

14 September 2023

HSBC AND HKUST TO CONDUCT ONE WEEK HYPOTHETICAL e-HKD PILOT

Pilot runs from 16 to 22 September

Forms part of an industry exercise led by HKMA to deep dive into use cases, designs and implementation relating to Hypothetical e-HKD

Highlights real-world use cases for CBDCs application in retail

HSBC and the School of Business and Management of The Hong Kong University of Science and Technology (HKUST Business School) today announced that they will commence on 16 September a one-week Hypothetical e-HKD pilot. This HSBC-HKUST collaboration represents the latest efforts of the private sector and academia in support of the exploration and experimentation of a central bank digital currency (CBDC) in Hong Kong under the purview of the Hong Kong Monetary Authority.

HSBC has for this pilot designed and configured a platform leveraging distributed ledger technology (DLT) to simulate the payments infrastructure necessary for programmable money and instant settlement in different retail settings.

Nearly 200 HKUST students and faculty members have enrolled to join this pilot. Each person will receive 100 Hypothetical e-HKD tokens in a dedicated digital wallet for this pilot to spend at five on-campus merchants during the one-week period. Participating merchants include cafes and canteens.

In addition, smart contract functionality and programmability is integrated into the prototype digital token, allowing customers to automatically receive embedded reward for making eligible transactions.

A user experience study will be conducted jointly as part of the pilot. Insights gained from this pilot will serve as a foundation for future experimentation and research.

Bojan Obradović, Chief Digital Officer Hong Kong at HSBC, said: “HSBC has been an active participant of CBDC projects in different markets. The experience, combined with our strong digital and transaction banking capabilities, has enabled us to design, build and operate the HKUST pilot in just four months. People have shown a keen interest to take part in the programme.”

Prof. TAM Kar Yan, Dean of HKUST Business School, said: “As Hong Kong gets itself ready for the potential launch of e-HKD, we are delighted to work with HSBC on this e-HKD pilot programme. With our school’s fintech expertise, and our students and faculty members’ open mind towards trying out new tech, HKUST is an ideal site for CBDC experimentation and fertile ground for understanding its possibilities.”

Leveraging HKUST’s fintech research, the pilot aims to demonstrate potential benefits which will be published in 4Q 2023.

Obradović added, “The findings will help validate the effectiveness of a digital currency in retail, public-wide type scenarios, given the richness of the payment eco-system in HK. We look forward to working with industry partners to harness the potential of emerging technology to shape the future of money.”

Prof. Tam added, “This pilot is a foundational step for further research into e-HKD, which will help industry stakeholders gain a deeper understanding of its appeal and positioning in the existing payment service ecosystem.”

This pilot builds on HSBC-HKUST collaborations to accelerate fintech development and provide insights into future CBDC developments. Sponsored by HSBC as part of this strategic partnership, HKUST Business School conducted a survey last year to gauge the general public’s perception of Hypothetical e-HKD.



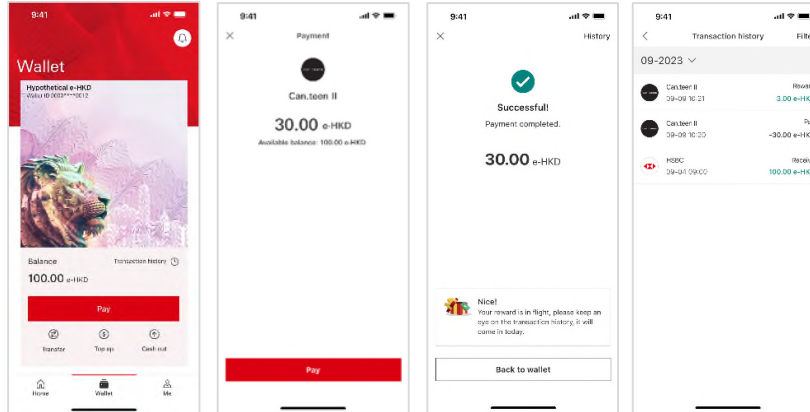
HSBC and HKUST Business School will commence on 16 September a one-week Hypothetical e-HKD pilot at five on-campus merchants in HKUST. Pictured here are Bojan Obradović, Chief Digital Officer Hong Kong, HSBC (second left), Prof. TAM Kar Yan, Dean of HKUST Business School (second right) and participating students.



Pictured here are Prof. TAM Kar Yan, Dean of HKUST Business School (middle) and Bojan Obradović, Chief Digital Officer Hong Kong, HSBC at one of the participating canteens of Hypothetical e-HKD pilot in HKUST.

e-HKD Transaction Journey (Consumer's view)

1. Pay by selecting 'Pay' button on digital wallet home page, scan merchant-generated unique QR code
2. Review e-HKD amount, select 'Pay'
3. Payment confirmed
4. Users can view all transactions, including e-HKD reward, if any



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Note to editors:

The Hongkong and Shanghai Banking Corporation Limited

The Hongkong and Shanghai Banking Corporation Limited is the founding member of the HSBC Group. HSBC serves customers worldwide from offices in 62 countries and territories. With assets of US\$3,041bn at 30 June 2023, HSBC is one of the world's largest banking and financial services organisations.

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