

Asian Financial Services Regulatory Newsletter

September 2025

Coverage Period: August 21 - September 20, 2025



Retail Banking, Commercial Banking, Corporate Banking

The Big Picture: Month in Focus

September 2025 marked a transformative period for Asian banking regulation, with major capital adequacy reforms in Vietnam and South Korea, enhanced governance frameworks across multiple jurisdictions, and significant deposit protection increases reflecting regulatory focus on systemic stability and consumer protection.

Top 5 Headlines You Can't Miss

1

South Korea raises deposit protection to KRW100 million

First increase in 24 years, effective September 1, covering banks, savings banks, insurance companies, and mutual finance businesses .

1

2

Vietnam implements stricter Basel III capital requirements

New Capital Conservation Buffer and Counter-cyclical Capital Buffer requirements raising minimum CAR to 10.5% by fourth year

2

3

Indonesia's OJK enhances banking governance standards

Circular Letter No. 14/2025 expands self-assessment factors and clarifies board roles for commercial banks including Sharia institutions

3

4

Australia's APRA introduces three-tiered banking framework

New proportional regulatory approach distinguishing large, medium, and small banks following CFR review

4

5

Hong Kong expands mandatory reference checking

Phase 2 covers personnel licensed for securities, insurance, and MPF activities beyond senior banking staff

5

Institution/Jurisdiction Heatmap: Key Areas of Regulatory Activity

● **South Korea** - Major productive finance initiative with reduced bank equity investment risk weights and increased deposit protection coverage

● **Vietnam** - Comprehensive Basel III implementation with new capital buffers and biometric verification requirements for business accounts

● **Hong Kong** - Enhanced governance guidelines and expanded reference checking scheme for cross-sector personnel

● **Indonesia** - Strengthened banking governance framework through OJK Circular Letter 14/2025 with expanded oversight mechanisms

● **Australia** - Three-tiered proportional banking framework and streamlined licensing processes for small-medium banks

● **China** - Focus on regional government bank transformation and dormant account management review

● **Singapore** - Liquidity risk management guidelines consultation for banks and merchant banks

● **Malaysia** - Maintained strong capital ratios at 18.4% with continued focus on impaired loan management

● **Japan** - Limited banking-specific developments, primary focus on capital markets regulation

● **Taiwan** - Steady progress on asset management liberalization without major banking regulatory changes

● **Thailand** - Banking sector stability maintained with focus on fintech sandbox implementation

Thematic Deep Dive: What's Changing on the Ground?

Capital Adequacy and Prudential Standards Enhancement

The September 2025 period witnessed unprecedented focus on capital adequacy frameworks across Asia-Pacific, with Vietnam leading comprehensive Basel III implementation. The State Bank of Vietnam's Circular 14/2025, effective September 15, mandates minimum common equity Tier 1 ratio of 4.5%, Tier 1 capital ratio of 6%, and capital adequacy ratio of 8%. The introduction of Capital Conservation Buffer starting at 0.625% in year one, escalating to 2.5% by year four, effectively raises the minimum CAR to 10.5%. This represents the most significant banking capital reform in Vietnam's recent history, positioning the country ahead of regional peers in Basel III compliance.

South Korea's productive finance initiative simultaneously addressed capital allocation efficiency by reducing risk weights for bank equity investments from 400% to 250%, while increasing mortgage loan risk weight floors from 15% to 20%. This dual approach encourages bank financing of critical industries including semiconductors and AI while restricting excessive property lending. The reforms, effective Q1 2026, reflect policymakers' concerns about capital concentration in real estate markets at the expense of productive economic sectors. Australia's APRA complemented these regional trends by formalizing a three-tiered proportionality framework distinguishing regulatory requirements based on bank size and systemic importance. The initiative streamlines accreditation processes for internal-ratings based approaches while maintaining robust capital standards, demonstrating the evolution toward risk-based supervision tailored to institutional profiles.

Governance and Oversight Mechanism Strengthening

Governance frameworks underwent substantial enhancement across multiple Asian jurisdictions, with Indonesia's OJK Circular Letter No. 14/2025 setting new standards for commercial bank governance. The circular expands self-assessment factors, clarifies board and committee roles, and introduces greater oversight mechanisms for both conventional and Sharia banking institutions. This represents a shift toward more granular governance requirements, emphasizing accountability and transparency in banking operations. The framework addresses international best practices while accommodating Indonesia's dual banking system requirements.

Hong Kong's expansion of the Mandatory Reference Checking Scheme to Phase 2, effective September 30, extends coverage beyond senior banking personnel to include securities, insurance, and MPF-licensed staff. This cross-sectoral approach addresses the "rolling bad apples" phenomenon where misconduct risks migrate across financial services sectors. The enhanced scheme covers approximately 50,000 additional personnel, representing the most comprehensive professional reference system in Asia. Simultaneously, HKMA's updated Corporate Governance Guidelines (CG-1) minimize conflicts of interest for senior management holding external positions, reflecting heightened focus on governance integrity. These developments signal regulatory convergence toward comprehensive oversight mechanisms addressing both institutional and individual accountability across financial services sectors.

