



Guideline on Authorization of Virtual Banks

Technical Briefing

6 February 2018

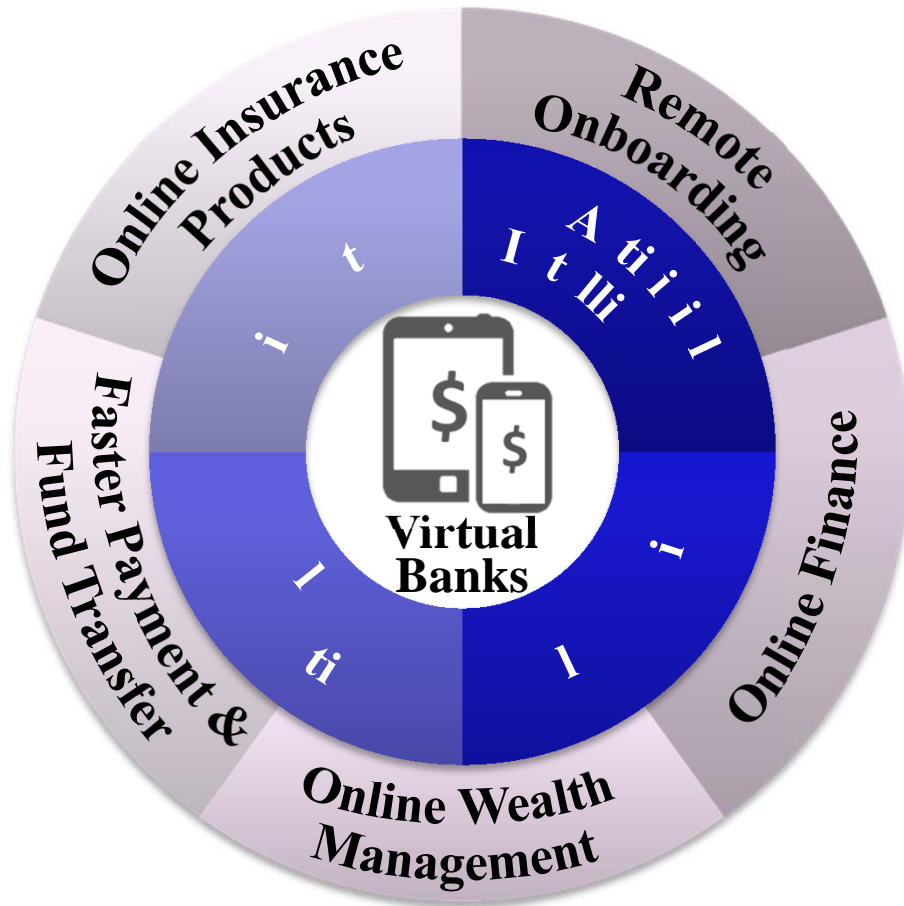


Introduction of Virtual Banks

- An important initiative to promote Smart Banking
- Welcome the establishment of virtual banks
 - Facilitate fintech development and innovation
 - Offer new customer experience
 - Promote financial inclusion
- Review the Guideline on Authorization of Virtual Banks (“Guideline”)



Business Model of Virtual Banks



Target Customers

Individual Customers

Small and Medium Enterprises



Review Results (1)

- Basic principles still applicable:
 - Concrete and credible business plan
 - Risk management
 - Treating customers fairly
 - Adequate capital



Review Results (2)

- Key updates:
 - Applicants
 - Both financial and non-financial firms may apply
 - Play an active role in promoting financial inclusion
 - Virtual banks may set up customer service centres although they do not maintain physical branches
 - Not to impose minimum account balance requirement or low-balance fees



Review Results (3)

- Operate as a locally-incorporated bank
 - Engage primarily in retail businesses: expected to operate as a locally-incorporated bank
- Ongoing supervision
 - Subject to the same set of supervisory principles and key requirements applicable to conventional banks
 - Some requirements need to be adapted



Review Results (4)

– Exit plan

- Virtual banking is a new business model
- Provide an exit plan for unwinding the business in an orderly manner should it become necessary



Way Forward

- Public consultation: from today until 15 Mar 2018
- Issue a revised Guideline in May 2018
- Companies interested in setting up a virtual bank may submit an application now
- Set up a dedicated team: answer enquiries from applicants and provide assistance