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# THOUGHT LEADERSHIP BRIEF

## Why Regulation Could Hold the Key to Hong Kong's Virtual Assets and Tokenized Money's Future

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### KEY POINTS

- Most Hong Kong adults have heard of virtual assets, but only one in ten believe they understand them well enough.
- Strong security, government regulation, and data protection hold the key to persuading people to start using digital money.
- Users feel more comfortable using digital currency exchanges that are properly regulated.

### ISSUE

The Hong Kong Government announced its *Policy Statement 2.0 on the Development of Digital Assets in Hong Kong* on 26 June 2025, representing a watershed in the City's virtual asset market development.[1] Since 2022, Hong Kong has spearheaded the development of virtual asset market and explored different regulatory frameworks for investors to issue and trade virtual assets. Six virtual asset spot exchange traded funds are now listed on the Hong Kong Stock Exchange, with a combined market capitalization of HK$2.4 billion.[2] The Securities and Futures Commission has currently authorized ten platforms to manage the exchange of virtual assets and continues to receive and assess license applications.[3]

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[1] Thomson Reuters (2025). Retrieved from https://www.reuters.com/technology/hong-kong-issues-nine-digital-asset-platform-licenses-plans-more-approvals-2025-02-19

[2] The Hong Kong Securities and Futures Commission Quarterly Report (2024, Q2). Retrieved from https://www.sfc.hk/-/media/TC/files/COM/QR-Reports/202404-08/0-SFC-Quarterly-Report-AprJun-2024CHI.pdf

[3] The Hong Kong Securities and Futures Commission (2025). Retrieved from https://www.sfc.hk/en/Welcome-to-the-Fintech-Contact-Point/Virtual-assets/Virtual-asset-trading-platforms-operators/Lists-of-virtual-asset-trading-platforms

The Hong Kong Monetary Authority is exploring the viability of retail Central Bank Digital Currency (CBDC) such as e-HKD as part of its 'Fintech 2025' strategy.[4] It has pioneered government-backed tokenized green bonds and is assessing the technical and policy implications of stablecoins, tokenized deposits, and other forms of tokenized money.[5] For a global financial center looking to establish leadership in virtual assets, integrating technologies into everyday life promises much in terms of efficiency and innovation. It is therefore imperative to understand public awareness of virtual assets and their perceptions towards this emerging asset class.

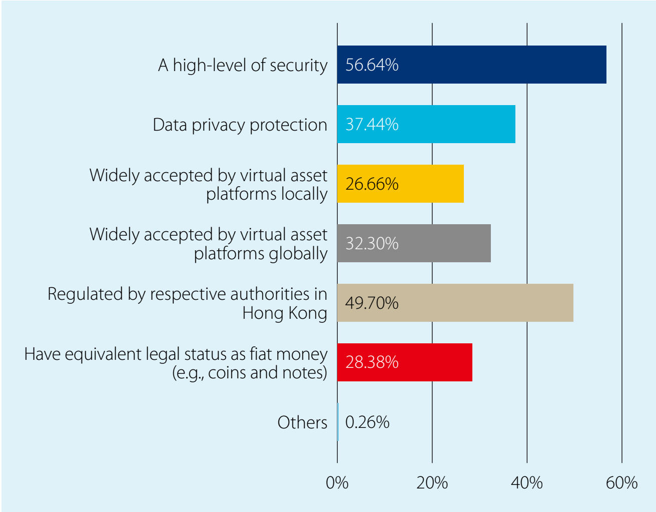
## ASSESSMENT

In a nutshell, virtual assets are digital representations of an asset that can be traded. Examples include cryptocurrencies like Bitcoin and Ether, and non-fungible tokens, which often represent digital or real artwork or assets. Tokenized money is a specific class of virtual assets backed by fiat currencies or valued commodities. These could be digital currencies issued by central banks or stablecoins issued by commercial entities, which aim to maintain a stable value over time, such as Tether USDT and USDC.

Given their importance to Hong Kong's overall strategy, we wanted to explore public perceptions toward virtual assets and tokenized money to better understand how and why they are used. We conducted three surveys between April 2023 and November 2024 to understand public's perception over time. Crucially, we found that 86.54% of Hong Kong residents had heard of virtual assets like Bitcoin and Ether, but only one in ten said they felt they understood them well, and 74% had never own a virtual asset. At least 40% said they remain unsure about whether they would be willing to own virtual assets in the future.

