

HONG KONG LAUNCHES STABLECOIN REGULATORY REGIME

Key takeaways

- Hong Kong has established a comprehensive regulatory regime on the issuance, offering and marketing of fiat-referenced stablecoins, with the Stablecoins Ordinance coming into effect on 1 August 2025. Issuers, distributors and other intermediaries should be aware certain stablecoin-related activities may be regulated by the Hong Kong regime even if conducted outside Hong Kong.
- **New licensing requirement** - broadly, a person must have a stablecoin licence if it: (i) issues a specified stablecoin in Hong Kong; (ii) issues a specified stablecoin referencing (wholly or partly) the HKD; or (iii) actively markets an issuance of specified stablecoin to the Hong Kong public. The latter two trigger the licensing requirement whether it is conducted in or outside Hong Kong.
- **Key licensing criteria** include: (i) the full backing of issued specified stablecoins by reserve assets; (ii) minimum paid-up share capital of HK\$25 million; and (iii) localisation requirements.
- **Offering / distribution restrictions** - only certain Hong Kong-regulated entities can offer specified stablecoins in Hong Kong or actively market (from anywhere in the world) such offering to the Hong Kong public. Specified stablecoins issued by stablecoin licensees can be offered to retail and professional investors; those issued by unlicensed issuers (that are not required to be licensed) can only be offered to professional investors.
- **Transitional arrangement** - pre-existing issuers of specified stablecoins can benefit from a six-month transitional arrangement under certain conditions.

Background

The Stablecoins Ordinance primarily regulates fiat-referenced stablecoin issuers and seeks to balance the potential monetary and financial stability risks posed by such stablecoins (e.g. the TerraUSD collapse) with the policy objective of fostering a sustainable virtual asset ecosystem in Hong Kong. The HKMA has issued guidelines and explanatory notes containing further details on the licensing criteria and anti-money laundering requirements for issuers. The regime also regulates the offering of specified stablecoins, governing who can distribute and to whom. It is proposed that there will be a separate licensing regime for intermediaries which provide dealing and custodian services for virtual assets (including stablecoins).

Scope

What stablecoin-related activities will be regulated?

Broadly speaking, activities related to issuance, marketing of the issuance and offering of specified stablecoins may be regulated. In particular, an issuer of specified stablecoins will require a licence from the HKMA (**Stablecoin Licence**) in certain circumstances.

What is a specified stablecoin?

The regime will only be triggered if the product in question is a specified stablecoin, which is a stablecoin that purports to maintain a stable value with reference wholly to one or more official currencies.¹ Commodity-linked stablecoins are therefore currently excluded, but there are powers for the HKMA to broaden the scope of specified stablecoin in the future.

A “stablecoin” is a cryptographically secured digital representation of value that, among other things:

- (i) is expressed as a unit of account or store of economic value;
- (ii) is used (or intended to be used) as a medium of exchange accepted by the public for payment for goods or services, discharge of a debt and/or investment;
- (iii) can be transferred, stored or traded electronically;
- (iv) is operated on a distributed ledger or similar information depository; and
- (v) purports to maintain a stable value with reference to a single asset, or a pool or basket of assets.

Deposits, certain securities and futures contracts, float stored in stored value facilities (SVF), SVF deposits, central bank digital currencies, limited purpose digital representations of value (i.e. those that can only be used as a means of payment for goods or services provided by the issuer) are excluded from the definition.

Stablecoin licensing regime

What triggers the requirement for a Stablecoin Licence?

- (i) Carrying on a “regulated stablecoin activity”. This means issuing: (a) a specified stablecoin in Hong Kong in the course of business; or (b) a specified stablecoin outside Hong Kong in the course of business that purports to maintain a stable value with reference (wholly or partly) to the Hong Kong dollar; and
- (ii) Holding out as carrying on a regulated stablecoin activity. This includes actively marketing, whether in Hong Kong or elsewhere, to the Hong Kong public (or a class of that public) that the person carries on or purports to carry on an activity that, if carried on in Hong Kong, would constitute a regulated stablecoin activity.

