

## **Norman T L Chan: Development of e-Cheque usage in Hong Kong**

Speech by Mr Norman T L Chan, Chief Executive of the Hong Kong Monetary Authority, at the Electronic Cheque (e-Cheque) service Launching Ceremony, Hong Kong, 11 December 2015.

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Ms Helen Wong, Mr Allen Yeung, Mr Wong Kuen-fai, distinguished guests, media representatives:

1. Welcome to the official launch of the Electronic Cheque (e-Cheque) service jointly organised by the Hong Kong Association of Banks and the Hong Kong Monetary Authority. For the first phase of the e-Cheque service, nine banks have started offering the e-Cheque issuance service, while all banks in Hong Kong can already accept e-Cheques deposited by their customers.
2. Traditional paper cheques have been widely used in Hong Kong, but there are limitations. For example, the payer must deliver a physical cheque to the payee, and the payee must also physically deposit the cheque at a bank. These steps involve quite some time. Besides, paper cheques consume a lot of paper and are not environmentally friendly. In view of this, the HKMA began work with the banking industry on developing the necessary infrastructure for the electronic form of cheque service three years ago.

### **Benefits of e-Cheques**

3. As e-Cheques have a number of obvious benefits over their physical counterparts, I believe they will become a popular form of electronic payment soon.
  - I. The e-Cheque issuance and deposit service is available via Internet banking platforms and the Hong Kong Interbank Clearing Limited's portal on a 24-hour basis. Bank customers can process an e-Cheque any time.
  - II. As physical boundaries and barriers are no more, both payers and payees can enjoy the e-Cheque service with the convenience of mobile phones or Internet banking platforms anywhere.
  - III. E-cheques are quick and easy to use. In just a few simple steps, the payer can issue an e-Cheque via an Internet banking platform. Upon receiving the e-Cheque, Adopting a highly secure digital signature, e-Cheques remove the need for the payer's handwritten signature as required with paper cheques, reducing the risk of forgery.
  - V. Unlike certain electronic payments or funds transfers, the payee does not need to disclose his bank account number to the payer in order to receive an e-Cheque payment, which means greater privacy protection. For those payees who have more than one account, he can also enjoy the flexibility of deciding which account to deposit an e-Cheque into.
  - VI. Corporates and institutions which issue a huge volume of paper cheques can save substantial sums on printing, processing and mailing those cheques. In Hong Kong, listed companies process over 2 million physical cheques each year for dividend payments. Both paper consumption and mailing costs can be reduced substantially each year if shareholders agree switching to e-Cheques to receive these payments.

### **Looking forward**

4. The e-Cheque is only at the beginning of its development. The HKMA will continue to explore ways of expanding its application in two areas, namely:

- I. Cross-border transactions – we will explore with the Guangzhou and Shenzhen branches of The People’s Bank of China, and the Monetary Authority of Macao with a view to promoting the use and clearing of cross-border e-Cheques.
- II. Development of e-commerce – we will explore with the banking industry the use of e-Cheques in supporting e-commerce portals. While offering an additional option of payment for online shoppers, e-Cheques can also increase the efficiency of e-commerce operations.

## **Acknowledgments**

5. The launch of the e-Cheque reflects the continuous effort of banks in Hong Kong to provide a wide range of payment services. It also signifies the HKMA’s commitment in promoting the efficiency and modernisation of Hong Kong’s financial infrastructure. Besides, the smooth development and launch of the e-Cheque has benefited immensely from the great support of relevant government departments.

- I. Firstly, amendments to the Electronic Transactions Ordinance were finalised by the Office of the Government Chief Information Officer in early 2015, giving electronic cheques the same legal status as physical cheques. The Pay e-Cheque portal was also launched on 7 December, which allows the public to make payments of government bills and fees with e-Cheques.
- II. The Inland Revenue Department became the first government department to participate in the Pay e-Cheque portal, providing a convenient and easy option for paying tax demand notes, business registration fees, and stamp duties as well as purchasing tax reserve certificates.
- III. Lastly, the Treasury has also actively helped promote the acceptance by other government departments of e-Cheques in paying general demand notes.

6. I would like to thank all those involved in bringing the e-Cheque service into fruition. The HKMA will strengthen public education programmes with the Hong Kong Association of Banks to increase public understanding of the use and benefits of e-Cheques.

7. Thank you.