GIBSON DUNN

Hong Kong's Regulators Refresh Guidance on Virtual Assets and Propose Legal Framework for Stablecoin Issuers

Client Alert | February 2, 2024

This briefing examines in depth the circulars and consultation paper issued by the SFC and HKMA in December 2023. Throughout the course of 2023, the Hong Kong Securities and Futures Commission ("**SFC**") and the Hong Kong Monetary Authority (**"HKMA**") showed clear indications of their increased openness to virtual assets ("**VA**"), including through the implementation of the SFC's Hong Kong virtual asset trading platform ("**VATP**") regime,[1] and the release of multiple circulars liberalising the regulatory approach to this area.[2] This trend continued through until the very end of 2023, with the SFC and HKMA being very active in this space in late December. In particular, the SFC on December 22, 2023 issued a circular significantly relaxing the approach to virtual asset exchange traded funds (**"VA ETFS**") and other funds with exposure to VA, followed by a joint SFC-HKMA circular in relation to intermediaries' virtual asset-related activities and an HKMA consultation paper setting out a proposed legislative regime for the issuance of stablecoins. This client briefing examines the two circulars and consultation paper in further depth. **I. SFC Circular on SFC-Authorised Funds With Exposure to Virtual Assets** On December 22, 2023, the SFC published a circular on SFC-authorised funds with exposure to virtual assets ("**SFC Circular**"), and sets out the requirements under which the SFC will consider authorising funds with exposure to VA of more than 10% of their net asset value (**"NAV**") ("**SFC-authorised VA Funds**").[3] The SFC Circular supersedes an earlier circular on VA futures ETFs issued on October 31, 2022 ("**October 2022 Circular**").[4] The key practical effect of the replacement of the October 2022 Circular is to expand the scope of VA ETFs that may be authorised by the SFC, as the October 2022 Circular only provided for the authorisation of VA ETFs with Bitcoin futures and Ether futures traded on the Chicago Mercantile Exchange ("**CME**") as the underlying assets. The SFC Circular removes this requirement. However, all funds with either direct (i.e. as a result of purchasing of tokens directly by the fund) or indirect investment exposure to VA seeking SFC authorisation must comply with a range of requirements, as summarised in the table below.[5] Further, (i) funds having or intending to have VA exposure of more than 10% of NAV that wish to seek the SFC's authorisation or (ii) existing SFC-authorised funds that plan to obtain VA exposure of more than 10% of their NAV should consult and seek prior approval from the SFC by contacting the relevant case officer of the Investment Products Division.

Related People

William R. Hallatt

Emily Rumble

Area	Key changes from the October 2022 Circular and/or key r
Eligible underlying VA	• SFC-authorised VA Funds should only invest (indirect are accessible to Hong Kong public for trading on SFC
Investment strategy	• As noted above, the SFC Circular has removed the re 2022 Circular that VA ETFs must only have as their ur Ether futures traded on Chicago Mercantile Exchange does allow SFC-authorised VA Funds to only have ex conventional regulated futures exchanges. Further, th funds must be able to demonstrate that: (i) the relevar liquidity and (ii) the roll costs of the relevant VA futures roll costs will be managed. • Indirect exposures to eligible VA via other exchange-tr applicable requirements in the UT Code and other req

© 2026 Gibson, Dunn & Crutcher LLP. All rights reserved. For contact and other information, please visit us at www.gibsondunn.com. | **www.gibsondunn.com**