Consumer Protection and Deposit Insurance Modernization

Consumer protection mechanisms received substantial upgrades, with South Korea's deposit protection increase representing the most significant development. The expansion from KRW50 million to KRW100 million, effective September 1, covers banks, savings banks, insurance companies, and mutual finance businesses. This first increase in 24 years reflects inflationary adjustments and enhanced consumer confidence priorities. The reform addresses concerns about deposit concentration risks while providing adequate protection for retail and SME depositors in Korea's evolving financial landscape.

Vietnam's implementation of mandatory biometric verification for business account legal representatives enhances security while potentially creating operational challenges for corporate customers. The requirement, coupled with magnetic stripe card phase-out, demonstrates commitment to digital security advancement despite short-term compliance burdens. Australia's broader Financial Claims Scheme review, linked to small-medium bank framework reforms, considers graduated deposit protection based on institutional size and risk profile. These developments collectively represent Asia-Pacific's evolution toward modern consumer protection standards balancing security, accessibility, and systemic stability considerations.

Forward Outlook: Three Actions for Next Month

Implement Capital Buffer Planning

Banks in Vietnam should immediately assess capital adequacy implications of new buffer requirements and develop multi-year capital raising strategies to meet 2.5% CCB target by year four.

Enhance Cross-Sector Governance Frameworks

Hong Kong institutions must prepare for Phase 2 reference checking implementation by establishing comprehensive personnel vetting systems covering securities, insurance, and pension activities.

Optimize Capital Allocation Strategies

Korean banks should reassess equity investment portfolios to capitalize on reduced risk weights for productive sectors while managing mortgage lending exposure under increased risk weight floors.