The HKMA’s [Explanatory Note on Licensing of Stablecoin Issuers](#) specifies that whether a specified stablecoin is “issued in Hong Kong” will depend on the particular circumstances of each case, including (but not limited to) factors such as the location of: (a) the issuer’s place of incorporation; (b) its day-to-day management and operations; (c) the minting and burning of the specified stablecoin; (d) where the reserve assets are managed; and (e) where the bank account for processing the cash flows arising from minting/redemption requests is maintained.

The issuance of HKD-referenced stablecoin whether in or outside Hong Kong will be caught.

The scope of “actively marketing” to the Hong Kong public will take reference from the SFC’s existing approach, including factors such as the language used in marketing, whether it is targeted at a group of people residing in Hong Kong, whether a Hong Kong domain name is used and whether there is a detailed marketing plan to promote the activity.

What is the scope and validity of a Stablecoin Licence?

Once a Stablecoin Licence is granted to an applicant (**Stablecoin Licensee**), it will authorise the Stablecoin Licensee to carry on any regulated stablecoin activity for which the application is made and the licence will remain valid until revoked. The licence can cover more than one issuance and type of specified stablecoins, though a Stablecoin Licensee should discuss with the HKMA before issuing an additional type of specified stablecoin such as one that references other official currencies. The HKMA has the power to attach any conditions to a licence that it considers appropriate, including requiring financial resources above the minimum level mentioned below.

What are the licensing criteria?

A Stablecoin Licence will not be granted unless the HKMA is satisfied that the applicant would fulfil the minimum criteria set out in Schedule 2 to the Stablecoins Ordinance. A Stablecoin Licensee must fulfil the minimum criteria on an ongoing basis.

¹ The HKMA can add to the definition of “specified stablecoin” by specifying units of account or stores of economic value by notice published in a gazette.

The annex to this briefing contains a high-level summary of the minimum criteria set out in the Stablecoins Ordinance, as well as the related guidance issued by the HKMA in its [Guideline on Supervision of Licensed Stablecoin Issuers \(Licensing Guideline\)](#). The criteria and supervisory expectations apply to Stablecoin Licensees and cover (amongst other matters) reserve assets management (including independent attestation and audit requirements on the reserve assets), redemption and distribution of specified stablecoins (which will also be of relevance to distributors), minimum financial resources, localisation requirements and fitness and propriety of personnel. To avoid regulatory overlap, certain requirements do not apply to authorized institutions² (AIs) (e.g. banks authorised by the HKMA).

Are there other compliance obligations for Stablecoin Licensees?

Stablecoin Licensees will be regulated as a “financial institution” for the purposes of Hong Kong’s anti-money laundering and counter-financing of terrorism (AML) legislation. The HKMA has issued a [Guideline on Anti-Money Laundering and Counter-Financing of Terrorism \(For Licensed Stablecoin Issuers\) \(AML Guideline\)](#) to provide guidance on (amongst others): (i) due diligence measures to be undertaken on customers (including any third-party distributors), customer wallets and custodial institutions both in relation to stablecoin issuance and redemption; and (ii) ongoing monitoring of stablecoin transactions in the secondary market (beyond issuance and redemption), including where the stablecoins are held by non-customers.³ Travel rule requirements for stablecoin transfers will also apply.

Stablecoin offering regime

Who can offer a specified stablecoin?

The offering of a specified stablecoin does not itself require a Stablecoin Licence. However, only “permitted offerors” can offer specified stablecoins in Hong Kong or hold out as offering specified stablecoins to the public in Hong Kong - this requirement applies even if the specified stablecoin is not issued in Hong Kong or references the HKD.

Offering a specified stablecoin means making a communication in the course of business to another person with sufficient information on the: (i) stablecoin; (ii) the offer terms; and (iii) channels through which it will be offered, to decide whether to acquire the stablecoin from the offeror. Holding out as offering includes a person actively marketing, whether in Hong Kong or elsewhere, to the Hong Kong public that it carries on or purports to carry on an activity that, if carried on in Hong Kong, would constitute an offering of a specified stablecoin.

Currently, permitted offerors are: (i) Stablecoin Licensees; (ii) AIs; (iii) SFC licensed corporations licensed for Type 1 regulated activity; (iv) licensed virtual asset trading platforms; and (v) SVF licensees. There is currently a public consultation on introducing a licensing regime for dealers and custodians of virtual assets⁴, which may require certain categories of permitted offerors to obtain a separate licence for their stablecoin activity.⁵

Stablecoin Licensees engaging third party distributors should therefore only engage permitted offerors for distribution in Hong Kong. Additional customer due diligence measures should be undertaken for third-party distributors (as outlined in the AML Guideline) and any third-party distribution arrangement should be notified in advance to the HKMA.

