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Hong Kong’s Stablecoin Surge Fuels Crypto Ambitions

July 24, 2025

— Categories: Crypto

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Hong Kong is positioning itself as a frontrunner in the global cryptocurrency race, with stablecoins at the heart of its strategy. As the crypto market surges past a $4 trillion valuation for the first time, driven by landmark US legislation and Bitcoin’s relentless record-breaking run, the city is seizing the moment to cement its role as a digital finance hub. This article explores Hong Kong’s fervent stablecoin activity, the city’s broader crypto aspirations, and the biotech sector’s surprising outperformance.

The stablecoin market is ablaze, and Hong Kong is determined not to be left behind. With new legislation set to take effect on 1 August, expanding the regulatory framework for digital assets, the city is witnessing a frenzy of activity. Over 50 companies are reportedly preparing to apply for stablecoin issuance licences next month, far exceeding the limited number of authorities plan to grant. This enthusiasm was palpable at a recent digital finance forum, where a stablecoin roundtable attracted a packed audience.

Major players are already making bold moves. Guotai Junan, a leading state-owned brokerage, saw its shares skyrocket 300% in a single week after its banking licence was extended to include digital assets. Meanwhile, ChinaAMC, a heavyweight asset manager, has launched a tokenised yuan money market fund that accepts subscriptions in traditional currencies but is poised to integrate stablecoins as soon as regulations allow. “Hong Kong is an international financial centre and a key payment hub,” said Rita Liu, CEO of RD Group, a stablecoin payment platform, in a recent interview. “Stablecoins will solidify their dominance in this space.”

Hong Kong’s unique position as a gateway between China and global markets, coupled with its deep-rooted financial expertise, makes it an ideal candidate to lead the stablecoin charge. In 2022, the city stunned markets by pledging to become a crypto hub, shortly after mainland China imposed a blanket ban on onshore crypto trading. Since then, Hong Kong has introduced licences for exchanges, dealers, custodians, and stablecoin issuers, while retail investors can access Bitcoin and Ether exchange-traded funds with modest entry points.

However, Beijing shows no signs of lifting its crypto ban, despite growing calls within China to embrace stablecoins. “Hong Kong will remain a testing ground for the region,” said Lily King, COO of crypto custodian Cobo, at this month’s digital finance conference. The Hong Kong Monetary Authority (HKMA) is currently running a regulatory sandbox, allowing only three participants, including an RD Group unit, to test stablecoin use cases. The securities regulator’s ongoing consultations on virtual asset dealing and custodianship are progressing, but the pace feels sluggish to an impatient crypto community.

The form Hong Kong’s stablecoins will take remains uncertain. A yuan-pegged stablecoin has sparked excitement, with regulators often favouring tokens tied to local currencies, according to RD Group’s Liu. Yet, US dollar-pegged coins dominate the $263 billion global stablecoin market, commanding a 99% share, per DefiLlama data. “It’s unclear which locally issued stablecoin will stand out or how scalable they’ll be,” said Kennix Chan, a vice president at Victory Securities, which is collaborating with five prospective issuers to provide distribution services.

While stablecoins steal headlines, Hong Kong's biotech sector is quietly outpacing its tech counterpart. The Hang Seng Biotech Index has surged over 100% in the past year, doubling the gains of the broader Hang Seng Index. This rally, fuelled by investor optimism over licensing deals and regulatory reforms, marks a departure from the sector's copycat past. Shenyang-based 3SBio has been a standout, with its stock quadrupling after securing a $1.25 billion deal in May to license its experimental cancer drug to Pfizer.

Hong Kong's stablecoin push and biotech boom signal a city in transformation, eager to carve out a leading role in both digital finance and cutting-edge innovation. Whether it can capitalise on this momentum will depend on swift regulatory execution and the ability to compete in a fiercely contested global market.