

For information  
on 29 January 2014

## **Legislative Council Panel on Financial Affairs**

### **Recent Appearance of 2003 Series \$1,000 Counterfeit Notes**

#### **Purpose**

New types of counterfeit banknotes, which bear a fair degree of resemblance to the 2003 series \$1,000 banknotes issued by the Bank of China (Hong Kong) Limited (BOCHK) and The Hongkong and Shanghai Banking Corporation Limited (HSBC), were first discovered in Hong Kong on 23 and 27 December 2013 respectively. This paper informs Members of the latest situation and the actions taken by the relevant authorities.

#### **Counterfeiting situation in Hong Kong**

2. Counterfeiting is a common crime that can be seen in most jurisdictions. The Hong Kong Monetary Authority (HKMA) attaches great importance to taking measures to deter counterfeiting through upgrading the security features of our banknotes periodically, and disseminating information on the security features so as to raise the awareness of the general public. As compared to many other jurisdictions, Hong Kong's overall counterfeit rate is low, standing at 1.4 pieces of counterfeit note per one million banknotes in circulation. According to 2011/2012 figures, Canada's counterfeit rate is 28 pieces per one million notes in circulation, the euro area 34, the UK 247 and that of Australia, which uses polymer notes, is 16.

3. As for the new type of counterfeit BOCHK and HSBC \$1,000 banknotes, a total of 110 such counterfeits had been seized by the Police up to 9 January 2014. Compared with a total seizure of 964 pieces of \$1,000 counterfeits in 2012 and the 190 million pieces of \$1,000 banknotes in circulation, the number of counterfeit notes seized recently was not high.

## **Actions taken by the HKMA**

4. In view of the resemblance of the new types of counterfeit notes with the real notes, the HKMA and the Police promptly informed the public of the appearance of the counterfeits on 24 December 2013 and repeatedly thereafter through press releases and briefings for the media, with detailed information on how to differentiate the counterfeit notes from the real ones. The newly spotted 2003 series BOCHK and HSBC \$1,000 counterfeits contain imitation of some of the security features in the real notes. However, the public can still quite easily identify these counterfeits based on the tips provided by the HKMA and the Police. In particular, the fluorescent barcode on the front of the counterfeit notes is relatively dull and dim when viewed under an ultraviolet lamp; the horizontal edges of the metallic thread on the back of the counterfeits are much smoother; and the printing is of poor quality with many flaws. A full account of information about identifying the counterfeits and a comparison with the real notes is at [Annex](#).

5. To further promote public knowledge of identifying counterfeit notes, the HKMA and the Police have since 27 December 2013 jointly organised 21 banknote security feature seminars for around 5,000 participants, mainly from the banking sector and major retail and catering chains. More sessions will be organised to cater for the demand. 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 posted onto its website the key features of the counterfeit notes and also uploaded a recording of banknote security feature seminar onto its website and YouTube.

6. In parallel, the HKMA has worked with banks to ensure that they have adequate manpower and banknotes in place to cater for the demand of the public who would like to exchange their 2003 series \$1,000 banknotes for other denominations or the 2010 series banknotes. The 2010 series banknotes are incorporated with advanced security features, including a dynamic colour-changing pattern, a colour-changing metallic thread, a fluorescent see-through pattern and a stronger embossed effect. All these security features can be easily recognised by naked eyes.

7. Banks are also requested to ensure that all \$1,000 notes dispensed over the counter by tellers or via automatic teller machines (ATMs) are duly verified and genuine. All \$1,000 notes deposited through automatic cash deposit machines should be sent back to bank vaults for verification before they are re-issued into circulation through

bank counters or ATMs.

### **Timetable for Withdrawing 2003 Series \$1,000 Notes**

8. When the HKMA introduced the latest series of banknotes in 2010, it started to arrange for the gradual withdrawal of the 2003 series from circulation. The HKMA and banks will speed up the process of replacement but the progress will depend on how fast banknotes return to the banking system.

9. As all members of the public who would like to exchange their 2003 series \$1,000 banknotes are already able to do so at bank branches, it would not be necessary, nor appropriate, to go for a total recall of the 2003 series \$1,000 notes. To do so might actually cause even greater inconvenience and unnecessary disruptions to the general public and businesses.

### **Acceptance of \$1,000 Notes by Businesses**

10. There have been incidents of retailers refusing to accept \$1,000 notes, and questions have been asked as to whether such refusal is legally permissible. The \$1,000 notes issued by the three note-issuing banks are issued according to the Legal Tender Notes Issue Ordinance, Cap. 65 of the Laws of Hong Kong, and are legal tender in Hong Kong. Being legal tender, they are a mode of payment regarded by law as sufficient and valid for discharging a payment obligation. However, as in all commercial transactions, parties to a transaction may determine the terms of the transaction including the mode of payment. The above Ordinance does not confer an authority upon the Government to force retailers to accept \$1,000 or any other notes. Notwithstanding this, as mentioned in paragraph 5 above, the HKMA and the Police will continue to organise banknote security feature seminars for relevant sectors to facilitate a wider and more convenient access to information on the features of genuine and counterfeit notes and their key differences. We appeal to all retailers to study the tips provided by the HKMA and the Police and welcome them to attend the HKMA seminars so that they understand better how to identify the counterfeit \$1,000 banknotes. We hope that when they are equipped with such knowledge they would feel assured in accepting \$1,000 banknotes and serving their customers.

