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THE GLOBAL TRANSFORMATION OF THE CRYPTO MARKET: MACROECONOMICS, REGULATION, AND HONG KONG'S AMBITIONS

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We recently attended several panels at the Bitcoin conference in Hong Kong, where leading lawyers and analysts discussed the global transformation of the market. In our new article, we share fresh insights: why the U.S. national debt is pushing capital into bitcoin, how stringent regulation is turning Hong Kong into the premier institutional hub, and why the local jurisdiction is becoming the standard for structuring Web3 businesses without offshore risk. Read the full breakdown in the piece, and for questions on incorporation and compliance in Hong Kong, reach out to the White Square Partners team.

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The panel discussions and industry talks held in Hong Kong showed how the crypto market is decisively outgrowing its role as a speculative playground for retail enthusiasts and becoming an integral part of the global financial system. Experts across fintech, institutional investment, law, and macroeconomics agreed that the key driver of this evolution is regulation itself: unlike the uncertainty of the past, **a sound legal framework is proving decisive**, opening market access to institutions, pension funds, and sovereign wealth funds against a backdrop of mounting problems in traditional finance.

1. The Influence of the U.S. and Global Macroeconomic Factors

Any conversation about the industry's development returns, inevitably, to the role of the U.S. as the primary source of both market liquidity and regulatory noise.

On the panel "The Global Race for Bitcoin Policy," Avik Roy, senior advisor to the Bitcoin Policy Institute and president of the Foundation for Research on Equal Opportunity, argued that the main driver of bitcoin adoption in the U.S. is not individual pieces of legislation such as the Clarity Act, but the country's growing national debt, which has surpassed \$40 trillion. Amid the risk of debt monetization and dollar debasement, bitcoin is being transformed into a reliable reserve asset that outperforms traditional government bonds. In Roy's assessment, the debates over stablecoin regulation in Congress amount to "fighting the last war," since capital will soon come to favor yield-bearing, bitcoin-backed securities. He views the integration of the first cryptocurrency into government reserves and the rejection of tightly controlled central bank digital currencies (CBDCs) as a means of safeguarding financial freedom.

This macroeconomic concern was echoed by participants in a symposium devoted to the future of digital finance. Experts flagged the growing risk of a fiscal crisis in the U.S. and the likelihood of tighter capital controls. In the event of systemic shocks, governments may attempt to restrict the conversion of fiat money into digital assets, which only underscores bitcoin's unique properties, its portability and censorship resistance, that make it a more practical store of value amid geopolitical upheaval than physical gold.

Fintech and tokenization lawyer Jay Lee characterized U.S. policy as piecemeal: it generates enormous market noise, while Hong Kong is steadily building a predictable regulatory framework. That said, even as Hong Kong and Dubai set the standards on regulation, the U.S. will retain its lead in overall market influence and ecosystem scale for years to come.

2. Hong Kong's Role as a Global Crypto Hub

Hong Kong is positioning itself as a key node where Western, Asian, and Middle Eastern capital intersect, building a reliable bridge between traditional finance and the digital economy.

1) The legislative framework.

Unlike the fragmented American approach, Hong Kong is rolling out a predictable regulatory system in stages: from amendments to anti-money laundering (AML) legislation to a dedicated licensing regime for Virtual Asset Trading Platforms (VATPs) under the Securities and Futures Commission (SFC) and the Stablecoins Ordinance.

The Hong Kong Monetary Authority's (HKMA) framework sets strict standards for issuers of fiat-referenced stablecoins:

- mandatory HKMA licensing, including for issuers of HKD-pegged coins operating outside the jurisdiction;
- minimum capital of HKD 25 million (roughly USD 3.2 million);
- 100% backing by segregated, highly liquid reserves;
- redemption at par within one business day;
- a ban on paying interest to holders, together with weekly disclosure of reserve composition and regular audits.

