



# THOUGHT LEADERSHIP BRIEF

## Is Hong Kong Ready for e-HKD?

Kar Yan Tam and Christy Yeung

Photo by Jean Beller on Unsplash

### KEY POINTS

- ▶ Hong Kong explores the possibility to launch the “e-HKD”, a Retail Central Bank Digital Currency (rCBDC) intended for use by the public to circulate as a currency. Although Hong Kong’s population is known for its technological readiness, the Hong Kong authorities, businesses, and the public will be entering largely uncharted territory, given the very limited number of international reference cases. As public perception can likely make or break a successful “e-HKD” roll-out, it is important to accurately gauge it at an early stage.
- ▶ Our survey clearly shows that positive perceptions toward the e-HKD exceed negative perceptions. However, neutral perceptions were expressed in answers to a broad range of questions, which signals a feeling of indifference. Widespread satisfaction with existing payment options may constitute the major stumbling block to quick adoption of the e-HKD.
- ▶ It will be important to get the merchants on board and educate the public about the safety measures and proper protection of their data. We believe that the implementation of the e-HKD could be smoothed significantly with smart initiatives, such as giving potential users the first-hand experience of using the e-HKD through the issuing of limited-time commercial vouchers as a trial.



## ISSUE

Central banks around the world are exploring Central Bank Digital Currencies (CBDCs). Retail Central Bank Digital Currency (rCBDC), or “general purpose” CBDC, is intended for use by the public to circulate as a currency. However, as of December 2022, of the more than 100 countries that have been exploring CBDCs, only 11 countries have fully launched an rCBDC for use by the public in everyday retail use cases.

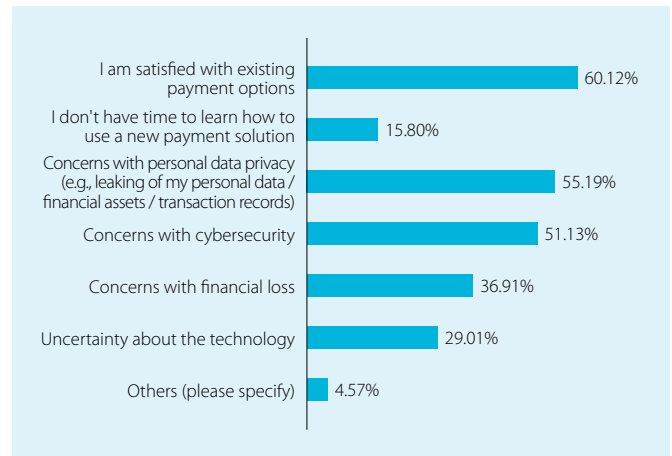
The Hong Kong Monetary Authority (HKMA) first introduced its plan for a centralized digital currency in June 2021 as part of the “Fintech 2025” strategy. In view of the small number of economies that have gained hands-on experiences with rCBDC, it is important for the HKMA and other stakeholders to accurately gauge public perception of the “e-HKD” at an early stage.

Although Hong Kong’s population is known for its technological readiness and has experience in conducting banking transactions using mobile phones, there is still a general lack of understanding of digital currency, which could translate into headwinds for the e-HKD roll-out. There is a risk of conundrum: if public sentiment proves lacklustre, merchants will have fewer incentives to adopt the e-HKD. Acceptance by merchants, in turn, is indicated as one of the major considerations of the public for using e-HKD for their daily transactions.

**Figure 1. Why Are You Likely to Use e-HKD for Daily Transactions?**



**Figure 2. Why Are You Not Likely to Use e-HKD for Daily Transactions?**



## ASSESSMENT

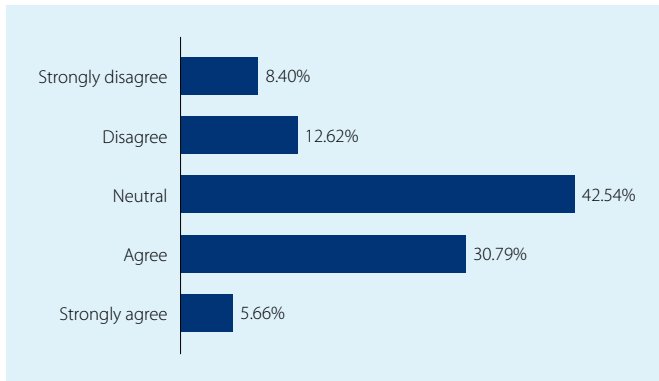
In view of the possibility of Hong Kong to issue an rCBDC, we conducted a large-scale survey in August-September 2022 to explore public perceptions and views regarding the e-HKD, personal data privacy, design features, and willingness of adoption.

We conducted the survey via a major web portal that used to be an official platform for online government services in Hong Kong and a major media group. These two survey distributors combined have a large database that reflects the demographic composition of the general population. The questionnaire consisted of 39 core questions with 33 items, in addition to demographic questions. 6,681 valid responses were received.

