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Consultation on SPM modules and code of practice in connection with Hong Kong's implementation of the Basel Committee on Banking Supervision's standards on the prudential treatment of banks' cryptoasset exposures

1 Introduction

The Asia Securities Industry & Financial Markets Association ("**ASIFMA**")¹, on behalf of our members, welcomes this opportunity to comment on proposed new Supervisory Policy Manual ("**SPM**") module CRP-1 '*Classification of Cryptoassets*' ("**CRP-1**") and proposed revisions to certain existing SPM modules and codes of practice published by the Hong Kong Monetary Authority ("**HKMA**") on 8 September 2025 (collectively, "**Proposals**") in connection with Hong Kong's² implementation of the standards issued by the Basel Committee on Banking Supervision ("**Basel Committee**") entitled '*Prudential treatment of cryptoasset exposures*' and '*Disclosure of cryptoasset exposures*' (collectively, "**Basel Cryptoasset Standards**").

ASIFMA and its members wish to begin by expressing our sincere appreciation for the HKMA's leadership in developing a comprehensive, forward-looking prudential regulatory framework for cryptoassets in Hong Kong. We are particularly grateful for the HKMA's recognition that, while permissionless blockchains may present certain risks, these risks can be effectively mitigated through appropriate measures. Specifically, CRP-1's clarification that the mere use of a permissionless blockchain does not automatically preclude a tokenised asset or stablecoin from being classified as a Group 1 cryptoasset (which receives more favourable regulatory capital and prudential treatment under the Basel Cryptoasset Standards than a Group 2 cryptoasset) – as long as certain risk-mitigating measures are in place – is a significant and welcome development.

¹ ASIFMA is an independent, regional trade association comprising a diverse range of over 165 leading financial institutions from both the buy and sell side, including banks, asset managers, professional service 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 for stable, competitive and efficient 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.

² Any reference in this consultation response to "Hong Kong" or "Hong Kong SAR" shall be construed as a reference to the "Hong Kong Special Administrative Region of the People's Republic of China".

With the publication of CRP-1, we believe the HKMA has taken a critical and meaningful step in the right direction to strengthen Hong Kong's leadership in digital asset markets. We are particularly encouraged by the fact that the HKMA's approach in CRP-1: (i) aligns with the core propositions set out in the global industry associations' joint report entitled '*The Impact of Distributed Ledger Technology in Capital Markets: Ready for Adoption, Time to Act*' ("**Industry DLT Report**";³ and (ii) takes into account the recommendations made in ASIFMA's earlier written submissions to the HKMA and other global regulators.⁴ We are grateful to the HKMA for conceptually reflecting the following key recommendations in ASIFMA's earlier submissions:

- Deeming that additional risk mitigating measures are satisfied for HKMA-regulated stablecoins and sovereign-issued digital assets (paragraph 2.6.3 and footnote 15 of CRP-1);
- Recognising the lower risk profiles of regulated digital assets that have been approved by a financial market regulator (paragraph 2.6.4 of CRP-1); and
- Recognising the importance of consistent application of the Basel Cryptoasset Standards across jurisdictions, particularly in relation to the classification of cryptoassets and the need for global coordination (paragraph 2.1.7 of CRP-1).

More generally, we appreciate the work undertaken by the HKMA:

- (a) in its capacity as a key member of the Basel Committee, to develop and refine the Basel Cryptoasset Standards at the global level; and
- (b) in its capacity as Hong Kong's prudential regulator, to implement and interpret the Basel Cryptoasset Standards in Hong Kong and, together with other Hong Kong regulators and government departments, to promote innovation and establish a comprehensive legal and regulatory framework for cryptoassets in Hong Kong, consistent with the Policy Statement 2.0 on the Development of Digital Assets in Hong Kong, the 'Fintech 2025 Strategy' and the 'All Banks Go Fintech' initiative.⁵

³ The Industry DLT Report was jointly developed by the following global industry associations: Global Financial Markets Association ("**GFMA**"), Securities Industry and Financial Markets Association ("**SIFMA**"), Association for Financial Markets in Europe ("**AFME**"), ASIFMA, International Swaps and Derivatives Association ("**ISDA**"), Futures Industry Association ("**FIA**"), Institute of International Finance ("**IIF**"), Global Blockchain Council ("**GBCC**"), Global Digital Finance ("**GDF**"), Financial Services Forum ("**FSF**") and Bank Policy Institute ("**BPI**"), and is available at: <https://www.asifma.org/wp-content/uploads/2025/09/full-report-dlt-report-final3.pdf>.

⁴ See e.g., ASIFMA's written submission to the HKMA dated 6 May 2024 ("**May 2024 ASIFMA HKMA Submission**") regarding the HKMA's February 2024 Consultation Paper (CP 24.01) on implementing the Basel Cryptoasset Standards in Hong Kong, available at: <https://www.asifma.org/wp-content/uploads/2024/05/20240506-asifma-reponse-to-hkma-consultation-prudential-treatment-of-cryptoasset-exposures-final-submission.pdf>; ASIFMA's written submission to the HKMA dated 20 February 2025 on proposals to implement the Basel Cryptoasset Standards in Hong Kong ("**February 2025 ASIFMA HKMA Submission**"), available at: <https://www.asifma.org/wp-content/uploads/2025/05/hkma-cryptoasset-capital-proposal-asifma-response-feb-2025-f.pdf>; and ASIFMA's written submission to the Monetary Authority of Singapore ("**MAS**") dated 28 April 2025 regarding MAS' Consultation Paper on the Prudential Treatment of Cryptoasset Exposures (P003-2025) ("**April 2025 MAS Submission**"), available at: <https://www.asifma.org/wp-content/uploads/2025/05/20250428-asifma-final-submission-mas-consultation-on-the-prudential-treatment-of-cryptoasset-exposures-p003-2025.pdf>.

