

Asian Financial Services Regulatory Newsletter

October 2025

Coverage Period: September 21 - October 19, 2025



BANKING SERVICES 1/2

Retail Banking, Commercial Banking, Corporate Banking The Big Picture: Month in Focus

October 2025 marked a pivotal period for Asia-Pacific banking regulation, characterized by intensified capital requirements, enhanced AML enforcement, digital transformation mandates, and coordinated cross-border supervisory efforts. Regulators across the region balanced financial stability concerns with efforts to redirect capital toward productive sectors, particularly technology and green finance.

Top 5 Headlines You Can't Miss

1

Korea Implements "Productive Finance" Initiative

South Korea lowered equity investment risk weights from 400% to 250% while raising mortgage risk weights from 15% to 20%, effective Q1 2026, redirecting bank capital from property to semiconductors and AI sectors.

2

Hong Kong-HKMA Launches FIC Market Roadmap

SFC and HKMA unveiled comprehensive strategy on September 25 to position Hong Kong as global Fixed Income and Currency hub, introducing initiatives across primary markets, secondary liquidity, offshore RMB, and next-generation infrastructure.

3

Japan Finalizes Basel III Implementation

FSA completed amendments to capital adequacy framework effective September 30, 2025, with revised completion instructions for return templates including liquidity position and large exposures reporting.

4

Malaysia Implements Personal Financing Restrictions

Bank Negara Malaysia's new Policy Document effective September 30 prohibits flat-rate interest, pre-approved personal financing products, and retirement fund-backed loans, requiring financial education for loans exceeding RM100,000.

5

Singapore Escalates AML Enforcement

MAS imposed S\$27.45 million in fines on nine financial institutions for AML/CFT breaches linked to S\$3 billion money laundering case, reflecting zero-tolerance approach following August 2023 enforcement sweep.

Institution/Jurisdiction Heatmap: Key Areas of Regulatory Activity

● **Hong Kong** - Major action with stablecoin regime launch, FIC market roadmap, VA circular updates, and enhanced cryptoasset prudential standards implementation.

● **Singapore** - Substantial activity including record AML fines, payment system modernization consultations, and enhanced wealth management due diligence requirements effective July 2025.

● **China** - Active with Financial Stability Committee establishment, expanded bank financing for high-tech manufacturing, and FX administration reforms easing cross-border investment.

● **Korea** - Substantial regulatory changes including productive finance initiative, household loan growth restrictions, and digital finance transformation planning.

● **Malaysia** - Active implementation of personal financing policy restrictions, service tax expansion to financial services, and SST implementation phases.

● **Japan** - Substantial updates including Payment Services Act amendments effective within one year, AML/CFT compliance deadline completion, and supervisory guideline revisions.

● **Vietnam** - Emerging focus with Regulatory Sandbox launch July 1, 2025, Law on Credit Institutions amendments effective October 15, and Basel III-aligned capital requirements introduction.

● **Taiwan** - Emerging activity with Asia Asset Management Center Forum launch October 15-23, wealth management zone expansion in Kaohsiung, and fintech sandbox enhancements.

● **Australia** - Early-stage developments with payment service provider framework consultation closing November 6, digital asset platform legislation release September 25, and CFR Review implementation.

● **Thailand** - Emerging regulatory focus with digital transfer caps at 50,000 baht effective August 8, virtual bank supervision regulation implementation, and enhanced AML/CFT measures.

● **Indonesia** - Emerging framework development with Financial Services Aggregators regulation (OJK Reg. 4/2025) effective February, guarantee institution capital requirement increases, and payment system governance strengthening.

Capital and Prudential Regulation: Strategic Reallocation and Basel III Convergence

Asia-Pacific jurisdictions are implementing sophisticated capital frameworks that balance stability with strategic economic priorities. Korea's productive finance initiative represents the most dramatic policy pivot, deliberately penalizing mortgage lending (raising risk weights from 15% to 20%) while incentivizing equity investments in technology sectors (reducing risk weights from 400% to 250%). This regulatory arbitrage aims to redirect an estimated several trillion won from real estate speculation toward semiconductors, artificial intelligence, and advanced manufacturing. Korean banks are experiencing immediate impacts, with household loan growth slowing to 2 trillion won in September 2025—the weakest since March—as lenders tighten mortgage standards ahead of year-end aggregate targets.

Hong Kong's implementation of cryptoasset prudential standards under Basel Committee frameworks introduces entirely new risk categories for authorized institutions. HKMA's consultations propose revised completion instructions for capital adequacy ratios, liquidity positions, and large exposures specifically incorporating cryptoasset treatment, with a new Supervisory Policy Module on "Classification of Cryptoassets" providing granular guidance. This follows the August 1 stablecoin regime launch, creating an integrated regulatory architecture spanning traditional banking, virtual assets, and tokenized instruments. Japanese banks similarly face heightened capital requirements under revised Banking Act regulations effective September 30, with stress testing obligations intensifying ahead of the FSA's full Basel III alignment scheduled for 2025-2026.

