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