relies on the general provisions of the Inland Revenue Ordinance (Cap. 112). To provide general guidance and share lights of its viewpoints on taxation of digital assets as reference for the taxpayers, the Hong Kong Inland Revenue Department issued the revised Departmental Interpretation Practice Notes No. 39 in March 2020.</p> <p>In general, for investors who hold digital assets for long-term investment purposes, the proceeds will be capital gains and not taxed in Hong Kong. For the taxpayer who carries on a trade, profession or business in Hong Kong, which derives Hong Kong-sourced profits from digital assets, will be subject to Hong Kong Profits Tax under the two-tiered profits tax rates regime* (First HKD2million taxable profit at 8.25% and the remaining at 16.5%).</p> <p>* A group of connected entities can only nominate one entity within the group to enjoy the two-tiered tax rates for a given tax year. Otherwise, the taxable profit will be taxed at 16.5%.</p>	<p>Legal entities holding cryptocurrencies may be subject to Corporate Income Tax and GST.</p> <p>Corporate Income Tax:</p> <p>The purchase of Digital Tokens is not a taxable event as they are viewed as Intangible Property by IRAS. However, the Disposal of Digital Tokens would be considered a trading activity taxable/claimable based on gain/loss.</p> <p>The transaction will be considered a barter trade when virtual currencies are used to buy goods or services. Therefore, the value taxed would be at the point of the transaction using a verifiable exchange rate on payment exchange platforms.</p> <p>Gains on the disposal of holdings of digital tokens would not be taxed unless it is the company's main source of income and it would be considered as revenue.</p> <p>GST:</p> <p>The use of digital payment tokens as payment for goods or services will no longer give rise to a supply of those tokens. That is, if you use digital payment tokens to pay for the purchase of goods or services, you don't need to account for GST on the use.</p>	<p>There is no regulation or guidance on corporate or income tax, and value-added tax (VAT) for cryptocurrencies in the UAE.</p>	<p>There is no income, inheritance, gift, capital gains, corporate, withholding or other such taxes imposed in the Cayman Islands, including with respect to the issuance, holding or transfer of digital assets.</p>	<p>There is no regulation or guidance on the taxation of cryptocurrencies gains in digital assets in Seychelles.</p>	<p>There are no specific taxes levied against cryptocurrencies and they don't have any withholding tax, capital gain taxes, income tax, or corporate taxes for cryptocurrencies.</p>

	SWITZERLAND	HONG KONG	SINGAPORE	UNITED ARAB EMIRATES	CAYMAN ISLANDS	REPUBLIC OF SEYCHELLES	BRITISH VIRGIN ISLANDS
			<p>However, if you are receiving digital payment tokens in return for your supply of goods or services and you are GST-registered, you would have to account for output tax on your supply of goods or services (unless the supply is an exempt, zero-rated or out-of-scope supply).</p> <p>The exchange of digital payment tokens for fiat currency or other digital payment tokens is an exempt supply. However, stable currencies may be taxed if the aim is to avoid arm's length transactions that are subject to the GST (7% at time of writing, 8% from 1 January 2023).</p>				

# Regulatory trends

## Switzerland

### 1 Synergies between Dubai and Switzerland

The Crypto Valley Association (CVA), based in the Swiss Canton of Zug's self-proclaimed "crypto valley," will spearhead the partnership with its counterpart in Dubai to connect a growing group of blockchain communities in Switzerland and the Middle East. A partnership between the two blockchain associations will aim to connect businesses and foster growth in the sector.

### 2 Swiss Post Office embracing crypto trading

Traditional Financial Institutions appear poised to go into direct competition with its business partner with an "independent" trading and custody service by the start of 2024 "at the latest".<sup>5</sup>

### 3 Plan B, Lugano

Lugano's Plan B is a joint initiative between the City of Lugano and Tether to accelerate the use of and leverage bitcoin technology as the foundation to transform the city's financial infrastructure.

The plan will scale blockchain and Bitcoin throughout the city to positively impact all facets of daily life for the residents of Lugano. From small transactions with local merchants to larger efforts – such as paying annual taxes – blockchain will serve as the foundation for the city's financial exchanges.<sup>6</sup>

On 28 and 29<sup>th</sup> of October, 2022 the Plan B Forum was organized: the premier Bitcoin conference bringing together world leaders, technologists and entrepreneurs to discuss nation-state Bitcoin adoption, economics, financial freedom and freedom of speech.<sup>7</sup>

<sup>5</sup> <https://www.nasdaq.com/articles/fifth-largest-swiss-bank-to-enable-bitcoin-trading-for-over-2-million-customers>

<sup>6</sup> <https://planb.lugano.ch/>

<sup>7</sup> <https://planb.lugano.ch/planb-forum/>

## Singapore

### 1 Retail Investors:

The chief of Singapore's central bank said the city-state is considering new measures that will make it more difficult for retail investors to trade cryptocurrencies at a time when they seem to be "irrationally oblivious" about the risks.

