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ripple

Digital Finance Division
Monetary Management Department
Hong Kong Monetary Authority
55/F, Two International Finance Centre
8 Finance Street
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Email: stablecoin_feedback@hkma.gov.hk

Dear Sir or Madam,

Ripple Labs Inc. ("Ripple") welcomes the opportunity to comment on the Draft Guideline on Supervision of Licensed Stablecoin Issuers ("Draft Guideline") published by the Hong Kong Monetary Authority (the "HKMA") on May 26, 2025.[1]

Ripple is also grateful for the opportunity to comment on the Discussion Paper on Crypto-assets and Stablecoins (the "HKMA Discussion Paper") published by the HKMA on January 12, 2022[2] as well as the consultation paper on the Legislative Proposal to Implement the Regulatory Regime for Stablecoin Issuers in Hong Kong (the "Legislative Proposal") jointly published by the Financial Services and the Treasury Bureau (the "FSTB") and the HKMA on December 27, 2023.[3]

Ripple responded to the HKMA Discussion Paper on March 31, 2022, and the Legislative Proposal on February 29, 2024, and we request HKMA read the two responses in conjunction with this comment letter.

[1] *See* https://www.hkma.gov.hk/media/eng/regulatory-resources/consultations/20250526_Consultation_on_Draft_Guideline_on_Supervision_of_Licensed_Stablecoin_Issuers.pdf, *Consultation Draft Guideline on Supervision of Licensed Stablecoin Issuers.*

[2] *See* https://www.hkma.gov.hk/media/eng/doc/key-information/press-release/2022/20220112e3a1.pdf, *Hong Kong Monetary Authority Discussion Paper on Crypto-assets and Stablecoins.*

[3] See https://www.hkma.gov.hk/media/eng/doc/key-information/press-release/2023/20231227e4a1.pdf, *Legislative Proposal to Implement the Regulatory Regime for Stablecoin Issuers in Hong Kong.*

Additionally, Ripple also responded to the Consultation Paper on the Proposed AML/CFT Requirements for Regulated Stablecoin Activities ("AML/CFT Consultation") on 30 June, 2025[4], and we request that the response is also read in conjunction with this comment letter.

Ripple would like to thank the HKMA for both the in-depth and comprehensive analysis that has been undertaken to date and for the opportunity to provide our comments. We respectfully request that you take them into consideration as you consider the policy direction and scope of the intended regulatory regime for licensed stablecoin issuers in Hong Kong. We welcome the opportunity for further engagement with the HKMA on this Draft Guideline and any other related consultations as may be appropriate.

As a global leader in blockchain-based financial solutions and the issuer of Ripple USD ("RLUSD"), a U.S. dollar-pegged stablecoin, Ripple strongly supports the HKMA's initiative to establish a robust and forward-looking regulatory framework for fiat-referenced stablecoins (FRS) in Hong Kong. We commend the HKMA for its thoughtful approach in addressing risks while fostering innovation.

In responding to the Draft Guideline, we wish to bring to the HKMA's attention the following key themes.

1. **Support for a proportionate, risk-based approach**

Ripple supports the HKMA's objective to supervise licensees through a proportionate and risk-based framework. We believe this approach is essential to support innovation, maintain market integrity, and ensure consumer protection. Stablecoins are rapidly emerging as foundational infrastructure in digital financial ecosystems, and a well-calibrated regulatory regime will allow trusted issuers to participate in the development of tokenised markets.

2. **Scope of regulation**

Ripple agrees with the HKMA's focus on FRS pegged to a single fiat currency. However, we urge the HKMA to remain flexible in extending the framework to recognize other stablecoin models, including those issued by regulated entities outside of Hong Kong but used domestically. A globally harmonised approach would minimise regulatory fragmentation and support interoperability, while supporting the fungibility of stablecoins.

[4] *See* https://www.hkma.gov.hk/media/eng/regulatory-resources/consultations/20250526_Consultation_Paper_on_the_Proposed_AMLCFT_Reg_for_Regulated_Stablecoin_Activities.pdf, *Consultation Paper on the Proposed AML/CFT Requirements for Regulated Stablecoin Activities.*

3. **Licensing conditions and risk management**

We support the detailed licensing conditions outlined, particularly around risk management, reserve backing, redemption rights, and governance. However, we request further clarity on what constitutes the issuance of an "additional type of specified stablecoin", especially in the case of deploying the same FRS across different blockchain networks. We propose that where an FRS is economically identical but issued on a different blockchain, a simple notification to the HKMA should suffice. Where an FRS represents new economic exposure or risk (e.g., dual-currency backing), pre-approval from the HKMA should be required.

