

# LCQ20: Preventing the circulation of counterfeit banknotes

Following is a question by Professor the Hon Priscilla Leung and a written reply by the Acting Secretary for Financial Services and the Treasury, Mr Joseph Chan, in the Legislative Council today (June 19):

Question:

It has been reported that various versions of counterfeit \$500 denomination banknotes appeared in the market in Hong Kong in recent months. In this connection, will the Government inform this Council:

- (1) whether it has grasped the latest number of counterfeit banknotes in circulation in the market in Hong Kong, as well as information such as the sources, circulation channels and production technologies of such counterfeit banknotes; whether the Government has analysed the causes of the problem of counterfeit banknotes and its impact;
- (2) of the policies and measures currently in place to tackle and prevent the counterfeiting of banknotes; whether there is an effective co-operation and co-ordination mechanism among the Hong Kong Monetary Authority, the police and the note-issuing banks to supervise and regulate the issuance and circulation of Hong Kong currency, and to combat and detect criminal activities involving the counterfeiting of banknotes;
- (3) whether it has engaged in exchanges and co-operation with relevant Mainland and international institutions and organisations to prevent and combat the cross-boundary circulation of counterfeit banknotes and crimes;
- (4) whether it has stepped up education and publicity among members of the public and shop operators to increase their vigilance against counterfeit banknotes and their ability to identify counterfeit banknotes;
- (5) whether it has adequate equipment and resources to assist members of the public and shop operators in distinguishing between genuine and counterfeit banknotes; and
- (6) whether it has strengthened the research and development and innovation in the field of banknotes, and considered introducing more advanced and secure security technologies and features (e.g. the use of biometric technologies, smart chips and nanomaterials), so as to enhance the security features and credibility of banknotes?

Reply:

President,

Having consulted the Security Bureau, the Hong Kong Monetary Authority (HKMA) and the Hong Kong Police Force, the consolidated reply to the various parts of the question is as follows:

(1) Compared to other jurisdictions, the overall counterfeit rate in Hong Kong is relatively low. For example, there are three pieces of counterfeit note per one million banknotes in circulation in 2023, compared to 25 pieces for the United Kingdom, 16 pieces for the Euro area, six pieces for Canada and five pieces for Australia.

On the statistics of seizure of counterfeit banknote, the Police seized a total of 10 191 counterfeit Hong Kong dollar banknotes in 2023; and 7 803 such banknotes in January to May 2024, with the increase mainly due to the large number of counterfeit \$1,000 and \$500 notes seized in several fraud cases. In the past two years, about 70 per cent of the counterfeit banknotes were seized by the Police during law enforcement operations, while the rest was received by banks and the retail sector in the course of their daily business and passed to the Police for handling. Most of the seized counterfeit Hong Kong dollar banknotes were of poor quality and lacked security features. Some bore the words "practice notes" (i.e. tools used by bank staff in the Mainland to practice counting banknotes), which were distinctly different from the genuine banknotes.

(2) to (5) The Government attaches great importance to combatting crimes involving counterfeit banknotes, and will, through continuous monitoring of counterfeit trends in Hong Kong and other jurisdictions, and actively maintaining close communication with other central banks and law enforcement agencies, ensure that appropriate measures are taken to tackle and forestall counterfeiting in a timely manner. The HKMA, the Police and the note-issuing banks (NIBs) have maintained close liaison with each other in combatting criminal activities involving counterfeit banknotes. The NIBs will immediately notify the Police and the HKMA should they find any high-quality counterfeit notes. The Police will also regularly share with the HKMA the latest intelligence on counterfeit banknotes, and work with the HKMA to analyse the counterfeits' quality and assess the risks of the security features of Hong Kong banknotes being successfully imitated. In addition, targetting offenders who produce and distribute counterfeit banknotes, the Police conducts intelligence exchanges with Mainland and overseas law-enforcement agencies, and assists the HKMA in conducting tests on suppliers of banknote authentication devices to ensure their effectiveness in accurately identifying counterfeit banknotes.

The HKMA and the Police jointly conduct seminars on a regular basis on the design and security features of Hong Kong banknotes for staff of the banking sector and other commercial entities (e.g. retail and catering chain groups) to help enhance their knowledge and skills in authenticating banknotes, as well as their understanding of counterfeit-related legislation (e.g. on how to handle suspected counterfeit notes).

On promotion, the HKMA provides information on the design and security features of Hong Kong banknotes to members of the public through its website

and Information Centre. Leaflets on the security features of Hong Kong banknotes are also provided to retailers, schools and the public if needed. The Police is continuously stepping up online and offline publicity to raise public awareness of counterfeit banknotes. In view of the rising trend of recent seizure of counterfeit \$500 and \$1,000 banknotes, the Police issued "Four tips on identifying counterfeit banknotes" and a related promotional video on its Facebook page in February and April this year respectively, educating members of the public on how to identify counterfeit banknotes, and reminding that if they receive a suspected counterfeit banknote, they should immediately pass it to the Police or a bank for action and should not attempt to use it.

(6) The HKMA attaches importance to the technological development concerning banknote design and security features, and has been actively engaging the banknote industry (including suppliers of banknote printing machines, materials, security features, etc.) to keep abreast of the latest research and development of security features and their effectiveness. The HKMA also conducts exchanges with other central banks in this regard.

Based on the HKMA's understanding, biometrics, smart chips and nanomaterials have yet to be applied to the technology on the security features of banknotes. The HKMA will continue to monitor relevant technological development, and suitably adopt the latest technology for enhancing the resilience of Hong Kong banknotes against counterfeiting.