	imposed by the SFC. • SFC-authorised VA Funds must not have leveraged e • SFC-authorised VA Funds that primarily adopt a future are expected to adopt an active investment strategy to composition, rolling strategy and handling of any mark
Transactions and direct acquisitions of spot VA	• Transactions and acquisitions of spot VA by SFC-auth conducted through SFC-licensed VATPs or authorised subsidiaries in accordance with any applicable HKMA • For in-cash subscriptions and redemptions, SFC-auth acquire and dispose of spot VA through SFC-licensed platform. • For in-kind subscriptions, participating dealers (**"PDs"** authorised spot VA ETFs' custody accounts with SFC- vice versa where in-kind redemptions are concerned). • Both in-cash and in-kind subscription and redemption authorised spot VA ETFs. • For ETFs that invest in spot VA, PDs should be SFC-li registered institutions.
Custody	• The trustee/custodian of an SFC-authorised VA Fund custody function to an SFC-licensed VATP or an AI (o incorporated AI) which meets the expected standards HKMA from time to time. • The trustee/custodian and any delegate responsible fo of an SFC-authorised VA Fund should comply with ad should ensure segregation between the VA holdings a assets it holds for other clients; (ii) it should store mos wallet, and minimise the amount and duration of VA h ensure the seeds and private keys are securely stored to authorised personnel, and sufficiently resistant to sp properly backed up to mitigate any single point of failu
Management companies	• Management companies of SFC-authorised VA Funds record of regulatory compliance, and at least one com relevant experience in the management of VA or relate • The SFC's Licensing Department may also impose ad such management companies.
Valuation	• When valuing spot VA, the management companies o should adopt an indexing approach based on VA trade trading platforms (i.e. a benchmark index published by reflects a significant share of trading activities in the u
Service providers	• Management companies should confirm that all neces fund administrators, participating dealers, market mak competent, available and ready to support the SFC-au
Disclosure and investor education	• The offering documents (including the product key fac authorised VA Funds should disclose the investment li funds' VA exposures. • Product KFSs for SFC-authorised VA Funds should co investment objectives and the key risks associated wit such as: (i) price risk, custody risk, cybersecurity risk a spot VA; and (ii) potentially large roll costs and operati futures.
Distribution	

© 2026 Gibson, Dunn & Crutcher LLP. All rights reserved. For contact and other information, please visit us at www.gibsondunn.com. | **www.gibsondunn.com**

	Please refer to Section II below.

II. SFC and HKMA Joint Circular on Intermediaries' Virtual Asset-Related Activities On December 22, 2023, the SFC and HKMA issued a joint circular on intermediaries' virtual asset-related activities ("**Joint Circular**") which provides updated guidance to intermediaries carrying on VA-related activities, in respect of (i) the distribution of investment products with exposure to VAs; (ii) the provision of VA dealing services; (iii) the provision of VA advisory services; and (iv) the management of portfolios investing into VAs.[6] The Joint Circular supersedes an earlier joint circular published on October 20, 2023.[7] The Joint Circular emphasises that VA-related products[8] will very likely be considered complex products and that intermediaries distributing VA-related products considered to be complex products will generally be required to comply with the SFC's requirements on the sale of complex products (including most notably ensuring suitability of VA-related products, regardless of whether the intermediary has solicited or recommended that its clients invest in the product in question). However, the SFC and HKMA have also imposed two additional investor protection measures on the distribution of VA-related products to address specific risks related to these products:

1. **Restrictions on sale:** Subject to certain exceptions (as discussed further below), the SFC and HKMA have indicated that VA-related complex products should only be offered to professional investors (**"PIs**"); and
2. **VA knowledge test:** Intermediaries must assess whether clients (other than institutional PIs and qualified corporate PIs) have knowledge of investing in virtual assets or VA-related products prior to effecting a transaction in VA-related products on their behalf. Where a client does not have the requisite knowledge, the intermediary may only proceed if it has provided sufficient training to the client on the nature and risks of VAs and the clients have sufficient net worth to bear potential losses from trading VA-related products.[9]

However, while the above investor protection measures appeared in the earlier joint circular dated October 20, 2023, the SFC and HKMA have in the Joint Circular stated that the selling restrictions above will not apply to SFC-authorised VA Funds (i.e. funds approved for public offering), subject to intermediaries complying with the following additional safeguards:

- For SFC-authorised VA Funds listed and traded on the Hong Kong Stock Exchange ("**SEHK**"), client orders can be executed on exchange without the need to comply with the suitability requirement or minimum information and warning statements requirements,[10] providing there has been no solicitation or recommendation by the intermediary.
- For SFC-authorised VA Funds that are not listed, or for listed funds where trading occurs off exchange, intermediaries will still have to comply with the abovementioned requirements, as well as undertaking the VA knowledge test set out above on the clients concerned.