Further analysis revealed the key factors influencing willingness to own virtual assets share a common thread – the necessity of regulatory oversight by government or trusted parties. Nearly two-thirds of those who have never held or no longer hold virtual assets cited the belief that they are not properly regulated as a reason for not holding them. Half of those disinterested in virtual assets in the future shared this view, while 58.13% of respondents said regulation or licensing by a Hong Kong authority would be their top criteria for choosing a platform to trade virtual assets.

**Figure 1. Respondents' Top Considerations for Adopting Tokenized Money**




Preference for regulation extends to tokenized money, with 49.70% selecting regulation by authorities in Hong Kong as a top factor influencing their decision to use this form of tokenized money. Data privacy protection and the security of virtual assets – two essential requirements regulations typically aim to uphold – were also high on people's list of considerations and concerns. Over a third of the survey respondents listed data privacy as a top consideration in their decision to use tokenized money. Two-thirds responded the same about security.

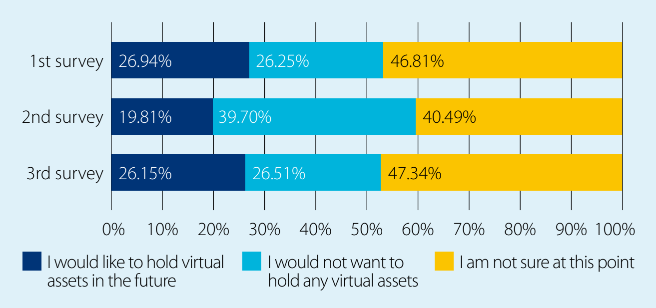
Given the timing of our study, perceptions were likely influenced by the JPEX incident, in which thousands of investors lost money trading on a platform operating without a license.[6] We saw a 7.3 percentage-point drop in interest and a 13.45 percentage-point rise in disinterest in holding virtual assets between our first two surveys which were conducted before and after the JPEX incident. Sentiment rebounded in the third survey, when around 25% of respondents expressed interest in holding virtual assets in the future. This marked a return to the level observed in the first survey, before the alleged JPEX incident in September 2023. In any case, the message from our data is clear: achieving mainstream adoption of virtual assets necessitates regulatory oversight to build confidence in these new financial assets.

[4] Hong Kong Monetary Authority (2024). Retrieved from https://www.hkma.gov.hk/eng/news-and-media/press-releases/2024/09/20240923-3/

[5] Hong Kong Monetary Authority (2023). Retrieved from https://www.hkma.gov.hk/eng/news-and-media/press-releases/2023/08/20230824-3

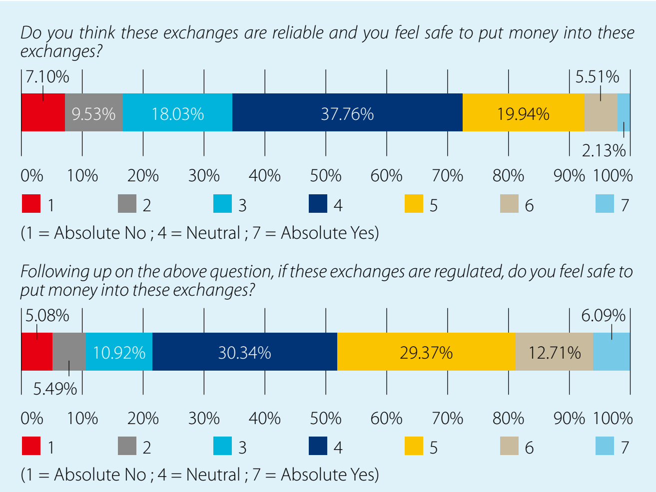
[6] The JPEX scandal: a test case for Hong Kong's new cryptocurrency regulatory regime or is it still the wild west? Lancaster University (2025). Retrieved from https://eprints.lancs.ac.uk/id/eprint/227811

### Figure 2. Changes in Level of Interest in Virtual Assets Investment




Despite this potential setback, we found growing interest among early adopters of certain virtual assets. Many of them responded that they hold these asset classes believing they represent an opportunity for higher returns and investment diversification. While interest in non-fungible tokens dropped to 13% in the latest survey, one in two virtual asset holders said they plan to hold them long-term. We also found support for virtual assets issued by the private sector with 34% agreed businesses should be allowed to issue stablecoins or tokenized deposits, with one caveat. Half of respondents (52%) would want tokenized deposits to have the same legal status and protection as traditional bank deposits. Notably, trust in regulated exchanges was 20% higher than those that are not, according to our findings.