⁵ In Hong Kong, the HKMA, the Securities and Futures Commission ("**SFC**") and other regulators have made significant progress within a short period of time to establish a comprehensive legal and regulatory framework for cryptoassets that covers, among other things, tokenised products, stablecoins, virtual asset trading platforms, over-

We continue to encourage the HKMA and other Hong Kong regulators to focus on developing prudential and other regulations that support Hong Kong's goal to become a global digital assets hub.

This letter contains thematic comments and recommendations (**Section 3**) as well as specific comments and recommendations regarding the Proposals and the implementation, interpretation, and application of the Basel Cryptoasset Standards in Hong Kong (**Section 4**). An executive summary of our thematic and specific comments and recommendations is set out immediately below in **Section 2**.

We are grateful to Andrew Fei at King & Wood Mallesons for his support in preparing this letter based on input from our members.

2 Executive summary

Thematic comments: We encourage the HKMA to continue to take into account the following themes when it is: (i) formulating policies (in its capacity as a key member of the Basel Committee) regarding the prudential treatment of banks' cryptoasset exposures; and (ii) implementing and interpreting (in its capacity as Hong Kong's prudential regulator) the Basel Cryptoasset Standards in Hong Kong:

- (a) **"Same activity, same risk, same regulation" and "technology neutral":** The prudential regulation of cryptoassets should follow the overarching principles of "same activity, same risk, same regulation" and being "technology neutral". In this regard, we believe CRP-1's recognition that risks associated with permissionless blockchains can be effectively mitigated through appropriate measures represents a positive step towards greater technology neutrality in the implementation of the Basel Cryptoasset Standards in Hong Kong.
- (b) **Global reassessment, refinement and recalibration:** The Basel Cryptoasset Standards should be continuously reassessed, refined and recalibrated at the global level to take into account fast-developing legal, policy and regulatory shifts in major jurisdictions as well as technological advancements and enhancements to the cryptoassets ecosystem. We believe the HKMA is uniquely positioned to continue to play an important role in developing and calibrating the global Basel Cryptoasset Standards iteratively. The HKMA's unique position owes to the fact that it is a primary architect of the comprehensive legal and regulatory framework for cryptoassets in Hong Kong and has first-hand experience regulating and supervising cryptoasset-related activities and transactions.
- (c) **Taking into account local circumstances:** Hong Kong's implementation of the Basel Cryptoasset Standards should take into account Hong Kong's local circumstances while maintaining general consistency with the global framework. In particular, the HKMA should take into account Hong Kong's comprehensive legal and regulatory framework for digital assets and related activities, the HKMA's own familiarity with cryptoassets and DLT, and the role of Hong Kong banks in digital innovation. In this respect, we welcome the preferential treatment conferred on permissionless blockchain-based stablecoins issued under the HKMA's licensing regime, which are deemed to satisfy the additional risk-mitigating measures set out in paragraphs 2.6.5 to 2.6.7 of CRP-1. We also encourage the HKMA to escalate key issues

the-counter services in relation to virtual assets, funds (including exchange-traded funds) that invest in spot virtual assets as well as digital asset custody arrangements. In addition, the HKMA itself has issued, on behalf of the Hong Kong Government, Hong Kong's first digitally native tokenised bonds using distributed ledger technology ("DLT").

identified during Hong Kong's local implementation of the Basel Cryptoasset Standards to the Basel Committee to ensure consistent global calibration.

Specific comments: In this consultation response, we would like to make the following specific recommendations in relation to the Proposals and the implementation, interpretation and application of the Basel Cryptoasset Standards in Hong Kong:

