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Hong Kong Launches Licensing Regime for Stablecoins

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Hong Kong has officially implemented a new law requiring licenses for all issuers of fiat-backed stablecoins, marking a significant step in the city's plan to become a regulated hub for digital finance.

Effective August 1, 2025, the Stablecoins Ordinance mandates that any entity issuing fiat-referenced stablecoins, especially those tied to the Hong Kong dollar (HKD, must obtain a license from the Hong Kong Monetary Authority (HKMA). This applies to issuers operating within Hong Kong and those abroad offering HKD-linked stablecoins to local users.

The new legal framework introduces rigorous requirements for compliance. Licensed issuers must maintain full reserves backing their stablecoins and ensure that customer funds are held separately from company funds. Additionally, issuers are required to honor redemption requests at face value under normal market conditions. The law also demands that issuers adhere to anti-money laundering and counter-terrorist financing regulations, conduct regular audits, and implement sound risk management and public disclosure practices.

Only designated institutions that meet the HKMA's standards will be permitted to issue and distribute these stablecoins. It is now illegal to advertise unlicensed stablecoins or offer them to the public in Hong Kong.

To support a smooth transition, the HKMA has introduced a six-month grace period. Entities currently operating in the market must notify the authority of their intent to apply for a license before August 31, 2025, and submit a full application by September 30, 2025. Licenses are expected to be granted starting early 2026.

This law could open the door for traditional financial institutions and technology firms to enter the digital asset space with greater legal clarity. Companies such as Ant International, Standard Chartered, and Animoca Brands have already signaled their intent to apply for licenses. However, smaller issuers may face challenges in meeting the compliance requirements, potentially leading to consolidation within the stablecoin sector.

By establishing one of Asia's first statutory regimes for stablecoins, Hong Kong aims to build investor confidence, reduce financial risk, and strengthen its standing as a regional leader in fintech regulation. The framework also reflects growing interest in alternatives to US dollar-backed stablecoins, including those pegged to the HKD or the offshore Chinese yuan, although adoption will depend on regulatory approvals and market dynamics.

Hong Kong's measured approach seeks to strike a balance between innovation and investor protection, offering a regulated path forward for digital asset development.