As Jay Lee emphasized, in practice these requirements screen out crypto-native players: of 36 early-stage applications, licenses went to only two entities with heavyweight banking backing - HSBC and Anchorpoint Financial Limited (a joint venture of Standard Chartered Bank, HKT, and Animoca Brands). The regulator gives priority to institutions with an impeccable compliance record, creating a protective umbrella for an influx of conservative capital. A further advantage of the jurisdiction is the classification of bitcoin as a digital commodity and the complete absence of capital gains tax.

2) Infrastructure development and adoption.

Hong Kong's institutional and urban infrastructure is developing in parallel with these regulatory initiatives. The city is home to licensed exchanges, spot bitcoin ETFs have been trading since 2024, and traditional banks are preparing to issue their own tokenized assets and stablecoins.

At the consumer level, the Bitcoin Association of Hong Kong is scaling the infrastructure. Its head, Gail Weisenberg, noted that an annual influx of tens of millions of tourists and millions of crypto-wallet holders makes the city an ideal environment for a retail shift to bitcoin. Traditional card

acquiring through PayPal or Stripe costs merchants 2–3.5% in fees and comes [with chargebacks and week-long payout delays. Bitcoin payments solve these problems through instant settlement, transaction finality, and the absence of intermediary fees. The Association has already moved from theory to practice, rolling out dedicated mobile apps and tap-to-pay terminals at points of sale and tracking new venues through a single online platform.

3. The Market's Evolution: Institutionalization, DeFi, and New Narratives

In the panelists' view, the very nature of the crypto market is undergoing a tectonic shift. Members of the investment community Angela Ang of BitGo APAC, John Cahill of Galaxy Digital Asia, Jason Fang of Sora Ventures, and Jay Lee note that speculative cycles (ICOs, DeFi summer, memecoins) are giving way to long-term models.

The basic problem of institutional access to bitcoin has already been solved through ETFs and corporate treasury strategies. Attention is now turning to a strategy of holding the asset for the long term without selling it: bitcoin is becoming top-tier collateral for building sophisticated credit instruments and preferred shares with enhanced dividend yields.

The interplay between the regulated sector and DeFi is drawing particular interest. Experts agree that there will be no hard binary split between them:

- Angela Ang forecasts a convergence in which licensed players will use public blockchains to build their own solutions.
- Jay Lee points to a countervailing trend: regulators will try to extend oversight into DeFi, while traditional financiers are already adopting the successful innovations of decentralized protocols.

- John Cahill and Jason Fang stress that the technological success of decentralized-exchange business models (such as Hyperliquid, with its round-the-clock liquidity) is forcing traditional trading venues to aggressively modernize their technology stack.

Large-scale capital is decisively pivoting toward the tokenization of real-world assets (RWAs), the digitization of equity instruments, and the convergence of blockchain infrastructure with adjacent high-tech sectors: artificial intelligence and robotics. Institutional investors are laying the foundations of the digital economy for years to come, drawing on the synergy between rigorous regulatory standards and cutting-edge financial technology.

4. Practical Takeaway: Why Incorporating in Hong Kong Is Becoming the Standard for Web3 Businesses

Against a backdrop of tightening global oversight, setting up a company in Hong Kong is becoming a strategic compliance asset for crypto-industry participants, one that replaces the vulnerable classic offshore. The jurisdiction's high "whitelist" standing, its common-law foundation, and its requirement for a mandatory annual audit to HKFRS standards give businesses international transparency and dramatically

raise the level of trust among institutional partners. Local auditors already have deep expertise in maintaining and auditing digital assets, which turns properly prepared Hong Kong financial statements into a fully legitimate tool for raising investment and clearing institutional KYB on tier-1 exchanges.

And the city appeals not only to financial giants but also to segments that don't require complex licensing: prop traders and algorithmic funds trading exclusively with their own capital (with no discretionary management of third-party assets) under a zero capital gains tax regime; Web3 software developers; non-custodial services; project SPVs for structuring RWAs; and corporate treasuries seeking a stable, capital-control-free jurisdiction in which to manage operating liquidity.

As a licensed company secretary (TCSP) in Hong Kong, the White Square Partners team helps crypto and fintech projects build the right corporate structure, from company registration to liaising with local auditors and maintaining flawless compliance. Get in touch for advice and end-to-end support with incorporation in Hong Kong.

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