Regarding the above-mentioned measures they could be used as 'frictions' on retail access to cryptocurrencies, as suitability tests and restricting the use of leverage and credit facilities for cryptocurrency trading.<sup>8</sup>

### 2 Stable Coins

The Monetary Authority of Singapore (MAS) is actively researching the optimal regulatory framework for stablecoins in the country. Existing regulation of stablecoins and other cryptocurrencies in Singapore focuses on Know Your Customer (KYC) and Anti-Money Laundering (AML) issues, but does not address the specific risks posed by stablecoins, as illustrated by the recent collapse of TerraUSD (UST).

The planned consultation will focus on regulating the reserve requirements for stablecoin issuers and the stability of the peg.<sup>9</sup>

## United Arab Emirates

### 1 Feedback Statement on Regulation of Crypto Tokens consultation paper

On 17 October 2022, the Dubai Financial Services Authority (DFSA), the regulator of the emirate's financial hub, published a feedback statement linked to the "Regulation of Crypto Tokens consultation paper" issued in March 2022, explaining:<sup>10</sup>

- 1 Areas where changes were made or where they had reasons not to make changes.
- 2 Plans for implementation of the crypto token licensing regime.
- 3 Plans for future work in the crypto area to develop regulation further.

Concerning plans for the future: From the business perspective, companies wanting to provide a crypto token business should be well prepared. In addition to completing the

<sup>8</sup> <https://www.cnbc.com/2022/08/29/singapore-considers-tightening-cryptocurrency-trading-by-retail-investors.html>

<sup>9</sup> <https://www.bloomberg.com/news/articles/2022-08-29/singapore-mulls-crypto-consumer-suitability-leverage-rules>

<sup>10</sup> [Crypto\\_Feedback\\_Statement\\_FINAL.pdf \(365343652932-web-server-storage.s3.eu-west-2.amazonaws.com\)](https://www.ama.gov.sg/assets/Crypto_Feedback_Statement_FINAL.pdf)



appropriate application forms, it's expected that companies prepare well-thought-out regulatory business plans, business continuity plans, and AML risk assessments (or amendments to these documents if they are already authorized by the DFSA), for example.

DFSAs would also expect to see evidence of how companies will comply with the new requirements in the crypto token regime, for example, technology governance, consumer disclosure and risk warnings.

From the ruler's perspective, instead of to continue developing the regulation in the crypto area, it will include AML/CFT, staking and decentralized finance. Again, DFSAs will focus on the balance between innovation and market development, and consumer protection and risk management.<sup>11</sup>

## Cayman Islands

### 1 AML/CTF Regime

On 21 October 2022, the Financial Action Task Force (FATF) assembled and released the gray list of countries, among which appears The Cayman Islands.<sup>12</sup>

The Cayman had satisfied 62 of 63 recommended actions in relation to improving its anti-money laundering and countering the financing of terrorism (AML/CFT) regime. The direction is that of improving policy and legislative framework, renewing and enhancing compliance IT systems, increasing the number of professionals in the public sector who monitor and oversee those compliance systems.<sup>13</sup>

## Republic of Seychelles

### 1 Virtual Asset Service Providers (VASPs)

Seychelles is seeking to regulate the activities of Virtual Asset Service Providers (VASPs) registered in the island nation with the aim of meeting the standards of the Financial Action Task Force (FATF). Consideration is being given to granting licenses so their activities can be monitored.