Can specified stablecoins be offered to retail investors?

Only specified stablecoins issued by Stablecoin Licensees can be offered to retail investors.

² An authorized institution means a licensed bank, a restricted licence bank or a deposit-taking company under the Banking Ordinance.

³ Due to the AML risks associated with peer-to-peer transfers between unhosted wallets, the HKMA considers it necessary to take a cautious approach in the early stages of implementation. Unless a licensee can demonstrate its risk mitigating measures are effective, the identity of each individual stablecoin holder should be verified: (i) by the licensee even where there is no direct customer relationship; (ii) by an appropriately supervised financial institution or virtual asset service provider; or (iii) by a reliable third party.

⁴ [Public Consultation on Legislative Proposal to Regulate Dealing in Virtual Assets \(June 2025\)](#) and [Public Consultation on Legislative Proposal to Regulate Virtual Asset Custodian Services \(June 2025\)](#)

⁵ There are proposed exemptions for Stablecoin Licensees offering or redeeming their own stablecoins. It is proposed that authorized institutions and SVF licensees would be required to register with (rather than obtain a licence from) the SFC, in consultation with the HKMA.

Those issued by entities that are not required to be Stablecoin Licensees (e.g. a non-HKD issuance outside Hong Kong which is not being actively marketed to the Hong Kong public) can be offered to professional investors⁶ but not retail investors. In the future, Hong Kong may consider retail access under a passporting or similar arrangement to recognise non-HKMA licensed issuances outside Hong Kong that is subject to equivalent regulation.

Other consumer protection measures

There are restrictions relating to advertising regulated stablecoin activities and advertising the offering of specified stablecoins. It is an offence to publish (including posting on social media) an advertisement in which:

- (i) an unlicensed entity holds themselves out as carrying on a regulated stablecoin activity (such as issuing a specified stablecoin in Hong Kong or a HKD-referenced stablecoin); or
- (ii) a non-permitted offeror holds themselves out as offering a specified stablecoin in Hong Kong.

Next steps

The regime comes into effect on 1 August 2025.

For pre-existing issuers (i.e. those who have carried on regulated stablecoin activity in Hong Kong prior to 1 August 2025), there is a transitional arrangement allowing operations to continue for a six-month grace period, provided certain conditions are met.⁷ The conditions include the submission of a Stablecoin Licence application within the first three months of the commencement date. The applicant must be a Hong Kong company unless it is an authorized institution. Pre-existing issuers that do not submit an application within the first three months will trigger a one-month closing down period, during which regulated stablecoin activity can be conducted only for the purpose of closing down the business.

We are advising a leading global financial institution group in relation to its application for a Stablecoin Licence. We would be happy to help you navigate the new regime. Please contact Vincent Chan or your usual Slaughter and May contact.

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⁶ Professional investors as defined under section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance. See Stablecoins Ordinance (Specification of Persons for Purposes of Section 9(2)(b)(iii)) Notice.

⁷ The HKMA has issued an [Explanatory Note on Transitional Provisions for Pre-existing Stablecoin Issuers](#) to provide further guidance.

Annex

High-level summary of the minimum criteria to be fulfilled by Stablecoin Licensees

Als are not subject to the criteria shaded in grey below to avoid overlap with existing banking regulations.