AML/CFT Enforcement: From Guidelines to Prosecutions

Anti-money laundering enforcement reached unprecedented intensity across multiple jurisdictions, shifting from advisory guidance to substantial financial penalties and operational restrictions. Singapore's S\$27.45 million fines against nine financial institutions mark the largest coordinated AML enforcement action in the city-state's history, directly linked to the August 2023 S\$3 billion money laundering case involving illicit proceeds from overseas scams and online gambling. MAS identified systemic deficiencies including inadequate customer due diligence, insufficient ongoing monitoring, delayed suspicious transaction reporting, and weak governance over high-risk customers. Notably, penalties incorporated breaches related to offshore accounts subject to non-prosecution agreements with the US Department of Justice, demonstrating cross-border enforcement coordination.

Japan's financial institutions faced March 2024 deadlines for full compliance with FSA's AML/CFT Guidelines following the 2021 FATF Fourth Round Mutual Evaluation rating Japan as requiring "enhanced follow-up". According to June 2024 FSA reporting, 99% of financial institutions achieved compliance, but the regulator continues intensifying supervision ahead of the 2028 Fifth Round Mutual Evaluation on-site inspection. This includes simultaneous inspections across multiple high-risk institutions and potential business improvement orders for deficient firms. Thailand similarly tightened controls, with the Bank of Thailand implementing daily digital transfer caps at 50,000 baht effective August 8, 2025, coupled with enhanced KYC requirements and high-risk customer classifications (Black, Dark Grey, Light Grey account holders) subject to mandatory enhanced due diligence.

Digital Banking and Payment Infrastructure: Competing Visions for Financial Plumbing

Jurisdictions are pursuing divergent digital banking strategies reflecting distinct economic priorities and technological capabilities. Hong Kong's Fixed Income and Currency Markets Roadmap, announced September 25 by SFC and HKMA, positions next-generation infrastructure as one of four strategic pillars alongside primary issuance, secondary liquidity, and offshore RMB business. The initiative encompasses tokenization platforms for bond issuance, distributed ledger technology for post-trade settlement, and API integration enabling real-time clearing. This complements Hong Kong's stablecoin regime requiring 100% reserve backing with high-quality liquid assets, HK\$25 million paid-up capital, and HK\$3 million liquid capital for licensed issuers.

Australia's exposure draft legislation for payment service providers, released October 9 with consultation closing November 6, introduces graduated regulation distinguishing entities by function and risk. "Tokenised Stored Value Facilities" face stringent safeguarding requirements for customer funds, while entities merely passing payment instructions without holding funds face lighter obligations. This functional approach, coordinated with digital asset platform reforms, aims to capture currency-backed stablecoins within prudential oversight while fostering innovation. The framework grants APRA supervisory powers and mandates revised ePayments Code application to all licensed payment service providers.

Forward Outlook: Three Actions for Next Month

Reassess Capital Allocation and Portfolio Positioning

Banks operating in Korea, Vietnam, and Hong Kong should model impacts of implemented and pending capital requirement changes on return on equity across business lines. Korean institutions must optimize the 250% equity investment vs. 20% mortgage risk weight differential by Q1 2026.

Accelerate AML/CFT Remediation Programs

Institutions in all jurisdictions should conduct gap analyses against Singapore's enforcement themes (inadequate CDD, insufficient monitoring, weak governance) given regional regulatory coordination. Priority actions include implementing network analytics for detecting related-party structures.

Prepare for Payment Infrastructure Transitions

Banks in Australia, Japan, and Malaysia should engage with payment modernization consultations closing in November-December 2025. Australian entities must assess licensing requirements under the PSP framework and safeguarding obligations for stored value products.

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 October 2025 emphasized market integrity, investor protection, and infrastructure modernization. Key themes included OTC derivatives reporting mandates, virtual asset custody standards, private markets oversight intensification, and wealth management due diligence enhancements. Regulators balanced innovation facilitation with systemic risk mitigation, particularly for alternative investments and digital assets.

Top 5 Headlines You Can't Miss

1

Hong Kong Activates OTC Derivatives Reporting

Mandatory transaction reporting to Hong Kong Trade Repository commenced September 29, 2025, requiring UTIs and CDEs for all OTC derivative transactions, with expanded Type 9 licenses explicitly covering OTC derivatives portfolio management.

2

Singapore Tightens Wealth Management Controls

MAS's revised AML guidelines effective July 1, 2025, mandate granular beneficial ownership mapping for personal investment companies, trusts, family offices, and collective investment schemes, with enhanced oversight of External Asset Managers.

3

Australia Intensifies Private Markets Scrutiny

ASIC published progress update September 22 highlighting rapid private market growth and identifying improvement areas including remuneration structures, related-party transactions, valuation practices, and concentration risks, with consolidated findings due November.

4

China Eases Cross-Border Investment Restrictions

SAFE's September 15 Notice removes prohibitions on using capital account income for non-self-use property purchases and simplifies domestic reinvestment by FIEs, reflecting recalibrated real estate controls.

5

Japan Announces Stablecoin Framework Revisions

FSA's January 2025 Working Group Report concluded banks should not issue electronic payment instruments in near future while approving JVCEA as certified association for payment service providers October 25, 2024.