<sup>11</sup> <https://www.msn.com/en-ae/money/news/what-is-the-dfsas-approach-to-the-regulation-of-cryptocurrencies/ar-AA132OcX>

<sup>12</sup> Cayman still on FATF grey list over AML issues - Cayman Islands Headline News : Cayman News Service

<sup>13</sup> Documents - Financial Action Task Force (FATF) (fatf-gafi.org)

At present, it has not been able to identify the total number of VASPs from the over 51,000 registered International Business Companies (IBC).<sup>14</sup>

## British Virgin Islands

### 1 Business Companies (Amendment Act)

Q3 of 2022 saw the enactment of the Business Companies (Amendment) Act, 2022, which introduced a number of amendments to BVI company law. While many of these amendments are technical in nature, there are four key changes to be aware of: (1) a new requirement to prepare an annual financial return; (2) names of directors will be made publicly accessible; (3) non-payment of government fees will lead to automatic dissolution; and (4) new requirements for voluntary liquidators. All changes will come into effect on 1 January 2023.<sup>15</sup>

## Hong Kong

### 1 The Hong Kong Monetary Authority unveiled on 21 October 2022 a completed prototype of its Aurum retail Central Bank Digital Currency (CBDC).

### 2 Retail Investors: SFC is currently considering allowing retail investors to directly invest in virtual assets.

From 2019, the regulator has taken the stance of limiting crypto trading on centralized exchanges to professional investors, which are individuals with at least HK\$8 million (US\$1 million) in liquid assets.

However, the SFC has started to abandon the rigid position from 2021 and relaxed some requirements for retail investor participation including a policy introduced in January to allow service providers to sell some virtual asset-related derivative products to such investors.

The regulator is also reviewing rules on whether to allow retail investors to dabble in exchange-traded funds (ETFs) that have exposure to virtual assets, which is still an ongoing effort.<sup>16</sup>

<sup>14</sup> Cryptocurrency exchanges: Seychelles plans to regulate VASP activities - Seychelles News Agency

<sup>15</sup> 2022 Amendments to BVI the Business Companies Act | Ogier

<sup>16</sup> <https://news.bitcoin.com/hong-kong-mulls-letting-retail-investors-trade-crypto-removing-professional-investor-only-requirement/>

### 3 SFC is still evaluating the implementation of regulatory issues of crypto ETFs.

The listing of the first Bitcoin ETF in US (i.e. the ProShares Bitcoin Strategy ETF (Exchange Traded Fund)) has boosted institutions' interest in crypto investments. The SFC has received a number of enquiries from financial institutions eager to offer virtual assets to their private bank clients or professional investors.

As the regulatory landscape is still very uneven, the SFC has evaluated the regulatory issues of crypto ETFs and reviewed the regulatory regime for virtual assets introduced in 2019. The SFC has released a joint circular in May 2022 with the Hong Kong Monetary Authority ("HKMA").<sup>17</sup>

There are aspects that will need to be implemented:

- 1 ETF Connect: will be subject to further formulation and/or amendments to related trading and clearing rules as agreed between the relevant stock exchanges, securities registration and clearing houses in Mainland China and in Hong Kong.
- 2 Trading arrangements: will be formalized
- 3 Investment quotas: trading ETFs under ETF Connect will be subject to the existing daily quotas prescribed under Stock Connect.

### 4 E-HKD

The HKMA released on 20 September 2022 a position paper titled "e-HKD: Charting the Next Steps" to set out its policy stance and next steps on retail central bank digital currency (CBDC), ie, e-HKD.

As part of its "Fintech 2025" strategy to future-proof Hong Kong in terms of CBDC readiness (see our previous update), the HKMA has examined the prospect of issuing e-HKD in Hong Kong and conducted two rounds of market consultation, one on high-level technical design and the other on key policy and design issues (see our previous update). The respondents were generally supportive of the e-HKD initiative but pointed out the need to further examine issues such as privacy protection, legal considerations, and use cases.

Taking into account the findings of the study and the feedback received, the HKMA plans to take the following steps to pave the way for implementation of the e-HKD:

<sup>17</sup> <https://www.sfc.hk/en/News-and-announcements/Policy-statements-and-announcements/Joint-Announcement-of-the-CSRC-and-the-SFC>

Laying the technology and legal foundations for the implementation of the e-HKD – The HKMA will formulate a plan for developing the wholesale layer of the two-tier e-HKD system. It will also identify and examine areas to prepare for legislative amendments, with a view to enabling the issuance of a digital form of fiat currency with legal tender status in Hong Kong.

Taking deep dives into use cases as well as application, implementation, and design issues – This will run in parallel to the above. The HKMA will conduct a series of pilots in close collaboration with various stakeholders to gain actual experience.

Launching the e-HKD – The HKMA will consolidate the outcomes of the above steps for more thorough implementation planning, and will set the timeline for launching the e-HKD. The timing will depend on the progress made in the above steps, as well as the pace of relevant local and international market development.

