

Consultation on legislative proposal to implement regulatory regime for stablecoin issuers and announcement on introduction of sandbox arrangement

The Financial Services and the Treasury Bureau (FSTB) and the Hong Kong Monetary Authority (HKMA) jointly issued today (December 27) a public consultation paper to gather views on the legislative proposal to regulate issuers of stablecoin.

In view of the important roles played by stablecoins in the Web3 and virtual asset (VA) ecosystem, and the rising interconnectedness between the traditional financial system and the VA markets, the Government considers that a regulatory regime should be introduced for fiat-referenced stablecoin (FRS) issuers. Bringing FRS issuers into the regulatory remit under a risk-based and agile approach will facilitate a proper management of the potential monetary and financial stability risks, and provide transparent and suitable guardrails with the increased prevalence of VAs.

The legislative proposal has taken into account the feedback received from the market and the public to "Discussion Paper on Crypto-assets and Stablecoins" (Note 1) issued by the HKMA last year, the ongoing engagement exercises with stakeholders, local market conditions and needs, and applicable international standards. Its salient features are as follows:

- a. introducing a new piece of legislation to implement a licensing regime requiring all FRS issuers that meet certain conditions (Note 2) to be licensed by the Monetary Authority (MA);
- b. requiring that FRS can only be offered by specified licensed entities (Note 3), and only FRS licensed by the MA can be offered to retail investors;
- c. prohibiting the advertising of:
 - (i) FRS issuance by unlicensed entities; or
 - (ii) non-specified licensed entities' offering of FRS;
- d. providing the necessary powers for the authorities to adjust the parameters of in-scope stablecoins and activities having regard to the rapid VA market development; and
- e. providing a transitional arrangement to facilitate the implementation of the regulatory regime.

The HKMA will also introduce a sandbox arrangement for communicating supervisory expectations and guidance on compliance to entities having a genuine interest in and a reasonable plan on issuing FRS in Hong Kong, as well as obtaining their feedback on the proposed regulatory requirements, with a view to facilitating the subsequent implementation of the regulatory regime and ensuring that it is fit-for-purpose. Relevant details of the sandbox arrangement will be announced separately.

The Secretary for Financial Services and the Treasury, Mr Christopher Hui, said, "With the implementation of the licensing regime for VA trading platforms from June this year, the legislative proposal to regulate FRS is another important measure facilitating Web3 ecosystem development in Hong Kong. With the relevant licensing, supervisory and enforcement parameters in place, the actual and potential risks associated with stablecoin development in Hong Kong could be properly managed in line with international standards."

The Chief Executive of the HKMA, Mr Eddie Yue, said, "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. We are therefore introducing a sandbox arrangement alongside the public consultation to establish channels for the exchange of views between the HKMA and market players who wish to establish stablecoin issuance business in Hong Kong with a view to facilitating the implementation of the regulatory regime."

The consultation period commences today and will last until February 29, 2024. The consultation paper is available on the websites of [the FSTB](#) and [the HKMA](#). The industry and the public are invited to provide comments by post or email.

Note 1: See "[Discussion Paper on Crypto-assets and Stablecoins](#)" published on January 12, 2022.

Note 2: This refers to FRS issuers who (i) issue an FRS in Hong Kong; (ii) issue a Hong Kong dollar-referenced stablecoin; or (iii) actively market their issuance of FRS to the public of Hong Kong.

Note 3: Refer to licensed FRS issuers, authorised institutions, licensed corporations and licensed virtual asset trading platforms.

New programme "Time Travel Climate Mission" to launch on December 30

A new feature programme, "Time Travel Climate Mission", jointly produced by the Hong Kong Observatory (HKO) and Radio Television Hong Kong (RTHK) to commemorate the 140th anniversary of the Observatory will premiere on RTHK TV 31 from 8.30pm to 9.30pm December 30 (Saturday).

Through the fantasy of time travel, "Time Travel Climate Mission" combines drama and documentary content to explore the possible impacts of climate change on human life in the future and how the Observatory helps protect public safety through science.

"Time Travel Climate Mission" is set in a hypothetical future many years

later, when extreme weather on Earth has made the living environment hostile. Emma (played by Angel Lam), a special commissioner from the future, travels to Hong Kong in different periods via a time travel machine to find solutions to extreme weather. By chance, she meets Andrew (played by Henick Chou), a Scientific Officer of the Observatory, who has been interested in meteorology since childhood. With a view to mitigating climate change and avoiding the harsh consequences of extreme weather, they work together to promote the protection of the Earth and conduct relevant research, hoping that humans can make changes in their daily lives and work together to practise low-carbon living. The special programme also highlights the Observatory's continuous development that keeps pace with the times over the years, including the development of the nowcasting system [SWIRLS \(Short-range Warning of Intense Rainstorms in Localised Systems\)](#) and the world's first [Light Detection and Ranging Windshear Alert System](#). The HKO is recognised by the World Meteorological Organization as a [centennial observing station](#) and designated as a [Regional Specialised Meteorological Centre for Nowcasting](#). The Observatory has also established the [Severe Weather Information Centre](#) and the [World Weather Information Service](#) websites, and the [Regional Significant Meteorological Information \(SIGMET\) Coordination Platform](#) for aviation. Apart from promoting international meteorological co-operation, the Observatory also demonstrates its role in connecting the world, and enhancing meteorological technology development locally and globally.

