US-China Rivalry for Digital-Currency Hegemony: Stablecoins Are "99% Dollar-Denominated—A Dominant One-Horse Race"

By Ryuichi Washio (New York Bureau Chief)
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Key Takeaways
- 99% of stablecoins are US dollar-denominated—an overwhelming one-horse race.
- China is pursuing a central-bank digital yuan, while Hong Kong is moving toward private issuance.
- In the US, the Trump Administration is building out the legal framework, helping crypto "survive the winter."

In Hong Kong in February, "Consensus," an international conference on crypto assets ("cryptocurrencies") that use cryptographic technologies such as blockchain and Bitcoin, was held. Speaking at the event, Hong Kong Financial Secretary Paul Chan (Chen Maobo) emphasized, "Hong Kong stands at the forefront of financial innovation. In March, we will issue the first stablecoin license, and we will continue to expand thereafter."

Stablecoins—whose prices are fixed, such as 1 coin = 1 yuan—are increasingly expected to serve as "digital currencies" suited to payments and international remittances, and to underpin next-generation financial infrastructure. Going forward, countries and regions around the world are expected to issue stablecoins linked to their own currencies. In Taiwan as well, issuance could come as early as fiscal year 2026.

For now, however, stablecoins are a US "one-horse race." According to research and analytics firm RWA.xyz, of the roughly $300 billion (about ¥46 trillion) in total stablecoin market capitalization, 99% is accounted for by dollar-denominated coins. It is fair to say other currencies have virtually no presence. Moves by China and efforts around yuan-denominated stablecoins appear to reflect an awareness of this strengthening dollar hegemony in the digital realm.

In fact, in Kazakhstan, a Hong Kong fintech company moved to issue the world's first yuan-denominated coin, "AxCNH," in September 2025.

China has long imposed strict regulations on privately issued crypto assets, and instead has promoted circulation of the central bank digital currency (CBDC) "digital yuan," which it can supervise more easily. In January 2026 it also launched a system under which commercial banks can pay interest in a manner similar to deposits. In February, it again issued a statement prohibiting the unlicensed issuance of yuan-denominated stablecoins.

Financial Secretary Chan stressed: "Under the framework of 'one country, two systems,' Hong Kong can freely explore financial innovation." In practice, ahead of the US turning point—passage of the GENIUS Act—Hong Kong passed its Stablecoin Ordinance in May 2025. It brought the ordinance into force in August and has been moving at speed toward issuing licenses. Hong Kong's Stablecoin Ordinance does not specify which currencies a stablecoin may be pegged to, drawing attention to whether a yuan-denominated coin might be issued in Hong Kong.

In a crypto-asset world where the US and China are locked in a stare-down, advanced economies are accelerating efforts so as not to fall behind. Japan and Europe, in fact, moved early to build legal frameworks for stablecoins. Japan implemented a revised Payment Services Act in 2023, defining stablecoins as "electronic payment instruments," and in October 2025 issuance began for "JPYC," the first yen-denominated stablecoin. In Europe, the Markets in Crypto-Assets Regulation (MiCA) was enacted in 2023, and since 2024 multiple euro-denominated stablecoins compliant with MiCA have been issued.

However, credit cards and e-money payments are already entrenched in Japan and Europe. In Japan, competition to lock users into "point economy" ecosystems is already fierce. With low crypto adoption and relatively small amounts held, demand to swap into stablecoins has not surged; for now, there is nothing like the momentum of US dollar stablecoins. Why, then, has the US become such an outlier? In the background were twists and turns shaped by the intersecting intentions of administrations and related industries.

"Not a few entrepreneurs moved out of the US to crypto-friendly places like Portugal, the UK, and Singapore—but they've come back," said Amira Sarhangi, CEO of US crypto company Skyfire. Skyfire is working with US credit-card giant Visa to automate shopping by AI agents.

Under the Biden Administration from 2021, the US took a tough stance toward the crypto-asset industry under the banner of consumer protection. It tightened tax rules, and in March 2022 issued an executive order making CBDC research the top priority. Brian Consolvo, Digital Assets Leader (Advisory) at KPM US, views CBDCs as "in reality closer to a centralized system managed by authorities."

With concerns about government transaction surveillance, the crackdown was seen as pressure by a crypto industry that values decentralized systems without administrators. Meta halted issuance of its digital currency "Diem (formerly Libra)," saying it could not gain understanding from financial regulators.

At the same time, a series of events intensified the harshness of the "crypto winter," as one US banking executive put it. In May 2022, the stablecoin TerraUSD saw its price plunge amid suspicions of insufficient backing assets. Then in November, FTX Trading—then the world's second-largest crypto exchange—collapsed, raising allegations including misuse of customer assets.

Alarmed, the US Securities and Exchange Commission (SEC) filed lawsuits against major industry players such as Coinbase Global and Binance. Its hard-line stance triggered backlash and a chilling effect across the industry, fostering a mood that "it's better to be outside the US than to keep looking over your shoulder at the SEC" (in the words of a US attorney specializing in crypto). One industry participant reflected: "With multiple agencies involved—the Commodity Futures Trading Commission (CFTC), state governments, financial regulators, and others—by avoiding clear rules and nudging companies to seek the SEC's blessing, the SEC likely aimed to expand its own 'turf.'"