4. **Interoperability and cross-border collaboration**

We encourage the HKMA to work with regional and global counterparts to promote mutual recognition and regulatory equivalence for licensed stablecoin issuers. As cross-border use cases grow, interoperability between regulatory regimes will be crucial to preserve the fungibility of stablecoins.

5. **Transitional arrangements**

Ripple supports the proposed transitional period and recommends the inclusion of a public exemption register to provide clarity for users and ecosystem participants. Additionally, we recommend that such exemptions remain valid until the licensing decision is formally made (approved, rejected, or withdrawn).

6. **Stablecoin use cases - tokenised payments and treasury management**

Stablecoins are already enabling efficient cross-border treasury operations for Ripple customers in Asia. As these use cases expand, it is important that the regulatory regime supports enterprise adoption through clear treatment of business-to-business (“B2B”) and institutional use cases.

While RLUSD is currently out of scope under the proposed FRS regime, we recognize the importance of aligning with international best practices and ensuring the stability and integrity of the digital asset ecosystem. Our comments aim to provide constructive insights that may assist the HKMA in refining its regulatory approach.

We welcome HKMA's commitment to engaging with industry participants and look forward to continued collaboration. With the right safeguards and policy clarity, Hong Kong is well-positioned to become a leader in compliant, innovation-driven digital asset adoption.

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With this overview, Ripple respectfully submits the following responses to the proposals in the Draft Guideline in the attached Appendix.

Ripple appreciates the opportunity to provide feedback on the Draft Guideline as the HKMA studies these important issues, and we would encourage and support further dialogue with all stakeholders. Should you wish to discuss any of the points raised in this letter, please do not hesitate to contact Rahul Advani (Global Co-Head of Policy) at radvani@ripple.com and Caren Tso (Policy Manager, APAC) at ctso@ripple.com.

Sincerely,

Ripple Labs Inc.

APPENDIX

Ripple respectfully submits the following responses to the proposals in the Draft Guideline.

Chapter 2: Reserve Assets Management

2.1 Full Backing

Ripple supports the requirement for licensees to maintain full backing of issued stablecoins with high-quality, liquid reserve assets. This measure is crucial for maintaining public confidence and ensuring the stability of stablecoin value.

However, paragraph 2.1.1 suggests "appropriate over-collateralisation to cover market risk". Ripple requests that the HKMA provide a more specific (even if indicative) range or methodology for determining "appropriate" over-collateralisation, which would be helpful for standardization across the industry.

2.2 Scope and Composition of Reserve Assets

Ripple respectfully requests that the HKMA provide clear guidelines on the "Other types of assets which are acceptable to the HKMA" outlined in 2.2.1 (v), including criteria for determining their quality and liquidity.

Additionally, in its consultation conclusions to the Legislative Proposal published on 17 July, 2024[5] the HKMA indicated that tokenised versions of the reserve assets would also be permitted. However, it is unclear if paragraph 2.2 of the Draft Guideline includes such tokenised versions of reserve assets.

This clarity will assist issuers in constructing compliant reserve portfolios.

2.3 Referenced Currency

Ripple supports the requirement for reserve assets to be denominated in the same referenced currency. The explicit flexibility for HKD-referenced stablecoins to use USD as reserve assets, given the Linked Exchange Rate System, is a practical and welcome acknowledgment of market realities.

We also believe that for cases requiring currency mismatch, the need to demonstrate rationale and implement risk management measures (e.g.,

[5] See https://www.hkma.gov.hk/media/eng/doc/key-information/press-release/2024/20240717e3a1.pdf, *Consultation Conclusions on the Legislative Proposal to Implement the Regulatory Regime for Stablecoin Issuers in Hong Kong.*

over-collateralisation) is reasonable. However, providing case studies or examples of acceptable rationales and measures could further assist issuers.

While the current focus of the proposed FRS framework is on stablecoins referenced to a single currency, it might be worthwhile for the HKMA to consider a placeholder for providing guidance for multi-currency stablecoins, as these may become more relevant in the future.

2.4 Segregation and Safekeeping

Ripple is supportive of the mandate for segregation and safekeeping of reserve assets with authorized custodians, which we believe enhances asset protection. The mandates for segregation from other asset pools, protection against claims by other creditors, and separation from the licensee's own assets are critical for investor protection. The explicit mention of effective trust arrangements, including independent trustees or declarations of trust, and the requirement for independent legal opinions are robust measures.

