Analysis: What a crypto friendly White House means for Asia's digital assets

Even as the market cap for digital currencies rises, experts say regulators in Asia will prioritise a prudent oversight path rather than follow Washington in lockstep; HK and Singapore's rivalry is set to continue.

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Bitcoin's valuation more than doubled in 2024, with much of that rally taking place during the second half of the year. The world's most prized digital token experienced an early year upswing after the US Securities and Exchange Commission (SEC) approved spot Bitcoin ETFs in January 2024.

An upward price trend extended those gains following the US presidential election, as investors bet that the new US administration will appoint an industry friendly regulator for digital assets at the SEC.

On January 20, the day of Trump's inauguration, SEC's chairman crypto critic Gary Gensler officially resigned, with Paul Atkins, co-chair of the Token Alliance, a cryptocurrency advocacy group for the Chamber of Digital Commerce, his likely replacement, subject to a Senate confirmation. Atkins was a commissioner of the SEC under George Bush. Meanwhile, another crypto fan Mark Uyeda is acting chairman as that process takes place.

With spot ETFs expanding Bitcoin's accessibility for more institutional investors, crypto stakeholders are watching how financial hubs like Hong Kong and Singapore respond, since both city-states share overlapping aspirations to promote themselves as financial centres for virtual currencies.

Back in April, Hong Kong's Securities and Futures Commission (SFC) followed the US and authorised funds to track Bitcoin spot prices. In late December, Hong Kong greenlighted four virtual asset trading platforms, bringing the city's total to seven. Singapore has currently granted 13 such licenses.

But with the US expected to adopt more favourable crypto policies, the SFC is unlikely to alter its path solely based on what unfolds in Washington, noted Tom Jenkins, head of risk consulting at KPMG in Hong Kong, speaking to *FinanceAsia*.

With Hong Kong prioritising regulations suited to its own market developments, Jenkins expects the SFC to adhere to its principle of 'same business, same risks, same rules.' This entails launching a consultative panel to outline a roadmap for the virtual asset industry and developing third party custodian services, he said.

Regional competitors

Hong Kong's cautious approach contrasts with a bullish outlook for Bitcoin. The digital token breached the $100,000 level as discussions for a Bitcoin strategic reserve in the US gather steam. This also comes when Singapore is embracing blockchain technology to enhance its financial hub's competitiveness.

"Shifting global regulations and regional competition from Singapore will require Hong Kong to strike a balance between maintaining its competitive edge and ensuring compliance with international standards," noted Steve Alain Lawrence, chief investment officer of Balfour Capital Group.

These nuances are new, requiring time to allow long term opportunities for well positioned investors to emerge, Lawrence says, adding that "at the end of the day, the largest institutions deeply invested in Hong Kong's success will not allow [regulatory framework] to fail."

Amid these evolving dynamics, historical strengths should bode well for each. Hong Kong benefits from its legacy as a wealth management hub and its proximity to mainland China, said Yingyu Wang, a Singapore based Partner and expert in the TMT sector of law firm Simmons & Simmons.

However, Wang points out that such advantages could also prove to be a liability as well. "Hong Kong's position as a Special Administrative Region of China may be a double-edged sword," she suggested, pointing out that some investors may worry about attracting any potential unwanted attention from China, which has upheld reservations against cryptocurrencies.

However, despite Singapore approving 13 crypto licenses compared to Hong Kong's seven, Wang doesn't believe that Singapore is making a more aggressive push into decentralised finance, although she acknowledges the regulator's lower custodial and token listing requirements for its digital asset exchanges.

"It's important to remember that Singapore started regulating digital assets relatively earlier than its Hong Kong counterpart," Wang explained, adding that the higher number may potentially be a legacy issue that results in more applicants.

Balfour Capital Group's Lawrence agreed and sees the gap between Singapore and Hong Kong narrowing. The SFC has already announced that there are an additional 10 license applications that should be processed by the end of 2025, he said.

Both Singapore and Hong Kong are striving to embrace blockchain innovation by leveraging a first mover advantage and actively seeking feedback from market participants through multiple consultation rounds. Wang of Simmons & Simmons sees Singapore focusing on innovation and initiatives like Project Ubin, which explores the use of blockchain for clearing and settlement of payments and securities.

Meanwhile KPMG's Jenkins views Hong Kong utilising the depth of its traditional financial markets. But regardless of what happens in Washington, there is room for multiple cryptocurrency centres globally, he said, no matter what the trading value for Bitcoin moves to.