

Comparing the Crypto Regulatory Regimes of Hong Kong and Singapore

A Comparative Analysis of Licensing Models, Banking Access, and Prudential Treatment



Hong Kong and Singapore are widely recognised as Asia's two leading regulated centres for crypto-asset activities. Both jurisdictions have moved beyond the early phase of permissive crypto regulation and now operate sophisticated licensing regimes supported by robust anti-money laundering and counter-terrorist financing (AML/CFT) standards, prudential regulation and investor protection measures.

Singapore is widely regarded as a safe and bank-friendly jurisdiction in Asia for digital asset businesses. Hong Kong, meanwhile, has accelerated the development of its virtual asset (VA) regulatory framework under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) (AMLO), the Securities and Futures Ordinance (Cap. 571) (SFO) and the newly introduced Stablecoins Ordinance, reflecting its valiancy to develop into a leading international centre for institutional digital assets.

The question is therefore not whether Hong Kong can replicate Singapore's model, but whether it can leverage its own strengths to build a differentiated and competitive ecosystem.

For crypto businesses, bank-friendliness extends beyond obtaining a regulatory licence. It also encompasses whether banks are willing to provide accounts, payment services, custody and other essential banking facilities. From a bank's perspective, however, the decision depends on whether the regulatory framework provides sufficient certainty to assess AML/CFT risks, satisfy internal governance requirements and support an ongoing commercial relationship.

Different Regulatory Designs, Different Banking Outcomes

Conceptually, Singapore places greater regulatory emphasis on market entry. The Monetary Authority of Singapore (MAS) regulates digital payment token services under the Payment Services Act 2019 (PSA) and, increasingly, Digital Token Service Providers (DTSPs) under the Financial Services and Markets Act 2022 (FSMA). Regulatory scrutiny is concentrated at the licensing stage, requiring firms to satisfy prudential, governance and AML/CFT expectations before entering the market. As a result, banks generally assess a population of firms that has already passed a rigorous regulatory gateway, contributing to greater consistency in banking relationships.

Hong Kong has adopted a different regulatory architecture involving the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission (SFC) and the Financial Services and the Treasury Bureau (FSTB). Rather than determining bankability through licensing alone, the HKMA adopts a

conduct-based, risk-based supervisory approach alongside the SFC's licensing regime for Virtual Asset Trading Platforms (VATPs).

Hong Kong's Conduct-Based Model

Hong Kong's approach rests on AML/CFT risk-based due diligence doctrine rather than statutory compulsion. The HKMA's guidance is explicit that it will not create VASP-specific carve-outs in banking law, stating that there are no legal or regulatory requirements which prohibit banks operating in Hong Kong from offering banking services to VASPs.

The HKMA layers a supervisory expectation on top of that negative clearance, rooted in its long-standing AML-2 Guideline doctrine of proportionate, risk-based customer due diligence. As early as its 2019 circular on managing ML/TF risks associated with virtual assets, the HKMA articulated the principle that banks must conduct differentiated risk assessments and emphasizing that there is no 'one-size-fits-all' treatment of VASP customers. This same language of "risk-based approach," rejection of "one-size-fits-all" de-risking resurfaces in the HKMA's 2023 guidance specifically directed at VASP account access, demonstrating regulatory continuity rather than a one-off statement issued in response to industry pressure.

Since the HKMA operates through guidelines and supervisory expectations rather than directly enforceable rights for VASPs, a bank's decision to decline a VASP account is not, without more, a breach of law. The HKMA directs unsuccessful applicants to internal bank review mechanisms rather than to a regulatory remedy noting that all retail banks in Hong Kong have established review mechanisms to re-examine unsuccessful applications such that bank account applicants may make use of the banks' mechanisms to request the banks concerned to review their cases.

The HKMA further created a specific expectation only for a narrow subset of VASPs licensed under the SFC regarding *segregated client accounts* on its expectation that banks should endeavour to meet the legitimate business need of SFC-licensed VASPs and create segregated bank accounts for maintaining clients' funds. While explicitly narrowing enhanced due diligence obligations to *overseas* VASPs only, not SFC-licensed ones. Heightened scrutiny therefore applies only for segregated client accounts, not for general banking relationships, which remain governed by ordinary risk-based assessment.

Singapore's Gate-Based Model

Singapore's DTSP regime under the Financial Services and Markets Act 2022 operates on an entirely different legal theory of eligibility to conduct business, not treatment once admitted.

Monetary Authority of Singapore (MAS)'s justification for excluding offshore-only DTSPs is framed explicitly in supervisory-capacity terms rather than banking-access terms noting that the money laundering risks are higher in such business models and if their substantive regulated activity is outside of Singapore, MAS is unable to effectively supervise such persons. Without a licence, such DTSPs will have to cease their regulated activities. MAS is effectively declining to license firms it cannot adequately monitor, which is a materially different legal rationale from a bank declining an account because of AML risk appetite. MAS states plainly that firms serving customers inside Singapore face no change to what they may do and may also serve overseas customers on that basis.