- (d) **Alignment with global implementation timing and content:** We strongly encourage the HKMA to continue to keep abreast of international developments and to adjust Hong Kong's local implementation accordingly, both in terms of timing and content. Given recent international recommendations — including those from the U.S. President's Working Group on Digital Asset Markets — to recalibrate the Basel Cryptoasset Standards based on evolving market data and technological advancements, we encourage the HKMA to remain responsive to global shifts. Should the Basel Committee decide to pause global implementation of the Basel Cryptoasset Standards, we recommend that the HKMA do likewise, and to promptly adjust Hong Kong's local implementing rules to reflect any global amendments, thereby ensuring Hong Kong's digital asset ecosystem remains competitive and aligned with the latest international standards.
- (e) **Measures to mitigate risks associated with permissionless blockchains:** We welcome CRP-1's recognition that tokenised assets and stablecoins on permissionless blockchains may qualify for Group 1 treatment if additional risk mitigants are in place. However, we respectfully submit that the specific risk mitigating measures prescribed in CRP-1, which are based on Hong Kong's stablecoins regulatory regime, may be impossible for foreign-issued cryptoassets to satisfy, potentially excluding them from favourable prudential treatment. We therefore recommend that CRP-1 clarify that the risk mitigating measures listed therein are illustrative and non-exhaustive, and that banks may rely on alternative, equally effective risk mitigants, such as those identified in the Industry DLT Report. This approach would ensure CRP-1 remains technology neutral and adaptable to fast-evolving technological advancements and market practices.
- (f) **Classification assessment materials:** Hong Kong banks are under significant pressure to submit their classification assessment and supporting documents (including legal opinions and analysis) to the HKMA on a timely basis, especially since the Basel Cryptoasset Standards will be implemented in Hong Kong beginning on 1 January 2026, which is less than three months away. In this respect, we welcome the opportunity to work with the HKMA to develop some common classification assessment templates, which would help streamline the preparation, submission and review of classification assessments.
- (g) **Other comments and recommendations:** We refer to the recommendations set out in the joint submission to the Basel Committee from the global industry associations dated 19 August 2025 ("**Global Associations Joint Submission**")⁶ and the February 2025 ASIFMA HKMA Submission. We believe that the recommendations in the Global Associations Joint Submission and the February 2025 ASIFMA HKMA Submission should be reflected in the Proposals and the Basel Cryptoasset Standards. Therefore, we respectfully request that the HKMA consider these recommendations when finalising the Proposals. Beyond the Proposals, we also encourage the HKMA to consider making targeted amendments to the prudential treatment of cryptoassets in the future, having regard to the recommendations in the Global Associations Joint Submission and in consultation with relevant industry participants.

⁶ The Global Associations Joint Submission is made by GFMA, SIFMA, AFME, ASIFMA, FIA, IIF, ISDA, FSF, BPI, GBBC and GDF, and is available at: <https://www.gfma.org/wp-content/uploads/2025/08/bcbs-prudential-letter-final-public-version.pdf>.

3 Thematic comments

We encourage the HKMA to continue to take into account the following themes when it is: (i) formulating policies (in its capacity as a member of the Basel Committee) regarding the prudential treatment of banks' cryptoasset exposures and (ii) implementing and interpreting (in its capacity as Hong Kong's prudential regulator) the Basel Cryptoasset Standards in Hong Kong:

3.1 “Same activity, same risk, same regulation” and “technology neutral”

A key theme in this letter is the need for the prudential regulation of cryptoassets to follow the overarching principles of “same activity, same risk, same regulation” and being “technology neutral”. These overarching principles are emphasised by the Financial Stability Board (“FSB”) in its global regulatory framework for crypto-asset activities.⁷ In relation to the regulation of DLT, the HKMA has expressly stated that it adopts a “technology-neutral approach to supervision”⁸ and observes the principle of “same activity, same risk, same regulation”⁹.

In this regard, we respectfully note that certain aspects of the international version of the Basel Cryptoasset Standards appear to depart from the “technology neutral” approach by singling out a particular type of blockchain technology, such as public permissionless blockchain technology. We respectfully submit that a more nuanced approach that is based on the risk characteristics of underlying assets, regardless of the particular technological infrastructure used, would better align with the overarching principle of “same activity, same risk, same regulation” and being “technology neutral”. Such an approach would also support the sustainable and responsible development of the cryptoasset ecosystem, creating fit-for-purpose regulations that adequately mitigate relevant risks while allowing banks to innovate in a sustainable and responsible manner.

In this regard, we believe CRP-1's recognition that the risks associated with permissionless blockchains can be effectively mitigated through appropriate measures represents a meaningful and positive step towards greater technology neutrality in the implementation of the Basel Cryptoasset Standards in Hong Kong. We encourage the HKMA to continue to monitor and assess new mitigants that can adequately address the perceived risks associated with permissionless blockchains and to share its findings with other members of the Basel Committee.

3.2 Global reassessment, refinement and recalibration

Another key theme in this letter is the need for the Basel Cryptoasset Standards to be continuously reassessed, refined and recalibrated, at the global level, to take into account fast-developing legal, policy and regulatory shifts in major jurisdictions as well as technological advancements and enhancements to the cryptoassets ecosystem. In this respect, we believe the HKMA is uniquely positioned to continue

⁷ See FSB, *FSB Global Regulatory Framework for Crypto-asset Activities* (17 July 2023), available at: <https://www.fsb.org/uploads/P170723-1.pdf>.

⁸ See HKMA, *Risk management considerations related to the use of distributed ledger technology* (16 April 2024), available at: <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2024/20240416e1.pdf>.

⁹ See HKMA, *Supervisory Incubator for Distributed Ledger Technology (DLT)* (8 January 2025), available at: <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2025/20250108e1.pdf>.

to play an important role in developing and calibrating the global Basel Cryptoasset Standards iteratively. The HKMA's unique position owes to the fact that it:

- (a) is directly involved in formulating the Basel Cryptoasset Standards at the Basel Committee level and co-chairs the FSB Regional Consultative Group for Asia;¹⁰
- (b) is a primary architect – and, in relation to authorized institutions (“**AIs**”), *the* primary architect – of the comprehensive legal and regulatory framework for cryptoassets in Hong Kong;
- (c) has first-hand experience regulating and supervising cryptoasset-related activities and transactions;
- (d) has direct experience with developing and applying tokenisation, digitisation, DLT and other cryptoasset-related techniques and technologies in real-world transactions, such as working with the Hong Kong Government to issue the world's first tokenised government green bond in 2023¹¹ and the world's first multi-currency digitally native green bond in 2024;¹² and
- (e) has formulated and is implementing the ‘Fintech 2025 Strategy’ and the ‘All Banks Go Fintech’ initiative, consistent with the Hong Kong Government's vision to turn Hong Kong into a global virtual assets hub.

