

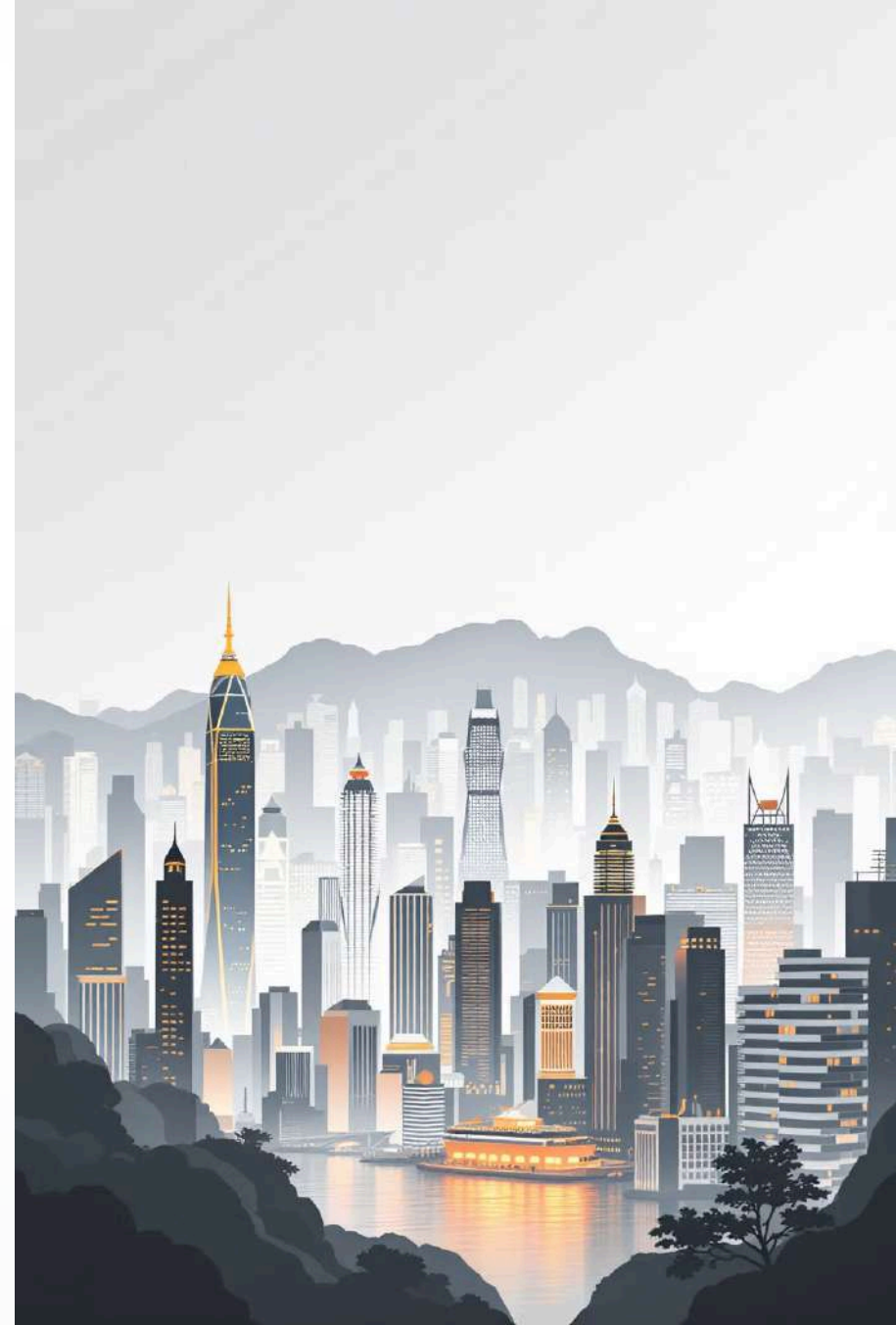
# Hong Kong: Financial Innovation for Economic Development

Exploring the intersection of financial technology and economic growth

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**8 April, 2025**

1



# Financial Innovation for Economic Development

Hong Kong as an international crypto hub

Hong Kong Stablecoins Bill regulation:

- Implementation in 2025
- Will regulate issue + offering of fiat-referenced stablecoins in line with Financial Stability Board's High Level Recommendations (October 2022)
- Measures to allow use of Chinese government bonds as eligible collateral in international markets
- Transformation of HK's Central Moneymarkets Unit (**CMU**) into an international securities depository



# Hong Kong as a Virtual Asset Hub

Hong Kong leveraging position under "One Country, Two Systems" framework to establish itself as a leader in financial innovation and accelerate AI sector growth



