

Hong Kong's new stablecoin licensing and regulatory regime

July 8, 2025 | Client Update | 7-minute read

On May 21, 2025, the Hong Kong Legislative Council passed the Stablecoins Ordinance, establishing a regulatory regime for the issuance, offering and marketing of stablecoins in Hong Kong. This Ordinance will come into effect on August 1, 2025.

1. Introduction and legislative history

This regulatory regime was first proposed in a discussion paper published by the Hong Kong Monetary Authority (HKMA) on crypto-assets and stablecoins in January 2022 and which concluded in January 2023. Joint consultation papers and consultation conclusions on the legislative proposal for implementing the regulatory regime for stablecoin issuers were then put forth by the HKMA and the Financial Services and Treasury Bureau in December 2023 and July 2024 respectively.

2. Scope of the stablecoin ordinance (the Ordinance)

Stablecoins are generally understood as crypto assets that aim to maintain a stable value relative to a specified asset, or a pool or basket of assets, such as fiat currencies or commodities.

Under the Ordinance, a “stablecoin” is defined as an asset which is:¹

- expressed as a unit of account or store of economic value;
- intended to be used as a medium of exchange for payment for goods or services, discharge of a debt, or investment;
- can be transferred, stored or traded electronically; and
- operated on a distributed ledger or similar information repository.

In line with the HKMA's previous indication, the Ordinance applies to stablecoins that aim to maintain a stable value with sole reference to fiat currencies (Fiat-Referenced Stablecoins or FRS).²

The Ordinance provides that:

1. Issuers of FRS in Hong Kong, and issuers of a Hong Kong Dollar-linked FRS outside of Hong Kong are required to be licensed with the HKMA.
2. Only licensed entities can offer FRS in Hong Kong or actively market them to the Hong Kong public. Further, only FRS issued by HKMA-licensed issuers can be offered to retail investors.
To avoid overlapping regulatory regimes, the scope of the stablecoin licensing regime excludes certain financial instruments that are already regulated. These include:
 - a. tokenized deposits regulated under the Banking Ordinance,
 - b. securities or futures contracts regulated under the Securities and Futures Ordinance,
 - c. floats held in stored value facilities (SVF) and SVF deposits under the Payment Systems and Stored Value Facilities Ordinance,

- d. central bank or government-issued stablecoins, and
- e. “limited purpose digital tokens” like loyalty/reward points or in-game tokens regulated by the Anti-Money Laundering and Counter-Terrorist Financing Ordinance.

3. Key licensing requirements applicable to stablecoin issuers:

Issuers of (a) FRS in Hong Kong or (b) Hong Kong Dollar-linked FRS outside of Hong Kong must obtain a license from the HKMA. Entities that actively market to the Hong Kong public an FRS issuance is also required to be licensed.³

Licensees are expected to fulfil the following minimum requirements:⁴

- **Incorporation and corporate structure:** Licensees must either be a Hong Kong incorporated company or an Authorized Institution incorporated overseas with a principal place of business in Hong Kong.
- **Adequate financial resources:** Minimum paid-up share capital of at least HKD 25 million, unless the licensee is an Authorized Institution.
- **Reserve asset management:** FRS must be fully backed by high quality, liquid reserve assets with minimal investment risks. The market value of the specified reserve asset pool must be at least equal to the par value of the total FRS in circulation and segregated from other reserves held by the licensee. Owing to these reserve asset management requirements, algorithmic, unbacked, stablecoins are not permitted.
- **Right to redemption:** FRS holders must be able to redeem their FRS at par value without unreasonable conditions or fees and as soon as practicable.
- **Prohibition on interest bearing FRS:** Licensees are not permitted to pay FRS holders any interest or return based on (a) the length of the period during which the holder holds the FRS; (b) the par value of the FRS; (c) the market value of the FRS.
- **Prudent risk management and compliance measures:** Licensees are expected to implement appropriate risk management policies and procedures in line with the scale and complexity of their stablecoin activities (e.g., data security controls, fraud mitigation and operational contingencies).
- **Information disclosure requirements:** Licensees are required to publicly disclose key information about the stablecoins they issue, including redemption mechanisms, rights, terms and conditions through white papers and websites.
- **Reporting:** Audit outcomes and any breaches must be promptly reported to the HKMA.

4. Key requirements for FRS distributors

The Ordinance further provides that only Permitted Offerors may offer fiat-referenced stablecoins in Hong Kong.

A person offers an FRS if the person, in the course of business, presents sufficient information to another person regarding the terms, channels and means by which the FRS is to be offered, to enable such person to decide whether to acquire the FRS.⁵ This definition is broad enough to cover both primary and secondary trading of FRS.

