

## HKMA and SFC relax requirements for licensed stablecoin-related activities

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On 27 May 2026, the Hong Kong Monetary Authority and the Securities and Futures Commission issued guidance to registered and licensed entities relaxing certain regulatory expectations for activities relating to licensed stablecoins. This client update sets out the regulators' expected standards.

### Background and scope of Guidance

On 27 May 2026, the Hong Kong Monetary Authority (HKMA) and Securities and Futures Commission (SFC) issued guidance (Guidance) to virtual asset trading platforms (VATPs), licensed corporations (LCs) and registered institutions (RIs) in relation to activities involving "Relevant Stablecoins".

**Relevant Stablecoins:** As explained in our previous updates on [8 July 2025](#) and [7 August 2025](#), Relevant Stablecoins refer to fiat-referenced stablecoins issued by HKMA-licensed entities under the Stablecoins Ordinance (Cap. 656) (Ordinance). As of the date of this update, the HKMA has granted stablecoin issuer licences to two entities.<sup>1</sup>

**The SFC and HKMA Joint Circular:** The existing requirements for LCs and RIs providing virtual asset (VA)-related services are set out in the Joint circular on intermediaries' virtual asset-related activities (Joint Circular) published by the SFC and HKMA in [December 2023](#) and revised in [September 2025](#).

Relevant Stablecoins are caught under the definition of VA in the Joint Circular, but given the fundamentally different risk profiles between Relevant Stablecoins and VAs generally, the Guidance relaxes certain key aspects of the Joint Circular for activities relating to Relevant Stablecoins only.

**Guidance applies to regulated firms only:** The Guidance applies to firms regulated by the SFC and the HKMA only. Firms that are not regulated by either regulator (for example, many VA-native firms that do not offer exchange functions are not so regulated) are not subject to the Joint Circular or the Guidance. A new licensing regime to be introduced will mandate licences for these firms – see our client updates dated [5 June 2026](#) and [14 January 2026](#). As of the date of this update, the licensing regime is not in force yet.

#### 1. Streamlined knowledge and suitability tests

**Knowledge test:** Firms that provide services in Relevant Stablecoins and Relevant Stablecoin-related products only are not required to assess their client's knowledge of VAs. Firms may demarcate the accounts of certain specific clients as Relevant Stablecoin-only accounts for this purpose. However, firms that provide services in other VAs or VA-related products must still conduct such knowledge test, even if some clients' actual activities are in relation to Relevant Stablecoins only.

**Suitability:** Relevant Stablecoins are not considered complex products. However, when firms make a solicitation or recommendation of a Relevant Stablecoin, the suitability requirements would apply as per existing requirements. Firms

should consider suitable alternatives (e.g. fiat currencies) and should not take commission as the primary basis for soliciting or recommending a Relevant Stablecoin.

## II. VA dealing services

**Relaxation of certain investor protection measures:** Given Relevant Stablecoins are subject to the HKMA's oversight, the HKMA and SFC consider the risks associated with Relevant Stablecoins to be relatively low compared to other VAs. Accordingly, several investor protection measures that apply to VAs generally will not apply to Relevant Stablecoins.

- The requirements that a VA has to be of “high liquidity” (meaning being included in a minimum of two indices issued by two different index providers – see paragraph 7.8 of the [VATP Guidelines](#)) before it can be made available for trading by retail investors does not apply to Relevant Stablecoins.
- Relevant Stablecoins are exempt from the exposure limits that apply to other VAs.

**Disclosure of information:** The obligation to disclose relevant material information remains in place. For Relevant Stablecoins in particular, such disclosures should include material information about the Relevant Stablecoin's stabilisation mechanism and redemption arrangements.

**Partnering arrangements:** LCs and RIs are permitted to enter into partnership arrangements with HKMA-licensed stablecoin issuers directly to provide dealing services in that Relevant Stablecoin. Further, in addition to partnering with licensed VATPs and RIs, which is already allowed, LCs can now custody, receive or withdraw clients' Relevant Stablecoins through segregated account(s) maintained with the relevant HKMA-licensed stablecoin issuer directly.