STABLECOINS ORDINANCE		HKMA LICENSING GUIDELINE
Management of reserves assets		
1.	Full backing: for each type of specified stablecoins, the market value of the specified reserve assets pool backing the type of specified stablecoins must at all times be at least equal to the par value of the outstanding specified stablecoins of the type in circulation.	Licensees should over-collateralise to provide adequate buffer above the full backing level and regularly verify that full-backing is being achieved. The Licensing Guideline sets out the HKMA's expectations on the approach to be adopted in calculating market value.
2.	Investment limitations: Reserve assets must be of high quality and high liquidity with minimal investment risk. Reserve assets must be held in the same referenced currency (unless otherwise approved by the HKMA in advance).	The Licensing Guideline sets out expectations on the form of reserve assets e.g. cash, bank deposits with a term of no longer than three months, certain treasury / public debt securities, certain cash receivables from overnight reverse repurchase agreements and dedicated investment funds that invest in the above. HKD-referenced stablecoins can be backed up by USD-denominated reserve assets. Reserve assets for stablecoins with more than one referenced currency should be currency-matched in the same ratio (unless otherwise approved by the HKMA).
3.	Segregation and safekeeping of reserve assets: the reserve assets for each type of specified stablecoin must be segregated from other reserve assets it maintains, protected against claims by other creditors and kept separate from other assets.	Effective trust arrangements (e.g. appointing an independent trustee or declaration of trust over the reserve assets) should be put in place and backed up by a legal opinion. Qualified custodians (i.e. a licensed bank or other custodian acceptable to the HKMA) should be appointed for the safekeeping of reserve assets.
4.	Risk management and controls: appropriate risk management policies and controls for the management of reserve assets are implemented to ensure valid redemption requests can be honoured without undue delay. Regular independent attestation and audit of reserve assets.	Licensees should appoint an independent external auditor acceptable to the HKMA to regularly perform attestation at a frequency acceptable to the HKMA. Regular audits should also be conducted on its reserve asset management. Audit outcomes and breaches of reserve asset requirements should be reported to the HKMA.
5.	Prohibition on paying interest: interest in relation to specified stablecoins must not be paid. Interest is any profit or other return from the holding of the specified stablecoin based on the length of the holding period, par value and/or market value of the specified stablecoin.	Marketing incentives that do not amount to the payment of interest may be paid. ⁸
6.	Disclosure and reporting: disclosure to the public on reserve assets management policy, risk assessment of	Daily statements on reserve assets should be prepared, and submitted on a weekly basis to the HKMA and disclosed on

⁸ Legislative discussions noted that transaction-based market incentives which are not based on the length of the holding period, par value and/or market value of the specified stablecoin, could be permitted. On the other hand, net compensation or discounts that are linked to the length of the holding period of a specified stablecoin would likely be regarded as interest.

	reserve assets, composition and market value of reserve assets and results of independent attestation and audit of reserve assets.	the licensee's website. The independent attestation report should be submitted to the HKMA in a timely manner and disclosed on licensee's website.
Issuance, redemption and distribution requirements		
7.	Prudent issuance: issuances must be prudent and sound having regard to the purpose, business model and operational arrangement of the issuer.	<p>Licenseses should have in place a viable business plan and adopt a strategy that is aligned with the principle of soundness and reliability.</p> <p>Licenseses should have policies and procedures for issuance, redemption and distribution and comply with the laws and regulations in jurisdictions where it issues, offers and markets specified stablecoins, with procedures to manage this aspect (e.g. verification of ID, checking IP addresses and blocking access to non-permitted jurisdictions).</p> <p>Any third-party distribution arrangements must not adversely affect the prudence and soundness of its issuances. Licenseses should consider the laws and regulations of relevant jurisdictions including the licensing status of the distributors (e.g. permitted offerors if offering in Hong Kong), as well as conduct DD and risk assessment on the distributors.</p> <p>Licenseses that wish to issue an additional type of specified stablecoins should have prior discussions with the HKMA.</p> <p>Regular audits should be conducted on its issuance, redemption and distribution operations, and audit outcomes and breaches of relevant requirements reported to the HKMA.</p>
8.	<p>Right of redemption: provide a right of redemption. Any conditions to exercise redemption rights must not be unduly burdensome and any redemption fees must be reasonable.</p> <p>Redemption requests must be honoured as soon as practicable by paying par value of the specified stablecoin (minus any reasonable redemption fee) in the reference asset.</p>	<p>Licenseses must provide certain rights to its stablecoin holders that are exercisable in the event of its insolvency (and supported by a legal opinion) e.g. the right to claim against the licensee for any shortfall if proceeds from the disposal of specified reserve assets pool is insufficient for redemption in full.</p> <p>A redemption request should be processed within one business day after the date it is received (unless otherwise approved by the HKMA).</p>
Risk management		
9.	Risk management policies and procedures: appropriate policies and procedures to manage risks arising from its licensed stablecoin activities (including risks relating to data, fraud and operational disruptions). HKMA's prior approval is required to deviate from its risk management policies and procedures.	<p>The Licensing Guideline sets out detailed expectations on various aspects of risk management, including the management of credit, liquidity, market and technology risk. There are provisions on the management of tokens, wallets, private keys, customer accounts, cyber security, data, IT operations, business continuity etc.</p> <p>Material third party arrangements (including for custody for reserve assets, distribution of specified stablecoins and critical IT services) should be notified to the HKMA in advance. Third parties should be subject to risk assessment, DD and ongoing monitoring, with appropriate access to records and the benefit of certain contractual terms.</p>