Institution/Jurisdiction Heatmap: Key Areas of Regulatory Activity

● **Hong Kong** - Major regulatory activation with OTC derivatives reporting mandatory September 29, SFC/HKMA VA joint circular updates, stablecoin regime implementation, and FIC market roadmap launch.

● **Singapore** - Substantial AML/CFT enhancements effective July 1 targeting wealth management, capital markets services license holder obligations, VCC requirements, and trust company due diligence.

● **Australia** - Active private markets oversight intensification with ASIC enforcement actions including stop orders, public markets IPO streamlining initiatives, and digital asset platform consultation closing October 24.

● **China** - Substantial cross-border liberalization with SAFE FX reforms, foreign investment action plan implementation, and programme trading regulation development.

● **Taiwan** - Active with Asia Asset Management Center initiative launch October 15-23, ESG investment forums, ETF expo, and infrastructure investment mobilization.

● **Japan** - Emerging stablecoin regulation evolution with Payment Services Act amendments submitted March 2025, ETF/J-REIT disposal framework announced September 19, and insurance broker reform proposals.

● **Korea** - Emerging digital asset framework with Virtual Asset User Protection Act enforcement July 2024, Framework Act on Intelligent Informatization effective January 2026, and MyData system enhancements.

● **Vietnam** - Early-stage development with regulatory sandbox launch, FX administration updates, and Resolution 222/2025 introducing pilot regime for unregulated fintech products.

● **Malaysia** - Emerging activity with service tax expansion to brokerage services, digital finance transformation initiatives, and cross-border payment facilitation.

● **Thailand** - Early-stage capital markets development with virtual bank supervision framework, digital asset custody regulations, and ICO governance enhancements.

● **Indonesia** - Quiet period with limited capital markets-specific developments beyond general financial services aggregator framework.

OTC Derivatives and Structured Products: Transparency Imperatives

Hong Kong's activation of mandatory OTC derivatives reporting on September 29, 2025, represents the culmination of a decade-long implementation process following 2014 legislative amendments. The regime introduces two new regulated activities (Type 11 for dealing/advising and Type 12 for client clearing) while expanding existing Type 9 asset management licenses to explicitly cover portfolios containing OTC derivatives such as swaps, forwards, and non-exchange-traded options. All transactions must be reported to the Hong Kong Trade Repository with Unique Transaction Identifiers and Common Data Elements, though exemptions apply for managers with outstanding notional amounts under US\$30 million, no Hong Kong-conducted transactions, and no prior HKMA reporting obligations.

The practical implications extend beyond reporting mechanics to fundamental business model assessments. Type 9 managers must distinguish between portfolio management activities (managing client portfolios containing OTC derivatives as wholly incidental services) versus Type 11-triggering activities (acting as counterparty or providing standalone advice). Enhanced capital requirements and risk management practices accompany expanded licenses, with FRR amendments imposing higher financial resource thresholds based on OTC derivative exposures. The regime aligns Hong Kong with global post-crisis reforms while creating competitive dynamics for asset managers balancing compliance costs against market access benefits.

Digital Assets and Virtual Asset Services: Custody and Conduct Standards

The evolution of virtual asset regulation across Asia-Pacific reflects maturing frameworks moving from principles to prescriptive requirements. Hong Kong's September SFC/HKMA joint circular updates operational expectations for VA-related activities, with mandatory standards for custody service providers forming "core expectations" for the proposed VA custody licensing regime. The circular addresses vulnerabilities exposed by overseas incidents, emphasizing robust private key management (multi-signature requirements, cold storage protocols, hardware security module specifications), thorough due diligence of wallet providers and third-party custodians, strong internal governance separating custody from trading functions, round-the-clock threat monitoring, and comprehensive staff training to prevent operational errors.

These custody standards intersect with the stablecoin regime implemented August 1, 2025, creating integrated regulatory architecture. Licensed stablecoin issuers must maintain 100% backing with high-quality liquid assets, implement overcollateralization buffers against market volatility, ensure complete segregation of reserve assets from operational funds, and match reserve currency denominations to stablecoin reference currencies. The framework permits tokenized representations of eligible assets provided issuers demonstrate equivalent quality, liquidity, and risk characteristics to traditional instruments. This enables innovation while maintaining prudential standards.

Wealth Management and Asset Management: Enhanced Due Diligence and Fee Transparency

Singapore's July 1, 2025, AML/CFT enhancements fundamentally restructure wealth management due diligence obligations. Notice 626 revisions mandate comprehensive legal structure mapping for personal investment companies, trusts, family offices, and collective investment schemes—capturing all ownership tiers, not merely immediate beneficial owners. Independent legal and tax opinions are required for complex arrangements, with enhanced due diligence triggered automatically when structures exhibit cross-border elements or layering indicating elevated risk. The framework recognizes these vehicles' dual nature as legitimate privacy tools and potential conduits for illicit finance.

