

Insights

HONG KONG STABLECOINS BILL PASSED BY LEGCO

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Stablecoins^[1] are cryptocurrencies with values tied to fiat currencies or other assets, and are often said to be “pegged to” a single or a basket of fiat currents and/or other assets.^[2]

Given the capacity of stablecoins to maintain stable value relative to some real world assets, the Hong Kong Government has expressed the view that stablecoins have potential to develop into a widely accepted means of payment and to be incorporated into the mainstream financial system, but that this in turn introduces risks that could spill over from the virtual assets sector to the traditional financial system, or vice versa.

On 21 May 2025, the Hong Kong Legislative Council passed the Stablecoins Bill, establishing a licensing regime for stablecoin issuers in Hong Kong.

KEY FEATURES OF THE STABLECOINS ORDINANCE

While the final version of the Stablecoins Bill has not yet been gazetted, the key features of the future Stablecoins Ordinance (“Ordinance”) are set out below:

1. Licensing regime - Persons or entities engaged in certain regulated stablecoin transactions/activities^[3] must apply to the Hong Kong Monetary Authority (“HKMA”) to obtain a licence, the failure of which will be a criminal offence.
2. Regulatory requirements applied to licensees – Licensees must fulfil certain minimum regulatory criteria^[4], which include: (a) having adequate financial resources, including a minimum paid-up share capital of HK\$25 million, (b) the market value of the reserve assets backing the specified stablecoin must at least be equal to the par value of the specified stablecoin in circulation, (c) stablecoin holders must be able to redeem their specified stablecoin without being subject to any unduly burdensome conditions restricting the redemption, (d) a licensee must have in place and implement adequate and appropriate risk management policies and procedures, as well as systems of control for preventing and combating possible money laundering or terrorist financing, and (e) licensees must have a physical presence in Hong Kong.

3. Powers of HKMA: The HKMA is given powers to supervise compliance with the Ordinance and to investigate into licensees and unlicensed persons, when there is a reasonable cause to believe that an offence has been committed or a requirement under the Ordinance has been contravened. These powers include: the power to request the production of information or documents, to examine book and accounts, to issue guidelines and make regulations, and to revoke/suspend a licence. The HKMA also may impose sanctions (including a pecuniary penalty of not more than HK\$10 million) on regulated persons for contraventions of the Ordinance or a condition attached to a licence.
4. Tribunal to oversee HKMA's decisions: A new tribunal, the Stablecoin Review Tribunal, will be established to review decisions made by the HKMA.

The Bill also provides for a transitional period of six months for existing stablecoin issuers to continue with their operations while applying for a licence.

The effective date of the Ordinance is yet to be announced by the Government, but the Government expects the Ordinance to come into effect within 2025.

CONCLUSION

The various regulatory requirements would introduce higher compliance costs for licensees, especially for smaller stablecoin issuers.

However, in providing clear regulatory standards for stablecoin issuers to follow, it is expected that the Ordinance can offer basic safeguards to consumers, thereby boosting consumer confidence and investors' interest in stablecoins.^[5]

It is hoped that the Ordinance can further enhance and consolidate Hong Kong's status as a regional cryptocurrency hub, especially given that at this time cryptocurrencies remain banned in Mainland China.

[1] See official definition of "stablecoin" in section 3 of the Stablecoin Ordinance.

[2] The largest stablecoin by market cap in the world is USDT (US Dollar Tether), which is utilized for around 80% of all payments in stablecoins. USDT is a "fiat-backed stablecoin", designed to maintain a 1:1 value with the US Dollar.

[3] These activities include: (a) carry on, or hold oneself out as carrying on, regulated stablecoin activity, (b) offer, or hold oneself out as offering, a specified stablecoin, and (c) publish, or have in one's possession for the purposes of publication, an advertisement that holds another person out as carrying on a regulated stablecoin activity – sections 8 to 10 of the Ordinance.

[4] Set out under Schedule 2 of the Ordinance.

[5] It should be noted that the United States also has passed the Guiding and Establishing National Innovation for U.S. Stablecoins (“GENIUS”) Act earlier in May 2025 to regulate stablecoins. It therefore appears that the international trend is to introduce “hard laws” to regulate stablecoins.

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