

Hong Kong to tighten regulation of cryptocurrencies after arrests linked to JPEX trading platform

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Hong Kong's Chief Executive John Lee gives a speech following a swearing-in ceremony to inaugurate the city's new government in Hong Kong on July 1, 2022. Hong Kong's leader said Tuesday, Sept. 19, 2023 that the territory will tighten regulation of digital assets after police arrested six people following allegations of fraud at an unlicensed cryptocurrency exchange in the city. Credit: Selim Chtayti/Pool Photo via AP, File

Hong Kong's leader said Tuesday that the territory will tighten regulation of digital assets after police arrested six people following allegations of fraud at an unlicensed cryptocurrency exchange in the city.

The arrests on Monday followed an announcement by Hong Kong's securities watchdog last week that the exchange, JPEX, was unlicensed and did not have authority to operate its [cryptocurrency](#) trading platform in the city. The Securities and Futures Commission said it had received more than 1,400 complaints against JPEX involving more than 1 billion Hong Kong dollars (\$127.9 million) in losses.

The SFC also said some [investors](#) said complained of being unable to withdraw their virtual assets from JPEX accounts or of finding their balances were "reduced and altered."

The SFC and police were expected to release details on the case later Tuesday.

Hong Kong's chief executive, John Lee, told reporters Tuesday that the government would step up efforts to educate investors and remind them to use only platforms licensed by SFC.

JPEX announced Monday that it was suspending trading on its platform. It said in a statement that it was "negotiating with ... third-party market makers to resolve the liquidity shortage."

In a statement Sunday, JPEX complained of "[unfair treatment](#) by relevant institutions" in Hong Kong. It accused an unnamed partnered third-party market maker of "maliciously" freezing funds.

In China, cryptocurrency transactions have been banned since 2021 and

transactions made on foreign exchanges from within the country are also considered illegal. In the wake of the ban, Chinese cryptocurrency firms have turned to Hong Kong as a base.

Hong Kong's SFC began accepting applications for cryptocurrency exchanges from June 1, allowing licensed operators to serve [retail investors](#) as long as they understand the risks involved. Previously, only professional investors could access such exchanges.

Only two such exchanges have received approval in Hong Kong—OSL Exchange and Hashkey Exchange.

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