Further, the SFC and HKMA have also reminded intermediaries that where these SFC-authorised VA funds are also VA derivative funds, intermediaries also need to comply with the requirements for derivative products set out in the Joint Circular. To assist intermediaries in determining whether an investment product with exposure to VA is complex and the corresponding selling requirements that may apply to the product, the Joint Circular also includes a flowchart which sets out the relevant factors and the corresponding selling requirements.[11] **III. Legislative Proposal on Issuance of Stablecoins** On December 27, 2023, the Financial Services and the Treasury Bureau ("**FSTB**") and the HKMA jointly issued a public consultation paper regarding their proposed legislative regime for the regulation of stablecoins ("**Legislative Proposal**").[12] This followed the HKMA's January 2022 discussion paper inviting feedback on its proposed regulatory approach towards crypto-assets and stablecoins ("**Discussion**

© 2026 Gibson, Dunn & Crutcher LLP. All rights reserved. For contact and other information, please visit us at www.gibsondunn.com. | **www.gibsondunn.com**

Paper") (as covered in our previous client alert)[13] and its January 2023 consultation conclusions ("**Consultation Conclusions**")[14] (as covered in a subsequent client alert). The introduction of the Legislative Proposal is driven by the potential interconnectedness between the virtual assets ("**VA**") market and the traditional financial system. Specifically, the FSTB and HKMA view stablecoins, especially fiat-referenced stablecoin ("**FRS**") as a key monetary and financial stability risk area which could lead to a spill-over from the VA sector to the traditional financial system, and vice versa. **A. Legislative Scope and Approach** The FSTB and HKMA have proposed that, rather than amending existing legislation (including the Payment Systems and Stored Value Facilities Ordinance ("**PSSVFO**")), their intention is to introduce a new piece of legislation which will address specific features of stablecoins and could more readily serve as the foundation for the extension of the regulatory regime to other forms of VAs down the track. The FSTB and HKMA have also proposed that the issuance of an FRS by an FRS licensee would be excluded from the scope of existing regulatory regimes, including those applicable to securities (e.g. collective investment schemes) and SVFs. The FSTB and HKMA have proposed that initially, the licensing regime will apply only to issuers of fiat-referenced stablecoins ("**FRS"**) – that is, stablecoins which have as their specified asset one or more fiat currencies.[15] The FSTB and HKMA have noted that while a FRS which derives value from arbitrage or algorithm will be caught by the regulatory regime, it is highly unlikely (as explained further below) that such FRS will be able to meet the HKMA's licensing requirements. That said, the FSTB and HKMA have left the door open to extend the regulatory regime to other forms of VAs (presumably including other types of stablecoins) by describing the proposed FRS issuance regime as a "first step" in the regulation of virtual assets. Notably, the FSTSB and HKMA have proposed that the legislative regime should empower the "authorities" to modify the parameters of in-scope stablecoins and activities, but have not specified if this power would be reserved to the HKMA specifically or to the HKMA in consultation with the FSTB (for example). In exercising any such power to modify the regime, the "authorities" would be required to consider a number of factors (such as the risks posed to the monetary and financial stability of Hong Kong), and the materiality of the case (such as the market share and the value in circulation) before exercising this power. **B. Licensing Requirements for FRS Issuers** Under the Legislative Proposal, an FRS issuer will have to be licensed with the HKMA before it can: Issue, or hold itself out as issuing, an FRS in Hong Kong;

- Issue, or hold itself out as, issuing a stablecoin that purports to maintain a stable value with reference to the value of the Hong Kong dollar; or
- Actively market its issuance of FRS to the Hong Kong public.

In order to be licensed, the FRS issuer must demonstrate that it could meet the following licensing requirements, as summarised below:

Licensing Requirements		**Description**
Management of reserves and stabilisation mechanism	**Full backing**	• The value of the reserve assets backing of the FRS (at a minimum) at all times. • Issuers of FRS which derive value from license, given the inherent difficulties of absence of any backing assets.
	Investment limitations	• The reserve assets must be of high qua and concentration risk. • Reserve assets must be held in the refe allowed on a case-by-case basis subjec • The composition of the reserved assets FRS's liquidity requirements, including l the management and investment of res • The HKMA will need to be satisfied of th by the FRS issuer, and expects that eac investment policy regarding assets that