## **Conclusion**

11. It is impossible to eradicate counterfeiting completely, whether in Hong Kong or other parts of the world. As the overall counterfeit rate in Hong Kong is one of the lowest around the world, the public need not be overly worried. The HKMA will continue to work closely with the Police and disseminate information about counterfeiting in a timely manner. The 2010 series banknotes have incorporated more advanced and easy-to-recognise features, and we will supply more of these notes to meet public demand. We will also take steps to maintain public confidence in Hong Kong currency through continual upgrading of our banknote security and enhancing public education.

Hong Kong Monetary Authority  
21 January 2014



## How To Identify the 2003 Series BOCHK HK\$1,000 Counterfeit Notes

The counterfeit notes are not difficult to identify, especially under ultra-violet light: the yellowish fluorescent barcode in genuine notes are bright and clear because they are made of unique ink; whereas those in counterfeit notes are dull and unclear because they are made of different ink.

**Genuine note: bright and clear fluorescent barcode**



**Counterfeit note: dull and unclear fluorescent barcode**



(Front)



## How To Identify the 2003 Series BOCHK HK\$1,000 Counterfeit Notes

Red, green and blue fluorescent fibres are clearly shown under ultra-violet light; whereas the fibres in counterfeit notes are only blue and dull red.

**Genuine note: red, green and blue fluorescent fibres**



**Counterfeit note: blue and dull red fluorescent fibres**



(Back)



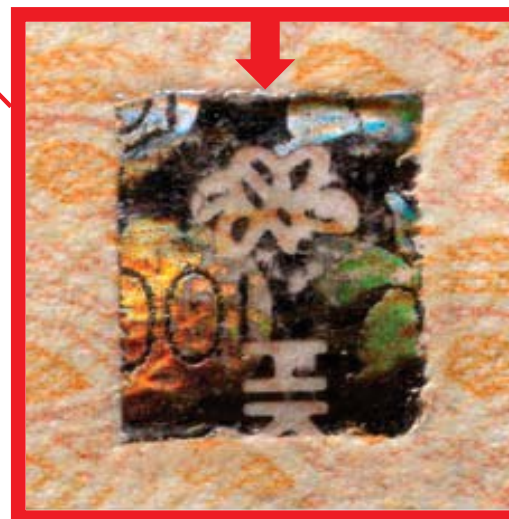


## How To Identify the 2003 Series BOCHK HK\$1,000 Counterfeit Notes

The holographic windowed thread is embedded in genuine notes during the paper production process. The paper fibres make the horizontal edges of the thread uneven. On the contrary, the horizontal edges of the thread in counterfeit notes are more even, probably because they had been cut or tampered with intentionally.



Genuine note:  
Uneven horizontal edges of holographic windowed thread



Counterfeit note:  
More even horizontal edges of holographic windowed thread



# How To Identify the 2003 Series BOCHK HK\$1,000 Counterfeit Notes

Counterfeit notes have poor printing quality, and the imitated security features are clearly different from genuine security features, such as the tonality and contrast of the watermark, effect of the optical variable ink and embossed feeling of the note.

Genuine note:  
Images are clear  
and embossed  
feeling is strong



Counterfeit note:  
Images are less clear  
and embossed feeling is  
weak



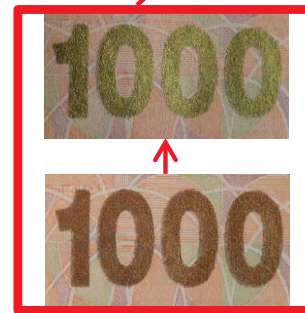
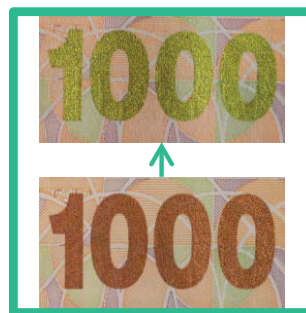
Genuine note:  
Clear tonality  
and strong  
contrast in the  
watermark



Counterfeit note:  
Less clear tonality  
and weak contrast  
in the watermark



Genuine note:  
Denomination numeral  
shifts between gold and  
green



Counterfeit note:  
Denomination numeral shifts  
between brownish gold and dull  
green





## How To Identify the 2003 Series HSBC HK\$1,000 Counterfeit Notes

The counterfeit notes are not difficult to identify, especially under ultra-violet light: the yellowish fluorescent barcode in genuine notes are bright and clear because they are made of unique ink; whereas those in counterfeit notes are dull and unclear because they are made of different ink.

**Genuine note: bright and clear fluorescent barcode**



**Counterfeit note: dull and unclear fluorescent barcode**



(Front)



## How To Identify the 2003 Series HSBC HK\$1,000 Counterfeit Notes

Red, green and blue fluorescent fibres are clearly shown under ultra-violet light; whereas the fibres in counterfeit notes are only blue and dull red.

