

Agpaytech's Research  
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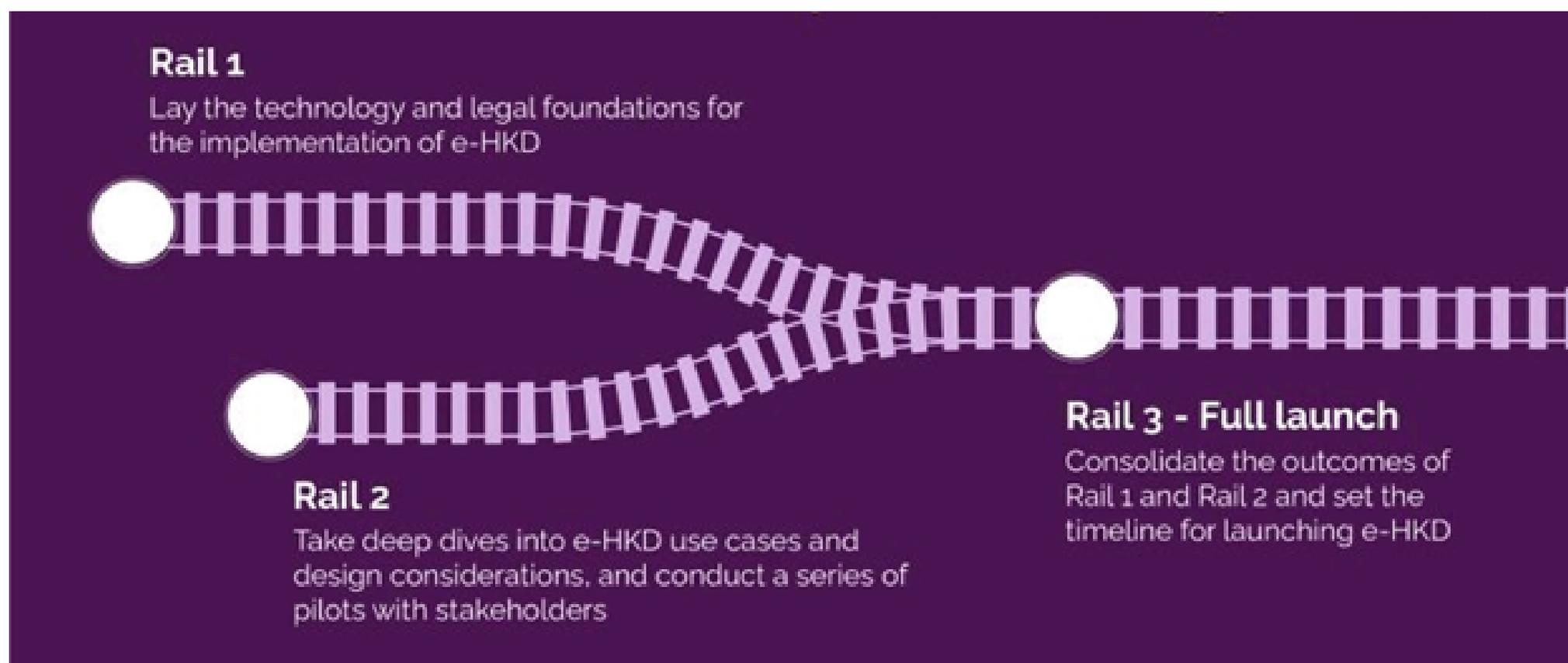
# The e-HKD Journey

## HKMA's CBDC journey

Against the backdrop of heightened international attention to enhancing cross-border payments and remittances, including through the use of CBDC, the HKMA started researching rCBDC in 2021. The Hong Kong Monetary Authority (HKMA) announced in June 2021, under the “Fintech 2025” strategy, that it would embark on an rCBDC project, Project e-HKD. This multilateral project has now entered a pilot phase and has been well recognized by the international financial community

The HKMA will therefore start work to lay the foundations for, and conduct in-depth studies and pilots on, the implementation and application of rCBDC. In doing so, due regard will be paid to maintaining a good level of flexibility so that the foundations laid and the components developed can be made as forward-compatible as possible to accommodate variations in future scenarios, and can be implemented reasonably swiftly. In essence, the HKMA would adopt a three-rail approach in preparing for any possible implementation of e-HKD in the future, as depicted in figure 1

Figure 1: Three-rail approach to preparing for possible e-HKD implementation



Source: HKMA (2022)

## Rail 1 – Laying the foundations

*Rail 1 aims to lay the technology and legal foundations for supporting the future implementation of e-HKD. The technology front focused on retail end users (retail layer) and interbank tier (wholesale layer).*

*On the legal front, the focus will be on enabling the issuance of a digital form of fiat currency, with legal tender status.*



## Rail 2 – Deep-dive application research and pilots

*Under Rail 2, which will run in parallel to Rail 1, it will take deep dives into use cases, and implementation and design issues relating to e-HKD.*

- Access to e-HKD via e-wallet app
- Project Sela on cybersecurity
- Technical deep dives on privacy and performance
- DvP settlement of tokenised securities
- Industry engagements on rCBDC use cases and design choices
- Regulations prescribing the framework for the issuance and use of e-HKD
- Studying the pros and cons of using CBDC as the on- and off-ramp instrument for DeFi

## Rail 3 – Rolling out e-HKD

*According to the report, the first two rails should help lay the foundations and put in place some essential building blocks for any future implementation of e-HKD. Rail 3 is concerned with launching e-HKD.*