		The licensee should have sufficient access to records and systems that are not impeded by any outsourcing or offshoring.
Business activities		
10.	Resources: sufficient and dedicated resources to carry on its licensed stablecoin activities.	Submission of audited financial statements to the HKMA on an annual basis, within four months of financial year-end
11.	New lines of business: the HKMA’s prior approval must be obtained before carrying on any business activity other than a licensed stablecoin activity.	Licensees should demonstrate the other line of business will not pose significant risks to its licensed activities and any conflicts of interest can be managed, with sufficient resources remaining for its licensed business.
Localisation requirements		
12.	Corporate status: unless the applicant is an authorized institution, it must be a company incorporated in Hong Kong or which has re-domiciled to Hong Kong.	
13.	Key personnel: the stablecoin manager of an authorized institution must be ordinarily resident in Hong Kong. The chief executive and alternate chief executive(s) of a non-authorized institution must be ordinarily resident in Hong Kong.	
Financial resources requirements		
14.	Minimum paid-up share capital: adequate financial resources and liquid assets to meet its obligations, with a minimum paid-up share capital (or other financial resources as approved by the HKMA) of HKD 25 million.	Sufficient liquid net assets should be funded by equity (i.e. not from loans, guarantees or similar) to meet its obligations
Governance		
15.	Controller,⁹ chief executive, alternate chief executive, director: such positions require the HKMA’s prior consent. There must be a chief executive and at least one alternate chief executive.	Generally, at least one-third of the Board should be independent non-executive directors.
16.	Stablecoin manager: an authorized institution ¹⁰ must appoint a stablecoin manager. The appointment requires the HKMA’s prior consent.	
17.	Fit and proper / knowledge and experience: chief executives, directors, stablecoin managers, controllers and managers ¹¹ must be fit and proper persons. The	The Licensing Guideline gives examples of the factors the HKMA will consider when determining fitness and propriety

⁹ Broadly, controller means: (a) a majority shareholder controller exercising more than 50% of the voting rights; (b) a minority shareholder controller exercising at least 10% but no more than 50% of the voting rights; or (c) an indirect controller. It should be noted that, except for authorized institutions, the Stablecoins Ordinance also requires a Stablecoin Licensee to obtain the HKMA's prior approval for the sale or disposal of the entire or any part of its business (i.e. an asset sale).

¹⁰ This requirement does not apply to licensees / applicants that are not authorized institutions.

¹¹ Individuals (other than a chief executive, director and stablecoin manager) appointed to be principally responsible for the conduct of one or more specified affairs in relation to licensed stablecoin activities.

	<p>appointment or continued employment of employees or prospective employees who have been declared bankrupt or convicted of fraud / dishonesty offences will require the HKMA's approval.</p> <p>Officers ¹² responsible for day-to-day management and operation must have appropriate knowledge and experience.</p>	<p>and knowledge and experience. In the case of controllers, any potential conflict of interest may be considered.</p>
Disclosure		
18.	<p>Disclosure: publish a white paper in respect of each type of specified stablecoin to provide comprehensive information about the type of specified stablecoins.</p>	<p>The white paper should include information about the licensee, stablecoin, reserve assets management, issuance and distribution mechanisms (including any third-party distribution arrangement), redemption information (e.g. redemption rights and procedures, any fee or conditions and timeframe), underlying technology and risks of using the stablecoin, and the terms and conditions applicable to holders.</p> <p>The HKMA should be notified prior to the publication of, or any material changes to, the white paper.</p>

¹² Officer means a chief executive, director and manager, or in the case of an authorized institution, a stablecoin manager.