Given the HKMA's and Hong Kong's unique position, we highly encourage the HKMA to continue to share its insights, expertise and first-hand experience with tokenisation, digitisation, DLT and other cryptoasset-related matters with the members of the Basel Committee,¹³ with the ultimate goal of, in the words of the HKMA, “*enabl[ing] the long-term, sustainable and responsible development of the virtual asset ecosystem.*”¹⁴ To this end, ASIFMA and our members would be pleased to continue to offer our support in whatever way the HKMA considers appropriate.

3.3 Taking into account local circumstances

A key theme in this letter is the need for Hong Kong's implementation and/or interpretation of the Basel Cryptoasset Standards to take into account local circumstances while maintaining general consistency

¹⁰ We also note that the Chief Executive Officer of the SFC, Hong Kong's other key financial regulator, currently serves as the Chair of the Asia-Pacific Regional Committee (“**APRC**”) of the International Organization of Securities Commissions (“**IOSCO**”).

¹¹ See HKMA, *HK SAR Government's Inaugural Tokenised Green Bond Offering* (16 February 2023), available at: <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2023/02/20230216-3>.

¹² See HKMA, *HK SAR Government's Digital Green Bonds Offering* (7 February 2024), available at: <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2024/02/20240207-6>.

¹³ In this respect, we believe that the Basel Cryptoasset Standards (including their implementation in Hong Kong) should more clearly distinguish between the prudential treatment of (i) digital assets (which are simply traditional assets that use a different technology, namely DLT) and (ii) true ‘cryptoassets’ (which, outside the context of the Basel Cryptoasset Standards, refers narrowly to unbacked cryptocurrencies which may experience significant market price volatility).

¹⁴ See HKMA, *Press release regarding consultation on legislative proposal to implement regulatory regime for stablecoin issuers and announcement on introduction of sandbox arrangement* (27 December 2023) (quoting Mr. Eddie Yue, Chief Executive of the HKMA: “We are supportive of financial innovation and believe that it is essential to put in place the necessary regulatory guardrails and standards to **enable the long-term, sustainable and responsible development of the virtual asset ecosystem.**”), available at: <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2023/12/20231227-4/>.

with the global Basel framework. In this respect, we note that the HKMA, in the context of cryptoasset regulation, has expressly stated that: “*In line with the international standards and practices, Hong Kong should put in place a regulatory regime, **taking into account local circumstances***” (emphasis added).¹⁵

We respectfully submit that the local implementation, interpretation and application of the Basel Cryptoasset Standards in Hong Kong should continue to “*tak[e] into account local circumstances*.” In particular, when implementing the Basel Committee’s cryptoasset classification conditions and risk-weights in Hong Kong, the HKMA should continue to be cognisant of the following:

- (a) cryptoasset-related activities take place within Hong Kong’s fast-emerging comprehensive legal and regulatory framework, which is developed and directly overseen by the HKMA, SFC and other Hong Kong regulators;
- (b) cryptoassets (especially tokenised traditional securities, digitally native securities and stablecoins) in Hong Kong are either issued by HKMA and/or SFC licensed/regulated entities or, in some cases, issued directly by the Hong Kong Government;
- (c) the HKMA’s own familiarity with cryptoassets, having itself issued digitally native green bonds using DLT;
- (d) AIs have an important role to play in spearheading innovation in the digital asset ecosystem. In this respect, we note the HKMA’s recent statement that: “*The HKMA is supportive of AIs’ initiatives on tokenisation, and is encouraged by the progress the industry has made so far*”;¹⁶ and
- (e) the Hong Kong Government’s Policy Statement 2.0 on the Development of Digital Assets in Hong Kong as well as its ‘Fintech 2025’ and ‘All Banks Go Fintech’ strategies/initiatives.

We also encourage the HKMA to escalate key issues identified during the local implementation process to the Basel Committee, leveraging its unique position as described above. Consistent global calibration and implementation of the Basel Cryptoasset Standards not only promotes the Basel Committee’s objective of full and consistent implementation of the Basel framework across major jurisdictions, but also fosters innovation in Hong Kong because many Hong Kong-incorporated AIs to which the BCR applies are also subsidiaries of global banking groups that are subject to Basel standards as implemented in their home country jurisdiction on a global consolidated level. Therefore, even if a particular issue were adequately addressed at the local implementation level in Hong Kong, if it is not addressed at the global and home country level, the banking group as a whole would still be subject to potentially unfavourable regulatory capital treatment in relation to the relevant cryptoasset exposure(s).