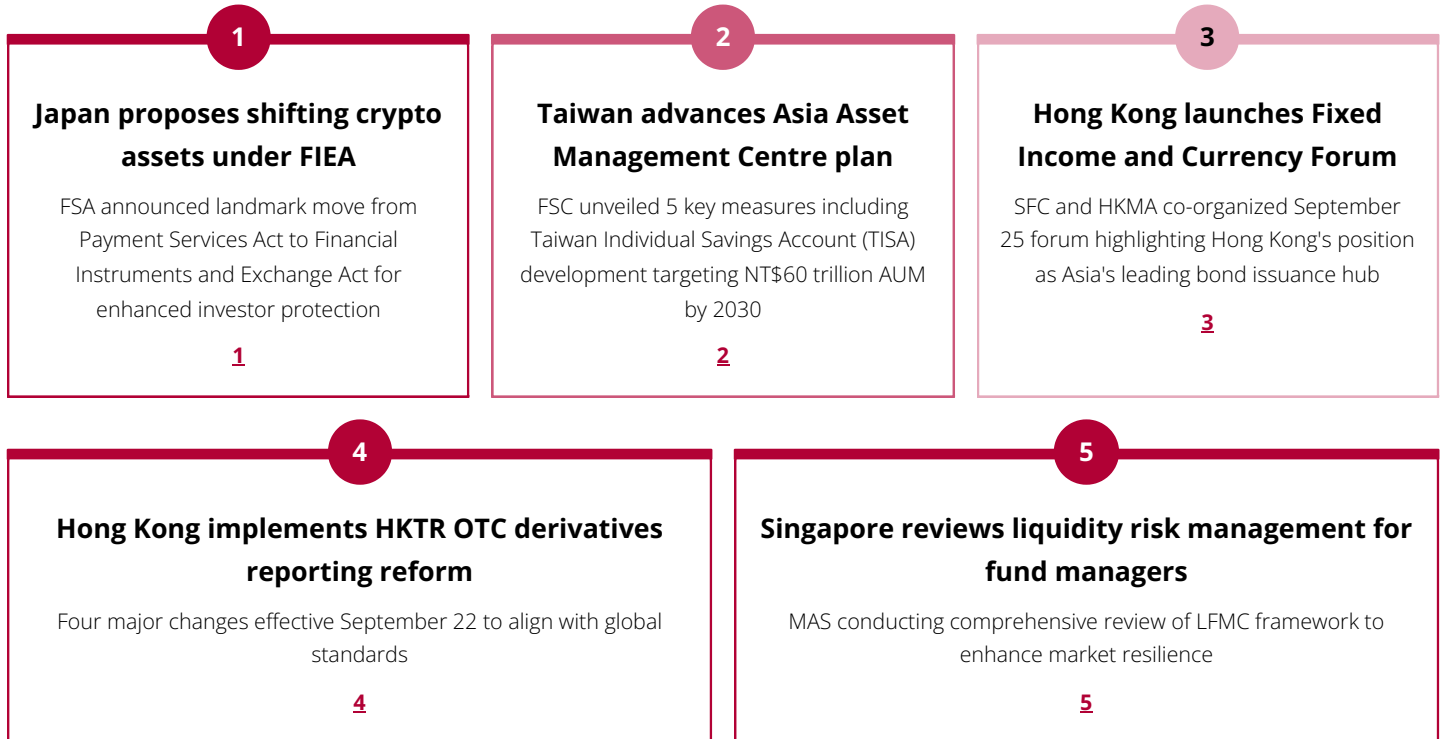
CAPITAL MARKETS & INVESTMENTS 1/2

Investment Banking, Asset Management, Wealth Management, Brokerage Services, Treasury & Capital Markets

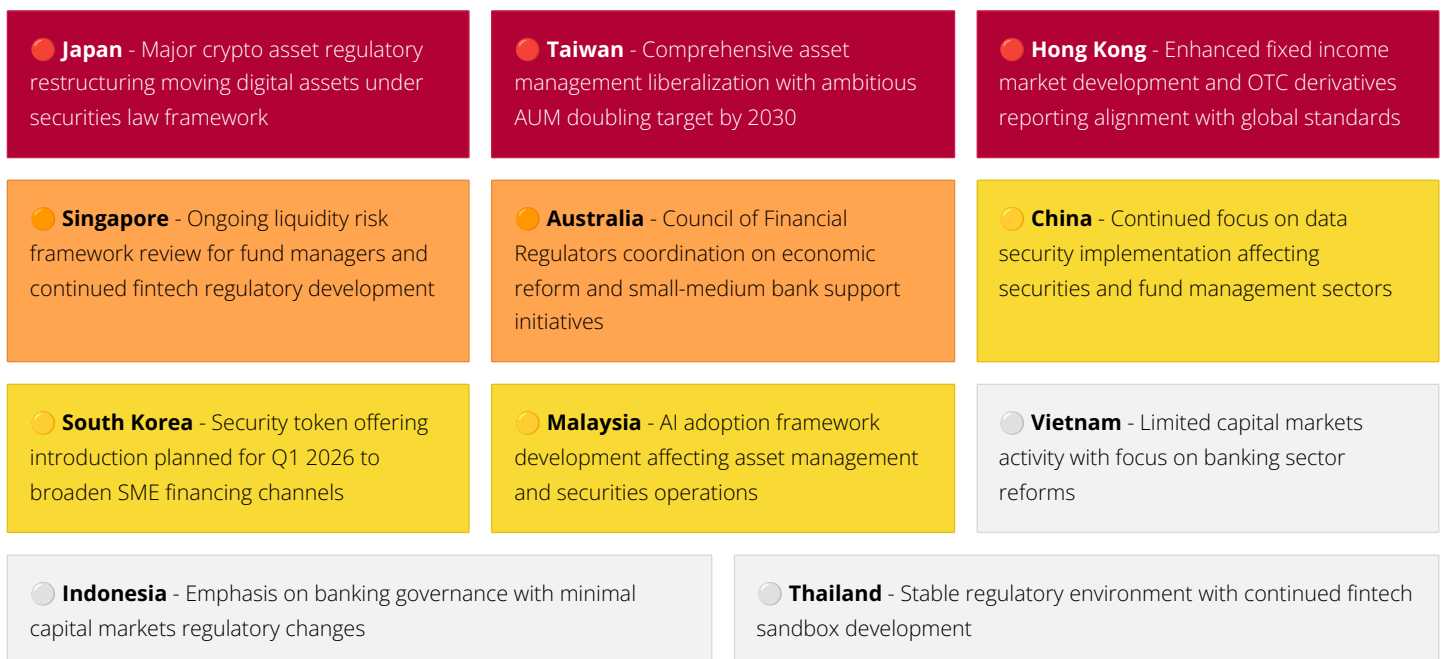
The Big Picture: Month in Focus

Capital markets regulation in September 2025 emphasized digital asset integration, cross-border cooperation enhancement, and asset management liberalization, with Japan's landmark crypto regulation shift and Taiwan's ambitious asset management hub initiatives leading transformational changes across regional markets.

Top 5 Headlines You Can't Miss



Institution/Jurisdiction Heatmap: Key Areas of Regulatory Activity



Thematic Deep Dive: What's Changing on the Ground?

Digital Asset Regulatory Framework Maturation

Japan's Financial Services Agency announcement of crypto asset regulation migration from the Payment Services Act to the Financial Instruments and Exchange Act represents the most significant digital asset regulatory development in Asia-Pacific during September 2025. This landmark shift addresses the evolution of cryptocurrencies from payment instruments to investment products, requiring enhanced investor protection measures aligned with traditional securities regulation. The proposal strengthens business conduct rules while avoiding restrictive market-opening regulations for crypto trading platforms, demonstrating Japan's balanced approach to digital asset oversight.