© 2026 Gibson, Dunn & Crutcher LLP. All rights reserved. For contact and other information, please visit us at www.gibsondunn.com. | **www.gibsondunn.com**

	Segregation and safekeeping of reserve assets	• FRS issuers will be expected have effe assets are appropriately segregated an as well as their legal right and priority cl • Reserve assets must be stored in segre other asset custodians (subject to the H arrangements). • FRS issuers must maintain effective int operational risks, including risks of theft
	Risk management and controls	• FRS issuers must put in place adequate management of all investment activities assets. This includes having compreher address the approach to large scale red of liquidity stress. FRS issuers must als adequacy and the liquidity of the reserv
	Disclosure and reporting	• FRS issuers must regularly publish the market value of reserve assets and the • FRS issuers will also be expected to (in and independent auditor to perform reg including the (i) composition and marke FRS in circulation; (iii) whether the rese of FRS in circulation and are sufficient l covered by the attestation); and (iv) wh management as imposed by the HKMA • The Legislative Proposal recommends the value of reserve assets be disclose assets be disclosed at least weekly, an performed at least monthly.
	Prohibition on paying interest	• FRS issuers must not pay interest to FR • Any income or loss from the reserve as payments, dividends or capital gains or
	Effective stabilisation	• The FRS issuer is ultimately responsibl stabilisation mechanism of its FRS, not carry out the stabilisation activity.
Redemption requirements		• The HKMA expects for FRS users to ha with the FRS issuer to have a claim on not able to meet redemption obligations • An FRS issuer is expected to process r a timely basis. The issuer must not imp such as a very high minimum threshold • In the event that fees for redemption ar communicated to FRS users and must redemption. • The FRS issuer must meet the redempt currency underlying the relevant FRS. • Where channels for FRS users to excha unavailable (e.g. due to disruption to inf still be able to ensure direct redemption manner. • The FRS issuer is expected to draw up orderly redemption of FRS by FRS use meet redemption requests (including in

© 2026 Gibson, Dunn & Crutcher LLP. All rights reserved. For contact and other information, please visit us at www.gibsondunn.com. | **www.gibsondunn.com**

	issuer's licence).
Restrictions on business activities[16]	• The HKMA's approval must be sought b lines of business. To this end, the FRS demonstrate to the HKMA that adequat maintenance of the FRS, that the new b that proper risk controls are in place to impair its functions as an FRS issuer. • However, provided that the FRS issuer safekeep of FRS and handling of depos issuer will be allowed to conduct activiti such as providing wallet services for the • The FRS issuer is prohibited from carry other regulated activities (e.g. regulated
Physical presence in Hong Kong[17]	• The FRS issuer must be a company inc in Hong Kong. • Its key personnel and senior manageme empowered with effective management activities.
Financial resources requirements[18]	• The FRS issuer is expected to maintain 25,000,000 or 2% of the par value of FR
Disclosure requirements	• The FRS issuer is expected to disclose rights and obligations of its FRS users, management arrangements, the underl published white paper. • The FRS issuer must also disclose thei for the redemption process, the applica redemption.
Governance, knowledge and experience	• Controllers, chief executives and directo Their appointment and any changes to issuer are subject to HKMA approval. • The FRS issuer is expected to have an of the senior management team and su structure.
Risk management requirements	• An FRS issuer is expected to implemen measures, such as adequate security a and detection measures; technological arrangements to address operational di • The FRS issuer must also perform risk and at a minimum, on an annual basis,
Audit requirements	• The FRS issuer are required to submit a annually. • Where required by the HKMA, the FRS independent auditors and assessors to soundness of the FRS issuance, such a systems of control for the management integrity of smart contracts.
Anti-money laundering and counter-financing of terrorism requirements	• The FRS issuer must ensure that the de business has adequate and appropriate possible money laundering and terrorist the Anti-Money Laundering and Counte any other related rules or regulations is the FRS issuer has adequate customer