External Asset Manager oversight receives particular attention given referral model risks. Wealth managers must conduct rigorous due diligence on EAMs, assessing sourcing geographies (with heightened scrutiny for high-risk jurisdictions), onboarding track records, and governance standards. Network analytics tools should detect client clusters sharing contact points or proof-of-address documents, indicating potential document reuse across multiple banks. Suspicious Transaction Report concentration analysis by EAM reveals patterns suggesting systematic control failures. Implementation timelines include gap analysis completion by September 2025, enhanced onboarding operational by December 2025, and full monitoring analytics embedded by January 2026, with MAS thematic reviews and on-site inspections commencing Q1 2026.

Forward Outlook: Three Actions for Next Month

Complete OTC Derivatives Compliance Implementation

Hong Kong-licensed asset managers must finalize HKTR reporting infrastructure, ensuring UTI generation, CDE population, and data quality controls meet September 29 standards. Conduct licensing gap analysis determining whether portfolios' OTC derivative strategies require Type 11 licenses beyond Type 9 coverage.

Enhance Wealth Management Due Diligence Frameworks

Institutions across Singapore, Hong Kong, and Australia should implement enhanced beneficial ownership verification for complex structures. Deploy independent legal opinion requirements for multi-jurisdictional trusts and family offices. Establish EAM/referral partner risk rating methodologies incorporating geography, product, and STR metrics.

Prepare for Digital Asset Infrastructure Licensing

Firms providing VA custody or operating stablecoin infrastructure in Hong Kong should align controls with SFC's September circular standards on private key management, hardware security, and operational resilience. Australian entities should respond to digital asset platform consultation before October 24 deadline.

INSURANCE & RISK MANAGEMENT 1/2

Insurance, Pension & Retirement Services

The Big Picture: Month in Focus

October 2025 insurance regulation emphasized conduct supervision, solvency framework evolution, retirement system reforms, and health insurance enhancement. Regulators addressed distribution channel risks, broker remuneration structures, capital standard implementations, and aging population challenges through targeted interventions balancing industry sustainability with consumer protection.

Top 5 Headlines You Can't Miss

1

Hong Kong Insurance Authority Restricts Referral Fees

IA circular effective October 1, 2025, establishes 50% benchmark for referral fees on participating policies, requiring enhanced disclosure for exceedances and triggering supervisory inspections of broker governance.

2

Japan Advances Economic Value-Based Solvency

FSA announced proposed amendments October 2024 with additional revisions planned summer 2025 aligning ESR implementation with finalized Insurance Capital Standard, prompting block reinsurance considerations by life insurers.

3

Singapore Expands MediShield Life Coverage

Regulatory changes effective October 1, 2025, include Cell/Tissue/Gene Therapy Products, high-cost non-cancer drugs, and additional outpatient/home-based benefits, with corresponding PRUShield plan adjustments.

4

China Tightens Non-Motor Commission Controls

NFRA plan announced October 2025 aims to improve pricing discipline in non-motor insurance market through enhanced commission regulation, addressing expense ratio concerns.

5

Vietnam Implements Social Insurance Law 2024

Comprehensive reforms effective July 1, 2025, introduce reference contribution rates replacing basic salary, enhanced foreign worker participation requirements, and stricter compliance enforcement mechanisms.

Institution/Jurisdiction Heatmap: Key Areas of Regulatory Activity

● **Hong Kong** - Major conduct regulation with referral fee restrictions effective October 1, Insurance Authority enforcement intensification, and RBC regime implementation July 1, 2024.

● **Japan** - Substantial solvency evolution with ESR implementation preparations, insurance broker reform proposals including fee structure changes and security deposit reductions, and block reinsurance market development.

● **Singapore** - Active regulatory enhancements with MediShield Life expansion October 1, foreign worker medical insurance reforms July 1, and CPF LIFE adjustments including Enhanced Retirement Sum increase to S\$326,000.

● **Vietnam** - Substantial transformation with Social Insurance Law 2024 effective July 1, Health Insurance Law amendments, and insurance business law reform consultations addressing licensing simplification.

● **China** - Active developments including non-motor commission controls, retirement age increases effective January 1, 2025, and relaxed asset requirements for Hong Kong/Macau financial institutions investing in mainland insurers.

● **Thailand** - Emerging regulatory focus with health insurance copayment clauses effective March 20, 2025, Fifth Insurance Development Plan (2026-2030) preparations, and Office of Insurance Commission strategic planning.

● **Korea** - Emerging solvency framework with K-ICS full adoption progressing, 34 insurers completing transition from 12 utilizing transitional measures as of September 2023.

● **Australia** - Early-stage reforms with payday superannuation legislation introduced October 9 effective July 1, 2026, requiring SG contributions concurrent with salary payments and fund allocation timeline reductions.

● **Malaysia** - Emerging developments with service tax expansion to insurance services, digital insurer/takaful operator framework launch, and value-based finance initiatives.

● **Taiwan** - Early-stage activity with labor insurance premium rate increases from 12.0% to 12.5% effective January 1, 2025, and retirement age extension provisions.

● **Indonesia** - Quiet period with limited insurance-specific regulatory developments beyond guarantee institution capital requirement increases.