### 5 Policy statement on the development of virtual assets in Hong Kong<sup>18</sup>

The Financial Services and the Treasury Bureau (FSTB) of Hong Kong has issued a statement on the Government's policy stance and approach towards developing a vibrant sector and ecosystem for Virtual Assets in Hong Kong.

Virtual Assets (VA) have attracted attention of investors worldwide and are increasingly viewed as a channel for financial innovations. With the future opportunities that will be opened as VA moves into the areas of Web 3.0 and the Metaverse, the Hong Kong Government recognizes that VA is here to stay.

Hong Kong already shows signs of a vibrant VA ecosystem, demonstrated by:

- NFT issuance in the market
- Presence of Metaverse developers
- Use of distributed ledger technologies (DLT) in trade finance
- Etc.

There are more possible use cases and opportunities, such as trading arts and collectibles, tokenizing vintage goods or even tokenizing a spectrum of products such as debt securities.

To allow VA innovations to thrive in Hong Kong, timely and necessary guardrails will be put in place, so actual and potential risks on financial stability, consumer protection, as

<sup>18</sup> [https://gia.info.gov.hk/general/202210/31/P2022103000454\\_404805\\_1\\_1667173469522.pdf](https://gia.info.gov.hk/general/202210/31/P2022103000454_404805_1_1667173469522.pdf)

well as money laundering and terrorists financing can be mitigated and managed in line with international standards.

Together with financial regulators, the Government is working on providing a facilitating environment to promote the sustainable and responsible development of the VA sector in Hong Kong. As such, they are ready to calibrate the legal and regulatory regime currently in place. International regulatory developments will be monitored closely, to take into account in the development of the Hong Kong regulatory system.

### **Regulation**

The Hong Kong Government and regulators will continue to adopt the "same activity, same risks, same regulation" principle. On this basis, over the past few years they have launched the following:

- A regulatory regime to license VA Exchanges using an "opt-in" approach
- Guidance on management of VA funds and discretionary accounts for asset management
- Guidance on distribution of VA-related products, dealing in or advising on VAs for banks and financial institutions

To take the regulatory framework further forward, the latest effort is to put together a licensing regime for VA Service Providers. This new regime will align requirements for VA Exchanges with those applicable to traditional financial institutions, in terms of anti-money laundering, counter-terrorist financing (AML/CTF) and investor protection.

As a result, licensed VA Exchanges are offered the status and credibility to access a wider net of investors in the Hong Kong market. Additionally, financial intermediaries and banks will be able to partner with licensed VA Exchanges when offering clients VA dealing services (provided that relevant regulatory conditions are met).

Furthermore, a licensing status will offer VA Exchanges the potential to open new distribution channels in Hong Kong, tapping into the city's sizable asset and wealth management market worth over US\$4.5 trillion.

### **Investors' exposure to VA**

The Securities and Futures Commission (SFC) will be conducting a public consultation on how retail investors may be given a suitable degree of access to VA under the new licensing regime. In other markets, retail investors have exposure to VA via VA-related products, such as Exchange Traded Products. Hong Kong is therefore open to the

possibility of having Exchange Traded Funds (ETFs) on VA in Hong Kong. The SFC will publish a circular on this soon.

### **Property rights of tokenized assets**

The Government recognizes that VA have unique characteristics different from traditional assets. To facilitate adoption and enhance investor protection, the Government is open to future review on property rights for tokenized assets and the legality of smart contracts, to provide a solid legal foundation for their development.

### **Stablecoins**

Stablecoins have a purported certainty in terms of maintaining value stability and increasing use as a means of exchange between cryptocurrency and fiat currency. They are seen to have a growing potential for significant interconnectedness with the traditional financial markets. International consensus is to put in place appropriate regulations on aspects such as governance, stabilization and redemption mechanisms of stablecoins.

### **Pilot projects**

Lastly, the Government and regulators are exploring the following pilot projects to test the technological benefits brought by Virtual Assets and their applications in the financial market:

- **NFT issuance for Hong Kong Fintech Week 2022**
- **Green bond tokenization** (for subscription by institutional investors)
- **e-HKD** (the potential "backbone" to bridge legal tender and VA)

### **Conclusion**

Hong Kong is prepared to embrace the future of finance and commerce, support the underlying technologies of VA and promote their benefits in the market. With a world-class financial infrastructure and legal and regulatory regime, Hong Kong is well-suited for sustainable development of financial services across the whole VA value chain.