The atmosphere shifted dramatically during the 2024 presidential election. The crypto industry gave up on the Biden Administration and targeted Donald Trump, then a presidential candidate.

Trump's Shift under Lobbying Pressure

As the crypto industry strengthened lobbying—establishing the super PAC "Fairshake"—Trump, who had once called cryptocurrencies "a scam," changed course, declaring he would "end the persecution of crypto," among other statements. After taking office in January 2025, he signed an executive order banning the issuance and circulation of a CBDC and promoting US private-sector-led R&D in digital assets. He declared his aim to make the US "the crypto capital of the world."

What made the momentum decisive was the GENIUS Act, enacted in July 2025. The law clarified regulation by requiring issuers of payment stablecoins—whose value is fixed at 1 coin = $1—to maintain reserves (backing assets) equal to the amount issued and to disclose them monthly, among other obligations. Patrick Corker, an executive overseeing digital cash and related areas at the US asset-servicing Bank of New York Mellon (BNY), said, "Previously, regulation was under state law and the like, but rules became clear at the federal level, making companies more positive."

Paul Van Sees (Global Blockchain Business Council, US) said stablecoins "sit between highly volatile crypto assets (like Bitcoin) and real-world assets, serving to move value between the two." The concept itself existed long before and has not changed.

Before the legal framework, however, traditional financial institutions were reluctant to engage where fiat currencies like the dollar and yen intersect with crypto. Convenience was slow to improve, and startups seeking partnerships struggled. In that context, the law's "official stamp" changed the world dramatically.

The GENIUS Act also pushed the crypto industry toward a "return to its roots" as financial infrastructure. During the crypto winter, buzzwords beyond finance—non-fungible tokens (NFTs), "Web3," and the "metaverse"—flew around.

Emi Yoshikawa, who previously worked at Ripple and now serves as CEO of Silicon Valley investment firm Across Ventures, argues that "Web3 was America's 'collective risk hedge'"—a way to keep a path open for using the technology outside finance if the Biden Administration became negative toward crypto broadly. Under the Trump Administration, however, as regulation became clearer through the GENIUS Act, major players like banks could once again engage head-on without holding back out of deference to regulators.

US news site CoinDesk reported in late February 2026 that Meta plans to introduce stablecoin payments on its platforms later that year. Rather than issuing its own coin like the former Libra, Meta would partner with another company. The move is seen as a strategy not only to reduce payment fees but also to improve convenience for remittances and shopping and win competition for "super apps" that integrate multiple functions. This, too, can be viewed as an example of returning to the roots of financial infrastructure under the GENIUS Act.

This trend is not limited to finance. In 2025, reports said nonfinancial giants such as Amazon.com and Walmart were also considering issuing their own stablecoins. KPMG's Consolvo said, "If retailers and others issue their own, they can avoid payment fees paid to banks and credit card companies." Moreover, using interest earned on US Treasury bills (T-bills)—which serve as backing assets for stablecoins—as a funding source, companies could also deploy customer acquisition and lock-in strategies.

In addition, "recently we've seen cases where multinational corporations want to receive revenue and other proceeds in stablecoins" (BNY's Corker). If companies with branches and operations worldwide use stablecoins without going through banks, the aim is to reduce costs.

The GENIUS Act benefits not only companies but also the government. Aichi Amemiya of Nomura Securities in the US said, "Looking at the US Treasury's issuance plans, it seems T-bills are increasing in a way that looks like they're being allocated to demand as stablecoin reserves." T-bills are designated under the law as one of the main backing assets, and growth in stablecoins could help ensure steady absorption. "Building a legal framework for stablecoins backed by US Treasuries will expand the use of the dollar" as the key currency, US Treasury Secretary Scott Bessent said. Trump wants a low-interest-rate environment for the US economy, and more T-bill buyers could help restrain rates.

A clash over stablecoin "yield"

The US has survived the winter and now feels the first breath of spring under the GENIUS Act, but it is not guaranteed that full bloom will follow. A key point of contention right now is stablecoin "interest." The GENIUS Act restricts issuers from paying interest, but it is interpreted as not prohibiting third parties from doing so. In practice, Coinbase, not the issuer, is providing rewards of around 3.5% on USDC. Private banks, worried about deposit outflows, are pushing back.

The next focal point is the crypto market structure bill being debated in the US Senate (commonly called the "Clarity bill"). It complements the GENIUS Act, which regulates payment stablecoins, and would set the framework for determining whether various crypto assets are classified as securities or commodities—i.e., whether they fall under the SEC or the CFTC. The crypto industry, traumatized by the SEC, appears to prefer the CFTC, but tug-of-war continues as congressional committees overseeing the two agencies draft competing proposals.

Another factor that could affect these debates is criticism that Trump's "inner circle" is profiting from crypto. Bloomberg reported in January 2026 that in the year since Trump took office, his family increased its crypto assets by $1.4 billion (about ¥220 billion).

The GENIUS Act is also "enacted but not yet in effect," says Joseph Castelluccio of the Mayer Brown law firm. Following the typical process, the Treasury and other bodies are soliciting public comment and drafting implementing rules, with enforcement expected from early 2027 onward. The direction the US takes after moving the world with the GENIUS Act will continue to shape the crypto industry's trajectory.