However, clarification on the types of qualified custodians beyond "licensed bank, or other asset custodian under an arrangement which is acceptable to the HKMA" would be helpful. For example, specific criteria for "other asset custodians" could be outlined to ensure consistent interpretation.

We also request that the HKMA consider allowing flexibility in the selection of custodians, including international custodians, to accommodate global operational models and preserve economies of scale for licensees.

2.5 Non-Interest Bearing

Ripple would like to highlight that the proposed prohibition on payment of interest may restrict the financial sustainability of stablecoin operations for licensees. We suggest that the HKMA explore mechanisms that allow licensees to pay interest to certain segments of stablecoin holders, provided that adequate disclosures are made regarding such payments and the use of interest income.

2.6 Disclosure and Reporting

Ripple believes that the detailed disclosure requirements, including daily statements on par value and market value of reserves, weekly updates on the website, and regular independent attestation and audit reports, are excellent for transparency and public trust. The requirement to report breaches and material non-compliance immediately is also a crucial risk management measure. Clear communication of the rights and obligations of stablecoin holders is essential for maintaining user trust.

However, while daily statements are required to be "ready for submission to the HKMA as and when requested", clarifying the expected typical submission frequency (e.g., monthly unless issues arise) would manage operational expectations for issuers.

Chapter 3: Issuance, Redemption, and Distribution

3.1 Issuance Requirements

Ripple supports the establishment of clear criteria for the issuance of stablecoins, ensuring that only entities meeting stringent standards can issue FRS. The emphasis on prudent and sound issuance mechanisms, only issuing to customers, timely issuance upon fund receipt, and matching minting with corresponding reserve asset increases are vital controls.

3.2 Redemption Requirements

Ripple believes that ensuring the timely redemption of stablecoins is vital for user trust, and we are supportive of the proposed requirements for redemption processes. The right to redeem at par value, the rights in case of insolvency (pro-rata disposal and claim for shortfall), and the requirement for independent legal opinions on these rights are strong consumer protection measures. Additionally, the one-business-day redemption timeframe is a robust standard.

However, the Draft Guideline mentions assessing "reasonableness of fees charged" and "unduly burdensome condition". While flexibility is appreciated, we believe providing some benchmarks or examples of what would be considered unreasonable/unduly burdensome would aid compliance and prevent disputes.

We also recommend that the HKMA establish standards for handling redemption under stress scenarios.

3.3 Distribution Requirements

Ripple believes that ensuring prudence and soundness, even when engaging third-party distributors, considering laws of relevant jurisdictions, and conducting due diligence on third parties are important for managing systemic risk.

However, for third parties providing liquidity on secondary markets, the need to maintain "relatively stable value for the specified stablecoins" is noted. Ripple requests that the HKMA provide more guidance on how this "relative stability" will be assessed and monitored, especially for decentralized exchanges.

3.4 Customer On-boarding

Please see our response to the HKMA Consultation Paper on the Proposed AML/CFT Requirements for Regulated Stablecoin Activities.

3.5 Disclosure and Reporting

Ripple believes that transparent reporting of issuance and redemption activities will enhance market integrity. However, we request that the HKMA provide specific timelines for licensees to be required to publish periodic reports detailing these activities.

Chapter 4: Business Activities

4.1 Restrictions on Business Activities

Ripple broadly agrees with the need to restrict licensees from engaging in activities that may conflict with their obligations to stablecoin holders. However, we recommend that the HKMA consider allowing licensees to engage in ancillary activities that support the stablecoin ecosystem, subject to appropriate risk management measures.

4.2 Issuance of Multiple Stablecoins

Ripple is supportive of the requirement for a licensee to maintain clear operational and financial separation if a licensee issues multiple types of stablecoins. This will minimise contagion risks.

However, we request that the HKMA provide clear guidance on what constitutes an “additional type of specified stablecoins” issuance as outlined in 4.2.2, and on managing such arrangements.

We propose that where an FRS is economically identical but issued on a different blockchain, a simple notification to the HKMA should suffice. Where an FRS represents new economic exposure or risk (e.g., dual-currency backing), pre-approval from HKMA should be required.

Chapter 5: Financial Resources

5.1 Minimum Paid-Up Share Capital

Ripple believes that adequate capitalization is critical for absorbing losses and ensuring operational continuity. The minimum paid-up share capital of HK$25,000,000 sets a robust barrier to entry, ensuring that only well-capitalized

entities can operate, thereby enhancing stability and trust. Additionally, the provision for additional financial resources as deemed appropriate by HKMA adds flexibility. However, we propose that the HKMA also consider defining minimum capital requirements based on the scale and complexity of the stablecoin issuance, possibly adopting a tiered approach where higher capital buffers are required for licensees with larger issuance volumes or higher risk profiles.

