

# Hong Kong Regulators Take Action Against Cryptocurrency Exchanges And ICOs

Article By:

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Hong Kong's Securities and Futures Commission ("SFC") have issued formal warnings to seven cryptocurrency exchanges and seven issuers of initial coin offerings. This follows their initial statement on ICOs released on 5 September 2017, and represents their first regulatory action.

The SFC has sent letters to seven cryptocurrency exchanges "in Hong Kong or with connections to Hong Kong", which provides a warning that they should not be trading cryptocurrencies which are "securities" as defined in the Securities and Futures Ordinance ("SFO") without a licence. The exchanges responded immediately, either by confirming that they do not provide trading services for such currencies or took rectification measures, including removing relevant cryptocurrencies from their platforms.

The SFC has said they may take further action where appropriate, focusing on repeat offenders and those who disregard the provisions of the SFO. This follows a statement on 11 December 2017 explaining that an entity is required to have an appropriate licence or authorisation from the SFC if it provides any business services which relate to Bitcoin futures contracts or cryptocurrency-related investment products and constitute a "regulated activity" as defined in the SFO.

The SFC has also written to seven ICO issuers. Most of them confirmed compliance with the SFC's regulatory regime or immediately ceased to offer tokens to Hong Kong investors.

Julia Leung, the SFC Executive Director of Intermediaries, said in a statement: "If investors cannot fully understand the risks of cryptocurrencies and ICOs or they are not prepared for a significant loss, they should not invest".

*Rizwan Qayyum authored this post.*

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National Law Review, Volume VIII, Number 43

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