INSURANCE & RISK MANAGEMENT 2/2

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

Distribution Conduct and Broker Regulation: Addressing Incentive Misalignment

Hong Kong's Insurance Authority circular on referral fees represents the most prescriptive conduct intervention in Asia-Pacific insurance distribution during October 2025. The 50% benchmark—referral fees should not exceed half of total commission for participating policies—directly addresses business models where licensed brokers effectively outsource client acquisition to unlicensed introducers. The IA identified risks that excessive referral fees facilitate unlicensed selling by transferring regulated advisory activities to unregulated parties, erode public confidence through opaque compensation structures, undermine market sustainability by compressing broker margins below operational viability, and potentially disguise commission rebates violating existing prohibitions.

Enhanced disclosure requirements apply when brokers exceed the benchmark, mandating detailed explanations of client sourcing methodologies (direct marketing, database mining, referral networks), fee determination rationale (cost recovery, market rates, value-added services), and abuse prevention safeguards (licensing verification, activity monitoring, contractual restrictions). The IA exempts referral arrangements involving entities regulated by HKMA, SFC, or MPFA given comparable supervisory regimes, but maintains full oversight of unregulated introducers. Broker companies exceeding benchmarks face on-site inspections and off-site governance reviews potentially impacting license renewals, while authorized insurers are assessed on intermediary management oversight effectiveness.

Solvency and Capital Standards: Economic Value Transition

The regional migration toward economic value-based solvency regimes accelerated during late 2024 and early 2025, with implementations at different maturity stages revealing distinct challenges. Japan's FSA announced ESR implementation preparations in October 2024 with finalization scheduled for summer 2025, aligning with IAIS Insurance Capital Standard completion. The regime mandates marked-to-market valuations for assets and liabilities versus book value approaches, introduces granular risk categories including longevity, surrender, expense, and catastrophe risks previously omitted, and elevates calibration confidence levels from 99% to 99.5%. Life insurers face particular pressures from interest rate sensitivity on existing block business with high guaranteed returns, prompting exploration of block reinsurance or funded reinsurance arrangements transferring liability volatility to reinsurers.

Korea's K-ICS implementation since January 2023 provides operational precedents. As of September 2023, 12 life insurers, 6 non-life insurers, and 1 reinsurer applied transitional measures allowing gradual adoption, while 34 insurers proceeded with full implementation. The regime's economic value mandate reshaped insurer operational strategies, with particular impacts on product design (reducing guarantees, shortening durations), asset allocation (increasing alternative investments for yield enhancement), and capital management (tier optimization, hybrid instrument issuance). RNA Analytics' K-ICS solution demonstrates technology infrastructure requirements for end-to-end compliance including data aggregation, risk calculation, and regulatory reporting.

Retirement and Social Insurance: Demographic Imperatives

Asia-Pacific retirement system reforms during September-October 2025 directly address aging population challenges through contribution increases, coverage expansions, and retirement age adjustments. Vietnam's Social Insurance Law 2024 implementation July 1, 2025, introduces foundational changes replacing basic salary with "reference rates" for contribution calculations, expanding compulsory participation to foreign employees with contracts exceeding 12 months (or one month under revised thresholds), and mandating 30% total payroll contributions for employers (21.5%) and employees (8.5%). Vietnamese authorities established aggressive enforcement mechanisms including multi-year back payment liabilities and administrative fines up to VND150 million for non-compliance, emphasizing inspection preparedness and reputation risks.

China's gradual retirement age increases effective January 1, 2025, extend male employee retirement from 60 to 63 years by September 2039 (one month increase per four months), female managerial retirement from 55 to 58 years by September 2039 (one month per four months), and ordinary female employee retirement from 50 to 55 years by November 2039 (one month per two months). Simultaneously, minimum pension contribution periods increase from 15 to 20 years by 2030 (six-month increments annually), with flexible early retirement options available up to three years before standard retirement age for workers meeting minimum contribution thresholds. These adjustments address pension fund sustainability as dependency ratios deteriorate.

Forward Outlook: Three Actions for Next Month

Review Distribution Compensation Structures

Hong Kong insurers and broker companies should conduct referral fee audits against the 50% benchmark ahead of potential IA inspections. Prepare enhanced disclosure documentation explaining exceedances with client sourcing analysis, fee justification, and abuse prevention controls.

Accelerate Solvency Framework Preparations

Japanese life insurers should complete block reinsurance feasibility analyses assessing ESR volatility mitigation, capital relief quantum, and counterparty risk management before summer 2025 framework finalization. Korean insurers utilizing K-ICS transitional measures must develop full implementation roadmaps as transitional period approaches expiration.

Ensure Retirement/Social Insurance Compliance

Vietnam employers must verify all eligible employees (Vietnamese with one-month+ contracts, foreigners with one-month+ contracts) are enrolled with correct reference rate contributions by reviewing labor contracts, payroll calculations, and remittance records.

