

## Hong Kong's licensing and regulatory framework for stablecoins is now in effect

August 7, 2025 | Client Update | 9-minute read

Hong Kong's licensing and regulatory framework for fiat-referenced stablecoins came into effect on 1 August 2025, regulating the issuance, offering and marketing of fiat-referenced stablecoins in Hong Kong.

### 1. Summary of the Stablecoins Ordinance

To recap, the Stablecoins Ordinance (Ordinance) applies specifically to stablecoins that aim to maintain a stable value with sole reference to fiat currencies (Fiat-Referenced Stablecoins or FRS).

A license from the Hong Kong Monetary Authority (HKMA) is required by (1) FRS **issuers** in Hong Kong and (2) Hong Kong dollar-linked FRS issuers outside of Hong Kong.

Entities that **actively market** FRS to the Hong Kong public are also required to be licensed.<sup>1</sup>

FRS issued by HKMA-licensed issuers can be offered to both retail and professional investors. FRS offerings issued by unlicensed issuers (e.g., foreign-based issuers of non-Hong Kong dollar-linked FRS) are restricted to professional investors only.

The Ordinance further provides that only certain licensed entities (HKMA-licensed FRS issuers, SFC-licensed virtual asset trading platforms, SFC-licensed corporations authorized for Type 1 regulated activities, and Authorized Institutions) can "offer" FRS in Hong Kong.

Please refer to our earlier [client update](#) for further details on the regulatory regime and key licensing requirements.

### 2. Consultation conclusions, guidelines and explanatory notes

On 29 July 2025, the HKMA published two explanatory notes on the [Licensing of Stablecoin Issuers](#) and on the [Transitional Provisions for Pre-existing Stablecoin Issuers](#).

The HKMA also published its consultation conclusions and final guidelines on the [Supervision of Licensed Stablecoin Issuers](#) and [Anti-Money Laundering and Counter-Financing of Terrorism \(For Licensed Stablecoin Issuers\)](#), following a public consultation of the draft guidelines which concluded on 30 June 2025.

The consultation conclusions demonstrated that the HKMA is willing to engage positively and constructively with the industry, including:

- being open to **multi-jurisdictional issuance** arrangements, including where part of the reserve assets is located outside Hong Kong (this can be contrasted with licensed virtual asset exchanges, which are required to keep all client

- assets in Hong Kong);
- being open to having **tokenized representations of eligible assets as part of the reserve assets**;
- allowing for the flexibility for **currency mismatches between the denomination of the stablecoin and the underlying assets** on a case-by-case basis;
- clarifying that the **one-day redemption requirement** only applies after successful onboarding of the stablecoin holder;
- not prohibiting the engagement of **investment managers** for the purpose of managing reserve assets;
- not prohibiting the engagement of **offshore distributors**;
- not prohibiting the **outsourcing of private key management** to third-party entities, and not prohibiting the **storage of private keys outside of Hong Kong**; and
- remaining open to the exploration of **mutual recognition arrangements** with other jurisdictions with comparable regulatory frameworks to potentially enable such offshore licensed stablecoins to be offered to the Hong Kong public.

### 3. Application procedure and timing

In a [speech](#) made last week, the Chief Executive of the HKMA indicated that in the initial stage, the HKMA will “at most grant a **handful** of stablecoin issuer licenses”. This confirmed our previous understanding: insofar as there are many applicants, a lot of them are going to be disappointed. The Chief Executive also made clear that prospective applicants should have:

- **concrete use cases** for their stablecoins (conceptual visions to enhance cross-border payment, support the development of Web3.0 and optimize the efficiency of foreign exchange markets are unlikely to suffice);
- **viable business plans**,
- **implementation roadmaps**, and
- awareness and **technical expertise, experience and capabilities** managing **financial risk**.

The initial batch of stablecoin issuer sandbox participants, first disclosed by the HKMA on 18 July 2024, and potentially the current list of Stored Value Facility issuers and Virtual Banks may offer some guidance on the HKMA’s requirements and preferences.

The application forms for the license, controllers, as well as chief executives, stablecoin manager and directors are not publicly available and can only be obtained from the HKMA’s licensing team upon prior consultation. Institutions interested in applying for a license must first indicate their interest to, and discuss their background, experience and business model with, the HKMA. This will act as a preliminary filter.

