

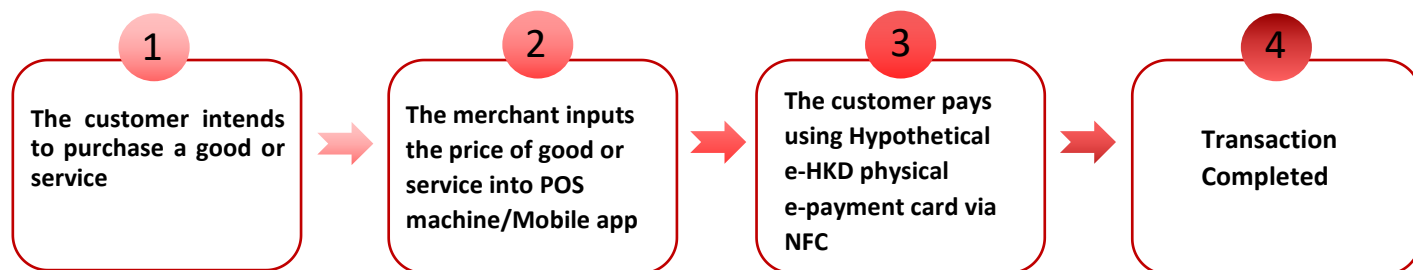
e-HKD Pilot Programme

Proposed and As-Is Flows

As-Is Flow (using Cash)



Proposed flow (using Hypothetical e-HKD)



High-Level Summary

Towards merchants, the common pain points they are facing during the as-is transaction flow are i) the inconvenience caused by cash handling; ii) the time consumption for cash/cheque deposits in the Bank; iii) Risk of manual reconciliation due to non-electronic transaction record; and iv) the higher fee payable to the existing e-payment platform. After the launch of proposed flow using hypothetical e-HKD, resolution of the above mentioned pain points serves as the value propositions to merchants. With collection of payment by hypothetical e-HKD, the merchants could save time for managing cash/cheque, improve the efficiency and effectiveness for reconciliation by retrieval of electronic transaction record from the POS machine/Mobile app as well as to reduce the fee to be paid for e-payment platforms.

Towards customers, the common pain points they are facing during the as-is transaction flow are i) the inconvenience caused by carrying cash and the change; ii) the elderly may frequently encounter failure of e-payment transaction due to unfamiliarity of electronic device; and iii) unable to view the real-time transaction amount and balance immediately through the physical e-payment card after each transaction. However, those pain points faced by customers could be greatly relieved after the launch of proposed flow using hypothetical e-HKD. Alleviation of inconvenience caused by cash handling for the public and user friendly mean of e-payment for the elderly (e.g. able to view the real-time transaction amount and balance immediately through the screen of physical e-payment card) are the major value propositions brought by proposed flow.

Proposed Benefits of using e-HKD

Merchants

1. Instead of using an extra device, merchants can choose to use e-HKD mobile App for payment collection with no setup cost.
2. No upfront setup cost to be burdened as the e-HKD App could be embedded to the existing POS machine and also lower fee to be paid to e-payment platforms.
3. Time saving for management and handling of cash/cheque.

4. Improvement of efficiency and effectiveness for reconciliation by retrieval of electronic transaction record from the POS machine/Mobile app.

Customers

1. Alleviation of inconvenience caused by carrying cash and the change.
2. Increase the accessibility to diverse e-payment channels (e.g. elderly/children could use physical e-payment card with electronic screen to view the real-time transaction amount and balance after each transaction).
3. Comparatively faster transaction time than using other existing e-payment platforms as transaction could be completed within 0.2 second in average.

Banks (Indirect Benefits)

1. Reduce cost of cash management.
2. Reduce associated risks of manual cash/cheque settlement.
3. Lower risk exposure to counterfeit notes due to reduction of cash deposits from merchants since they are employing less cash-intensive business model.

Key Findings and Learnings

1. The acceptance of physical e-payment card with display function by the public is relatively high which is about 76%.
2. The pilot trial revealed that Hypothetical e-HKD physical e-payment card could provide the elderly, who are usually facing difficulties of operating electronic device, a convenient mean of e-payment without needs of extra device (e.g. smartphone) and operating complex e-payment platform. Besides, the display function of the physical e-payment card (i.e. able to view the real-time transaction amount and balance immediately through the screen of physical e-payment card after each transaction) is a stable and reliable technology which can be promoted to the elderly and children so as to extend the coverage of hypothetical e-HKD to these age groups.
3. A merchant group (e.g. taxi driver) strongly concerned the timeliness of fund availability after collection of hypothetical e-HKD, raised by taxi driver during interview.
4. The public made enquiry on the issue of e-Wallets supporting a digital currency other than e-HKD, raised by most participants (e.g. Aged 17-60 and Aged 61 or above) during interview after pilot testing.
5. According to the survey results, group of Aged 17-60 (about 58%) preferred using both of mobile wallet and physical wallet to either single type of wallet. It revealed that most of the youngsters concerned the payment function of mobile app.
6. The suggestion on types of electronic payment collection facility is collected from merchants. Through the interview after pilot testing, some merchants in the wet market advised that wallet in physical format like a card should be designed for the purpose of convenience throughout the process of payment collection.

Next Steps

For the sake of promotion of e-HKD physical wallet to the Public, diverse form of wallet should be explored to attract more users. For instance, the physical wallet could be developed in form of watches, key chains, mobile cases, etc. On the other hand, the nature of physical e-payment card with display function developed in this pilot run could be enhanced and apply to various types of card that are currently using by the public (e.g. the Senior Citizen Card, Student card, Access card, etc).

In the wake of significant coverage of using e-HKD to every age group in the public through the promotion as mentioned above, governmental subsidies such as Old Age Allowance, Health Care Voucher, School Textbook Assistance Scheme, etc could be released to the public in the form of e-HKD. As a result, usage and mobility of e-HKD would be relatively increased and the operation cost of subsidy release.

Regarding the public concerns on dual currency e-wallet and payment function of mobile app, the Bank would conduct research to study the feasibility.