



HONG KONG MONETARY AUTHORITY  
香港金融管理局

**Consultation Paper on  
Proposed Renaming of “Virtual Bank”**

6 August 2024

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Annex Consultation Questions

## I. Foreword

1. This consultation paper sets out a proposal of the Hong Kong Monetary Authority (HKMA) to rename “Virtual Bank” and the HKMA’s analysis of possible new names.
2. The HKMA invites comments on the proposal in this paper. A full list of the consultation questions can be found at **Annex**.
3. Please submit your comments to your industry association or directly to the mailbox at **renaming\_virtualbank@hkma.gov.hk** by **5 September 2024**.
4. Persons submitting comments on behalf of an organisation should provide details of the organisation whose views they represent.
5. **Please note that the names of commentators and the contents of their submissions may be published by the HKMA on the website and/or in other documents to be published by the HKMA. Please read the Personal Information Collection Statement in the following section for details.**
6. **If you do not wish your name or submission to be published by the HKMA, please indicate so when you make your submission.**

## II. Personal Information Collection Statement

7. This Personal Information Collection Statement (PICS) is made in accordance with the guidelines issued by the Privacy Commissioner for Personal Data. The PICS sets out the purposes for which your Personal Data<sup>1</sup> will be used following collection, what you are agreeing to with respect to the HKMA's use of your Personal Data, and your rights under the Personal Data (Privacy) Ordinance (Cap. 486) (PDPO).

### Purpose of Collection

8. The personal data provided in your submission in response to this consultation paper may be used by the HKMA for one or more of the following purposes –
- to administer the provisions of the Banking Ordinance (Cap. 155) and guidelines published pursuant to the powers vested in the HKMA;
  - to perform statutory functions under the provisions of the Banking Ordinance (Cap. 155);
  - for research and statistical purposes; or
  - for other purposes permitted by law.

### Transfer of Personal Data

9. Personal data may be disclosed by the HKMA to members of the public in Hong Kong and elsewhere as part of this consultation. The names of persons who submitted comments on this consultation paper, together with the whole or any part of their submissions, may be disclosed to members of the public. This will be done by publishing this information on the HKMA website and/or in documents to be published by the HKMA during the consultation period or at its conclusion.

### Access to Data

10. You have the right to request access to and correction of your personal data in accordance with the provisions of the PDPO. Your right of access includes the right to obtain a copy of your personal data provided in your submission on this consultation paper. The HKMA has the right to charge a reasonable fee for processing any data access request.

### Retention

11. Personal data provided to the HKMA in response to this consultation paper will be retained for such period as may be necessary for the proper discharge of its functions.

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<sup>1</sup> Personal data means personal information as defined in the Personal Data (Privacy) Ordinance (Cap. 486).

## **Enquiries**

12. Any enquiries regarding the personal data provided in your submission on this consultation paper, requests for access to personal data or correction of personal data should be addressed in writing to –

Personal Data Privacy Officer  
Hong Kong Monetary Authority  
55/F, Two International Finance Centre  
8 Finance Street  
Central, Hong Kong

### III. Executive Summary

13. The existing name “Virtual Bank (虛擬銀行)” has been in use since 2000, when the Guideline on Authorization of Virtual Banks was first issued by the Monetary Authority (MA) under section 16(10) of the Banking Ordinance. At that time, the emphasis was placed on the form of “virtual” presence of banks that wished to conduct business primarily through the Internet or other electronic channels, and consideration was given to the need of distinguishing them from conventional banks that had physical branches.
14. Having regard to present day circumstances and the developments in the banking sector, particularly the adoption of a wide range of financial technologies and innovations in the operations of banks, the HKMA considers that “Virtual Bank (虛擬銀行)” may no longer be the most appropriate description, and thus consideration should be given to renaming. In proposing a new nomenclature, the HKMA aims to place more emphasis on the banking model that virtual banks (VBs) are pursuing instead of focusing on the form of presence.
15. It is proposed that the term “Virtual” be replaced by “Digital”. “Digital” is a broader term that has connotations of “Internet” and “technology”, and thus seems to better reflect the use of the latest financial technologies and innovations by VBs.
16. Members of the public are welcome to provide comments on the proposed renaming of “Virtual Bank (虛擬銀行)” to “Digital Bank (數字銀行)”.

## IV. Background

17. In the late 1990s, in response to a massive acceleration of the pace of development of electronic banking activities in Hong Kong, the HKMA reviewed and updated the policy framework on electronic banking with a view to providing a regulatory environment in which banks would properly manage the relevant risks while realising the potential benefits that such new business model might bring about.
18. In 2000, the Monetary Authority (MA) issued a Guideline on Authorization of Virtual Banks (the “Guideline”) under section 16(10) of the Banking Ordinance (BO), setting out specific guidance on authorization and related issues of virtual banks (VBs). Since then, the name “Virtual Bank (虛擬銀行)” has been used to refer to banks that deliver services primarily over the Internet and other electronic channels. At that time, emphasis was placed on the form of their “virtual” presence to differentiate them from brick-and-mortar banks.
19. As part of the package of initiatives announced in September 2017 to bring Hong Kong into a New Era of Smart Banking, the MA issued a revised “Guideline on Authorization of Virtual Banks” in May 2018 to encourage the development of VBs in Hong Kong. In the first half of 2019, the HKMA granted licences to eight VBs. It was a major milestone in reinforcing Hong Kong’s position as a premier international financial centre.
20. The eight VBs officially launched their services in 2020. Notwithstanding that they are still in the initial stage of operations, VBs have helped promote fintech development, which is one of the three policy objectives of introducing VBs into Hong Kong, by adopting a wide range of financial technologies and innovations in their operations. These include, among other things, artificial intelligence in facial recognition and document verification for remote customer on-boarding, and big data analytics and machine learning for credit assessment. They have also made use of cloud computing and open Application Programming Interface to collaborate with third-party service providers, including customer reward programme operators and e-wallets. The VBs are providing a range of services, from deposit, loans, payment, remittance to insurance and wealth management. It appears that the term “Virtual”, meaning “done using computer technology over the Internet, and not involving people physically going somewhere”<sup>2</sup>, does not do justice to the technological advancement and banking model of these banks.
21. Further, while market acceptance of VBs has increased over the past few years, the HKMA has received, from time to time, enquiries about the business nature and regulations (e.g. on consumer protection and deposit