**Genuine note: red, green and blue fluorescent fibres**



**Counterfeit note: blue and dull red fluorescent fibres**



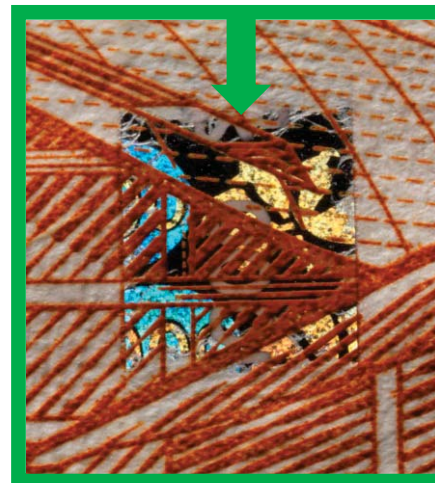
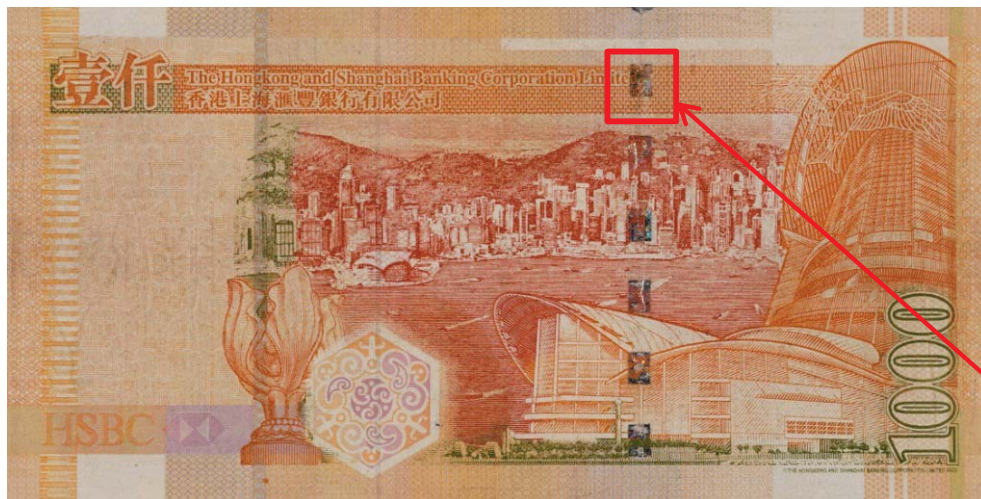
(Back)



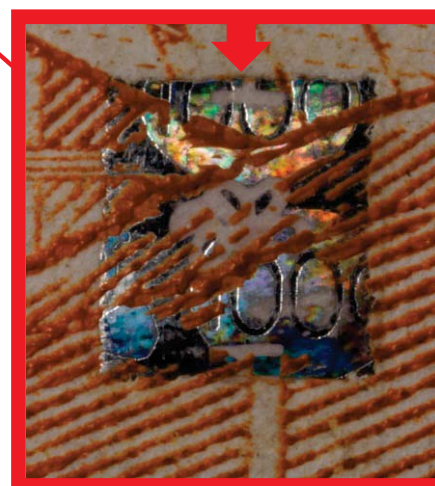


## How To Identify the 2003 Series HSBC HK\$1,000 Counterfeit Notes

The holographic windowed thread is embedded in genuine notes during the paper production process. The paper fibres make the horizontal edges of the thread uneven. On the contrary, the horizontal edges of the thread in counterfeit notes are more even, probably because they had been cut or tampered with intentionally.



Genuine note:  
Uneven horizontal edges of holographic windowed thread



Counterfeit note:  
More even horizontal edges of holographic windowed thread

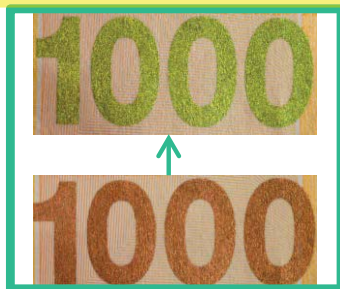


## How To Identify the 2003 Series HSBC HK\$1,000 Counterfeit Notes

Counterfeit notes have poor printing quality, and the imitated security features are clearly different from genuine security features, such as the tonality and contrast of the watermark, effect of the optical variable ink and embossed feeling of the note.

Genuine note:

Denomination numeral shifts between gold and green



Counterfeit note:

Denomination numeral shifts between brownish gold and dull green



Genuine note:

Clear tonality and strong contrast in the watermark



Counterfeit note:

Less clear tonality and weak contrast in the watermark



Genuine note:

Images are clear and embossed feeling is strong



Counterfeit note:

Images are less clear and embossed feeling is weak







Approval is hereby given, under section 103 of the Crimes Ordinance (Cap. 200 of the Laws of Hong Kong), for the public to download the banknote images in this section solely for learning how to identify counterfeit notes.