LCs and RIs can also partner with VATPs subject to a professional investor-only (PIO) licensing condition to provide dealing services in Relevant Stablecoins and other VAs via omnibus accounts. VATPs subject to the PIO condition can only indirectly serve retail investors through licensed corporations but not directly for retail investors. Importantly, when partnering with VATP subject to the PIO conditions, LCs and RIs must ensure that their retail clients can only access VAs that have undergone the VATP's token admission and review processes for retail trading.

## III. Distribution of investment products with exposure to Relevant Stablecoins

**Professional investor-only restriction not applicable:** Relevant Stablecoin-related products are typically not limited to Professional Investors only.

**Relevant Stablecoin-related products not automatically complex:** The guidance that VA-related products are very likely considered complex products (see paragraph 5 of the [Joint Circular](#)) do not apply to Relevant Stablecoin-related products. LCs and RIs should evaluate complexity by reference to established factors, including for example whether the product in question is a derivative product, whether a secondary market is available, accessibility to retail investors, what the underlying risks are.

**Warning statements not applicable to non-complex Relevant Stablecoin-related products:** The requirement on warning statements in paragraph 15.1 of the [Joint Circular](#) is not applicable to the distribution of Relevant Stablecoin-related products which are considered non-complex products. Relevant Stablecoin-related products are not considered inherently high-risk (cf. paragraph 12.3 of the [Joint Circular](#)).

**Sufficient net worth requirement applicable only to derivatives or leveraged products:** RIs and LCs are only required to ensure that their clients have sufficient net worth to assume the risks and bear the potential losses of purchasing Relevant Stablecoin-related products if the products are derivative products or the transactions are leveraged transactions.

## IV. Registration relaxations for RIs

RIs no longer have to register with the SFC for a particular type of regulated activity if they provide only Relevant Stablecoin-related services.

- The provision of Relevant Stablecoin-only dealing services is no longer confined to RIs registered for Type 1 regulated activities or limited to their Type 1 clients.
- Relevant Stablecoin-only advisory services are not restricted to clients of Type 1 or Type 4 regulated activities.
- RIs are exempt from the requirement to register for Type 9 regulated activities where the portfolios they manage contain only Relevant Stablecoins and no other VAs. However, even if registration is not required, RIs providing such service (subject to a *de minimis* threshold, i.e. a stated investment objective to invest in VAs or an intention to invest 10% or more of the gross asset value of a portfolio in VAs) are still subject to requirements set out in the pro forma terms and conditions to be imposed by the SFC.

## Next steps

VATPs, LCs and RIs carrying out Relevant Stablecoin-related activities should put in place adequate policies, procedures and controls, and provide sufficient training to staff to implement the requirements set out in this circular. Firms should make sure that they align their internal policies with the HKMA and SFC's latest Guidance.

VATPs, LCs and RIs already offering VA-related services do not need to obtain prior written approval from the SFC before including Relevant Stablecoins for clients' trading. However, they are required to notify the SFC in writing in advance of any plan to admit, suspend or remove Relevant Stablecoins from their trading platforms.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

**Martin Rogers**

+852 2533 3307  
martin.rogers@davispolk.com

**Li He**

+852 2533 3306  
li.he@davispolk.com

**James C. Lin**

+852 2533 3368  
james.lin@davispolk.com

**Miranda So**

+852 2533 3373  
miranda.so@davispolk.com

**Yuan Zheng**

+852 2533 1007  
yuan.zheng@davispolk.com

**Xi Shi**

+852 2533 3396  
xi.shi@davispolk.com

**Samuel Kang**

+852 2533 1019  
samuel.kang@davispolk.com

**Lok Cheung**

+852 2533 1029  
lok.cheung@davispolk.com

**Sophie Ng**

+852 2533 1012  
sophie.ng@davispolk.com

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<sup>1</sup> The HKMA announcement published on [10 April 2026](#) identifies the two entities granted stablecoin issuer licences.