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<sup>2</sup> On-line Cambridge Dictionary

protection) of VBs from members of the public. It appears that the existing nomenclature may not be clear enough, especially to those who are less tech-savvy or familiar with the local banking industry. This may not be conducive to VBs' conducting business or promoting financial inclusion by targeting the retail public and small and medium-sized enterprises as their main client base, which is another policy objective of introducing VBs into Hong Kong.

22. In light of the above, it appears that the existing nomenclature "Virtual Bank (虛擬銀行)" is no longer a good representation of VBs, and thus consideration should be given to renaming.



## V. Proposal

23. In proposing a new nomenclature for VBs, the HKMA aims to place more emphasis on the banking model that VBs are pursuing instead of focusing on the form of presence. Reference has been made to the nomenclature of banks with similar business model in other jurisdictions to inform the proposal.
24. As shown in the table below, apart from Hong Kong, other jurisdictions do not use the term “Virtual” to describe banks that mainly distribute services through the Internet or other electronic channels. It appears that “Internet”, “Digital” and “Online” are the more common descriptions.

**Table 1**

| <b>Jurisdiction</b> | <b>Chinese name</b> | <b>English name</b>           |
|---------------------|---------------------|-------------------------------|
| Mainland of China   | 互聯網銀行               | Internet bank                 |
| Taiwan, China       | 純網路銀行（純網銀）          | Internet-only bank            |
| Singapore           | Nil                 | Digital bank                  |
| Malaysia            | Nil                 | Digital bank                  |
| Korea               | Nil                 | Online-only bank              |
| USA                 | Nil                 | Online bank/ Online-only bank |
| UK                  | Nil                 | Challenger bank               |

25. The HKMA has considered the possible alternative terms to “Virtual”, including “Internet”, “Online”, “Network”, “Cyber” and “Digital”, which have a similar meaning as “Virtual” but has a more positive connotation. The meaning of each of these terms<sup>3</sup> is set out below:
- (i) Internet (互聯網) – a large system of connected computers around the world that allows people to share information and communicate with each other (i.e. World wide web);
  - (ii) Online (線上／在線／網上／聯網) – online products, services, or information can be bought or used on the Internet;
  - (iii) Network (網絡／網路／聯網) – a system of computers connected together so that they can share information;
  - (iv) Cyber (網絡／網路／電腦) – involving, using, or relating to computers, especially the Internet; and
  - (v) Digital (數字／數碼) – recording or storing information as a series of the numbers 1 and 0, to show that a signal is present or absent (e.g. digital

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<sup>3</sup> On-line Cambridge Dictionary

data); relating to digital signals and computer technology (e.g. digital recording); relating to computers and the Internet.

26. It appears that the first four terms mainly describe the use of Internet infrastructure or channel. On the other hand, the term “Digital” is a broader term that has connotations of “Internet” and “technology”, and thus seems to better reflect the use of financial technologies and innovations in VBs’ operations. According to Wikipedia, “[d]igital banking involves high levels of process automation and web-based services... to deliver banking products and provide transactions... A digital bank represents a virtual process that includes online banking, mobile banking, and beyond... Ultimately, a digital bank should facilitate all functional levels of banking.” Further, compared with “Internet Bank”, “Online Bank”, “Network Bank” and “Cyber Bank”, “Digital Bank” appears to be a more update and relevant terminology in this era of digital transformation. In terms of the Chinese name, the term “數字” is a common formulation, while “數碼” may sound more technical (related to computer codes).
27. Therefore, it is proposed that the term “Virtual (虛擬)” be replaced by “Digital (數字)”.

**Consultation questions:**

- Question 1: Do you agree that “Virtual Bank (虛擬銀行)” should be renamed? If not, why?
- Question 2: Do you have any comments on the proposed new name “Digital Bank (數字銀行)”?

## VI. Way Forward

28. The HKMA is now consulting the public on the proposal to rename “Virtual Bank” to “Digital Bank”. Interested party is welcome to submit its views to the HKMA by **5 September 2024**. Subject to the result of the consultation, the HKMA aims to take forward the amendment of the Guideline to effect the proposed change.

## **Annex      Consultation Questions**

Question 1: Do you agree that “Virtual Bank (虛擬銀行)” should be renamed? If not, why?

Question 2: Do you have any comments on the proposed new name “Digital Bank (數字銀行)”?