



## **Public hearing on maintenance of capital of the securities and derivatives business that also operates digital assets business (“SDOD”)**

The Office of Securities and Exchange Commission (“SEC Office”) opened public hearing on the Drafts of Notifications Related to the Maintenance of Capital of the SDOD (“Drafts”) from 10 May 2024 to 27 May 2024. The SEC Office aims for the Drafts to improve trust in capital market and digital assets market by imposing an increase in the investor protection, particularly in terms of capital requirement that could be used to protect or compensate the investor.

As a result of the Drafts, the SDOD must maintain capital, in addition of the higher of the fixed minimum capital or variable minimum capital, equal to the value of digital assets in hot wallet for a portion exceeding adjusted NC value. The Drafts would also allow the SDOD to use an insurance policy against the custody risk or trading service risk to in lieu of their respective reserve requirement.

In light of the release of the Drafts, the SEC Office also stated that it had taken many concerns from the public, such as that the SEC Office should seek for an alternative in protecting the investor other than imposing high net capital ratio requirement, take into account and adjust the Drafts accordingly.