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**HSBC SELECTED TO CONDUCT TWO e-HKD PILOTS**

*The two pilots form part of an industry exercise led by HKMA to deep dive into use cases, implementation and designs relating to e-HKD*

*Insights will help inform future decisions on e-HKD design and strengthen Hong Kong's competitiveness in the global payment arena*

HSBC announced today its participation in two projects under the Hong Kong Monetary Authority's (HKMA) e-HKD Pilot Programme. As the potential new form of central bank money, e-HKD could help fuel innovation across the financial sector, promote financial inclusion, and maximise the benefits of faster, cheaper and safer payments for merchants and households alike, says HSBC.

HSBC plans to conduct two pilots in the coming months:

- An e-HKD payment ecosystem at the Hong Kong University of Science & Technology (HKUST)
- Simulation of tokenised deposit transactions in collaboration with Visa

**Luanne Lim**, Chief Executive, Hong Kong, HSBC said: "As the bank of Hong Kong, HSBC has been at the forefront of financial innovation, constantly looking for ways to make banking easier and better for our clients. More than 100 countries, representing over 95 per cent of global GDP, are exploring some form of Central Bank Digital Currency<sup>1</sup>. We are excited to participate in the industry pilots, which will help prepare Hong Kong for a new form of money on the horizon and strengthen our competitiveness in the digital economy."

The HKMA published an e-HKD position paper in 2022, in which it outlined a three-rail approach to pave the way for the possible implementation of e-HKD in the future. Under the e-HKD Pilot Programme, 16 selected firms from the financial, payment and technology sectors will conduct a series of pilots to deep dive into use cases, implementation, and designs relating to e-HKD. A commencement event was held today at the HKMA to unveil the projects.

The **HSBC HKUST e-HKD pilot** will include the development and implementation of an e-HKD payment ecosystem at the HKUST campus. Leveraging on the HKUST's fintech research, the pilot aims to demonstrate potential benefits of the e-HKD in lowering transaction costs for merchants and consumers and enhancing customer experience with timely distribution of promotional rewards.

In addition, HSBC and HKUST will explore potential solutions to combat payment fraud, which is critical for all participants across the digital economy.

HSBC and Hang Seng Bank will collaborate with Visa to explore the feasibility of **tokenised deposits**, which includes the digital settlement of such tokenized deposits. HSBC shall study the viability, key design considerations and interoperability of commercial bank-backed deposit tokens.

Central Bank Digital Currencies (CBDCs) could potentially offer a range of benefits. It could provide individuals and businesses a convenient form of central bank money, with the safety and liquidity that would entail; distribute targeted welfare payments; give entrepreneurs a platform on which to create new financial products; present new opportunity in fraud prevention; support faster, cheaper payments, including cross-border payments; and expand consumer access to the financial system.

Leveraging on its strong digital and transaction banking capabilities, HSBC has actively participated in CBDC projects in different markets. For example, the Bank participated in the successful pilot phase of Project mBridge last year, which validated the proposition that CBDCs can substantially increase the speed of cross-border payments to real-time. Working across Hong Kong, Thailand and the UAE, HSBC carried out trials with more than a dozen corporate customers on the mBridge platform, using e-AED, e-CNY, e-HKD and e-THB to process live payments transactions.

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**Note to editors:**

1. <https://www.atlanticcouncil.org/cbdctracker/>

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