

Sandbox Arrangement for Stablecoin Issuers (“Sandbox”)

Objectives

- The sandbox is intended for the HKMA to:
 - Support the development of virtual asset ecosystem in Hong Kong;
 - Communicate our supervisory expectations and guidance on compliance to parties and/or entities having genuine interest in and reasonable plan on issuing fiat-referenced stablecoins in Hong Kong, with a view to facilitating the subsequent implementation of the proposed regulatory regime for stablecoin issuers in Hong Kong;
 - Obtain feedback from the sandbox participants on the proposed regulatory requirements to ensure that the regime is fit-for-purpose when implemented; and
 - To the extent appropriate, develop and promote good practices in key control areas (e.g. reserves management and stabilisation, governance, user protection, AML/CFT, data transparency, etc.).
- The HKMA will consider a number of factors in evaluating the applications. Successful admission as a sandbox participant does not mean that such sandbox participant is in any way endorsed by the HKMA, or that such sandbox participant is qualified to be subject to the current or future regulation of the HKMA or other financial regulators in Hong Kong.
- Sandbox participants that intend to apply for a licence will need to submit a separate application after the implementation of the regulatory regime as required by the licensing authority.

Factors for Consideration in Evaluating Applications

- The applicant should demonstrate:
 - genuine interest in and a reasonable plan on issuing fiat-referenced stablecoins in Hong Kong
 - a concrete plan on participating in the sandbox
 - a reasonable prospect of complying with the proposed regulatory requirements

Application Procedure

- Interested parties can register their interests in applying for sandbox participation to the HKMA via stablecoin_sandbox@hkma.gov.hk.

- The HKMA may contact the applicant to obtain more information during the evaluation process. The time required for processing would depend on a number of factors including the complexity of business model, sufficiency and quality of information provided, and speed as well as level of details of response to follow-up questions and requests from the HKMA.

Others

- The HKMA may announce to the public information on the participation in the sandbox arrangement in different forms including the disclosure of approved participants.
- Before being admitted to the sandbox arrangement, no one should make announcements in relation to their application status. After being admitted to the sandbox, if a participant would like to make announcements in relation to its participation in the sandbox arrangement, it should seek agreement from the HKMA prior to the publication.
- Subject to the participants' concrete proposals and testing progress, the HKMA may adjust the relevant sandbox requirements as appropriate.
- The sandbox participant is considered withdrawn from the sandbox under any of the following conditions:
 - If the HKMA is of the view that the sandbox participant fails to adhere to the anticipated way of operation as set out in the application documents and related materials considered by the HKMA, and/or, in the HKMA's opinion, it is no longer appropriate for the participant to remain in the sandbox; or
 - If the sandbox participant informs the HKMA of its decision to exit at its own discretion and in an orderly manner with advance notice.
- The HKMA will make public announcement on the termination of eligibility of participants where appropriate.

Hong Kong Monetary Authority
March 2024