Chapter 6: Risk Management

6.1 Overview

Ripple supports the requirement for licensees to implement comprehensive risk management frameworks covering credit, liquidity, market, operational, and technology risks. Adequate and appropriate risk management policies commensurate with scale and complexity is a sound, principles-based approach.

6.2 Risk Governance

Ripple believes that strong governance structures are essential for effective oversight. The clear definition of responsibilities for the Board, senior management, and the "three lines of defence" (business units, independent risk management/compliance, and internal audit) provides a robust governance structure. However, we request that the HKMA specify expectations for board composition, including the presence of independent directors with relevant expertise.

6.3 Risk Management Framework and Internal Control System

Ripple believes the detailed requirements for identifying, assessing, monitoring, reporting, controlling, and mitigating all material risks, including specific types like credit, liquidity, market, technology, operational, reputation, and AML/CFT risks, are comprehensive. Regular review and Board approval of the framework are also strong points. However, we request that the HKMA also consider providing guidance on best practices for risk assessment and mitigation specific to stablecoin operations.

6.4 Credit, Liquidity, and Market Risk Management

Ripple is supportive of the requirements on managing credit risk exposures to counterparties, setting internal limits, and prompt notification to HKMA for prolonged breaches. The detailed liquidity risk management requirements, including stress testing and indicators like cash ratio, are robust. However, Ripple notes that for stress testing scenarios, while "severe but plausible scenarios" are required, the HKMA could provide some illustrative examples of such scenarios

relevant to stablecoin issuers (e.g., sudden mass redemptions, major custodian failure, significant market disruption).

6.5 Technology Risk Management

Ripple appreciates the level of detail in this section, however we note that it is highly prescriptive. We suggest the HKMA clarify where principles-based approaches might be acceptable for smaller or less complex operations, or provide a tiered approach to compliance with certain highly granular requirements, to avoid stifling innovation for new entrants while still maintaining high standards.

6.6 Operational Risk Management

Ripple is supportive of the requirement for policies on managing operational risks, including theft, fraud, and business disruption, and conducting risk assessments is comprehensive. Ripple is also supportive of the extensive guidelines on identifying, assessing, and mitigating risks from third-party arrangements, including due diligence, contractual agreements, continuous monitoring, and ensuring HKMA access to data.

However, it is important to note that for some small or nascent stablecoin issuers, the sheer volume of due diligence and ongoing monitoring requirements for all third-party arrangements, regardless of materiality, could be challenging. The focus on "material third party arrangements" is helpful; perhaps further tiered guidance could be considered for less critical vendors.

6.7 Reputation Risk Management

Ripple believes that maintaining public confidence in stablecoins is crucial. Therefore, we are supportive of the recognition of reputation risk and the need for proactive identification, monitoring, and swift response to minimize impact. The requirement to notify HKMA of material adverse effects is a critical control.

6.8 Incident Management, Business Continuity and Exit

Ripple believes the mandate for a comprehensive incident management framework, business continuity plan (“BCP”), and business exit plan, with clear responsibilities, escalation procedures, and communication strategies, is excellent for ensuring resilience and orderly wind-down. The specific indicators for triggering response procedures covering various risk types (credit, liquidity, market, technology, operational, de-pegging, reputation, compliance, legal) are highly valuable. The one-business-day recovery objective is a robust standard.

Ripple is also supportive of the requirement for an orderly wind-down plan, including liquidation of reserve assets, facilitating redemption claims, and managing third-party arrangements, and believe this is critical for investor protection and market stability in adverse scenarios.

However, while regular testing of these plans is required, we believe specifying types of tests (e.g., tabletop exercises, full simulations) and criteria for successful completion would add more rigor to the requirements.

Chapter 7: Corporate Governance

7.1 Corporate Governance

Ripple is supportive of the emphasis on a sound governance arrangement, clear organizational structure, well-defined responsibilities, and transparent decision-making processes.

7.2 Fitness and Propriety

Ripple believes that ensuring that individuals in key positions are fit and proper is essential, and is supportive of the fitness and propriety requirements identified. The stringent requirements for the fitness and propriety of controllers, chief executives, directors, and managers, assessing integrity, competence, experience, and lack of adverse records, are essential for ensuring sound leadership and public trust in licensed stablecoin issuers. The notification requirements for managers are also clear.

Chapter 8: Business Practices and Conduct

Ripple is supportive of the requirements outlined in paragraph 8.1 to 8.4.