We found that nearly 90% of the Hong Kong adult population is experienced in using digital banking, specifically on their mobile phones. However, more than 65% of the surveyed population has never heard of CBDC and close to 80% of all respondents have never held or used any virtual currencies and assets, which suggests a general lack of understanding of digital currency among the Hong Kong population.

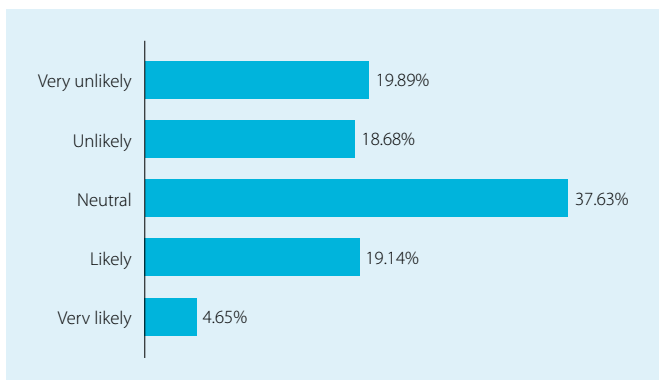


**Figure 3. Do You Agree e-CNY Should Be Introduced In Hong Kong So That Hong Kong Residents Can Use e-CNY to Settle Renminbi Payments in Hong Kong and Greater Bay Area?**



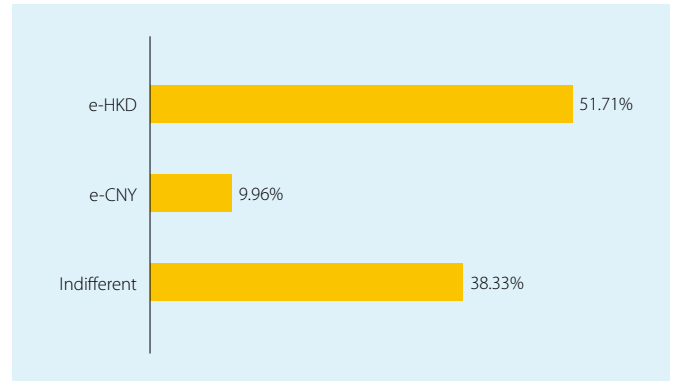
Our study clearly shows that positive perceptions by far exceed negative perceptions, with about half of the surveyed population (50.32%) indicating that they would likely or very likely use the e-HKD for daily transactions if it was introduced in Hong Kong. Nevertheless, the rates of neutral perceptions were strikingly high in answers to a broad range of questions. This impressively aligns with our findings that 42% respondents are “neutral” towards the likelihood of successful adoption of the e-HKD by the public. Among those respondents who expressed that they are not likely to use the e-HKD for daily transactions, the majority feels satisfied with existing payment options (60%), while more than half have concerns about personal data privacy (55%) and cybersecurity (51%). For those who are likely to use the e-HKD for daily transactions, convenience was a major consideration.

**Figure 4. If e-CNY Is Introduced in Hong Kong, How Likely Will You Use It?**



Most respondents think the e-HKD should be issued by the HKMA, reflecting the trust in the regulatory body as one of the potential issuers of the digital currency.

**Figure 5. Comparing e-HKD and e-CNY, Which Digital Currency Do You Think Will Add More Value to You?**



## RECOMMENDATIONS

When designing and implementing the e-HKD roadmap for Hong Kong, the relevant authorities should keep in mind that cybersecurity and personal data privacy are identified by our survey among the top design features of the e-HKD. It is not only important to select technologies that increase cybersecurity but also to educate people about the safety measures and proper protection of their data.

Naturally, if more merchants accept the e-HKD as a payment option, people will have more incentives to adopt the e-HKD. It is crucial to get the merchants on board by fully understanding their business needs and potential considerations.

Many of the respondents who expressed they are unlikely to use the e-HKD for daily transactions attributed their reluctance to their satisfaction with existing payment options. We believe it would be crucial to provide opportunities for them to experience novel application scenarios so that they can familiarize with using the e-HKD. For example, issuing limited-time commercial vouchers at local events as a trial could give potential users the first-hand experience to use the e-HKD.

This Thought Leadership Brief is adapted from the report Public Perception of e-HKD published by HKUST Business School in 2023.



Indeed, before the e-HKD is widely introduced, the public should already be encouraged to start learning the fundamental concepts of rCBDC to gain basic understanding. We recommend that education initiatives are conducted throughout the different phases, from before to after the launch of the e-HKD.

As people gain more understanding about the benefits of the e-HKD, their perceptions will differ, which will provide valuable insights for the development of the e-HKD. We recommend that feedback from the public is collected regularly even after the e-HKD is launched to facilitate continuous enhancements on the design, functionality, and usability.



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