

$$R_{\mu\nu} - \frac{1}{2}Rg_{\mu\nu} + \Lambda g_{\mu\nu} = \kappa T_{\mu\nu}$$

Response to Public Consultation on the Implementation of Crypto-Asset Reporting Framework and Amendments in Relation to the Common Reporting Standard In Hong Kong (February 2026)

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Submitted to Financial Services and Treasury Bureau, Inland Revenue (carf@fstb.gov.hk), and the Office for Safeguarding National Security (via post)

The Hong Kong Institute of Physics Limited is pleased to respond to the request for public consultation on the implementation of Crypto-Asset Reporting Framework and amendments in relation to the Common Reporting Standard In Hong Kong. Our institute is a small research organization involved in developing blockchain computation systems, and we are actively involved in policy issues concerning cryptocurrency and blockchain.

As the world moves from a unipolar world to a multipolar world, we see the possibility that cryptocurrency and blockchain can create a more decentralized financial system in which no power can misuse the global financial system to establish global hegemony or to impose sanctions and blockades against the People's Republic of China and its trading partners. However, we believe that those that seek global hegemony will not sit idly by, and they will attempt to mold the new system of finance in ways that will reinforce their hegemonic ambitions.

We are therefore deeply concerned that the proposed measures would have an extremely negative impact on the national security of the People's Republic of China and Hong Kong's status as an international financial center. We believe that any data that is given to foreign governments runs a strong risk of being forwarded to the intelligence and security agencies of those nations or third-party nations, which will pool and misuse the data in ways that will negatively impact the national security of the People's Republic of China.

We therefore urge that the Hong Kong government should suspend any efforts in data sharing regarding crypto-assets with foreign governments and cease implementation of any actions that would advance crypto-asset reporting to foreign governments, pending a national security review and coordination with the appropriate agencies of the Central Government.

We believe that sharing crypto-asset information with foreign powers will allow hostile foreign security and intelligence services to more easily trace money flows through Hong Kong in ways that would prejudice the national security interests of the People's Republic of China. We have three specific concerns.

- First, providing this information to foreign powers will enable them to more effectively enforce sanctions against entities not subject to sanctions under Hong Kong law. Under the laws of the Hong Kong Special Administrative Region, and specifically the United Nations Sanctions Ordinance (Cap 575), sanctions are only valid under Hong Kong law if they have been approved by the United Nations Security Council. We note that crypto-assets are commonly used for trade with the Russian Federation, the Islamic Republic of Iran, the Bolivarian Republic of Venezuela, and the Republic of Cuba. Requiring Hong Kong entities to report crypto-asset transactions will result in that information being forwarded to agencies which will use that information to enforce sanctions against nations for which the People's Republic of China maintains normal foreign trade relations.
- Second, providing information about crypto-asset transactions to foreign powers will enable them to more effectively track financial transactions involving the mainland of China and would provide hostile intelligence services with information which they may use to undermine social stability within the People's Republic of China. Moreover, by providing more information about crypto-asset flows through Hong Kong, foreign governments can gather information about possible choke-points which can be used to enforce sanctions or blockades against the People's Republic of China. We believe that it is in the interests of the People's Republic of China for the Hong Kong financial system to remain a "black box" to foreign governments and intelligence services, and to not share information requiring crypto-asset flows.
- Finally, many nations have engaged in a policy of increasing military spending with the specific goal of targeting the Chinese nation. Allowing other nations to more effectively tax money that is moving through Hong Kong will allow them to increase military spending in ways that are against the interests of the Chinese nation. Specifically, allowing foreign powers to increase military spending through taxation enables them to give aid and false hope to secessionist forces in Taiwan, thereby reducing the likelihood that inevitable reunification of the motherland will occur by peaceful means. We believe that the more rapidly it is clear that foreign powers cannot hope to militarily aid secessionist forces to maintain the divided state of the Chinese nation, the more rapidly those forces will accept the 92 consensus and cease impeding peaceful political means of ending the state of civil war that divides the Chinese nation. We do not believe that it is in the interests of the Chinese nation nor of Chinese on both sides of the straits for Hong Kong to assist foreign powers in raising funds through taxation that will be used for military purposes, which will delay and make more problematic ending the Chinese civil war and furthering the rejuvenation of the Chinese nation.