© 2026 Gibson, Dunn & Crutcher LLP. All rights reserved. For contact and other information, please visit us at www.gibsondunn.com. | **www.gibsondunn.com**

	issuance, redemption, transaction moni

Notwithstanding the above, the HKMA will have the power to impose, amend and cancel ongoing licensing conditions on an FRS issuer, where necessary. These additional conditions can include requirements on reserve assets and restrictions on the types of services that could be undertaken by the FRS issuer. Licenses granted under the FRS issuer licensing regime will be open-ended, i.e. licences will remain valid until or unless revoked by the HKMA or the FRS issuer ceases to operate. However, the issue of any new FRS (i.e. other than that which the FRS issuer received a licence to issue) will require the consent of the HKMA before it can issue any new FRS under its license. Further, all licensed FRS issuers must display their licence number on any advertising materials and consumer facing materials or software applications. **C. Custody and offering of FRS** With regard to offering of FRS, the FSTB and HKMA have indicated that they consider that FRS issued by unlicensed entities are unsuitable for use by the public. As a result, their intention is that only licensed FRS issuers, authorized institutions, licensed corporations and licensed VATPs can offer FRS in Hong Kong or actively market such offerings in Hong Kong. Meanwhile, authorized institutions, licensed corporations and licensed VATPs can offer FRS issued by unlicensed entities to professional investors only. With regard to custody, we understand that the FSTB, HKMA and the SFC are continuing to examine the appropriate regulatory approach for such activities. Further regulatory guidance on this topic (including guidance from the HKMA on the provision of VA custodial services by authorised institutions) is expected in the short to medium term. **D. Supervisory Powers of the HKMA** Mirroring similar provisions under the Banking Ordinance, the Legislative Proposal confers supervisory powers on the HKMA to act in the event that a licensee (i) has become or is likely to become insolvent or unable to meet its obligations; (ii) is carrying on its business in a manner detrimental to the interests of its users or its creditors; or (iii) has contravened any of its licensing conditions or provisions of the proposed regulatory regime. In these circumstances, the HKMA will have the power to:

- Require a licensee to implement any action relating to the licensee's affairs, business or property that the HKMA considers as necessary, including restricting the licensee's business of FRS issuance;
- Direct a licensee to seek advice on the management of its affairs, business and property from an advisor appointed by the HKMA; and
- Require a licensee's affairs, business and property to be managed by a HKMA-appointed manager.

The HKMA's consent will also be required for changes in ownership or management of FRS issuers, including with regard to any proposed amalgamation, sale or disposal of all or part of the business of an FRS issuer, change of control (including change of majority or minority shareholder controller, or indirect controller) and the appointment of chief executives and directors. Additionally, the HKMA will also have the power to gather information, including request information or documents from licensees, or to conduct on-site examinations at the licensee's premises. Where the HKMA has reasonable cause to suspect non-compliance, the HKMA will have the power to conduct investigations into the licensee and persons relevant to the suspected contravention. The HKMA will also have the power to give directions to bring an FRS issuer into compliance with its statutory obligation to ensure the protection of the FRS issuer. Finally, the HKMA will also have the power to make regulations to operationalise the FRS regulatory regime and issue guidelines regarding the way in which it expects to perform its functions with regards to this new regime. **E. Disciplinary Framework** The Legislative Proposal contemplates the creation of both a criminal and a civil framework. It will be a criminal offence to:

- Issue an FRS in Hong Kong without a licence;
- Advertise the issuance of FRS by an unlicensed issuer;
- Fail to produce documents or information as required by the HKMA;

© 2026 Gibson, Dunn & Crutcher LLP. All rights reserved. For contact and other information, please visit us at www.gibsondunn.com. | **www.gibsondunn.com**

- Provide false information to the HKMA; and
- Contravene other conditions imposed by the HKMA in connection with the FRS licensing regime.

Separately, the HKMA will also have the power to impose civil and supervisory sanctions, including:

- Issuing a caution, warning, reprimand or order to take specified action(s);
- Issuing a temporary suspension, suspension or revocation of an FRS issuer's license;
- A pecuniary penalty not exceeding HK$10,000,000 or 3 times the amount of profit gained or loss avoided as a result of the contravention, whichever is higher; and
- Any combination of the above.

