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**BOCHK selected for Phase 2 of the HKMA's e-HKD Pilot Programme
focusing on programmable payment use cases**

Bank of China (Hong Kong) (“BOCHK”) has been successfully selected for Phase 2 of the Hong Kong Monetary Authority’s (“HKMA”) e-HKD Pilot Programme (“Pilot Programme”). The Bank will leverage its consortium blockchain infrastructure which is built using blockchain technology to further explore the programmable features of e-HKD for the scenarios of prepayment and dedicated funds earmarking for specific purposes. In addition, the Bank welcomes the expansion of Project e-HKD, which has been renamed as Project e-HKD+ that aims to extend the research focus from e-HKD to a comprehensive digital money ecosystem.

Capitalising on its consortium blockchain platform, BOCHK will create unique digital identities for customers and issue standardised e-HKD for cross-institutional uses in Phase 2 of the Pilot Programme. BOCHK is in collaboration with Sanfield (Management) Limited, a wholly-owned subsidiary of Sun Hung Kai Properties, and other partners to delve deeper into application scenarios of the programmable features of digital money. The use of smart contracts will enable transactions to be automatically executed when predetermined conditions are met, which will in turn facilitate the development of a decentralised finance and enhance efficiency and transparency of business operations.

In Phase 1 of the Pilot Programme last year, BOCHK took the lead in testing the programmability of digital money by completing a trial of the e-HKD prepayment service, where customers’ funds were automatically disbursed in accordance with the contract terms established by the merchant. In the event that the merchant fails to honour the contract, remaining funds can be refunded to the customer, thereby safeguarding customer rights and addressing the pain points associated with traditional prepayment methods.

Xing Guiwei, Deputy Chief Executive of BOCHK, said, “BOCHK welcomes HKMA’s expansion of Project e-HKD. We will continue to carry out research and remain fully committed to supporting the development of e-HKD and tokenised deposits in Hong Kong. We have received positive feedback on our Phase 1 trial, as 85% of the surveyed merchants believe the solution helps enhance loyalty and effectively increase confidence of consumers in prepayment services. Drawing on the insights from Phase 1, BOCHK will focus on

practical applications of digital money using blockchain in Phase 2, aiming to create greater value for customers and merchants. Through our newly-built consortium blockchain infrastructure, we will create unique digital identities for our customers that facilitate effective customers identification and better risk management. The integration of smart contracts with dual-signature mechanism between the Bank and merchants will help ensure the security of e-HKD, thus achieving efficient fund management.”

In addition, as one of the pioneering banks to participate in the Project Ensemble sandbox, BOCHK focuses on researching the interoperability of tokenised deposits and wholesale central bank digital currency, validating multiple solutions and unlocking various application scenarios for digital money.

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