4 Specific comments

Besides the general thematic comments and recommendations mentioned above, we also recommend some specific approaches to implementing, interpreting, and applying the Basel Cryptoasset Standards

¹⁵ See HKMA inSight Article, *Eddie Yue on Stablecoins – Regulating issuers to accord protection to users* (24 December 2023), available at: <https://www.hkma.gov.hk/eng/news-and-media/insight/2023/12/20231227/>.

¹⁶ See e.g., HKMA, *Circular on Sale and distribution of tokenised products* (20 February 2024), available at: <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2024/20240220e2.pdf>.

in Hong Kong that facilitate responsible and sustainable innovation by banks. These specific recommendations are set out further below in this consultation response.

We would like to note that as discussions regarding the calibration and implementation of the Basel Cryptoasset Standards continue to evolve globally, the comments provided by ASIFMA in this response to the Proposals should not be considered as final. ASIFMA and our members will continue to assess the Basel Cryptoasset Standards over the near term and form our positions more fully.

4.1 Alignment with global implementation timing and content

Hong Kong's implementation of the Basel Cryptoasset Standards, as set out in the *Banking (Capital) (Amendment) Rules 2025*, the *Banking (Disclosure) (Amendment) Rules 2025* and the *Banking (Exposure Limits) (Amendment) Rules 2025* (collectively, the "**Local Implementing Rules**"), is scheduled to take effect on 1 January 2026, in line with the Basel Committee's global implementation timeline.

While we understand the desire to adhere to the Basel Committee's global implementation timeline, we note that Hong Kong remains one of the few jurisdictions to have even begun the process of implementing the Basel Cryptoasset Standards. According to the Basel Committee's Basel III implementation dashboard,¹⁷ only 3 out of 20 Basel Committee member jurisdictions have published draft rules to implement the Basel Cryptoasset Standards. Therefore, it seems highly unlikely that even a fifth of Basel Committee member jurisdictions would be able to fully implement the Basel Cryptoasset Standards by the Basel Committee's implementation date of 1 January 2026.¹⁸ In this respect, we note that MAS has recently stated that Singapore "*will defer the implementation of the prudential treatment and disclosures of cryptoasset exposures to 1 January 2027 or later*".¹⁹ MAS made this statement in response to its March 2025 consultation on implementing the Basel Cryptoasset Standards in Singapore. MAS noted that, in relation to the consultation, "[r]espondents raised concerns that [the originally proposed effective date of 1 January 2026] would mean that MAS would be implementing the cryptoasset standards **ahead of other jurisdictions, which could lead to regulatory arbitrage**. Respondents also recommended that MAS continue to monitor the evolving cryptoasset landscape and regulatory developments globally to determine if further adjustments to the cryptoasset standards are required" (emphasis added).

¹⁷ See Basel Committee, *RCAP on timeliness: Basel III implementation dashboard* (updated on 5 September 2025), available at https://www.bis.org/bcbs/implementation/rcap_reports.htm.

¹⁸ For example, the implementation timeline for the United States is highly uncertain, not just in relation to the Basel Cryptoasset Standards, but in relation to other aspects of the Basel III final reform package as well. In January 2025, the UK Prudential Regulation Authority ("**PRA**") announced its decision to delay the implementation of 'Basel 3.1' in the UK by one year until 1 January 2027. The UK PRA expressly stated that the reason for the delay was to "*allow[] more time for greater clarity to emerge about plans for [Basel] implementation in the United States*", especially "*[g]iven the current uncertainty around the timing of implementation of the Basel 3.1 standards in the US, and taking into account competitiveness and growth considerations*." See UK PRA, *The PRA announces a delay to the implementation of Basel 3.1* (17 January 2025), available at <https://www.bankofengland.co.uk/news/2025/january/the-pra-announces-a-delay-to-the-implementation-of-basel-3-1>.

¹⁹ See MAS, *Response to Feedback Received P003-2025* (9 October 2025), available at <https://www.mas.gov.sg/-/media/mas-media-library/publications/consultations/ppd/2025/response-to-consultation-paper-on-crypto-at1-and-tier2.pdf>.

In the Global Associations Joint Submission, the global financial services industry requested that the Basel Committee *temporarily* pause global implementation of the Basel Cryptoasset Standards in order to: (i) seek updated information concerning the use cases of DLT; and (ii) consider any appropriate redesign and recalibration of the Basel Cryptoasset Standards to account for recent and ongoing developments in global cryptoasset markets. The Industry DLT Report demonstrates that the overall size and significance of the global cryptoasset markets have increased substantially, requiring adjustments to the premises underlying the Basel Cryptoasset Standards.

In light of the foregoing, we encourage the HKMA to continue to keep abreast of international developments and to adjust Hong Kong's local implementation accordingly, both in terms of timing and content. If, for example, the Basel Committee adopts the global financial services industry's recommendation to *temporarily* pause global implementation of the Basel Cryptoasset Standards, we respectfully request that the HKMA correspondingly pause the implementation of those standards in Hong Kong as well, so as to align with the global implementation timeline.

