

February 2018

On 6 February, 2018, the Hong Kong Monetary Authority (the “**HKMA**”) published draft revisions to its “Guideline on Authorization of Virtual Banks” (the “**Draft Guideline**”).

The framework will support the authorization in Hong Kong of ‘virtual banks’, defined as banks which deliver retail banking services primarily, if not entirely, through the internet or other electronic channels rather than through physical branches.

Consultation on the Draft Guideline is open to the public through 15 March, 2018.

The existing framework and the vision going forward

Once finalized, the Draft Guideline will replace the HKMA’s existing Guideline on Authorization of Virtual Banks issued on 5 May, 2000. The original guidelines, which were largely unused, were introduced to support Hong Kong market entry by offshore licensed financial institutions through Hong Kong-based internet banking operations, which were growing in popularity at the time.

HKMA Chief Executive Officer Norman Chan signaled his intention to overhaul the virtual banking framework in his September, 2017 speech calling for a “New Era of Smart Banking” in Hong Kong. A new virtual banking framework was put forward together with a number of other proposals, including the recently launched “Open API” consultation (please see our separate briefing [here](#)).

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