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**From:**  
**Sent:** 21, February, 2023 3:00 PM  
**To:** VATP-consultation  
**Subject:** Bitcoin Standard for Hong Kong Currency: A Proposal

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Dear Hong Kong Securities and Futures Commission,

I am writing to propose the implementation of a Bitcoin standard for the Hong Kong dollar. Specifically, I suggest that the Hong Kong dollar be pegged to Bitcoin, with the exchange rate fixed at a certain ratio of Bitcoin to Hong Kong dollars.

There are some reasons for making this proposal are as follows:

### **1.The external environment is getting better**

The Hong Kong government hopes that "From governing to thriving", make a big move in the blockchain field. The new SAR government is fully promoting the combination of "promising government" and "efficient market", and is doing its best to "grab enterprises" and "grab talents." On October 31, 2022, the "Policy Declaration on the Development of Hong Kong's Virtual Assets" was published. Relevant officials actively participated in blockchain-related meetings, because they know that only by developing and strengthening Hong Kong's status as a financial center can Hong Kong have a future.

At the blockchain conference on January 9, 2023, Chen Maobo, Hong Kong's financial secretary, said: "Hong Kong has been based in the international financial market for decades and enjoys a good reputation. Our regulatory framework and system are in line with international rules and have received international recognition. It is widely recognized that fintech companies in Hong Kong can better use this as a platform to develop international business and explore cross-border cooperation." In addition, the good rule of law environment has cultivated high-quality citizens throughout the years.

Regarding the blockchain, Hong Kong's support and encouragement attitude are completely different from that of the mainland, and the mainland has not opposed it. Therefore, let us believe that the Hong Kong government has the potential to become a "promising government."

### **2.Hong Kong is a more neutral region**

I said in the previous article that the Bitcoin standard should be neutral. Hong Kong circulates Chinese and English, speaks Cantonese, Mandarin and English, and the combined population of Chinese and English covers nearly 3 billion people. Hong Kong has people of

all races, and it is an international metropolis. If the Bitcoin standard is realized, it will make it more neutral.

The mainland backs Hong Kong. According to the "2021 RMB Internationalization Report" of the People's Bank of China, in 2020, the total RMB settlement volume of overseas RMB clearing banks was 369.49 trillion yuan, of which Hong Kong accounted for 76%, and trade settlement volume accounted for 42%. It is one of Hong Kong's strengths. The reason why RMB has such a large clearing volume is mainly due to the RTGS system. RTGS is a real-time gross settlement system; Real Time Gross Settlement is a cross-bank electronic settlement system established by international standards, which specializes in handling cross-bank transfers initiated by the payer's account bank.

RTGS has four major systems: Hong Kong Dollar, U.S. Dollar, Euro, and Renminbi. In the financial field, Hong Kong is a trusted financial center for all parties. Generations of hard work have forged Hong Kong's status as a financial center. It is the lifeline of Hong Kong's survival. It cannot be destroyed but should only be strengthened.

### **3.Hong Kong is a small government**

There are 175,000 civil servants and 7.2 million Hong Kong residents, and the proportion of civil servants is 2.4%. The critical reason for the small government is to anchor the dollar and economic freedom, so there is no need for complicated management agencies. Moreover, it is most in line with the law of natural economic growth.

### **4.The Hong Kong government has assets**

The Basic Law of Hong Kong stipulates that the state owns the land in Hong Kong. The government of the Hong Kong Special Administrative Region is responsible for the management, use, development, lease, or grant to individuals, legal persons, or groups for use or development, and all income is at the disposal of the Government of the Hong Kong Special Administrative Region. Having assets is the guarantee to realize the Bitcoin standard. It is also an advantage that the U.S. government does not have. The disadvantage of Hong Kong is that its size is not large and it has reliable assets to provide background support for the Bitcoin Hong Kong dollar standard.

### **5.tax advantage**

Hong Kong's land advantage has been transformed into a low tax rate advantage, and the policy is stable.

### **6.Hong Kong Economic Freedom**

The Fraser Institute in Canada's 2022 Annual Report on the Economic Freedom of the World continues to rank Hong Kong as the world's freest economy. Among the five assessment items, Hong Kong continues to rank first in "freedom of international trade"

and "regulation." Hong Kong continues to top the list with a score of 8.59. This position has not changed in the rankings for 27 years. However, this year's economic freedom score has dropped by 0.28 points from the previous one, which is higher than the global average drop of 0.16 points. The Fraser Institute think tank believes that China should be blamed for this, Implement new harsh policies in Hong Kong. Maintaining Hong Kong's degree of freedom is the guarantee for maintaining Hong Kong's status as a financial center. It is also the fundamental guarantee for implementing the Bitcoin Hong Kong dollar standard.

## **7.A financial model that lives within our means**

It is how every family lives, and we must, because we can't print money. Living within our means does not mean that we cannot borrow money. The key is to consider whether we can repay the debt. Failure to pay back the debt is a family disaster. If the financial management of a country is not as good as that of a family, what is the reason? They can print money, inject water into the currency, and cause inflation. The so-called moderate inflation is the act of stealing money. The reason we discussed earlier.