## Economic Forecast

Hong Kong's Feb 2025 budget projects average annual economic growth of 2.9% from 2026 to 2029



## AI and Innovation Focus

AI's transformative role in the global economy and centrality of technological innovation to China's growth strategy



## Global Virtual Asset Market

Valued at >US\$3 trillion in 2024 with blockchain + AI driving efficiency improvements + economic growth

# HK Stablecoin Regulation

## Key Framework Elements



## Notable Exclusions

- Legislation excludes commodity-linked stablecoins
- De facto prohibition on algorithmic stablecoins – inability to meet condition for full backing by reserve assets



# Hong Kong Stablecoins Bill

Implementation in 2025, aiming to mitigate risks associated with fiat-referenced stablecoins (FRS) in line with FSB High Level Recommendations. Issuers of FRS need to be licensed by HKMA

## Licensing Requirements:

<b>Issuer Incorporation</b>  Incorporated in HK or HKMA overseas bank with senior management + key personnel in HK	<b>Share Capital</b>  Paid-up share capital of $\geq$ HK\$25 million	<b>Compliance</b>  Compliance with AML, CTF + audit obligations
<b>No Interest</b>  Prohibition on interest payment on FRS	<b>Full Backing</b>  Each FRS fully-backed by high quality reserve assets in same currency as FRS	<b>Segregation</b>  Strict segregation of each reserve asset pool
<b>Risk Management</b>  Maintenance of risk management systems and controls	<b>Redeemable at Par</b>  FRS redeemable at par	<b>White Paper</b>  Publication of white paper with information re. FRS
<b>Website Disclosure</b>  Website disclosure of holders' redemption rights, redemption procedure + fees	<b>HKMA Consent</b>  HKMA's consent to appointment of issuer's Chief Executive, alternative Chief Executive + Directors	



A composite image of the Hong Kong skyline, featuring the International Finance Centre and other skyscrapers. The image is overlaid with digital currency symbols, including the Euro (€) and the Dollar (\$), and a low-poly geometric pattern in the foreground.

# Hong Kong Stablecoins Bill

## Extraterritorial Provisions

- Any issuer of FRS pegged to HK\$, regardless of location, needs HKMA stablecoin issuer licence
- Offshore issuers of FRS pegged to any currency prohibited from proactively market them to HK public

## Offering FRS

- HKMA-licensed FRS issuer can offer its FRS + FRS issued by other HKMA-licensed issuers
- SFC Type 1-licensed corporations, licensed virtual asset exchanges + licensed banks can offer FRS
- Retail investor access restricted to HKMA-licensed issuers' FRS
- Pls will have access to licensed + unlicensed FRS subject to risk disclosure

# SFC Virtual Asset Regulatory Roadmap: New Licensing Regimes

Regulatory oversight to extend to OTC spot trading providers + virtual asset custodians

## Derivatives Trading

- Plan to allow licensed crypto platforms to provide trading in virtual asset derivatives to professional investors (**PIs**)

## ICO Token Trading

- **PIs** to have access to ICO token trading subject to strict due diligence

# Chinese Government Bonds as Collateral

US\$16.3T

## Collateral Pool

Total value of Chinese government  
bonds

US\$25T

## Fixed Income Market

Size of China's bond market, world's 2nd  
largest

US\$660B+

## Offshore Investment

Mainland investors' current global asset  
allocation

- New measures to allow Chinese Government + policy bank bonds held through HK Bond Connect to be used as margin collateral for derivative + swap transactions
- PBOC allowed use of these bonds as collateral for offshore RMB bond repurchase transactions in HK
- HK in talks w/ London Clearing House to make Chinese Government bonds eligible for its global collateral pool, starting with USD + EUR, then RMB denominated bonds
- March 2025 - CMU extended membership criteria to allow overseas regulated financial institutions direct access to post-trade services



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# Strategic Financial Positioning

## RMB Internationalisation

Boosting RMB use in global markets

## Market Development

Stimulating RMB bond issuance and trading



## Hong Kong as Offshore Hub

Consolidating status as premier RMB centre

## Global Connectivity

Expanding international financial networks

- Recent agreements with Monetary Authority of Macao, Switzerland's central securities depository + UAE Central Bank
- Revamped CMU seen as Asian rival to Euroclear and Clearstream
- Reduction in dependence on Western financial systems
- Strengthening of HK's position as premier offshore Renminbi hub
- Increasing international participation in China's fixed income market

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Charltons: Specialists in Hong Kong's evolving financial landscape,  
including virtual assets + RMB internationalisation