In terms of content alignment, we note that the Local Implementing Rules are generally consistent with the *current* global version of the Basel Cryptoasset Standards, which were mostly finalised in December 2022, when cryptoassets were largely unregulated or under-regulated in many jurisdictions. However, during the nearly three years since December 2022, the global legal, policy and regulatory landscape for cryptoassets has evolved significantly, and many major jurisdictions have now proposed or enacted laws and regulations to comprehensively regulate cryptoassets as well as related activities and market participants, in line with the 'same activity, same risk, same regulation' principle as well as global standards published by the FSB,²⁰ the International Organization of Securities Commissions ("IOSCO")²¹ and the Financial Action Task Force ("FATF").²² In particular, one major Basel Committee member jurisdiction – the United States – led by its new government administration, has already adopted a slew of 'crypto-friendly' rules and regulations as it seeks to become the "crypto capital of the planet".²³ Given the significant impact that the United States has on global financial markets and regulatory trends, its crypto-friendly policies will likely influence policymaking in other jurisdictions and at international standard-setting bodies such as the Basel Committee.

Recently, the U.S. President's Working Group on Digital Asset Markets published a 166-page report in July 2025 which,²⁴ among other things, recommended modernising the Basel Cryptoasset Standards in order to:

²⁰ See e.g., FSB, *Global Regulatory Framework for Crypto-asset Activities* (17 July 2023), available here: <https://www.fsb.org/2023/07/fsb-global-regulatory-framework-for-crypto-asset-activities>.

²¹ See e.g., IOSCO, *Policy Recommendations for Crypto and Digital Asset Markets – Final Report* (16 November 2023), available here: <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD747.pdf>.

²² See e.g., FATF, *Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers* (28 October 2021), available here: <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Guidance-rba-virtual-assets-2021.html>.

²³ See e.g., See *Executive Order on Strengthening American Leadership in Digital Financial Technology* (23 January 2025), available at: <https://www.whitehouse.gov/presidential-actions/2025/01/strengthening-american-leadership-in-digital-financial-technology>; U.S. Securities and Exchange Commission ("SEC"), *SEC Crypto 2.0: Acting Chairman Uyeda Announces Formation of New Crypto Task Force* (21 January 2025), available here: <https://www.sec.gov/newsroom/press-releases/2025-30>.

²⁴ U.S. President's Working Group on Digital Asset Markets, *Strengthening American Leadership in Digital Financial Technology* (July 2025), available at: <https://www.whitehouse.gov/wp-content/uploads/2025/07/Digital-Assets-Report-EO14178.pdf>.

- incorporate new data on digital asset market performance and risk;
- reflect the latest technological innovations in blockchain and DLT; and
- ensure greater consistency with U.S. bank capital requirements.

More specifically, the report recommended that the Basel Cryptoasset Standards can be improved in the following respects:²⁵

- The Basel Cryptoasset Standards should take into account the fact that experimentation and testing with permissionless blockchains by regulated financial institutions suggest that technical solutions to mitigate the risks identified by the Basel Committee are being actively developed and implemented.
- Simplifying the Basel Cryptoasset Standards' current classification of cryptoassets into four groups.
- Applying a separate classification to traditional assets due to the use of a specific technology does not adhere to the principle of technology neutrality.
- The current treatment of tokenised traditional assets as cryptoassets may be misleading and may create unintended negative consequences.
- The Basel Cryptoasset Standards' distinction between Group 2a and Group 2b cryptoassets does not create a clear enough distinction between cryptoassets widely used for payment and investment purposes and other cryptoassets, such as memecoins.
- Stablecoins eligible for Group 1b treatment should be aligned with the requirements for regulated stablecoins set forth in the U.S. GENIUS Act.
- Simplifying the Basel Cryptoasset Standards' classification of Group 2 cryptoassets and addressing the treatment of cryptoassets outside of Group 2.
- The calibration of capital requirements for credit risk, market risk, operational risk and liquidity risk should incorporate empirical evidence of recent changes in cryptoasset performance and risk.

We note that a number of the recommendations made by the U.S. President's Working Group on Digital Asset Markets are analogous to the concepts reflected in CRP-1, such as (i) recognising the fact that risks associated with permissionless blockchains can be effectively mitigated; and (ii) conferring preferential prudential treatment of regulated stablecoins and other tokenised assets.

In light of the recommendations made by the U.S. government and in the Global Associations Joint Submission, we believe there is a strong possibility that the Basel Cryptoasset Standards will be amended by the Basel Committee to take into account these recommendations. Indeed, the fast-

²⁵ *Ibid*, at pages 82-83.

evolving nature of the cryptoasset markets is such that the Basel Committee has already amended the Basel Cryptoasset Standards less than two years after they were first “finalised”. In this respect, we note that MAS has stated that it *“will continue to monitor developments in the cryptoasset landscape and global regulatory developments, with a view towards promoting harmonisation in the implementation of the cryptoasset standards internationally and ensuring the appropriateness of the prudential standards to the risks of cryptoasset exposures, while supporting responsible innovation in the digital asset ecosystem.”*²⁶ We encourage the HKMA to adopt a similar approach.

We have every confidence that the HKMA will continue to actively participate in Basel Committee discussions regarding potential recalibration of the Basel Cryptoasset Standards. To the extent any changes are made to the Basel Cryptoasset Standards at the global level, we would encourage the HKMA to promptly make corresponding adjustments to the Local Implementing Rules to align with the latest global standards. This way, Hong Kong’s digital assets ecosystem will not be placed at a disadvantage because Hong Kong banks are subject to materially different capital requirements compared to their international counterparts.