The Hong Kong dollar is a fiat currency in name, but it is actually a stablecoin model. Reliable assets must back the stablecoin, so the Hong Kong dollar is fiat in name but an asset token. Since currency cannot be issued indiscriminately, it must live within its means. The sign of living within one's means always has a fiscal surplus. It is a classic case of the fundamental difference between asset and fiat currencies. Before 1983, Hong Kong implemented many measures, but they were not stable enough. When the linked exchange rate was implemented, Hong Kong's economy underwent risk tests and is rock solid.

Henry Bremridge, the architect of Hong Kong's peg, was an entrepreneur-turned-official. His characteristic is grasping the problem's essence and creating rather than executing. The founder of fiat money was English entrepreneur William Paterson. The fiat currency method he proposed is a method of creating currency with government credit, which alleviates the debt crisis of the English government. To him has different evaluations. Coincidentally, they are both entrepreneurs. Is it accidental or inevitable? In the preface to the article "Inviting Satoshi Nakamoto to Welcome the New World," I said that economists are good at describing problems, and entrepreneurs are good at solving problems. What are officials good at? The first characters of official and administrator are pronounced the same in Chinese. In fact, good officials are good at management. Mr. Joseph Yam Chi-Kwong, the first CEO of Hong Kong's Monetary Authority, is an outstanding representative of management. His characteristics are not in creation but in the implementation and research of system details. Through the efforts of his generation, the linked exchange rate system was consolidated. Their foresight has created a great Hong Kong dollar and Hong Kong's status as a financial center, becoming the basis for a currency model that represents the future asset currency era. When a bitcoin Hong Kong dollar standard model exists, Hong Kong officials can create a system.

## **8.Hong Kong dollar is a stablecoin**

The Hong Kong dollar has the same characteristics as the stablecoin. It is anchored to the U.S. dollar, and The exchange rate between the U.S. dollar and the Hong Kong dollar is fixed in the range of 7.75-7.85. The method is simple and reliable, so the behavior is easy to predict, and the transparent of the whole process generates credibility.

The Hong Kong dollar does not have the function of economic adjustment, and the adjustment of interest follows the U.S. dollar. Therefore, although it is called a fiat currency, it is completely different from the U.S. dollar and the renminbi. Therefore, there are a few hurdles to introducing a bitcoin standard.

The most important thing is that Hong Kong has a group of well-trained officials familiar with the stablecoins principle and the rules and regulations that have been gradually established since 1983, and there are related running procedures. It is the most experienced official team in the world.

The Bitcoin standard only adds an anchor object to the Hong Kong dollar, forming a dual-anchor structure, and the nature of the Hong Kong dollar remains unchanged. Using assets from Hong Kong to add credit to the government, the Bitcoin Hong Kong dollar standard, the first step can make the Hong Kong dollar (HDAI) the leader of the stablecoin in the cryptocurrency market. The existing stablecoin of cryptocurrency is 150 billion U.S. dollars, which is very suitable for the Hong Kong dollar to enter the market.

The Linked Exchange Rate System design in 1983 was 32 years ahead of blockchain stablecoins. However, evaluating the linked exchange rate with the idea of blockchain, it is found that the ideas are surprisingly similar. Furthermore, due to the stablecoin nature of HKD, it is not surprising that the first stablecoin USDT appeared in Hong Kong.

## **9.Hong Kong dollar pegged to the U.S. dollar**

The Hong Kong dollar range has a fixed exchange rate against the U.S. dollar and flows freely. As the anchor currency of Bitcoin, it is equivalent to anchoring the U.S. dollar in disguise. It is the advantage of the Hong Kong dollar. It is the bitcoin dollar standard in disguise.

## **10.The future social model of the asset currency**

What is the social form of Bitcoin standard, and how should its political, economic, and legal relations be arranged? Hong Kong started an unconscious experiment in 1983, and it has been running for 40 years and is running well today. She is the embryonic form of the future human society. Hong Kong can seamlessly connect the Bitcoin standard and the current linked exchange rate and implement a dual-track transition. If the anchor is more stable than the U.S. dollar, the economy will be more stable than the peg U.S. dollar. The essence of legal currency is to anchor the inflation rate. There was no problem in the early stage. We discussed earlier that this anchor fails when finance and industry go hand in hand. The degree of so-called moderate inflation cannot be grasped in advance. It has been

20 years since we entered the 21st century. Finance theories and methods are still at the level of the 1930s. It's better not to manage. Practice in Hong Kong has proved that if the U.S. dollar does not move, there will be no interest rate hikes or cuts in Hong Kong.

### **11.It is a strong competitor to the Bitcoin dollar standard**

Hong Kong is positioned as a financial center. If it becomes a bitcoin-based financial center, it will surpass New York and London and start 120 years of glory. Hong Kong people will realize their coveted status as financial leader. In Chapter 13, Bitcoin has a market capitalization of 10 trillion U.S. dollars in the sixth cycle; that is, the status of the U.S. dollar, and Bitcoin will begin to reverse in 2032. It is a historic opportunity. The key is to have a courageous "promising government" that dares to create history and, after a full demonstration by managers, seize the opportunity to enter the cryptocurrency stablecoin industry quickly.

I believe that the adoption of a Bitcoin standard for the Hong Kong dollar would be a bold move for Hong Kong that would benefit its financial system and position it as a global financial leader. I would be happy to discuss this proposal with you further and provide any additional information that may be required (More details can be seen here: <https://en.bitpush.news/articles/5001660>).

Thank you for your time and consideration.

Sincerely,

Xiang Li

"Consider the environment - think before printing!"