# Fidinam Services

Fidinam professionals have been serving individuals and corporate clients in a wide range of projects including trading of digital assets (i.e. digital currencies, NFT), digital asset custody, intermediary for over-the-counter transactions of digital assets, investment holding companies, affiliate marketing, provision of platforms of online advertising services, IT solutions development and "LinkedIn of the Metaverse" connecting guilds, games and scholars.

We assist FinTech-related projects from our offices in Switzerland, Hong Kong, Singapore and the UAE. Our experienced professionals support clients to develop and scale-up their businesses in a compliant and tax-efficient way.

- Business consulting
- Tax consulting
- Digital consulting
- Licensing and Compliance
- Wealth and Estate planning
- Real Estate consulting

# Our Team in Asia and the Middle East

## Hong Kong



**Alessandro Pedrinoni**  
CEO Asia Pacific

Mr. Pedrinoni is a senior executive with more than 20 years of experience in strategy, business consulting, financial analysis and corporate services. He has worked in Italy, the United Kingdom, mainland China, Hong Kong and Vietnam. His academic credentials include an Executive MBA at Instituto de Empresa (IE Business School).



**Sara Silenzi**  
Head of Desk

Ms. Silenzi is experienced in International Corporate and Tax law. She holds a law degree from the University of Parma (Italy) and a second Level Master in Business and Company Law from LUISS University Guido Carli (Rome). She passed the Italian Bar Exam in 2015.

## Singapore



**Marta Giordano**  
Managing Director

Ms. Giordano has over 15 years' experience in the Corporate Services Industry and has developed an in-depth experience in the professional and business consultancy environment, managing a portfolio of blue-chip clients across a range of industries and regions. She graduated in Business Management & Administration from Catholic University of the Sacred Heart in Milan and is a professional Chartered Accountant.



**Desiree M. Tan**  
Head of Asia Desk

Ms. Tan has 18 years of experience dealing with private client practice - previously in real estate and yacht industry and now in the Trust and Corporate Services Industry advising clients on various structures which include Family Office, Companies and Fund set-up in Singapore and various offshore jurisdictions.

## UAE



**Stefano Menotti**  
Managing Director

Mr. Menotti is a senior consultant with 15+ years of experience in business consultancies, focusing on corporate structuring, cross border transactions, wealth planning, and direct/indirect taxation. Mr. Menotti holds a master degree in Economics from the Catholic University of Milano (Italy) and obtained qualification from the Italian professional accounting association of Certified Public Accountants, Auditors and Advisors (ODCEC).



**Loi Xiao**  
Head of China Desk

Mr. Xiao is an experienced professional with more than 30 years of expertise in international tax consulting, accounting and corporate services, with a particular focus on worldwide off-shore services. He has worked in Switzerland, Hong Kong, Liechtenstein, Vietnam and UAE. Mr Xiao perfectly speaks English, Mandarin, Vietnamese, German, French and Italian.

# Fidinam

Fidinam is a private consulting firm founded in Switzerland in 1960. We offer tax advisory, business consulting, real estate services, wealth and estate planning, licensing and compliance, crypto and digital consulting.

Our clients include individuals, SMEs and multinational companies in a wide range of industries.

With 250 employees in 16 locations and an extensive network of business partners in 90 jurisdictions, Fidinam provides innovative, personalized service and local expertise on a global scale.

Fidinam has more than ten years of presence in Asia Pacific, with offices in Hong Kong, Singapore, Vietnam, China, and Australia.

We provide our clients a one-stop-shop solution to set up and grow their business in the region.

Our strength is our people: a multicultural and multidisciplinary team of professionals capable to assist clients with a tailored, dedicated and boutique-style approach to their needs. Our team is up-to-date on evolving regulations, emerging markets and new technologies.

## Fidinam Group Worldwide Ltd

Room 1501, Prosperity Tower  
39 Queen's Road Central  
Hong Kong SAR

## Our presence in Asia Pacific

Hong Kong	Ho Chi Minh City
Shanghai	Hanoi
Singapore	Sydney
	Melbourne



[www.fidinam.com](http://www.fidinam.com)



[info@fidinamgw.com](mailto:info@fidinamgw.com)



