

**Press Release**

**LC Urgent Q1: Urgent measures to halt the circulation of counterfeit banknotes**

Wednesday, January 8, 2014

Following is a question by the Hon Sin Chung-kai under Rule 24(4) of the Rules of Procedure and a reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (January 8):

Question:

As counterfeit \$1,000 denomination banknotes of the 2003 series are found in the market and the circulation of banknotes will surge before the Lunar New Year, will the Government inform this Council:

(1) whether it will require various banks to immediately withdraw all 2003 series of \$1,000 banknotes from circulation; if it will, of the timetable; if not, the reasons for that, and what immediate measures it will adopt to prevent the problem of counterfeit banknotes from deteriorating; and

(2) whether it will require various banks to complete the recalibration of all cash deposit machines in the territory expeditiously and before the Lunar New Year, so as to avoid accepting counterfeit banknotes, and ensure that counterfeit banknotes deposited with the banks through these machines will not be circulated in the market?

Reply:

President,

(1) In 2010, when the Hong Kong Monetary Authority (HKMA) introduced a new series of banknotes, it also arranged for the gradual withdrawal of the 2003 series from the market, with a view to replacing the relatively worn-out 2003 series notes with the new series. The HKMA and banks will speed up the process of replacement but the timing has to depend on how fast banknotes will return to banks from circulation.

Those who do not want to have any 2003 series \$1,000 banknotes can request new series notes when withdrawing cash from banks, or replace their

older series notes in hand with the new series ones at banks, without waiting for a total recall. In fact, there is currently no need for a total recall of the 2003 series \$1,000 notes lest it might cause even greater inconvenience and unnecessary disruptions to the general public and businesses.

For the time being, it is important to promote public knowledge of banknotes so that they can fully understand how to identify counterfeit notes. Although the newly spotted counterfeits contain imitation of some of the security features in the real notes, the public can still quite easily identify the counterfeits. In particular, the yellow fluorescent barcode on the front of the counterfeit notes is relatively dull and dim when viewed under an ultraviolet lamp. The edges of the metallic thread on the back of the counterfeits are much smoother, and the printing is of poorer quality with flaws. So far, about 100 such Bank of China Hong Kong (BOCHK) and HSBC \$1,000 counterfeit notes were seized by the Police, and the number of counterfeit notes seized recently is not exceptionally high. The HKMA and the Police have so far organised a number of seminars on identifying counterfeit notes. Apart from bank staff, employees of major retail and catering chains were also invited to help strengthen their ability to detect counterfeit notes. To facilitate a wider and more convenient access to information on the features of genuine and fake notes and their key differences, the HKMA has uploaded onto its website a video on the explanations given at the seminars. This educational work will continue. The HKMA will keep in close liaison with all banks in Hong Kong with a cash-handling business, and request them to provide staff with appropriate information and training concerning the features of counterfeit notes. Banks are also asked to ensure that there is enough manpower to carry out banknote examination work and provide assistance for customers.

As demand for banknotes before the Lunar New Year will increase, the HKMA has further requested banks to ensure a sufficient stock of banknotes and enough manpower to meet the public demand.

(2) The HKMA has required banks to ensure all \$1,000 notes dispensed over the counter by tellers or via auto-teller machines (ATMs) are duly verified and genuine. All \$1,000 notes deposited through automatic cash deposit machines will be sent back to bank vaults for verification before they are sent back to bank counters or ATMs for circulation.

At the same time, the HKMA has required all banks to examine and recalibrate their cash deposit machines to enhance their capability for detecting the 2003 series BOCHK \$1,000 counterfeit banknotes. During the process of examination and recalibration, some of these machines may decline the deposit of 2003 series BOCHK \$1,000 banknotes. The HKMA has urged banks to speed up the examination and recalibration of all cash deposit machines and is monitoring closely the progress, in order to ensure that the normal operation of these machines can resume as soon as possible. Once the process is completed, cash deposit machines will accept the deposit of all banknotes.

Thank you.

Ends