The regulatory restructuring reflects growing institutional adoption and the need for comprehensive investor safeguards in the crypto ecosystem. Japan's approach contrasts with Hong Kong's mandatory stablecoin licensing framework, which emphasizes prudential standards and real-world utility requirements. The convergence of these regulatory approaches signals Asia-Pacific's leadership in creating mature digital asset frameworks that balance innovation with protection. Taiwan's continued exploration of active ETF and multi-asset fund products, with 17 innovative funds already listed, demonstrates the region's commitment to product innovation within established regulatory perimeters. These developments collectively indicate Asia's transition from experimental crypto regulation to comprehensive integration within existing financial services frameworks.

Cross-Border Cooperation and Market Integration Enhancement

Hong Kong's Fixed Income and Currency Forum 2025, jointly organized by SFC and HKMA on September 25, exemplified the region's focus on cross-border market integration and international cooperation. As Asia's leading international bond issuance hub and the world's 4th largest foreign exchange market, Hong Kong leveraged this platform to strengthen its FIC market position while facilitating regional market development. The forum brought together senior executives from leading financial institutions, government officials, and regulators to exchange strategic insights on Asia-Pacific FIC market evolution.

The September 14 signing of a Memorandum of Understanding between Hong Kong's SFC and Dubai's DFSA during the 10th Belt and Road Summit demonstrates expanding international regulatory cooperation. This framework for consultation, cooperation, and information exchange reinforces Hong Kong's role in the China-Middle East Corridor, enabling more efficient cross-border capital flows and regulatory coordination. Australia's Council of Financial Regulators quarterly statement highlighted similar coordination efforts, particularly regarding Economic Reform Roundtable implementation and CFR Review recommendations for small-medium banks. These developments reflect the region's recognition that capital market competitiveness increasingly depends on regulatory cooperation and standardization across jurisdictions.

Asset Management Liberalization and Innovation Acceleration

Taiwan's Financial Supervisory Commission unveiled comprehensive measures to establish Taiwan as a regional asset management hub, targeting more than doubling assets under management to NT\$60 trillion by 2030. The five key measures include developing a Taiwan Individual Savings Account (TISA) similar to Japan's NISA, fostering product innovation, enhancing ESG standards, promoting startup-investor matching, and encouraging international cooperation. The FSC has already approved 17 active and multi-asset exchange-traded funds, demonstrating practical progress in product innovation liberalization.

Singapore's ongoing review of liquidity risk management frameworks for Licensed Fund Management Companies reflects similar regional trends toward enhanced regulatory sophistication. The MAS review, announced during the Investment Management Association conference, aims to enhance fund industry resilience in normal and stressed market conditions while aligning with FSB and IOSCO recommendations on fund liquidity-redemption consistency. This initiative complements Singapore's broader asset management competitiveness strategy, including revised AML/CFT frameworks effective July 1, 2025, and enhanced governance standards for Variable Capital Companies. The regional convergence toward sophisticated asset management regulation demonstrates Asia-Pacific's evolution from emerging to mature capital market jurisdictions capable of competing with established global financial centers.

Forward Outlook: Three Actions for Next Month

Prepare for Japan's Crypto Regulatory Transition

Investment firms should assess current crypto asset activities and develop compliance frameworks for potential FIEA integration, including enhanced investor protection measures and business conduct standards.

Leverage Taiwan's Asset Management Initiatives

International asset managers should evaluate opportunities in Taiwan's liberalized environment, particularly regarding TISA product development and ESG-focused investment strategies targeting the NT\$60 trillion AUM goal.

Enhance Cross-Border Regulatory Coordination

Capital market firms operating across multiple Asian jurisdictions should strengthen regulatory relationships and information sharing mechanisms to capitalize on expanding MOU frameworks and cooperative agreements.

Insurance, Pension & Retirement Services

The Big Picture: Month in Focus

Insurance regulation in September 2025 focused on social protection expansion, particularly in China's post-retirement employment coverage, while regional markets maintained stability with enhanced governance requirements and technology integration for risk management and consumer protection across Asia-Pacific jurisdictions.

