Cooley

Hong Kong's Stablecoins Ordinance and What Comes Next

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On June 12, 2025, Cooley published an article in "Chambers Blockchain 2025" summarizing Hong Kong's landmark Stablecoins Ordinance. This digest recaps key points from Cooley's analysis and offers additional insights in light of the **Hong Kong Monetary Authority's** release of the **Explanatory Note on Licensing of Stablecoin Issuers** and the **Guideline on Supervision of Licensed Stablecoin Issuers** on July 29, 2025.

Q: When did the legislation come into effect?

A: The Stablecoins Bill was gazetted in May 2025, and the Stablecoins Ordinance officially came into operation on August 1, 2025. It established a formal licensing regime for fiat-referenced stablecoin (FRS) issuers and related activities in Hong Kong, aiming to regulate the sector, enhance investor protection, and foster financial stability and innovation.

Q: What was the legislative intent and background leading up to the legislation?

A: To support responsible blockchain development, Hong Kong adopted the principle of "same activity, same risks, same regulation". Recognizing that FRS pose greater systemic risks due to their payment potential, the government introduced the Stablecoins Bill in December 2024.

Q: Who is the primary regulator of the legislation? Does the regulator have extra-territorial powers?

A: The Hong Kong Monetary Authority (HKMA) is the primary regulator under the Stablecoins Ordinance, responsible for the licensing of persons who conduct regulated stablecoin activities in Hong Kong. Notably, the HKMA has the authority to require an overseas entity to apply for an HKMA stablecoin license if it issues a stablecoin with reference to Hong Kong dollars. This requirement applies even if the issuing entity is not located in Hong Kong and does not actively market to the public of Hong Kong.

Q: What is the definition of stablecoin and FRS? What are the regulated activities?

A: Under the Stablecoins Ordinance, a "stablecoin" is defined as a cryptographically secured digital representation of value which:

a. Is expressed as a unit of account or store of economic value
b. Is intended to be used as a medium of exchange for payment for goods or services, discharge of a debt or investment.
c. Can be transferred, stored or traded electronically.
d. Is operated on a distributed ledger or similar information repository.
e. Purports to maintain a stable value with reference to a single asset, or a pool or basket of assets..

FRS, categorized as "specified stablecoin" under the Stablecoins Ordinance, is defined as:

(a) A stablecoin that purports to maintain a stable value with reference wholly to –

(i) One or more official currencies (e.g., the currency issued by the central bank of a jurisdiction).

(ii) One or more units of account or stores of economic value that the HKMA specifies by notice published in the Gazette.

(iii) A combination of (i) and (ii).

(b) A digital representation of value that the HKMA specifies by notice published in the Gazette. (This provision is intended to empower the HKMA to respond effectively to market developments.)

"Regulated stablecoin activity" includes the following:

- Issuing a specified stablecoin in Hong Kong in the course of business (a specified stablecoin is typically considered issued, or minted, when it is first recorded on a distributed ledger and assigned to a digital wallet address).
- Issuing a specified stablecoin in a place outside Hong Kong in the course of business, and the specified stablecoin purports to maintain a stable value with reference (whether wholly or partly) to Hong Kong dollars.
- Carrying on an activity that the HKMA specifies by notice published in the Gazette after consulting the financial secretary.
- Actively marketing the issuance of a specified stablecoin to the public of Hong Kong.

Q: What are the licensing expectations and timeline?

A: While exact timelines may vary, the licensing process typically involves detailed compliance checks, and the processing time will depend on the applicant's readiness and regulatory engagement.

According to the chief executive of the HKMA, the HKMA is expected to set a high bar for licensing, and only a handful of licenses will be granted initially. Stablecoin issuers must demonstrate viable use cases, prudent operations and the trust of market participants to qualify. Further, if an applicant's parent company is regulated overseas and involved in digital assets or financial services, the HKMA may consult the home regulator. To avoid delays, applicants should coordinate with their parent company and ensure the home regulator is informed before submitting a license application.

Prospective license applicants are encouraged to indicate their interests to the stablecoin licensing team of the HKMA by Sunday, August 31, 2025, to understand the regulatory expectations on the minimum criteria and receive feedback as appropriate. Applicants who wish to be considered early should submit the application to the HKMA by Tuesday, September 30, 2025.

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