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China Curbs Stablecoin Hype as US Advances

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China has directed local brokers and research groups to halt the promotion of stablecoins, as authorities move to reduce risk and maintain financial control over digital asset discussions within the country. The move comes at a time when the United States is embracing stablecoin regulation, with a recent federal bill signed into law aiming to cement American leadership in the global digital currency space.

According to people familiar with the matter, Chinese financial regulators instructed some brokerages and think tanks to cancel public seminars and suspend the distribution of reports related to stablecoins. These directives were reportedly issued in late July and early August. The move reflects ongoing concerns from Beijing about the potential misuse of stablecoins for illicit fundraising and fraud.

Although cryptocurrency transactions remain banned in mainland China, there has been growing interest in digital assets. Some observers noted that recent official statements appeared to signal a slight shift in attitude, especially following Hong Kong's rollout of a licensing regime for crypto platforms. That development sparked increased participation from mainland Chinese firms exploring opportunities in the territory.

Despite the Chinese government's hardline approach, data from blockchain analytics firm Chainalysis estimated that over-the-counter trading of digital assets in China reached $75 billion in the first nine months of 2024, highlighting the continued demand and workarounds used by participants.

Christopher Wong, a currency strategist at Singapore-based Oversea-Chinese Banking Corp., said Chinese policymakers remain cautious. "They don't favor hype around assets like stablecoins, especially when investors may not fully understand the risks," Wong stated. "The government seeks to avoid a rush into speculative investments driven by herd mentality."

Stablecoins are digital assets usually backed by fiat currencies or cash-like instruments such as U.S. Treasury bills. Their appeal lies in their ability to offer faster, more efficient cross-border payments. Globally, stablecoins are projected to grow in circulation to around $3.7 trillion by the end of the decade, according to market analysts.

In China, local governments in provinces like Zhejiang, Suzhou, and Beijing have issued risk alerts warning against illicit activities tied to virtual currencies. These warnings came amid a broader effort to protect citizens from unregulated financial schemes involving digital assets.

The Chinese government has also shown interest in stablecoins pegged to the yuan. The People's Bank of China (PBOC) Governor Pan Gongsheng commented in June that such assets could reshape international finance by offering alternatives to traditional payment networks, especially in a time of rising geopolitical tensions. The central bank sees potential in using yuan-linked digital currencies to promote the renminbi's role in global finance and reduce reliance on the US dollar.

Meanwhile, in a contrasting approach, the United States continues to advance its regulatory infrastructure for stablecoins. On July 18, President Donald Trump signed the first federal law addressing stablecoin oversight. The legislation outlines new standards for transparency, reserves, and issuer conduct, positioning the US as a global leader in crypto-financial governance.

"Today marks a giant step to cement American dominance of global finance and crypto technology," Trump said at the signing event. The bill focuses on ensuring that stablecoins remain secure, properly backed, and used responsibly. The vast majority of the world's stablecoins are pegged to the US dollar.

Hong Kong, often seen as a bridge between Chinese regulation and global markets, has so far licensed 11 crypto exchanges and permitted 44 firms to trade digital assets. These include state-linked entities such as CMB International Securities and Guotai Junan Securities.

As China moves to dampen speculation around digital currency and the US strengthens its regulatory grip, the divide in approach between the two major powers continues to shape the future of global digital finance.