Top 5 Headlines You Can't Miss

1

China proposes comprehensive post-retirement employment insurance
First regulation to safeguard rights of workers beyond retirement age, including job-related injury insurance coverage

1

2

Malaysia implements AI framework for insurance operations
BNM's AI Discussion Paper provides regulatory guidance for responsible AI adoption in insurance and takaful sectors

2

3

Australia advances capital requirements reform
APRA proposes reducing capital requirements for annuities and removing Additional Tier 1 capital from prudential framework

3

4

Hong Kong maintains cross-sector governance standards
Enhanced supervisory oversight extends to insurance personnel under expanded reference checking scheme

4

5

Regional focus on ESG and sustainability reporting
Enhanced environmental and climate risk management requirements across multiple Asian insurance markets

5

Institution/Jurisdiction Heatmap: Key Areas of Regulatory Activity

China

Comprehensive post-retirement employment insurance proposal with mandatory coverage requirements

Australia

Capital framework reforms for annuities and Additional Tier 1 capital removal proposals

Malaysia

AI governance framework implementation for insurance and takaful operations

Hong Kong

Cross-sector personnel oversight through expanded reference checking mechanisms

Singapore

Enhanced AML/CFT compliance requirements for insurance intermediaries

Taiwan

Asset management hub development with insurance investment liberalization

South Korea

Capital regulation improvements for insurance businesses under productive finance initiative

Japan

Stable regulatory environment with limited insurance-specific developments

Vietnam

Focus on banking sector reforms with minimal insurance regulatory changes

Indonesia

Governance enhancements primarily affecting banking sector

Thailand

Regulatory stability with continued fintech integration support

Thematic Deep Dive: What's Changing on the Ground?

Social Protection and Post-Retirement Coverage Expansion

China's groundbreaking proposal for post-retirement employment insurance represents the most significant social protection development in the Asia-Pacific region during September 2025. The draft regulation, issued by five central departments including the Ministry of Human Resources and Social Security, addresses the growing demographic challenge of an aging workforce, with 310.3 million people aged 60 and above comprising 22% of China's population by end-2024. The regulation mandates employer provision of job-related injury insurance for post-retirement workers, alongside suitable role assignments based on skills, written employment agreements, and occupational safety training requirements.

This regulatory development reflects China's broader demographic transition strategy, coinciding with the January 2025 implementation of higher retirement ages (male retirement age rising from 60 to 63, female from 50/55 to 55/58 over 15 years). The insurance coverage requirements for post-retirement employees create new market opportunities for insurers while imposing compliance obligations on employers engaging older workers. The regulation's emphasis on workplace safety and minimum wage protection demonstrates comprehensive risk management approach extending beyond traditional insurance coverage to encompass broader social protection mechanisms. Regional insurance markets are observing China's approach as a potential model for addressing similar demographic challenges across Asia-Pacific economies experiencing rapid aging populations.

Technology Integration and AI Governance in Insurance Operations

Malaysia's Bank Negara Malaysia led regional technology governance developments with its AI Discussion Paper released August 5, 2025, providing comprehensive regulatory framework for responsible AI adoption in insurance and takaful operations. The framework addresses critical areas including algorithm transparency, bias mitigation, data governance, and consumer protection in AI-driven insurance processes. BNM's survey data revealed 77% of insurance and takaful operators had implemented AI applications by end-2024, up from 58% previously, demonstrating rapid technology adoption requiring regulatory guidance.

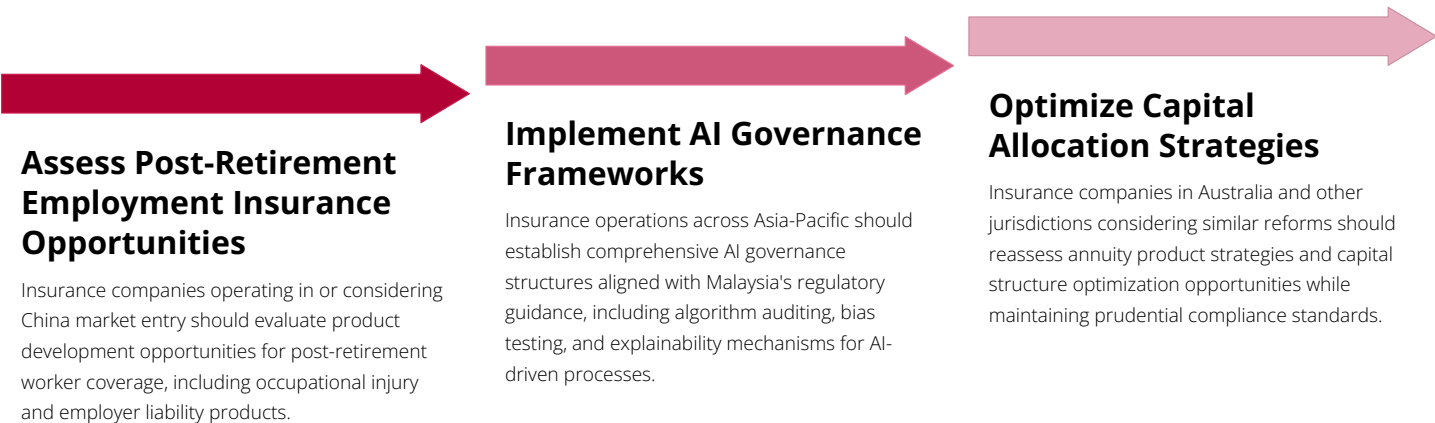
The regulatory approach emphasizes technology neutrality while recognizing AI-specific risks in insurance underwriting, claims processing, and customer service applications. The framework requires insurers to implement robust governance structures for AI deployment, including algorithmic auditing, explainability requirements, and human oversight mechanisms. This positions Malaysia as a regional leader in insurance technology governance, providing a template for other Asian jurisdictions grappling with AI integration challenges. The approach balances innovation encouragement with consumer protection, reflecting broader regional trends toward sophisticated technology governance in financial services. Insurance companies across Asia-Pacific are adapting their technology strategies to align with evolving regulatory expectations for responsible AI implementation.