As a check and balance, an appeal tribunal mechanism will be set up to address appeals against the HKMA's disciplinary decisions. A person dissatisfied with the decision of the appeal tribunal will be able to appeal to the Court of Appeal against the determination on a point of law. **F. Transitional Arrangements** The FRS Issuer Licensing Regime is proposed to commence one month upon gazettal of the proposed new ordinance. However, the FSTB and HKMA have proposed a transitional arrangement to ensure the smooth transition into the new regime. Under this transitional regime, pre-existing FRS issuers conducting FRS issuance with a meaningful and substantial presence in Hong Kong prior to the commencement of the regime can continue to operate under a non-contravention period of six months, subject to submitting a licence application to the HKMA within the first three months of the commencement of the regime. This comparatively short transitional period (if not extended in the final version of the legislative regime) means that stablecoin issuers will need to take steps to quickly prepare licence applications (and establish a meaningful and substantial presence in Hong Kong if they do not already have one) following the gazettal of the new ordinance. Those pre-existing FRS issuers which fail to submit a licence application to the HKMA within the first three months will need to wind down its business by the end of the fourth month of the commencement of the regime. _____ [1] See "Hong Kong SFC Consults On Licensing Regime For Virtual Asset Trading Platform Operators", published by Gibson, Dunn & Crutcher (March 2, 2023), available at https://www.gibsondunn.com/hong-kong-sfc-consults-on-licensing-regime-for-virtual-asset-trading-platform-operators/; and "New Hong Kong Regulatory Requirements and Licensing Regime for Virtual Asset Trading Platforms Finalised as Legislation Takes Effect", published by Gibson, Dunn & Crutcher (June 7, 2023), available at https://www.gibsondunn.com/new-hong-kong-regulatory-requirements-and-licensing-regime-for-virtual-asset-trading-platforms-finalised-as-legislation-takes-effect/. [2] "Hong Kong's SFC Updates Guidance on Tokenised Securities-Related Activities", published by Gibson, Dunn & Crutcher (November 10, 2023), available at https://www.gibsondunn.com/hong-kong-sfc-updates-guidance-on-tokenised-securities-related-activities/. [3] "Circular on SFC-Authorised Funds With Exposure to Virtual Assets", published by the Securities and Futures Commission (December 22, 2023), available at https://apps.sfc.hk/edistributionWeb/gateway/EN/circular/products/product-authorization/doc?refNo=23EC65. [4] "Circular on Virtual Asset Futures Exchange Traded Funds", published by the Securities and Futures Commission (October 31, 2023), available at https://apps.sfc.hk/edistributionWeb/gateway/EN/circular/doc?refNo=22EC60. [5] These requirements are in addition to meeting the applicable requirements in the Overarching Principles Section and the Code on Unit Trusts and Mutual Funds in the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products. [6] "Joint Circular on Intermediaries' Virtual Asset-Related Activities", jointly published by the Securities and Futures Commission and the Hong Kong Monetary Authority (December 22, 2023), available at https://apps.sfc.hk/edistributionWeb/gateway/EN/circular/doc?refNo=23EC67. [7] "Joint Circular on Intermediaries' Virtual Asset-Related Activities", jointly published by the

© 2026 Gibson, Dunn & Crutcher LLP. All rights reserved. For contact and other information, please visit us at www.gibsondunn.com. | **www.gibsondunn.com**