### Figure 3. Trust in Regulated and Non-regulated Virtual Asset Exchanges




Another support to regulation is that 38.50% of respondents said they would be interested in using locally issued stablecoins for transactions if they were regulated. In terms of awareness of tokenized money, a large percentage of respondents have never heard of CBDC (71.72%), the e-HKD (65.48%), stablecoins (60.82%), or tokenized deposits (80.78%). In contrast, 81% of respondents expressed an interest in holding Bitcoin and two-thirds of those who had never heard of virtual assets could still identify at least one crypto exchange like Binance or Coinbase. This raises the question of whether low virtual asset usage is a matter of confidence or awareness.

With this in mind, it's logical to assume that establishing familiarity with the full range of assets and tokens available, as well as how they're regulated and used safely, could hold the key to Hong Kong's transition from early adoption to mainstream use. Such a shift is likely to generate increased demand, encourage business innovation, and lead to the wider acceptance of virtual assets that users of all payment types crave.

## RECOMMENDATION

While the early development of virtual assets was free from regulation, their growth today is likely to be driven by it. Convincing the relatively large number of people who remain neutral or skeptical towards unregulated issuers of stablecoins and unregulated operators of virtual asset exchanges to develop a positive attitude towards virtual assets would be a challenge. Meanwhile, the desire to increase investment returns could provide a strong incentive in driving broader adoption once the public understand the underlying principles of virtual assets, their benefits, and limitations.

Information, awareness, and education initiatives should focus on changing public perceptions of risk, helping people identify and avoid scams, and enabling investors to make more informed decisions. Given the relatively high percentage of respondents who first held virtual assets in the past two to four years, the release of the Government's Policy Statement, and the positive sentiment towards virtual assets in the U.S. accompanying the recent passing of three virtual asset bills by the U.S. House of Representatives, the signs are clear that virtual asset market is on a trajectory of expansion.

In summary, we propose five actions for policymakers, regulators, and industry stakeholders to address challenges found in our research and capitalize on Hong Kong's progress to date:

1. **Strengthen Regulatory Frameworks** A 20% increase in trust when exchanges are regulated demonstrates how effective regulatory oversight could accelerate adoption. With 62.16% of non-holders citing regulation as a concern, establishing frameworks that balance innovation with investor protection is essential.

2. **Enhance Security and Privacy Measures** The data is unequivocal with 56.64% of respondents identified security as their primary concern, while 37.44% prioritized data privacy. Implementing robust security protocols and data protection standards would directly address these concerns and build the trust necessary for wider adoption.

3. **Increase Education and Awareness** With only one in ten residents confident in their understanding of virtual assets, knowledge gaps represent the most significant barrier to adoption. Collaborative efforts between universities, financial institutions, professional associations, regulators, and government bodies would enable targeted campaigns to address specific concerns.

4. **Simplify Transaction Processes** Support research in blockchain technologies that drive innovations in user experience, while developing intuitive Web3 platforms that reduce reliance on complex and untrusted intermediaries. The goal here should be making virtual asset transactions as straightforward as conventional banking.

5. **Enhance Interoperability** With 32.30% of respondents preferring global acceptance over purely local functionality, there is a clear and strong appetite for leveraging Hong Kong's strengths as an international financial hub to promote standards that enable tokenized money to work seamlessly across different platforms and regions.

By implementing these recommendations, Hong Kong has a unique opportunity to redefine what it means to be a global financial center in the digital age. Our research shows a clear path forward: balancing innovation with the oversight that citizens expect and value. As familiarity and confidence grow, virtual assets and tokenized money have the potential to move from niche investment vehicles to mainstream financial tools, delivering on their promise of enhanced efficiencies, greater accessibility, and continuous innovation.

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**Christy Yeung** is a seasoned education administrator, researcher and project management consultant, specializing in managing complex and large-scale initiatives. Her work centers on talent development and policy research in emerging sectors, fostering collaboration among academia, government, and industry to strengthen Hong Kong's capabilities as an international financial center and address talent gaps in the financial sector. Previously as Head of Fintech and Green Finance Projects of The Hong Kong University of Science and Technology School of Business and Management (HKUST Business School), Christy led research and engagement on fintech, insurtech, regtech, and green and sustainable finance, alongside talent development programs and industry partnerships. She has authored reports and insights that inform policy and practice, emphasizing innovation-driving growth and workforce readiness.

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