+852 2110 0990



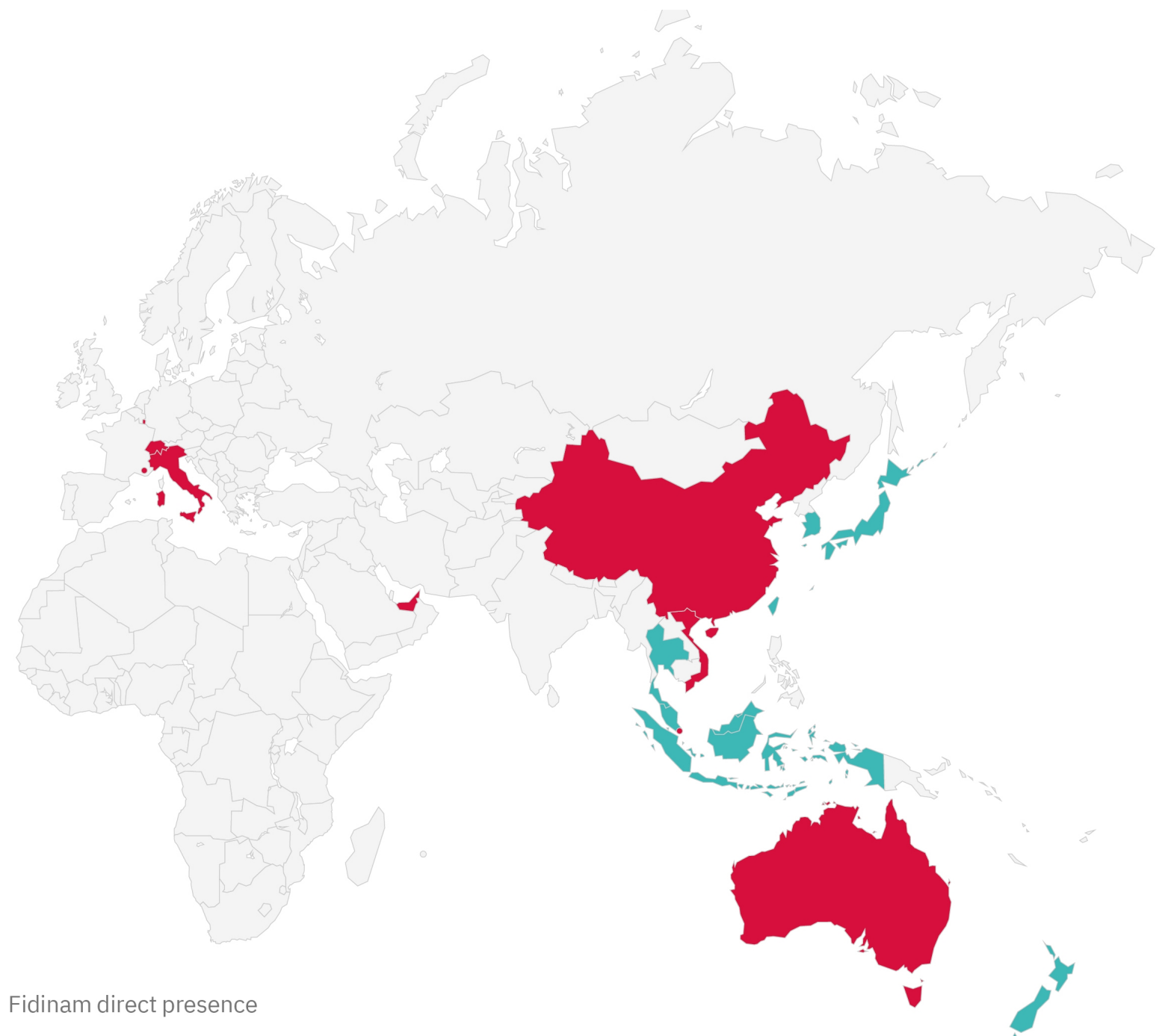
+852 6791 1806



[/FidinamGW](https://www.facebook.com/FidinamGW)



[/company/FidinamGW](https://www.linkedin.com/company/FidinamGW)



■ Fidinam direct presence

■ Fidinam services available

### Disclaimer

FIDINAM compiled the information herein with the greatest possible care. However, FIDINAM makes no guarantee nor assumes any responsibility for the accuracy, quality or the currency of this information. The information herein is intended to serve for informational purposes only. This information does not constitute any advertisement, offer, or recommendation of or from FIDINAM. The information that is made available is neither intended to comprise nor shall it serve as any suitable replacement for legal, tax or any other professional advice or services. You should consult with a FIDINAM professional to obtain such services. The sole use of the information does not give rise to any contractual relationship with FIDINAM.