

Misrepresentation by crypto firms using word "bank"

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA) wishes to remind members of the public to beware of firms engaged in crypto business purporting to be "banks" or describing their products as "deposits". The HKMA is warning these firms that describing themselves and their products in this way may be a contravention of the Banking Ordinance.

The HKMA is aware of some crypto firms describing themselves using terms such as "crypto bank", "crypto asset bank", "digital asset bank", "digital bank" or "digital trading bank", or claiming to offer "banking services" or "banking accounts". Some crypto firms also use the word "deposits" to describe funds placed with them by clients, or promoting "savings plans" as "low risk" with "high return". These descriptions may mislead members of the public into believing that those crypto firms are banks authorized in Hong Kong, to which they can entrust their savings.

Under the Banking Ordinance, only licensed banks, restricted licence banks and deposit-taking companies (collectively known as authorized institutions), which have been granted a licence by the HKMA can carry out banking or deposit-taking business in Hong Kong. Other than authorized institutions, it is an offence for any person to use the word "bank" in the name or description under which they carry on business, or make any representation that they are a bank or carrying on banking business in Hong Kong (Note 1); and it is also an offence for any person, to carry on a business of taking deposits in Hong Kong (Note 2) or invite members of the public to make any deposit (Note 3).

The HKMA wishes to remind members of the public that crypto firms which are not banks in Hong Kong are not supervised by the HKMA and funds placed with them are not protected by the Hong Kong Deposit Protection Scheme.

In case of doubt about any entity claiming to be a bank or soliciting deposits in Hong Kong, members of the public should verify whether the entity is authorized to conduct such business by referring to the register of authorized institutions on the HKMA's website (vpr.hkma.gov.hk/eng/regulatory-resources/registers/register-of-ais-and-lros). If still in doubt, members of the public may call the HKMA's Public Enquiry Service hotline (2878 8222).

Note 1: Under section 97 of the Banking Ordinance, it is an offence for any person, other than a bank or a central bank, without the written consent of the Monetary Authority, to use the word "bank" or any of its derivatives, or use the letters "b", "a", "n", "k" in that order, in the description or name under which such person is carrying on business in Hong Kong; or to make any representation that such person is a bank or is carrying on banking business

in Hong Kong. Under section 97A of the Banking Ordinance, no person is permitted to describe himself, or otherwise hold himself out, so as to indicate, or reasonably be construed to indicate, that he is a bank, or carrying on in Hong Kong banking business, unless he is a bank.

Note 2: Under sections 11 and 12 of the Banking Ordinance, only a bank which holds a valid banking licence or an authorized institution is permitted to carry on in Hong Kong banking business or business of taking deposits respectively.

Note 3: Under section 92 of the Banking Ordinance, no person other than an authorized institution is permitted to issue, or have in his possession for the purposes of issue, whether in Hong Kong or elsewhere, an advertisement, invitation or document which to his knowledge is or contains an invitation to members of the public to make any deposit or to enter into, or offer to enter into, any agreement to make any deposit, save for certain exceptions.