This distinction has practical implications. Singapore allocates much of the regulatory friction to the licensing process, creating greater certainty for banks once firms have entered the regulated market. Hong Kong, by contrast, places greater emphasis on ongoing supervisory expectations and individual banks' risk assessments. Consequently, licensed virtual asset businesses may still encounter differing

onboarding standards, source-of-funds verification requirements and account-opening outcomes across banks despite operating under the same regulatory framework.

The Prudential Layer

A further legal distinction lies in how each jurisdiction has localized the Basel Committee on Banking Supervision's (BCBS) global standards for banks' own cryptoasset exposures, a framework that directly shapes bank appetite to engage with the sector commercially.

Hong Kong strictly adhered to the BCBS timeline, bringing the Banking (Capital) (Amendment) Rules 2025 into operation on 1 January 2026. Under the HKMA's codified framework, banks must categorize exposures into Group 1 (qualifying tokenised assets and stablecoins subject to standard risk weights) and Group 2 (assets failing these conditions, subject to highly conservative capital requirements). By codifying this, Hong Kong has transformed bank crypto exposure from a purely supervisory issue into a precise statutory capital calculation.

Singapore, while also adopting the BCBS framework, has demonstrated a willingness to deviate from the global baseline to accommodate institutional innovation. Following industry feedback, MAS deferred its broader framework implementation to 1 January 2027 and introduced its April 2026 consultation on bespoke prudential treatment for cryptoassets issued on permissionless blockchains. As a departure from the strict BCBS, which generally categorizes all assets on permissionless blockchains as high-risk Group 2 assets subject to punitive capital requirements. Instead, MAS seeks to establish a technology-neutral, principle-based approach that allows permissionless cryptoassets to be classified as lower-risk Group 1 assets. To qualify for lower-risk Group 1 classification, permissionless cryptoassets must meet specific principle-based safeguards and deeming conditions that effectively mitigate the inherent risks of public blockchains. However, for banks successfully classifying these assets, MAS imposes strict interim limits that cap their cryptoasset exposure at 2% and their issuance at 5% of Tier 1 capital.

The legal significance is that while both jurisdictions possess a mature prudential layer, they have adopted different risk postures. Hong Kong offers statutory certainty through strict alignment with global Basel standards, whereas Singapore offers measured regulatory flexibility, creating a bespoke capital runway for banks building on permissionless public networks.

Hong Kong's Competitive Advantages

Although Singapore currently enjoys stronger market perceptions in terms of banking accessibility, Hong Kong possesses several structural advantages that differentiate its digital asset ecosystem.

1. Institutional-Grade Regulatory Framework

Hong Kong regulates VATPs primarily under the AMLO, with many conduct requirements operating alongside the SFO framework applicable to traditional securities intermediaries. The licensing regime incorporates regulatory standards commonly associated with established financial institutions, including paid-up capital requirements, Responsible Officer (RO) competence, client asset segregation, custody arrangements, operational resilience and comprehensive AML/CFT controls.

For banks, institutional investors and regulated financial institutions, a Hong Kong licence represents more than regulatory approval. It also provides an important indicator of governance, operational resilience and compliance maturity, positioning Hong Kong as an institutional-focused digital asset market rather than solely a retail crypto trading venue.

2. A Comprehensive Digital Asset Ecosystem

Hong Kong has also been developing a broad digital asset ecosystem that extends beyond licensed trading platforms.

The regulatory framework now encompasses publicly offered virtual asset ETFs, SFC-authorised virtual asset funds, tokenised investment products, the new stablecoin issuer licensing regime, together with ongoing regulatory initiatives relating to custodians, over-the-counter virtual asset dealers and banks' crypto-asset exposures.

This integrated approach enables issuers, exchanges, asset managers, custodians and banks to operate within a single regulated ecosystem. As a result, Hong Kong is increasingly positioning itself as a centre for tokenised capital markets rather than simply crypto trading.

3. Policy Development and Regulatory Evolution

Hong Kong's digital asset framework continues to evolve through regular consultations, joint regulatory guidance and legislative initiatives.

The Government's Policy Statement 2.0 on the Development of Digital Assets ("LEAP") reflects an ongoing effort to refine the regulatory framework, including streamlining regulation, expanding tokenisation initiatives and supporting institutional adoption of digital assets.

This continued policy development provides market participants with greater confidence that the regulatory framework will continue to evolve alongside technological and commercial developments while maintaining appropriate regulatory safeguards.

4. Connectivity with Mainland China

Hong Kong also benefits from its position as the world's leading offshore Renminbi (RMB) centre and its close connectivity with Mainland China.

As tokenisation continues to develop, Hong Kong is well placed to facilitate the future issuance and distribution of tokenised RMB products, tokenised bonds and other real-world asset (RWA) structures through an internationally recognised legal system and sophisticated capital markets infrastructure.

This combination of international regulatory standards and proximity to Mainland financial markets represents a structural advantage that is not easily replicated by other regional financial centres.

Hong Kong's competitive positioning appears increasingly centred on institutional digital finance, tokenisation and regulated capital markets. As its regulatory framework and market practices continue to evolve, Hong Kong is well placed to strengthen its role as one of Asia's leading centres for institutional digital assets.

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