Capital Framework Optimization and Prudential Standards Enhancement

Australia's APRA initiated significant capital framework reforms affecting insurance operations, proposing reduced capital requirements for annuities while removing Additional Tier 1 capital from the prudential framework. The reforms, part of broader productivity enhancement initiatives, aim to optimize capital allocation while maintaining robust solvency standards. The annuity capital reduction proposal recognizes the lower risk profile of these products compared to traditional insurance offerings, potentially enhancing product competitiveness and consumer retirement planning options.

The Additional Tier 1 capital removal proposal, with transitional arrangements through 2032, simplifies the capital structure while maintaining loss absorption capacity through alternative mechanisms. These reforms align with regional trends toward risk-based capital frameworks that more accurately reflect underlying business risks. Hong Kong's enhanced governance requirements affecting insurance personnel through expanded reference checking schemes demonstrate complementary approaches to risk management through operational oversight rather than capital requirements alone. The combination of capital optimization and governance enhancement reflects mature regulatory frameworks balancing efficiency with stability across Asia-Pacific insurance markets.

Forward Outlook: Three Actions for Next Month



Payment Services

The Big Picture: Month in Focus

September 2025 witnessed significant payments modernization across Asia-Pacific, with Australia's comprehensive payment system reforms and Malaysia's enhanced e-money framework leading regulatory evolution toward digital-first, secure, and inclusive payment ecosystems addressing emerging fintech risks and cross-border integration challenges.

Top 5 Headlines You Can't Miss

1

Australia's Payment System Modernisation Bill passes Senate

Expanded regulatory perimeter for emerging payment systems with new ministerial designation powers effective upon Royal assent

1

2

Malaysia's revised E-Money Policy strengthens digital payments governance

Four-tier classification system with enhanced cybersecurity and AML requirements effective January 31, 2025

2

3

Singapore tightens Digital Token Service Provider regulation

DTSPs serving offshore-only customers must obtain licenses or cease operations by June 30, 2025

3

4

Indonesia enhances payment system competency standards

BI Regulation 5/2024 mandates human resource development funding for payment service providers

4

5

Thailand expands permissible cryptocurrencies for digital token issuers

SEC notification adds USDC and USDT to approved cryptocurrency list for business operators

5

Institution/Jurisdiction Heatmap: Key Areas of Regulatory Activity

Australia

Comprehensive payment system modernization with expanded regulatory perimeter and enhanced enforcement powers

Malaysia

Sophisticated e-money regulatory framework with risk-based classification and enhanced cybersecurity standards

Singapore

Stringent digital token service provider oversight with high licensing standards and offshore restrictions

Indonesia

Payment system competency standardization with mandatory human resource development requirements

Vietnam

Central Counterparty clearing mechanism development for securities market with banking participation

Thailand

Gradual cryptocurrency acceptance expansion for digital asset business operations

Hong Kong

Stablecoin regime implementation with focus on prudential standards and market stability

China

Payment system oversight under broader PBOC data security and cybersecurity frameworks

Japan

Limited payment-specific developments with focus on broader financial instrument regulation

South Korea

Stable payment regulatory environment with emphasis on banking sector reforms

Taiwan

Electronic payment institution oversight continues under established frameworks

PAYMENTS & TRANSACTION SERVICES 2/2

Thematic Deep Dive: What's Changing on the Ground?

Payment System Infrastructure Modernization and Regulatory Expansion

Australia's Treasury Laws Amendment (Payments System Modernisation) Bill 2025, which passed the Senate on September 4, represents the most comprehensive payment system regulatory overhaul in the Asia-Pacific region. The legislation expands the regulatory perimeter of the Payment Systems (Regulation) Act 1998 to encompass new and emerging payment systems and participants, reflecting the evolution from traditional card-based payments to digital wallets, cryptocurrency platforms, and cross-border payment services. The introduction of ministerial powers to designate payment systems in the national interest provides regulatory flexibility to address emerging technologies and market developments.