We live in extraordinary times. The world is increasingly aware that certain foreign powers have created an empire of lies in which democracy, human rights, and freedom are used to justify global hegemony and a world order of tyranny, misery and oppression. Equally, the world is seeing through these lies and becoming increasingly aware that the People's Republic of China genuinely seeks peace and world harmony and intends to use any military force solely to defend its legitimate rights and interests in accordance with international law and to defend the ability of the Chinese people to achieve the universal goals of life, liberty, and the pursuit of happiness. We patriots stand on the right side of history.

Certain powers are addicted to war and intend to use their tax powers to fuel their war machine, and feed their military industrial complexes. Many people are tired of this misuse of state taxation and economic sanctions and seek to protect their own personal assets and to engage in economic activities which are beneficial not only to themselves but which encourage trade, commerce, and prosperity for humanity.

As an international financial center, Hong Kong should welcome these funds and guarantee financial privacy to foreign investors who are willing to submit to the laws of the Hong Kong Special Administrative Region of the People's Republic of China. Therefore, we believe that the Hong Kong SAR should protect the financial privacy of those who do business in and with the HKSAR, and not share this data with foreign powers, who we believe will use this data to seize assets for war and destruction and to prevent normal trade and commerce for the mutual benefit of all humanity.

The great Ronald Reagan, in his farewell address as President of the United States, spoke of a "city on a hill," a city with free ports that hummed with commerce and creativity. The Hong Kong Special Administrative Region strives to be such a city, and we should stand for peace, prosperity, and trade under a system of laws that promotes freedom and prosperity through low taxation and opposes tyranny, hegemony, and chaos. I believe this is the firm goal of patriots in Hong Kong and the vision of the leadership of the Central Government. As such, we must side with those who build and not those who destroy.

I, therefore, submit that Hong Kong should take no further action to implement the Crypto-Asset Reporting Framework and should refuse to exchange tax information with foreign powers, who we believe will use this information in ways that are not only prejudicial to the national security and economic prosperity of the Chinese nation, but also detrimental to the cause of world peace and prosperity.

1. Will you, as RCASPs, identify and collect information of both reportable and non-reportable persons?

We oppose any implementation of CARF measures as we believe they will harm the national security of the People's Republic of China as well as harm Hong Kong's position as an international financial center.

If these measures are adopted, then will comply with the law to the minimal extent possible and to minimize the negative impact of compliance to Chinese national security. This would involve collecting the minimal data possible so as to limit the data which can be accessed by foreign intelligence services.

2. Do you have any views on the proposed record keeping requirements for RCASPs?

We oppose any implementation of CARF measures as we believe they will harm the national security of the People's Republic of China as well as harm Hong Kong's position as an international financial center.

3. Do you have any views on the proposed mandatory registration for all RCASPs that meet any of the reporting nexus with Hong Kong?

We strongly oppose any implementation of CARF measures as we believe they will harm the national security of the People's Republic of China as well as harm Hong Kong's position as an international financial center.

4. Do you have any views on the proposed penalty framework for CARF (including the administrative penalty mechanism)?

We strongly oppose any implementation of CARF measures as we believe they will harm the national security of the People's Republic of China as well as harm Hong Kong's position as an international financial center.

5. Do you have any views on the proposed filing mechanism for CARF Returns?

We believe that any information that will be forwarded to foreign tax authorities will be handed to the intelligence and security services of those nations or third party nations.

We strongly oppose any implementation of CARF measures as we believe they will harm the national security of the People's Republic of China as well as harm Hong Kong's position as an international financial center.

6. Will you prefer using self-developed software or the data preparation tool provided by IRD in the CARF Portal for preparation of data files?

We strongly oppose any implementation of CARF measures as we believe they will harm the national security of the People's Republic of China as well as harm Hong Kong's position as an international financial center.