PAYMENTS & TRANSACTION SERVICES 1/2

Payment Services

The Big Picture: Month in Focus

October 2025 payment services regulation focused on modernization frameworks, fraud prevention mandates, cross-border facilitation, and digital currency infrastructure. Regulators balanced innovation enablement with consumer protection through graduated licensing, real-time payment enhancements, and stablecoin governance—reflecting payments' critical role in economic digitization and financial inclusion.

Top 5 Headlines You Can't Miss

1

Australia Releases PSP Framework Legislation

Treasury exposure draft published October 9 with consultation closing November 6 introduces graduated regulation for payment service providers, tokenised stored value facilities, and mandatory ePayments Code, effective after 2026 passage.

2

Thailand Implements Digital Transfer Caps

Bank of Thailand requires banks to cap daily digital transfers at 50,000 baht effective August 8, 2025, tailored to customer profiles, with enhanced KYC requirements and high-risk account classifications.

3

Japan Amends Payment Services Act

June 2025 amendments scheduled to take effect within one year tighten cross-border payment collection service (PCS) regulations, introduce direct refund mechanisms, and adjust stablecoin intermediary frameworks.

4

Malaysia Expands Digital Payment Ecosystem

iFAST Pay Malaysia receives Bank Negara approval-in-principle for E-Money Issuer and MSB Class A licenses, targeting multi-currency wallet and cross-border remittance services launch within one year.

5

China Establishes Digital Yuan Operations Center

PBOC inaugurated Shanghai facility September 26 focusing on cross-border payment systems, blockchain services, and cryptocurrency platforms to advance e-CNY internationalization.

Institution/Jurisdiction Heatmap: Key Areas of Regulatory Activity

● **Australia** - Major legislative activity with PSP framework exposure draft October 9, digital asset platform consultation closing October 24, and payment system modernization bill passage September.

● **Japan** - Substantial reforms with Payment Services Act amendments June 2025, cross-border PCS regulatory tightening, stablecoin intermediary framework adjustments, and JVCEA certification October 2024.

● **Thailand** - Active fraud prevention measures with daily transfer caps effective August 8, enhanced KYC requirements, joint liability frameworks for technology crimes, and virtual bank payment service regulations.

● **China** - Substantial infrastructure development with Shanghai digital yuan center establishment September 26, cross-border CBDC payment pilots, and mobile payment adoption surge during October holidays.

● **Singapore** - Active enforcement and modernization with S\$27.45 million AML fines July 2025, payment system review initiatives, and digital payment infrastructure enhancements.

● **Malaysia** - Active expansion with Bank Negara digital payment approvals, service tax implementation on payment services, and MyFintech Week 2025 policy articulation.

● **Indonesia** - Emerging framework consolidation with Bank Indonesia Regulation 4/2025 on payment system policy strengthening governance, PJP/PIP licensing regime maturation, and QRIS cross-border expansion.

● **Vietnam** - Emerging digital banking development with regulatory sandbox effective July 1 covering payment-related fintech solutions and open banking API testing.

● **Hong Kong** - Early-stage activity with stablecoin regime payment use case development, HKMA payment system enhancements, and FIC market infrastructure initiatives.

● **Korea** - Early-stage transformation with electronic financial business framework reviews, MyData licensing expansions, and open banking system enhancements.

● **Taiwan** - Early-stage developments with electronic payment institution growth, cross-platform integration enhancements, and mobile payment penetration targets.

PAYMENTS & TRANSACTION SERVICES 2/2

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

Licensing and Regulatory Frameworks: Functional vs. Entity-Based Approaches

Australia's payment service provider framework represents the region's most comprehensive modernization initiative during October 2025. The exposure draft replaces the longstanding "non-cash payment facility" definition with specific financial products and services including tokenised stored value facilities (SVFs), payment instruments, and payment services—enabling graduated regulation scaled to function and risk. Major SVF issuers face stringent safeguarding requirements ensuring payment-related money remains available to complete transfers or return to entitled persons, while entities merely transmitting payment instructions without holding customer funds face lighter obligations. The framework intersects with digital asset platform legislation, collectively creating coherent treatment of currency-backed stablecoins as regulated payment products.

Implementation features include mandatory AFSL requirements for DAP/TCP operators providing payment-related services, ministerial powers to deem facilities as financial markets or CS facilities enabling proportionate oversight, streamlined dormant money management for major SVFs reducing unclaimed property administrative burdens, and revised ePayments Code application binding PSPs, ADIs, and payment participants to consumer conduct standards. The second tranche expected in 2026 will address common access requirements, industry standard-setting body establishment, and exemption/exclusion frameworks. Treasury emphasizes positioning Australia as a "well-regulated hub for digital asset innovation" attractive to global firms.

Fraud Prevention and Consumer Protection: Technology-Driven Safeguards

Thailand's August 8, 2025, implementation of daily digital transfer caps at 50,000 baht represents the most aggressive regulatory intervention in payment fraud prevention across Asia-Pacific. The measure tailors limits to individual customer transaction profiles (potentially lower for children and elderly, higher for business users) while providing emergency override mechanisms for legitimate needs exceeding caps. Banks must implement comprehensive fraud prevention infrastructure including real-time withdrawal notifications at no cost, suspicious link blocking in mobile banking applications, device-use limitations preventing simultaneous sessions, facial recognition with biometric forgery detection, and application-layer controls blocking risky app coexistence.