The Bill's enhancement of enforcement mechanisms through enforceable undertakings, civil penalty provisions, and increased maximum penalties for criminal offences demonstrates Australia's commitment to robust payment system oversight. This regulatory modernization addresses gaps in the existing framework that emerged as fintech innovation outpaced regulatory coverage, particularly in digital asset payments and cross-border remittances. The legislation's emphasis on competitive neutrality ensures that traditional financial institutions and emerging payment service providers operate under consistent regulatory standards, fostering innovation while maintaining system integrity. Regional jurisdictions are closely monitoring Australia's approach as a potential model for their own payment system regulatory updates.

Digital Payment Security and Risk Management Enhancement

Malaysia's revised E-Money Policy, effective January 31, 2025, introduced the most sophisticated risk-based regulatory framework for digital payments in Southeast Asia. The four-tier classification system distinguishes Eligible E-Money Issuers (over 500,000 users or 5% market share), Standard E-Money Issuers, Non-Bank E-Money Issuers, and Limited Purpose E-Money Issuers, with proportionate regulatory requirements reflecting operational scale and risk profiles. The framework's emphasis on cybersecurity standards, fund safeguarding measures, and outsourcing governance addresses key vulnerabilities in digital payment ecosystems.

Singapore's Digital Token Service Provider regime implementation demonstrates complementary approaches to digital payment oversight, with MAS setting high licensing standards for DTSPs serving offshore-only customers. The requirement for these providers to obtain licenses or cease operations by June 30, 2025, reflects concerns about money laundering risks and supervisory effectiveness for offshore-focused operations. Indonesia's BI Regulation 5/2024 requirement for payment system providers to allocate human resource development funds demonstrates regional focus on operational capacity building alongside regulatory compliance. These developments collectively represent Asia-Pacific's evolution toward comprehensive digital payment governance frameworks addressing technology risks, consumer protection, and financial stability considerations.

Cross-Border Payment Integration and Cryptocurrency Acceptance

The September 2025 period marked significant progress in cross-border payment integration and cryptocurrency acceptance across Asia-Pacific jurisdictions. Thailand's Securities and Exchange Commission notification expanding permissible cryptocurrencies to include USDC and USDT for digital token issuers reflects growing institutional acceptance of stablecoins in payment applications. This development, effective March 16, 2025, provides digital asset business operators with additional liquidity options while maintaining regulatory oversight of approved cryptocurrency types.

Vietnam's development of Central Counterparty clearing mechanisms for securities markets, with implementation deadline of December 31, 2027, includes provisions for commercial banks and foreign bank branches to participate as clearing members. This infrastructure development enhances cross-border investment facilitation while maintaining appropriate safeguards for foreign investor assets. Hong Kong's stablecoin regime implementation provides additional cross-border payment infrastructure, with HKMA's licensing framework emphasizing real-world utility and prudential standards. The combination of regulatory clarity and infrastructure development positions Asia-Pacific as a leading region for innovative cross-border payment solutions that balance efficiency, security, and regulatory compliance requirements.

Forward Outlook: Three Actions for Next Month



Assess Payment System Modernization Compliance

Payment service providers operating in or planning Australian market entry should evaluate current operations against expanded regulatory perimeter requirements and prepare for enhanced enforcement mechanisms.

Implement Enhanced E-Money Governance Frameworks

Digital payment operators across Southeast Asia should adopt Malaysia's four-tier classification approach as best practice, implementing proportionate cybersecurity, governance, and risk management standards aligned with operational scale.

Evaluate Cryptocurrency Payment Integration Opportunities

Payment service providers should assess opportunities for stablecoin integration following Thailand's expanded cryptocurrency acceptance, while ensuring compliance with jurisdiction-specific digital asset regulations and AML requirements.

Fintech/Digital Banking

The Big Picture: Month in Focus

September 2025 showcased Asia-Pacific's leadership in fintech regulation maturation, with comprehensive data security frameworks from China's PBOC, sophisticated AI governance from Malaysia, and innovative sandbox programs across multiple jurisdictions demonstrating the region's balanced approach to fostering innovation while managing technology risks.

Top 5 Headlines You Can't Miss

1

China's PBOC Data Security Measures become fully operational

Comprehensive data protection framework for all PBOC-supervised fintech and traditional financial institutions effective June 30, 2025

1

2

Malaysia releases AI governance framework for financial services

BNM's comprehensive Discussion Paper provides regulatory guidance for responsible AI adoption with 10-week consultation period

2

3

Singapore tightens Digital Token Service Provider oversight

High licensing bar set for DTSPs serving offshore customers, with cessation required by June 30, 2025, for unlicensed operators

3

4

Vietnam launches fintech regulatory sandbox

Decree 94/2025 effective July 1 covers P2P lending, credit scoring, and Open API solutions under State Bank supervision

4

5

Hong Kong enhances stablecoin regulatory framework

Mandatory licensing regime operational with transitional period ending October 31 for existing issuers