4.2 Measures to mitigate risks associated with permissionless blockchains

CRP-1 helpfully clarifies in paragraph 2.6.2 that tokenised traditional assets and stablecoins issued on permissionless blockchains “may still be eligible to be classified as Group 1” (and therefore receive more favourable regulatory capital and prudential treatment than if they were classified as Group 2 cryptoassets) *“if additional measures are in place to mitigate the key risk associated with the use of permissionless blockchain. The additional measures are set out in paragraphs 2.6.5 to 2.6.7”* of CRP-1.

Paragraphs 2.6.5 to 2.6.7 of CRP-1 essentially require the issuer of a tokenised traditional asset or stablecoin to take measures to address the: (i) governance risk; (ii) technology risk and settlement risk; and (iii) AML/CFT risk associated with permissionless blockchains, in order for a bank that holds such a tokenised traditional asset or stablecoin to be able to classify it as a Group 1 cryptoasset.

Footnote 13 to CRP-1 explains that *“[r]eference has been made to the HKMA’s Guideline on Supervision of Licensed Stablecoin Issuers and Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Stablecoin Issuers) when formulating the additional measures.”* Precisely because the additional risk mitigants described in paragraphs 2.6.5 to 2.6.7 of CRP-1 are specifically formulated based on requirements under the stablecoins regulatory regime in Hong Kong, some of these additional measures may be very difficult to satisfy in practice, particularly for stablecoins and tokenised assets issued and regulated *outside* of Hong Kong. For example, the requirement in paragraph 2.6.7 of CRP-1 that *“at a minimum, the issuer of a tokenised traditional asset or a stablecoin must... ensure that a mechanism is in place for verifying the identity of each individual holder unless measures that have been proven to be effective in mitigating the AML/CFT risk associated with peer-to-peer transactions and unhosted wallets are in place”* is incredibly difficult for non-Hong Kong regulated stablecoins to satisfy due to differences in regulatory requirements and market practices between Hong Kong and other jurisdictions. This could mean that, with the exception of HKMA-regulated stablecoins (which are already *“deemed as fulfilling the additional measures set out in paragraphs 2.6.5 to 2.6.7”*), very few (if any) other stablecoins would be able to satisfy the additional measures set out in paragraphs 2.6.5 to 2.6.7.

²⁶ See MAS, *Response to Feedback Received P003-2025* (9 October 2025), available at <https://www.mas.gov.sg/-/media/mas-media-library/publications/consultations/ppd/2025/response-to-consultation-paper-on-crypto-at1-and-tier2.pdf>.

We also query the requirement in paragraph 2.6.6 of CRP-1 for the issuer of a tokenised traditional asset or a stablecoin to conduct business continuity plan (“**BCP**”) testing regularly and “*at least on an annual basis.*” We respectfully submit that BCP testing is a very significant and resource intensive undertaking and it may not be appropriate to impose a blanket rule that a full BCP test must be conducted every single year. Instead, we recommend that paragraph 2.6.6 include a principles-based requirement for the issuer to ensure its BCP remains robust and appropriate on an ongoing basis. The exact frequency of BCP testing should be determined based on a number of relevant factors as opposed a one-size-fits-all rule. In this respect, we note that paragraph 6.1.2 of the HKMA’s SPM TM-G-2 (*Business Continuity Planning*) lists the following relevant factors: “*Als are expected to determine the frequency of testing of their BCP based on a variety of factors, including the potential impact of a disruption, how many critical operations an AI has, and whether the operating environment has materially changed.*”

Besides the risk mitigating measures specifically mentioned in paragraphs 2.6.5 to 2.6.7 of CRP-1, we note that the Industry DLT Report includes many examples of other risk mitigating measures that can equally address the risks associated with permissionless blockchains. These include, among other things:

- Layer 2 technologies and asset-specific smart contracts that provide the necessary controls, scalability, and compliance mechanisms required by institutional market participants;
- Permissioning at the smart contract or sub-ledger layer and modifying DeFi platforms that embed institutional controls such as KYC verification and participant whitelisting;
- Multi-signature protocols and multi-party computation for secure key management; and
- Advanced blockchain analytics for transaction monitoring and compliance.

The Industry DLT Report also provides detailed case studies of how these measures have been implemented in practice, demonstrating their real-world viability, including, among other things:

- J.P. Morgan’s Kinexys network, which uses permissioned smart contracts on a public blockchain to enable secure, compliant intraday repo transactions;
- Deutsche Bank’s planned Ethereum Layer 2 network, which combines public transparency with permissioned access and regulatory oversight; and
- Project Guardian in Singapore, which uses verifiable credentials and permissioned liquidity pools on a public chain to ensure KYC/AML compliance.

As the Basel Committee itself has acknowledged, solutions to existing issues associated with permissionless blockchains and other cryptoasset-related activities may develop rapidly.²⁷ Therefore, we encourage the HKMA to consider the other risk mitigating measures described in the Industry DLT

²⁷ See Basel Committee, *Consultative document on cryptoasset standard amendments* (December 2023) (“*The Committee acknowledges that technical solutions to many of these issues may develop rapidly in the future and would welcome ongoing feedback from industry participants on the risks of permissionless systems and the development of mitigants.*”), available at: <https://www.bis.org/bcbs/publ/d567.pdf>.