Permitted offerors are:

1. HKMA-licensed FRS issuers;
2. SFC-licensed virtual asset trading platforms;
3. SFC-licensed corporations authorized for Type 1 (dealing in securities) regulated activities; and
4. Authorized Institutions (i.e., banks).

Further, FRS issued by unlicensed issuers (e.g. foreign based issuers of non-HKD FRS) can only be offered to the classes of persons the Financial Secretary may specify to whom unlicensed FRS can be offered (see Sections 9(2)(b)(iii) and 9(3)). The HKMA has indicated in previous consultations that this class of person shall initially consist of professional investors only.

While this is in line with the SFC’s current view that stablecoins should not be made available by licensed VATP to retail investors,⁶ it will mean that Hong Kong retail investors will not be able to trade in many global stablecoins on Hong Kong licensed virtual asset exchanges, unless the issuers become licensed in Hong Kong.

5. Draft guidelines

Concurrently, the HKMA published two sets of Draft Guidelines and sought the industry's input:

Draft Guideline on Supervision of Licensed Stablecoin Issuers, which sets out the HKMA's expectations with regard to the minimum criteria in Schedule 2 to the Stablecoins Ordinance which a licensee is required to fulfil on an ongoing basis.

Draft Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Stablecoin Issuers), which sets out the proposed AML/CFT requirements for FRS issuers.

Key requirements in the draft Guidelines include:

- **Scope and composition of reserve assets:** Reserve assets should be held in the form of (i) bank deposits with a term of three months or less, (ii) marketable debt securities with residual maturity of no longer than one year, (iii) certain cash receivables and investment funds. FRS should be over-collateralized. Reserve assets must be held in the same reference currency (except HKD-USD can be used interchangeably).
- **Asset segregation:** Effective trust arrangements must be in place. Any income and loss from the reserve assets must be attributable to the licensee only and not FRS holders.
- **Distribution arrangements:** Licensees shall ensure that third-party distributors are permitted offerors. Risk assessments and due diligence should be conducted on all third-party distributors.
- **Insolvency protection:** Legal opinion shall be provided to support that FRS holders will have an exercisable right to claim against reserve assets upon the licensee's insolvency.
- **Customer due diligence requirements:** FRS issuers are expected to conduct customer due diligence checks on FRS holders prior to subscription and redemption. There is no requirement for FRS issuers to conduct ongoing customer due diligence on FRS holders who acquired the FRS on the secondary market. However, licensees are expected to take appropriate measures (such as ongoing screening of FRS transactions and wallet addresses and blacklisting wallets associated with illicit activities) to identify and report suspicious activities.⁷ This approach to customer due diligence is in line with industry practice.

6. Conclusion

Hong Kong's stablecoin regulatory regime comes at a time when stablecoin activity is experiencing immense growth and institutionalization, and when other jurisdictions are introducing their own regimes.

Notably, in the United States, the Senate had just passed the bipartisan GENIUS Act, a landmark stablecoin bill, by a 68-30 vote. The GENIUS Act contemplates a regulatory framework where payment stablecoin issuers may be either a subsidiary of an insured bank, an uninsured depository institution or trust bank, or a nonbank, and primarily regulated at either the federal or state level. See our prior client briefings for more details.⁸

The recent successful IPO of one of the world's largest stablecoin issuers is also testament to the regulatory tailwinds and favorable market views towards this asset class.

Resources
Crypto Regulation Hub

Visit our Crypto Regulation Hub for links to congressional proposals related to the regulation of crypto assets and other helpful materials.

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¹ Section 3 of the Stablecoins Ordinance.

² Section 4 of the Stablecoins Ordinance. Note that the HKMA is further authorized to specify additional units of account or digital representations of value through a published notice in the Gazette under Section 4(2) of the Stablecoins Ordinance.

³ Part 1, Section 5 of the Stablecoins Ordinance. See also the [SFC's FAQ](#) with respect to the meaning of "active marketing."

⁴ Schedule 2, Part 2 of the Stablecoins Ordinance.

⁵ Part 1, Section 6 of the Stablecoins Ordinance.

⁶ See Q2 of the SFC's [FAQ on Trading of Virtual Assets](#).

⁷ Section 3.4 of the Consultation Paper on the Proposed AML/CTF Requirements.

⁸ [A stablecoin bill is first out of the gate as crypto legislation gains momentum](#) (February 11, 2025) and [GENIUS Act passes Senate](#) (June 17, 2025).