

Government welcomes passage of Stablecoins Bill

The Government welcomed the passage of the Stablecoins Bill by the Legislative Council today (May 21) to establish a licensing regime for fiat-referenced stablecoins (FRS) issuers in Hong Kong, to further enhance Hong Kong's regulatory framework on virtual-asset (VA) activities, thereby fostering financial stability and encouraging financial innovation.

Upon implementation of the Stablecoins Ordinance, any person who, in the course of business, issues an FRS in Hong Kong, or issues an FRS that purports to maintain a stable value with reference to Hong Kong dollars in or outside Hong Kong will need to obtain a licence from the Monetary Authority (MA). The relevant persons must satisfy the requirements in areas such as reserve asset management and redemption, including proper segregation of client assets, maintaining a robust stabilisation mechanism, and processing stablecoin holders' requests for redemption at par value with reasonable conditions. The relevant persons must also comply with a range of requirements, including those on anti-money laundering and counter-terrorist financing, risk management, disclosure and auditing, and fitness and propriety. The MA will conduct further consultations on the detailed regulatory requirements of the regime in due course.

The regulatory regime will provide better protection for the general public and investors. Among others, under the Ordinance, only specified licensed institutions may offer an FRS in Hong Kong, and only an FRS issued by a licensed issuer may be offered to a retail investor. Additionally, to prevent fraud and scams, at all times (including the six-month non-contravention period), only advertisements of licensed FRS issuance are allowed. Members of the public are advised to take note of the above and exercise care when receiving FRS-related advertising materials or messages.

The Secretary for Financial Services and the Treasury, Mr Christopher Hui, said, "The Ordinance adheres to the 'same activity, same risks, same regulation' principle, with a focus on a risk-based approach to promote a robust regulatory environment. This is not only in line with international regulatory requirements, but also lays a solid foundation for Hong Kong's virtual asset market, which, in turn, promotes the sustainable development of the industry, protects users' rights and interests, and strengthens Hong Kong's status as an international financial centre."

The Chief Executive of the Hong Kong Monetary Authority, Mr Eddie Yue, said, "The Ordinance has established a risk-based, pragmatic, and flexible regulatory regime. We believe that a robust and fit-for-purpose regulatory environment would provide favourable conditions to support the healthy, responsible, and sustainable development of Hong Kong's stablecoin and the broader digital asset ecosystem."

The Ordinance is expected to come into effect this year, to allow sufficient time for the industry to understand the requirements under the licensing regime. The regime also provides for a transitional arrangement to facilitate the industry in applying for a licence and making suitable business arrangements in accordance with the regulatory regime.

The Government will continue to support the development of the VA sector. Following the implementation of the VA trading platform and stablecoins issuers regulatory regimes, the Government will soon launch consultations on VA over-the-counter and custodian services, and promulgate the second policy statement on the development of VAs.