

**Press release**

**LCQ2: Electronic money systems of Hong Kong and  
the Pearl River Delta Region**

Wednesday, July 8, 2009

Following is a question by the Hon Andrew Leung and a reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (July 8):

Question:

Octopus and Shenzhen Tong are two electronic money systems used extensively by residents in Hong Kong and Shenzhen respectively, and both systems may be used for various types of services such as public transport and shopping. Residents in Hong Kong and Shenzhen travel frequently between the two places, with over 100 million trips made each year, and approximately 10 million residents in Shenzhen are now eligible to apply locally for endorsement to visit Hong Kong under the "Individual Visit Scheme". Furthermore, nine cities in the Pearl River Delta Region have commenced preparation work for a "Smart Card" electronic money system which may be used for public transport. It is expected that the "Smart Card" will be introduced within the next few years for public use, and it will become the largest electronic money platform in the region. In this connection, will the Government inform this Council whether it will, under "The Outline of the Plan for the Reform and Development of the Pearl River Delta":

- (a) take the initiative to raise, as one discussion item, the early and pilot implementation of mutual use and access of the electronic money systems of Hong Kong and Shenzhen; and
- (b) strive for participating in the above preparation work for the "Smart Card", so as to transfer Hong Kong's experience in electronic money system to the Mainland, and strive for the inclusion of Hong Kong in the coverage of the "Smart Card"; if it will, of the progress; if not, the reasons for that?

Reply:

President,

The Government's reply to the question is as follows:

(a) The Government and the relevant regulators (including the Hong Kong Monetary Authority (HKMA)) have been promoting the financial infrastructure and economic cooperation between Hong Kong and the Mainland. Long before the promulgation of the "Framework for Development and Reform Planning for Pearl River Delta Region", the HKMA has been in discussion with the Shenzhen Central Sub-branch of the People's Bank of China (PBoC Shenzhen) and other relevant parties on the feasibility of establishing a linkage between Octopus and Shenzhen Tong with a view to enabling cross system usages.

At present, Octopus is the only multi-purpose e-money widely used in Hong Kong. As the supervisory body, the HKMA has been encouraging and supporting Octopus in providing cross-border services. For example, with the joint efforts of the HKMA and PBoC Shenzhen, Octopus has started operation in relevant retail outlets in Shenzhen since August 2006. Currently, Octopus has over 30 processors in Shenzhen to facilitate use by Octopus card holders.

With the joint efforts of the two governments, a Task Force has been established by Octopus Holdings Limited and Shenzhen Tong Co. Ltd. The Task Force will, based on the principles of providing convenience to the residents of Hong Kong and Shenzhen and promoting mutual benefits, explore the feasibility of establishing the linkage and coordinate the work required. As the project involves a number of technical, business and operational issues, including the system standard, card reader compatibility, cryptographic capability, management concept, business operation, etc, more time is required for both parties to examine the project in detail.

Under the co-operation framework between Hong Kong and Guangdong, the HKMA will continue to join hands with PBoC Shenzhen to make the Octopus and Shenzhen Tong cards interoperable with a view to bringing convenience to residents of Hong Kong and Shenzhen and facilitating the flow of people, capital and goods between the two places.

(b) Regarding the Pearl River Delta Region, to facilitate the implementation of the "Framework for Development and Reform Planning for Pearl River Delta Region (2008 - 2020)", the People's Government of the Guangdong Province General Office issued the "Guiding Opinions on Expediting the Economic Integration in the Pearl River Delta Region" (Guiding Opinions) on June 10 this year. For transportation, the Guiding Opinions proposed the promotion of the transportation management integration, including taking forward the intercity connection, and striving to achieve the use of a single card on public transport in five years.

It is our understanding that the implementation arrangements have not been promulgated yet. The Government will closely monitor the development in this regard, and follow up with the relevant party when appropriate and consider the appropriate role to be played by Hong Kong in the relevant development.

In addition, the HKMA has established close cooperation relationship with the People's Bank of China's Guangdong Branch (PBoC Guangdong). Since 1998, the two authorities have jointly introduced a number of cross-border cooperation projects, including the cross-border Joint Clearing Facility for Hong Kong Dollar and US Dollar Bills, and one-way Renminbi joint cheque clearing. These projects have helped bring convenience to the residents and enterprises of the two places in terms of consumption as well as making cross-border financial and commercial payments. Since their introduction, the services have been running smoothly with an increasing amount of usage. In 2008, the daily transactions conducted through the abovementioned cross-border facilities amounted to over HK\$1.7 billion on average.

The HKMA will continue its ongoing efforts and discussion with PBoC Guangdong on the potential financial infrastructure cooperation initiatives.

Ends