

## Stablecoins Gain Momentum in Hong Kong Amid Regulatory Caution

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**HONG KONG:** Interest in stablecoin digital tokens pegged to traditional assets such as national currencies or gold continues to rise in Hong Kong, as the city prepares to roll out a formal licensing regime for issuers. While authorities acknowledge the potential benefits of this relatively stable form of cryptocurrency, they are also urging restraint and vigilance regarding its broader role in financial systems.

Stablecoins, unlike more volatile digital assets such as Bitcoin, are designed to maintain a fixed value by linking their worth to existing currencies, primarily the US dollar, or tangible assets like gold. This feature has made them an increasingly attractive tool for faster, lower-cost digital transactions. According to industry data, the global circulation of stablecoins now exceeds US\$270 billion, highlighting growing confidence in their utility and future applications.

In response to this surge in popularity, Hong Kong is taking steps to establish a regulatory framework that would bring stablecoin issuers under formal oversight. The licensing initiative is seen as a key component of the city's broader strategy to become a digital asset hub while maintaining safeguards against financial risk and illicit activity.

However, local regulators have cautioned against overestimating the role stablecoins may play in reshaping the financial landscape. While these digital assets offer practical advantages in areas such as payments and cross-border transfers, officials stress that they must be backed by strong governance and sufficient asset reserves to ensure stability and consumer protection.

The Hong Kong Monetary Authority (HKMA) has outlined several requirements for stablecoin issuers, including the need for full backing by high-quality, highly liquid reserve assets and regular reporting to ensure transparency. These measures are aimed at building trust in a sector still recovering from past market disruptions and the collapse of certain high-profile digital currency projects.

As the territory balances innovation with oversight, the upcoming regulatory framework is expected to set a precedent for other jurisdictions in Asia. While enthusiasm among fintech firms remains high, the government's measured approach serves as a reminder that technological promise must be matched by robust financial safeguards.