Securities and Futures Commission and the Hong Kong Monetary Authority (October 20, 2023), available here. [8] "VA-related products" are defined as products which (a) have a principal investment objective or strategy to invest in virtual assets; (b) derive their value principally from the value and characteristics of virtual assets; or (c) track or replicate the investment results or returns which closely match or correspond to virtual assets. [9] See Appendix 1 of the Joint Circular for the non-exhaustive criteria for assessing whether a client can be regarded as having knowledge of virtual assets. [10] The minimum information and warning statements requirements require intermediaries to provide clear and easily comprehensible information and warning statements to clients in relation to VA-related products and information on the underlying VA investments; and provide to clients risk disclosure statements (which can be a one-off disclosure) specific to VAs. [11] See Appendix 3 of the Joint Circular. [12] "Legislative Proposal to Implement the Regulatory Regime for Stablecoin Issuers in Hong Kong Consultation Paper", jointly published by the Financial Services and the Treasury Bureau and the Hong Kong Monetary Authority (December 27, 2023), available at https://www.hkma.gov.hk/media/eng/doc/key-information/press-release/2023/20231227e4a1.pdf. [13] "Another Step Towards the Regulation of Cryptocurrency in Hong Kong: HKMA Releases Discussion Paper on Stablecoins", published by Gibson, Dunn & Crutcher (September 19, 2022), available at https://www.gibsondunn.com/another-step-towards-the-regulation-of-cryptocurrency-in-hong-kong-hkma-releases-discussion-paper-on-stablecoins/. [14] "Hong Kong Monetary Authority Introduces Plans To Regulate Stablecoins", published by Gibson, Dunn & Crutcher (February 7, 2023), available at https://www.gibsondunn.com/hong-kong-monetary-authority-introduces-plans-to-regulate-stablecoins/. [15] For completeness, the Legislative Proposal defines "stablecoin" to mean "a cryptographically secured digital representation of value that, among other things – (a) is expressed as a unit of account or a store of economic value; (b) is used, or is intended to be used, as a medium of exchange accepted by the public, for the purpose of payment for goods or services; discharge of a debt; and/or investment; (c) can be transferred, stored or traded electronically; (d) uses a distributed ledger or similar technology that is not controlled solely by the issuer; and (e) purports to maintain a stable value with reference to a specified asset, or a pool or basket of assets." To avoid overlap with the SVF regulatory regime, the FSTB and HKMA have expressly carved out "deposits, including its tokenized or digitally represented form; certain securities or future contracts (mainly authorized collective investment schemes and authorized structured products); float stored in SVFs or SVF banks; and certain digital representations of fiat currencies issued by or on behalf of central banks; and certain digital representation of value that has a limited purpose" from the definition of "stablecoins". [16] This licensing requirement will not apply to FRS issuers which are authorized institutions, considering that these authorized institutions are already subject to relevant requirements under banking regulation. [17] This licensing requirement will not apply to FRS issuers which are authorized institutions, considering that these authorized institutions are already subject to relevant requirements under banking regulation. [18] This licensing requirement will not apply to FRS issuers which are authorized institutions, considering that these authorized institutions are already subject to relevant requirements under banking regulation.

The following Gibson Dunn lawyers prepared this client alert: William Hallatt, Emily Rumble, and Jane Lu.

Gibson Dunn's lawyers are available to assist in addressing any questions you may have regarding these developments. If you wish to discuss any of the matters set out above, please contact any member of Gibson Dunn's Global Financial Regulatory team, including the following members in Hong Kong and Singapore: William R. Hallatt – Hong Kong (+852 2214 3836, whallatt@gibsondunn.com) Grace Chong – Singapore (+65 6507 3608, gchong@gibsondunn.com) Emily Rumble – Hong Kong (+852 2214 3839, erumble@gibsondunn.com) Arnold Pun – Hong Kong (+852 2214 3838, apun@gibsondunn.com) Becky Chung – Hong Kong (+852 2214 3837, bchung@gibsondunn.com) © 2024 Gibson, Dunn & Crutcher LLP. All rights reserved. For contact and other information, please visit us at www.gibsondunn.com. Attorney Advertising: These materials were prepared for general informational purposes only based

© 2026 Gibson, Dunn & Crutcher LLP. All rights reserved. For contact and other information, please visit us at www.gibsondunn.com. | **www.gibsondunn.com**

on information available at the time of publication and are not intended as, do not constitute, and should not be relied upon as, legal advice or a legal opinion on any specific facts or circumstances. Gibson Dunn (and its affiliates, attorneys, and employees) shall not have any liability in connection with any use of these materials. The sharing of these materials does not establish an attorney-client relationship with the recipient and should not be relied upon as an alternative for advice from qualified counsel. Please note that facts and circumstances may vary, and prior results do not guarantee a similar outcome.

Related Capabilities

Financial Regulatory

Financial Institutions

© 2026 Gibson, Dunn & Crutcher LLP. All rights reserved. For contact and other information, please visit us at www.gibsondunn.com. | **www.gibsondunn.com**