The RTHK website (tv.rthk.hk), RTHK YouTube channel (rthk.hk) and mobile app "RTHK TV" will provide simultaneous live broadcasting and programme reviews. The HKO website and YouTube channel (hkweather) will also provide programme recaps.

A trailer of the special programme "Time Travel Climate Mission" has been uploaded to the HKO's YouTube channel: www.youtube.com/watch?v=prMil0Wc2Yc.

[Missing man in Hung Hom located](#)

Â Â Â A man who went missing in Hung Hom has been located.

Â Â Â Choi Kin-fan, aged 55, went missing after he left his residence on Ko Shan Road on November 30 night. His family made a report to Police on December 8.

Â Â Â The man was located in a hotel on Harbour Road, Wan Chai on December 24 afternoon. He sustained no injuries and no suspicious circumstances were detected.

WSD registered consumer convicted of overcharging subdivided unit tenant for water

A Water Supplies Department (WSD) registered consumer was convicted today (December 27) of overcharging her subdivided unit (SDU) tenant for water, in contravention of regulation 47 of the Waterworks Regulations (WWR). She pleaded guilty to three counts of offences at the Kowloon City Magistrates' Courts and was fined \$1,200 for each contravention with a total fine of \$3,600.

The WSD received a complaint in June 2023 concerning overcharging an SDU tenant for water at a flat on Hong Keung Street, San Po Kong, Kowloon. Upon completion of the investigation and evidence collection, the WSD instituted prosecution against the illegal acts of overcharging SDU tenants for water. This is the 14th similar conviction case since the first conviction in June 2022, with associated fines ranging from \$1,000 to \$5,000.

According to the amended regulation 47 of the WWR, if the registered consumer of the water account (usually the landlord) recovers from the occupants of the premises (usually the tenants) the water charge in a sum exceeding the amount paid to the WSD, the registered consumer shall be guilty of an offence and be liable to a maximum fine of \$10,000.

A WSD spokesman said that the Government is committed to combating illegal acts through an interdepartmental and multipronged approach. In addition to stepping up inspections and streamlining the application procedures for the installation of separate water meters, publicity and education efforts have also been strengthened, with a view to enhancing the deterrent effect in preventing SDU tenants from being overcharged for water by the landlord.

The spokesman mentioned that the WSD has launched a scheme to encourage landlords to apply for installation of separate water meters. Under the scheme, payment of the water fee deposit and the charge for providing a meter for each separate water meter installed will be waived. Every such water meter account will have a separate water bill for paying water charge, and the first 12 cubic metres of water consumed for each four-month period will be free of charge.

While applications for installing separate water meters in SDUs are to be submitted by the landlords, the SDU tenants can also make requests for installations directly to the WSD. The WSD will then approach the landlords concerned for follow-up action and provide appropriate technical support. Details of the scheme can be obtained from the WSD's website (www.wsd.gov.hk/en/customer-services/application-for-water-supply/pilot-schem)

[e-for-installation-of-separate-water-me/index.html](https://www.wsd.gov.hk/e-for-installation-of-separate-water-me/index.html)).

The WSD encourages the public to report any illegal act of overcharging SDU tenants for water for follow-up and investigation by the department. The public can call the WSD's Hotline 3468 4963 or WhatsApp 5665 5517 to apply for installation of separate water meters for SDUs. The WhatsApp hotline also handles matters relating to water overcharging in SDUs. Alternatively, the public can call the WSD's Customer Enquiry Hotline 2824 5000 to report water overcharge cases. After calling the hotline and choosing a language, they can press "7" for reporting to staff directly.

Innovation and Technology Venture Fund adds one co-investment partner

The Innovation and Technology Commission (ITC) announced today (December 27) that a venture capital (VC) fund, namely Lingfeng Annex Fund, LP, has been added as a co-investment partner (CP) of the Innovation and Technology Venture Fund (ITVF).

The ITC received a total of 15 applications in the third round of applications for becoming CPs of the ITVF, with eight CPs being selected earlier. According to each VC fund's capability, its investment strategy and performance, its management team's expertise and experience as well as its local network and resources, together with the advice of the ITVF Advisory Committee, the ITC selected the ninth CP in this round of applications.

To date, the ITVF has selected a total of 20 CPs (see Annex) and has co-invested in 28 local innovation and technology (I&T) start-ups. The Government's investment amounts to around \$210 million, attracting over \$2.1 billion of private investment. The business areas of these I&T start-ups include supply chain management, e-commerce, financial technology, biotechnology and artificial intelligence.

The Government set up the ITVF with a view to attracting more VC funds to co-invest in local I&T start-ups and creating a more vibrant I&T ecosystem in Hong Kong. The CPs are responsible for recommending suitable investment targets to the ITC. The ITC will co-invest with the CPs at a matching ratio of approximately 1 (Government): 2 (CP) in eligible local I&T start-ups. Details of the ITVF and brief information on the CPs are available on the ITVF website (www.itf.gov.hk/l-eng/ITVF.asp).