5

Institution/Jurisdiction Heatmap: Key Areas of Regulatory Activity

● **China** - Comprehensive fintech data security and cybersecurity incident reporting framework implementation

● **Malaysia** - Leading AI governance development for financial services with extensive industry consultation

● **Singapore** - Stringent digital asset regulation with high licensing standards and offshore operation restrictions

● **Hong Kong** - Stablecoin regulatory maturation and virtual asset trading platform custody guidance enhancement

● **Thailand** - Continued fintech sandbox development with digital fraud management focus

● **Vietnam** - Fintech sandbox operationalization with P2P lending and Open API regulatory pathways

● **Australia** - Fintech sector growth supported by payment system modernization and regulatory simplification initiatives

● **Taiwan** - Fintech sandbox accessibility improvements with enhanced collaboration incentives

● **Indonesia** - Fintech competency standards implementation with human resource development requirements

● **Japan** - Limited fintech-specific developments with emphasis on broader financial instrument regulation

● **South Korea** - Stable fintech environment with focus on traditional financial sector reforms

Thematic Deep Dive: What's Changing on the Ground?

Comprehensive Data Security and Cybersecurity Framework Implementation

China's People's Bank of China achieved a regulatory milestone with the June 30, 2025, implementation of comprehensive Data Security Measures and August 1 Cybersecurity Incident Reporting Measures affecting all PBOC-supervised institutions. These frameworks represent the first systematic implementation of China's core data protection laws (Cybersecurity Law, Personal Information Protection Law, and Data Security Law) specifically tailored to financial services sectors. The measures apply broadly to banks, clearing institutions, third-party payment institutions, credit reporting agencies, and other financial institutions engaging in PBOC-supervised business areas.

The data security framework requires institutions to establish business data resource catalogues, implement three-level classification systems (general, important, core), and apply end-to-end technical security requirements. The cybersecurity incident reporting measures establish four-tier classification (particularly significant, significant, relatively large, general) with specific timing, content, and procedural requirements for each level. Given PBOC's central role in Chinese financial regulation, these measures serve as benchmarks for broader data governance across China's financial sector and influence regulatory approaches throughout Asia-Pacific. The frameworks address critical gaps in fintech oversight where technology innovation previously outpaced regulatory frameworks, providing clear operational guidance for data handling, cross-border transfers, and incident management in digitally-intensive financial services.

Artificial Intelligence Governance and Responsible Innovation Frameworks

Malaysia's Bank Negara Malaysia established regional leadership in AI governance with its August 5, 2025, Discussion Paper on Artificial Intelligence, initiating comprehensive 10-week industry consultation on responsible AI adoption in financial services. The framework addresses critical challenges including algorithmic bias, explainability requirements, data governance, and consumer protection in AI-driven financial processes. BNM's 2024 survey revealed 71% of banking institutions and 77% of insurance/takaful operators had implemented AI applications, demonstrating rapid adoption requiring sophisticated regulatory guidance.

The regulatory approach emphasizes technology neutrality while recognizing AI-specific risks in credit scoring, fraud detection, customer service automation, and investment advisory services. The framework requires financial institutions to implement comprehensive AI governance structures including algorithmic auditing, bias testing, human oversight mechanisms, and explainability protocols for customer-facing AI applications. Malaysia's emphasis on proportionality, parity, and technology-neutral regulation provides a template for other Asian jurisdictions addressing similar AI adoption challenges. The framework's focus on augmenting rather than replacing human decision-making in critical financial functions demonstrates sophisticated understanding of AI's role in financial services evolution while maintaining appropriate risk management standards.

Digital Asset Regulation Maturation and Market Structure Development

Singapore's Digital Token Service Provider regime implementation, with June 30, 2025, requirements for offshore-focused operators, demonstrates the region's evolution toward sophisticated digital asset oversight. MAS's decision to set high licensing bars for DTSPs serving only customers outside Singapore reflects concerns about money laundering risks and supervisory effectiveness when substantive regulated activities occur beyond regulatory reach. Licensed DTSPs serving Singapore customers may also provide offshore services, creating competitive advantages for compliance-focused operators.

Hong Kong's stablecoin licensing regime, operational since August 1 with transitional arrangements through October 31, provides comprehensive prudential oversight for fiat-referenced stablecoin issuers. The HKMA framework emphasizes real-world utility requirements, capital adequacy standards, and operational risk management, positioning Hong Kong as a leading jurisdiction for institutional stablecoin adoption. Vietnam's fintech sandbox implementation through Decree 94/2025 demonstrates emerging market approaches to innovative financial technology regulation, covering P2P lending, credit scoring, and Open API solutions under State Bank of Vietnam supervision. The combined effect of these regulatory developments creates a sophisticated digital asset ecosystem across Asia-Pacific, with clear pathways for innovation within appropriate risk management frameworks.

Forward Outlook: Three Actions for Next Month



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