The framework establishes joint liability for technology crimes across financial institutions, e-payment operators, digital asset firms, telecom providers, and social media platforms unless entities prove regulatory standards compliance. Enhanced KYC requirements apply when opening deposit accounts aligned with BOT and Anti-Money Laundering Office guidelines, with high-risk customers classified as Black (confirmed mule accounts), Dark Grey (suspicious patterns), and Light Grey (elevated risk indicators) subject to mandatory enhanced due diligence. Financial institutions must provide 24/7 fraud-reporting channels, block suspicious funds pending investigation, suspend high-risk transactions, bar mule account holders from opening new accounts, and notify customers of transfers automatically. Existing mobile/internet banking users face December 2025 compliance deadline.

Digital Currencies and Cross-Border Infrastructure: Competing Standards

China's establishment of the Shanghai digital yuan operations center on September 26, 2025, signals accelerated e-CNY internationalization following extensive domestic pilots. The facility concentrates on three platforms: cross-border payment systems enabling e-CNY usage in international trade and investment settlement, blockchain services facilitating on-chain payments and near-instantaneous cryptocurrency transfers, and cryptocurrency platforms providing infrastructure for digital asset integration. Deputy Governor Lu Lei emphasized "steady and sustained growth of the digital yuan international operations center, providing strong support for facilitating cross-border trade, investment, and financing." This strategic initiative operates within PBOC Governor Pan Gongsheng's articulated vision for a "multi-polar monetary framework" reducing dollar dependence.

Domestic adoption metrics demonstrate infrastructure maturity. During the October 2025 National Day holiday, Alipay reported foreign visitor spending increased nearly 40% year-on-year, with "Tap to Pay" contactless transaction volumes surging 500%. Foreign travelers can now link international cards (Visa, Mastercard) to Alipay and WeChat Pay, or use familiar e-wallets from home countries via QR code scanning. Tax refund integration at Beijing, Shanghai, and Shenzhen destinations allows instant tax refunds at purchase points. This frictionless experience attracted substantial inbound tourism spending across dining, retail, and transportation categories.

Forward Outlook: Three Actions for Next Month



TECHNOLOGY-DRIVEN SERVICES 1/2

Fintech/Digital Banking

The Big Picture: Month in Focus

October 2025 fintech regulation emphasized sandbox maturation, digital banking framework finalization, open banking progression, and AI governance integration. Regulators transitioned from experimental approaches to operational frameworks governing virtual banks, aggregator platforms, embedded finance, and algorithmic services—reflecting fintech's evolution from disruption to mainstream financial infrastructure.

Top 5 Headlines You Can't Miss

1

Vietnam Launches Banking Sector Regulatory Sandbox

Decree 94/2025 effective July 1 permits credit institutions, foreign bank branches, and fintech companies to test credit scoring, open APIs, and P2P lending for up to two years under SBV supervision.

2

Indonesia Implements Aggregator Licensing

OJK Regulation 4/2025 issued February introduces first dedicated framework for financial services aggregators, establishing ownership limits, licensing procedures, and governance requirements.]

3

Korea Enacts AI Framework for Fintech

Framework Act on Intelligent Informatization effective January 22, 2026, requires high-impact AI notification and output labeling for fintech lending and credit assessment systems.

4

Taiwan Enhances Fintech Sandbox Flexibility

FSC published October 2024 guidelines significantly expanding pilot testing scope, encouraging financial institution-fintech collaboration, and prioritizing inclusive financing proposals.

5

Australia Advances Digital Asset Platform Regulation

Exposure draft released September 25 with consultation closing October 24 requires AFSL for DAP/TCP operators, introduces ministerial deeming powers, and maintains existing financial product law primacy.

Institution/Jurisdiction Heatmap: Key Areas of Regulatory Activity

Vietnam - Major regulatory activation with banking sector sandbox launch July 1, credit growth quota abolition from 2026, open banking framework development, and Law on Credit Institutions amendments effective October 15.

Australia - Substantial legislative activity with digital asset platform consultation October 24 deadline, PSP framework exposure draft October 9, and payment system modernization comprehensive reforms.

Indonesia - Active framework consolidation with aggregator regulation (OJK Reg. 4/2025), P2P lending SLIK participation mandatory July 31, and payment service provider governance strengthening.

Taiwan - Substantial sandbox enhancement with October 2024 guidelines, electronic payment institution cross-platform integration, and digital asset custody platform proposals under development.

Japan - Active stablecoin framework evolution with PSA amendments March 2025 submission, JVCEA certification October 2024, and fintech business model maturation from startups to established players.

Korea - Substantial AI governance integration with Framework Act effective January 2026, VAUPA enforcement since July 2024, and MyData system expansion under Credit Information Act.

Singapore - Emerging sandbox regime evolution with MAS reviews of fintech support frameworks, digital bank monitoring, and insurtech/digital insurer licensing initiatives.

