

HKMA's policy stance on e-HKD

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA) today (September 20) released a position paper titled "e-HKD: Charting the Next Steps" to set out its policy stance on retail Central Bank Digital Currency (CBDC), i.e. e-HKD, and outline its next steps.

As part of its "Fintech 2025" strategy to future-proof Hong Kong in terms of CBDC readiness, the HKMA has examined the prospect of issuing e-HKD in Hong Kong from both the technical and policy perspectives. Two rounds of market consultation, one on high-level technical design and one on key policy and design issues, were conducted.

In total, 75 responses were received (Note) during the consultation. Overall, the respondents are supportive of the e-HKD initiative and believe that e-HKD has the potential to make payments more effective while supporting the digital economy. At the same time, the respondents also pointed out the need to further examine issues such as privacy protection, legal considerations, and use cases. Taking into account the findings of the study and the feedback received, the HKMA will start paving the way for possible implementation of e-HKD in the future. A three-rail approach will be adopted:

- Rail 1 aims to lay the technology and legal foundations for supporting the implementation of e-HKD. Specifically, a plan will be formulated for developing the wholesale layer of the two-tier e-HKD system. In addition, the HKMA will identify and examine areas to prepare for legislative amendments, with a view to enabling the issuance of a digital form of fiat currency with legal tender status in Hong Kong.
- Under Rail 2, which will run in parallel to Rail 1, the HKMA will take deep dives into use cases as well as application, implementation, and design issues relating to e-HKD. It will also conduct a series of pilots in close collaboration with various stakeholders to gain actual experience.
- Rail 3 is concerned with launching e-HKD. It will consolidate the outcomes of Rail 1 and Rail 2 for more thorough implementation planning, and will set the timeline for launching e-HKD. The progress of Rail 3 will depend on the actual progress made under Rail 1 and Rail 2, as well as the pace of relevant local and international market development.

The Chief Executive of the HKMA, Mr Eddie Yue, said, "The two rounds of market consultation have registered widespread support for the e-HKD

initiative. We welcome the positive feedback received and agreed with the respondents the need to take a deep dive into issues such as privacy protection and use cases. As Hong Kong's central banking institution, we will ensure that Hong Kong continues to play a leading role in the global financial landscape by getting ourselves ready as best we can in terms of CBDC and by providing the right soil for growing innovative ideas."

A summary of the feedback received to the two rounds of market consultation, as well as the HKMA's response, together with the details of the three-rail approach can be found in the [linked paper](#).

Note: Respondents included academia, a central bank, consulting companies, financial institutions, fintech firms, individuals, industry bodies, non-bank professional organisations, public sector entities, and technology companies.