A list of documents to be submitted together with the application is at Annex B of the [Explanatory Notes on Licensing of Stablecoin Issuers](#). As part of the application process, an applicant will be required to submit independent assessment reports regarding its overall compliance with applicable regulatory requirements.

Institutions interested in applying for a license are encouraged to contact the HKMA by 31 August 2025 so that the HKMA may communicate regulatory expectations and provide feedback as appropriate.

While licensing will be an ongoing process, the HKMA indicated that interested parties that consider themselves sufficiently ready should submit the application to the HKMA by 30 September 2025, and that **the first batch of licenses will likely be granted in early 2026**.

### 4. Minimum requirements for licensees

The HKMA has, through the consultation conclusions and final guidelines, clarified its expectations with regards to the minimum criteria which a licensee will be required to fulfil on an ongoing basis.

<p><b>Corporate status</b></p>	<ul style="list-style-type: none"> <li>- Licensees must be incorporated in Hong Kong, or be an authorized institution (i.e. bank) incorporated outside Hong Kong. Any institution incorporated outside Hong Kong other than an authorized institution should set up a subsidiary in Hong Kong which will serve as the licensee.</li> </ul>
<p><b>Adequate financial resources</b></p>	<ul style="list-style-type: none"> <li>- Licensees should always maintain paid-up capital of at least HK\$25 million unless it is an authorized institution.</li> </ul>
<p><b>Business activities</b></p>	<ul style="list-style-type: none"> <li>- Licensees should not carry out business activities other than a licensed stablecoin activity, unless with the HKMA's approval. The HKMA will not grant such approval if the other business activities will pose significant risks to the licensed stablecoin activities and if any conflicts of interests are not properly managed.</li> <li>- Licensees may issue more than one type of FRS with the HKMA's consent.</li> </ul>
<p><b>Fit and proper management</b></p>	<ul style="list-style-type: none"> <li>- Each person holding the positions of chief executive, director, stablecoin manager and controller of a licensee must be fit and proper and with relevant knowledge and experience.</li> <li>- The HKMA generally expects that senior management and key personnel should be based in Hong Kong.</li> </ul>
<p><b>Redemption</b></p>	<ul style="list-style-type: none"> <li>- Licensees must provide FRS holders with the right to redeem their FRS at par value.</li> <li>- The redemption conditions should be reasonable and not unduly burdensome. Redemption requests by onboarded users shall be processed within one business day.</li> </ul>
<p><b>Non-interest bearing</b></p>	<ul style="list-style-type: none"> <li>- Licensees must not pay any interest, profit or any other return for holding stablecoins issued by it. Any income or loss arising from the management or reserve assets (e.g. interest payments or capital gains or losses) should be attributed to the licensee.</li> </ul>

<p><b>Reserve assets management</b></p>	<ul style="list-style-type: none"> <li>– FRS must be fully backed (i.e., the market value of the specified reserve assets pool must always be at least equal to the par value of the outstanding FRS in circulation), including those that are frozen or blacklisted.</li> <li>– Reserve assets may consist of tokenized representations of the eligible assets, but licensees must be able to show that they are high quality, high liquidity and contain minimal investment risks.</li> <li>– Effective trust arrangements should be implemented to ensure that the reserve assets are segregated from the licensee’s assets.</li> </ul>
<p><b>Customer on-boarding and management</b></p>	<ul style="list-style-type: none"> <li>– FRS holders will be treated as either a customer of the licensee or a non-customer stablecoin holder. Generally, holders with a direct business relationship with the licensee are considered customers. This includes holders who acquire or redeem FRS from the issuer.</li> <li>– Licensees are required to conduct customer due diligence on customers but not on non-customers.</li> </ul>
<p><b>Disclosures</b></p>	<ul style="list-style-type: none"> <li>– Licensees must publish a whitepaper covering general information about the issuer and the FRS, reserve asset management arrangements, third party service providers, issuance, redemption and distribution mechanism, underlying technology and risks associated with the stablecoin.</li> <li>– There should also be regular public disclosures of the licensees’ reserve assets and independent attestation results.</li> </ul>
<p><b>Risk management</b></p>	<ul style="list-style-type: none"> <li>– The HKMA encourages the adoption of a system of tiered minting and pre-minting and extra security be put in place for the seeds and/or private keys including storing them in air-gapped environment.</li> <li>– Smart contract audits are to be conducted for all code changes.</li> <li>– The HKMA may issue additional guideline on the scope and composition of reserve assets at a later stage.</li> </ul>

