

30 June 2025

Submitted by email (stablecoin_feedback@hkma.gov.hk)

Hong Kong Monetary Authority
55/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

Re: ASIFMA response to Consultation Paper on the Proposed AML/CFT Requirements for Regulated Stablecoin Activities

Dear Sir/Madam

The Asia Securities and Financial Markets Association (“**ASIFMA**” or “**we**”)¹ appreciates the opportunity to respond to the consultation questions set out in the Hong Kong Monetary Authority’s (the “**HKMA**”) *Consultation Paper on Proposed AML/CFT Requirements for Regulated Stablecoin Activities* published on 26 May 2025 (the “**Consultation Paper**”) and the annexed *Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Stablecoin Issuers)* (the “**Guideline**”). Feedback set out in this response has been collected from ASIFMA members (“**Members**”) of the Fintech Working Group, Crypto Sub-Working Group and Anti-Financial Crime Working Group, which have been closely following global, regional and local developments relating to digital assets in recent years.

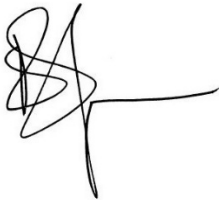
We are grateful to ASIFMA law firm member Latham & Watkins LLP for their support in drafting this response. Unless otherwise defined herein, the terms used in this response have the meanings assigned to them in the Consultation Paper.

¹ ASIFMA is an independent, regional trade association with over 160 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative, and competitive Asian capital markets that are necessary to support the region’s economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the GFMA alliance with SIFMA in the United States and AFME in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region. More information about ASIFMA can be found at: www.asifma.org.

At the outset, we wish to commend the HKMA and reiterate our strong support for its steadfast commitment to developing the digital assets regime in Hong Kong, and promoting Hong Kong as a digital financial centre more generally. With a total global market capitalisation exceeding \$US250 billion, it is clear that stablecoins have found mainstream adoption across the globe and play a crucial role in helping firms and individuals to manage risks, store value, reduce costs, accelerate trading and bridge traditional finance and digital finance. We firmly believe that locally-licensed stablecoin issuers and other stakeholders in Hong Kong's stablecoins market will highly value the regulatory certainty that the Guideline will foster, once finalised.

We would be pleased to discuss our response in further detail. Should you wish to do so, please do not hesitate to contact Rishi Kapoor, Executive Director, Head of Technology and Operations at rkapoor@asifma.org.

Sincerely,

A handwritten signature in black ink, consisting of a stylized 'R' followed by a horizontal line and a vertical stroke.

Rishi Kapoor
Executive Director
Head of Technology & Operations
Asia Securities Industry & Financial Markets Association

Question 1	Do you agree with the proposed regulatory approach in relation to stablecoin issuance, including the need for (i) due diligence measures for the institution (e.g., financial institution or VASP) providing the custodial wallet for the stablecoin holder; and (ii) additional controls to mitigate the risks of unhosted wallets?
Yes, we agree with the proposed regulatory approach in relation to stablecoin issuance.	
Question 2	Do you agree with the proposed regulatory approach in relation to stablecoin redemption, including the need for (i) due diligence measures for the institution (e.g., financial institution or VASP) providing the custodial wallet for the stablecoin holder; and (ii) additional controls to mitigate the risks of unhosted wallets?
Yes, we generally agree with the proposed regulatory approach in relation to stablecoin redemption. However, Members have concern that complying with the proposed customer due diligence measures in connection with stablecoin redemption will make it practically difficult to fulfil the HKMA's proposed requirement in the Guideline published on 26 May 2025 that redemption requests made by a specified stablecoin holder must be honoured by the licensee as soon as practicable and within one (1) business day after the day on which it is received by the licensee. Please see our comments to that consultation.	
Question 3	Do you agree that the licensees should conduct ongoing monitoring for its customers to detect potential illicit activities for their specified stablecoins?
Yes, we agree that the licensees should conduct ongoing monitoring for their customers to	

detect potential illicit activities for their specified stablecoins. However, we are concerned about the proposed obligations for monitoring secondary market transactions (see our response to Question 7 below).

Question 4	To what extent do you consider licensees should comply with the special requirements for VA transfers set out in section 13A of Schedule 2 of the AMLO?
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We agree with the proposal that licensees should comply with the special requirements for VA transfers set out in section 13A of Schedule 2 of the AMLO.

Question 5 Question 6 Question 7	<p>Do you agree that a licensee should put in place adequate and appropriate systems and controls to effectively prevent or combat abuse of stablecoin transacted to or from unhosted wallets or unregulated wallets for ML/TF?</p> <p>If so, do you have any suggestions as to possible risk mitigating measures for stablecoin transactions to and from unhosted wallet addresses, considering the different roles of various participants in the ecosystem, such as issuers, intermediaries and banks?</p> <p>To what extent do you consider licensees should be held accountable for such monitoring of stablecoin transactions in the secondary market and how should such additional measures be implemented (e.g., scope and analytics frequency, control measures, etc.)?</p>
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Members have concerns about imposing an on-going obligation on the licensee to monitor and screen stablecoin transactions and associated wallet addresses beyond the licensee's distribution and redemption of the stablecoins. Since the licensee will not have any dealings

with stablecoin holders who acquire the stablecoins on the secondary market (other than during the redemption process and for its customers), it will be unduly onerous for the licensee to undertake general responsibility for blacklisting wallets which are associated with illicit activities. That said, it should be feasible to blacklist wallets which are named and sanctioned by the relevant jurisdictions under the normal procedures or where the wallets associated with illicit activity have been specifically brought to notice of the licensee (*e.g.*, by a court, police or other regulatory authority).

In addition, requiring the licensee to undertake investigation, analyses and reporting to JFIU during its ongoing monitoring of secondary market transactions would create an excessive burden on the licensee which is disproportionate to their primary function to issue and redeem stablecoins. This is particularly the case given the number of transactions that could be occurring on the secondary market, which are out of the licensee's control.

Other measures proposed by the HKMA including to confine the primary redemption of stablecoins to FIs and VASPs could conflict with the licensee's general responsibility to honour redemption for any valid redemption requests made by a stablecoin holder, unless the HKMA intends that all stablecoins will be used only in a closed-loop between FIs and VASPs. In that case, the commercial and practical usefulness of the stablecoin could be more limited than under stablecoin regulatory regimes in other markets.