Report and to continue to actively monitor technological advancements and evolving market practices in this area.

Given the rapid evolution of technology and risk mitigation measures, we recommend that CRP-1 include an express statement to the effect that the risk mitigating measures identified in paragraphs 2.6.5 to 2.6.7 are only non-exhaustive illustrative examples. In other words, if a bank can demonstrate that, even though those specific measures are not adopted, there are other equally effective alternative risk mitigation measures in place, the tokenised traditional asset or stablecoin in question should *not* be precluded from being classified as Group 1. This approach will help ensure that the requirements in the CRP-1 remain future-proof and technology neutral against the backdrop of a fast-evolving technological landscape.

4.3 Classification assessment materials

In relation to the regulatory classification of a cryptoasset exposure held by a bank prior to 1 January 2026, paragraph 1.4.2 of CRP-1 requires a bank to “*classify it as a Group 2b cryptoasset until the HKMA has agreed to the cryptoasset’s classification assessment.*” For the acquisition of a new type of cryptoasset, paragraph 2.1.2 of CRP-1 provides that a bank “*must notify the HKMA and classify it as a Group 2b cryptoasset until the HKMA has agreed to the [bank’s] classification assessment (other than a Group 2b classification) of the cryptoasset.*”

We respectfully submit that this “presumption of Group 2b treatment” may place significant compliance burdens on AIs to submit their classification assessment and supporting documents (including legal opinions and analysis, as applicable) (“**Classification Assessment Materials**”) to the HKMA on a timely basis, especially given the 1 January 2026 effective date of the Local Implementing Rules which, as of the date of this letter, is less than three months away.

ASIFMA and our members would welcome guidance from the HKMA regarding what form the Classification Assessment Materials should take. In particular, we welcome the opportunity to work with the HKMA to develop some common classification assessment templates, which would help streamline the preparation, submission and review of Classification Assessment Materials. We also welcome the statement in paragraph 2.1.7 of CRP-1, indicating that the HKMA will “*routinely compare and share its supervisory information on AIs’ assessments of cryptoassets against the classification conditions with regulators or supervisors in other jurisdictions.*”

4.4 Other comments and recommendations

We refer to the recommendations set out in the February 2025 ASIFMA HKMA Submission and the Global Associations Joint Submission. We continue to believe that those recommendations should be reflected in the Proposals and, where applicable, the Basel Cryptoasset Standards. Therefore, we respectfully request that the HKMA take into account these recommendations when finalising the Proposals.

Beyond the Proposals, we also encourage the HKMA to consider making targeted amendments to the prudential treatment of cryptoassets in the future, having regard to the recommendations in the Global Associations Joint Submission and in consultation with relevant industry participants. These targeted amendments may include, for example, clarifying the eligibility of regulated stablecoins and Group 2a cryptoassets as financial collateral, as well as addressing the overall prudential treatment of Group 2a cryptoassets.

5 Conclusion

We believe that CRP-1 represents a significant step forward for Hong Kong's ambition to be a global leader in digital assets. At the same time, we encourage the HKMA to continue to adopt a prudential framework for cryptoassets that remains flexible, future-proof, technology-neutral, and globally harmonised, so as to foster innovation, maintain competitiveness, and safeguard financial stability against the backdrop of rapidly evolving technologies and cryptoasset market practices.

As Mr. Eddie Yue, Chief Executive of the HKMA, stated: "*Hong Kong has always championed innovation and international collaboration.*"²⁸ We are thankful for the HKMA and the Hong Kong Government's efforts to foster innovation and to create a coordinated regulatory framework for Hong Kong's growing cryptoassets ecosystem.

We are also supportive of the HKMA's efforts to "*put in place a regulatory regime that strikes a good balance between safeguarding financial stability and embracing innovation.*"²⁹ We believe that this delicate balance can be struck if the Basel Cryptoasset Standards — both at the global level and as implemented in Hong Kong — can reflect the recommendations and clarifications described in this letter, the February 2025 ASIFMA HKMA Submission and the Global Associations Joint Submission.

ASIFMA takes this opportunity to convey our support and desire for continued constructive and ongoing dialogue between the HKMA and market participants to assist the HKMA in implementing the Basel Cryptoasset Standards in Hong Kong, including working with the HKMA to explore the interaction between the Basel Cryptoasset Standards and other aspects of the cryptoassets ecosystem.

We look forward to continued engagement with the HKMA on the issues set out in this consultation response. If you have further questions or would otherwise like to follow up, please contact Diana Parusheva-Lowery, ASIFMA's Managing Director and Head of Public Policy and Sustainable Finance, at DParusheva@asifma.org or +852 9822 2340.

We would also be happy to meet with you to discuss this consultation response if you deem it appropriate.

Sincerely,



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²⁸ See HKMA press release, *HKMA unveils Project Ensemble to support the development of the Hong Kong tokenisation market* (7 March 2024), available at: <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2024/03/20240307-5/>.

²⁹ See HKMA inSight Article, *Eddie Yue on Stablecoins – Regulating issuers to accord protection to users* (24 December 2023), available at: <https://www.hkma.gov.hk/eng/news-and-media/insight/2023/12/20231227/>.

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