Malaysia - Emerging digital banking maturation with Bank Negara monitoring of digital bank launches, fintech sandbox regime evolution, and digital payment infrastructure expansion.

Thailand - Emerging virtual bank framework with BOT supervision regulation effective September 2024, fintech AML/CFT intensification, and digital platform economy act drafting.

Hong Kong - Early-stage fintech infrastructure with stablecoin regime operational August 1, VA custody licensing preparations, and fintech-bank collaboration facilitation.

China - Early-stage fintech oversight with financial technology standard development, fintech risk monitoring, and platform economy regulation evolution.

Regulatory Sandboxes: From Experimentation to Graduation

Vietnam's Decree 94/2025 establishing a banking sector regulatory sandbox effective July 1, 2025, represents the region's newest controlled testing environment. The framework targets three specific solutions: credit scoring systems utilizing alternative data (mobile usage, e-commerce behavior, social media) for underserved populations, open banking APIs enabling third-party access to customer financial data with consent, and peer-to-peer lending platforms connecting borrowers directly with lenders. Eligible participants include credit institutions, foreign bank branches (for credit scoring and open APIs), and fintech companies (all three solutions, but P2P platforms must be Vietnamese-owned with Vietnamese national leadership).

Testing periods extend up to two years with possible extensions, confined exclusively to Vietnam without cross-border activities. Organizations must submit comprehensive dossiers including fintech solution descriptions, testing plans, risk management protocols, personnel qualifications, and legal establishment documents. The State Bank of Vietnam conducts reviews, may consult other agencies or conduct on-site inspections, and issues Certificates of Participation outlining approved solutions, testing scope, durations, and conditions. Testing must commence within 90 days of certificate issuance. Regular reporting and compliance monitoring are mandatory, with sandbox results providing empirical basis for developing or refining broader regulatory frameworks. This follows Vietnam's ambitious credit growth quota abolition from 2026, replacing rigid 16% caps with efficiency and sustainability-based assessments.

Digital Banking and Virtual Banks: Operational Reality

Thailand's virtual bank supervision regulation effective September 12, 2024, establishes comprehensive framework for digital-only banking operations. Virtual banks must adhere to traditional commercial bank standards plus additional requirements addressing digital nature and corporate structure. Key provisions include financial business group classifications with virtual banks under solo consolidated groups, prohibitions on credit extensions or lending-similar transactions between group entities and virtual banks after "initial phase" completion, and capital fund maintenance discretion for BOT when other financial institution investments increase capital beyond safe levels posing risks. Service channels must be exclusively digital except when necessary (e.g., BOT-approved ATM pool access, banking agents for cash services, or occasional on-site services).

The "initial phase" running from commencement until BOT approval for full operations features relaxed requirements including permission to appoint managers from other financial institutions with conflict-of-interest safeguards, simplified stress testing using self-developed or supervisory scenarios, and exemption from recovery plan submission. This phased approach balances innovation enablement with prudential risk management, positioning Thailand competitively against Singapore's maturing digital bank landscape (where operators launched in 2022-2023) and Hong Kong's virtual bank initiatives (eight licenses since 2019).

Open Banking and Embedded Finance: API-Driven Integration

Open banking progression varies dramatically across Asia-Pacific, with Korea and Vietnam representing advanced and emerging implementations respectively. Korea's open banking system launched in 2019 under FSC initiatives granting fintech firms access to banks' payment networks now includes 23 participating fintech firms making prepaid deposit balances available through major bank and participating financial institution mobile applications as of July 30, 2021. The architecture enables account information access, payment initiation, and fund transfer across previously siloed banking systems, fostering competition and innovation.

The Credit Information Use and Protection Act's MyData licensing regime operates as complementary infrastructure, requiring financial institutions to provide customer data portability upon request. MyData operators aggregate information across multiple financial institutions with customer consent, enabling holistic financial management applications. Key legal requirements include prior consent for collecting credit information, clear purpose statements limiting data use to necessary activities, and separate specific consent for third-party sharing. The act mandates simplified consent visualization through "data usage consent ratings" outlining privacy risks and consumer benefits, supporting informed consent principles. Individuals possess rights to request explanations of automated decision-making (AI-based credit evaluations), object to profiling, and transfer credit information between institutions.

Forward Outlook: Three Actions for Next Month

Evaluate Sandbox Participation Opportunities

Vietnamese fintech companies and credit institutions should assess Decree 94/2025 eligibility for credit scoring, open API, or P2P lending solutions. Prepare comprehensive dossiers including solution descriptions, testing plans, risk protocols, and personnel qualifications for SBV submission.

Implement AI Governance Frameworks

Korean fintech companies utilizing AI in lending or credit assessment must prepare for Framework Act on Intelligent Informatization compliance by January 22, 2026, including user notification systems and AI output labeling. Conduct high-impact AI classifications determining whether systems significantly affect individuals' rights and obligations triggering regulatory obligations.

Prepare for Digital Asset Platform Licensing

Australian entities providing digital asset custody, trading platforms, or tokenized product services must respond to consultation before October 24 deadline assessing AFSL requirements, ministerial deeming power implications, and coordination with PSP framework obligations.

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