## 5. Transitional period for pre-existing stablecoin issuers

A transitional period will be provided for entities that were conducting regulated stablecoin activities prior to the commencement of the Ordinance (Pre-Existing Stablecoin issuers or PES issuers), The HKMA has confirmed that merely establishing a corporate entity or having “shell” operations in Hong Kong prior to 1 August 2025 will not qualify.

## License application

The procedures for applying for a stablecoin license are the same for PES issuers as for normal applicants. However, a PES issuer must submit a license application along with an undertaking that it has the arrangements and will comply with all requirements applicable to a licensee, within the first three months after the commencement of the Ordinance (i.e., by 31 October 2025).

If the HKMA is satisfied with the submission, a provisional license may be granted before 1 February 2026. The HKMA may then grant a subsequent license (the determination of which is estimated to be after 31 January 2026).

## Closing down period

PES issuers that (i) have not applied for a license by 31 October 2025, must enter the closing down period six months after the commencement of the Ordinance (i.e., on 1 November 2025). Issuers that did apply within the mandatory period but whose applications were rejected, refused or withdrawn, must enter the closing down period on the day the HKMA response is received or the date on which the application is withdrawn.

Once the PES issuer enters the closing down period, they have one month (subject to an HKMA-approved extension) to close any business that relates to a regulated stablecoin activity in Hong Kong.

## 6. Powers granted to the HKMA over stablecoin licensees

The HKMA has broad and robust supervisory powers to prevent defaults.

If the HKMA believes the licensee is (i) likely to become unable to meet its obligations, (ii) about to suspend payment or any of its regulated business activities or (iii) carrying on its business in a manner that is detrimental to the interests of the holders, potential holders or its creditors, among other things, the regulator may, after consulting with the Financial Secretary:

- require the licensee to take immediate action relating to its affairs, business or property that the HKMA considers necessary;
- direct the licensee to seek advice from an HKMA-appointed advisor; or
- appoint a statutory manager to manage the affairs, business or property of the licensee.

Additionally, the HKMA has the power to revoke a licensee pursuant to the grounds specified in Schedule 4 to the Ordinance. Alternatively, the HKMA may suspend a license for a period not exceeding six months.

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.

[Explore our crypto resources](#)

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

**Martin Rogers**

+852 2533 3307  
martin.rogers@davispolk.com

**Li He**

+852 2533 3306  
li.he@davispolk.com

**James C. Lin**

+852 2533 3368  
james.lin@davispolk.com

**Miranda So**

+852 2533 3373  
miranda.so@davispolk.com

**Yuan Zheng**

+852 2533 1007  
yuan.zheng@davispolk.com

**Xi Shi**

+852 2533 3396  
xi.shi@davispolk.com

**Samuel Kang**

+852 2533 1019  
samuel.kang@davispolk.com

**Lok Cheung**

+852 2533 1029  
lok.cheung@davispolk.com

**Sophie Ng**

+852 2533 1012  
sophie.ng@davispolk.com

*This communication, which we believe may be of interest to our clients and friends of the firm, is for general information only. It is not a full analysis of the matters presented and should not be relied upon as legal advice. This may be considered attorney advertising in some jurisdictions. Please refer to the firm's privacy notice for further details.*

<sup>1</sup> The HKMA provides in paragraph 2.6.1 of the [Explanatory Note on Licensing of Stablecoin Issuers](#) that it will adopt a holistic approach in considering whether a person actively markets a stablecoin to the Hong Kong public, including: (i) the languages used in the marketing messages and whether that includes Chinese; (ii) whether the marketing message is targeted at a group of people that resides in Hong Kong; (iii) whether a Hong Kong domain name is used for the marketing website; and (iv) whether there is a detailed marketing plan to promote the activity. Offline, physical, marketing and advertising and the use of "push" technology such as direct email are also likely to be significant factors.