Guideline on Authorization of Virtual Banks

Our Ref : B9/29C
B1/15C

5 May 2000

The Chief Executive
All authorized institutions

Dear Sir/Madam,

Guideline on Authorization of Virtual Banks

I enclose a copy of the captioned Guideline which the Hong Kong Monetary Authority ("HKMA") issued today for your reference.

This Guideline is the first of a series of guidelines to be issued by the HKMA on electronic banking. It sets out the principles which the HKMA will take into account in deciding whether to authorize virtual banks to operate in Hong Kong. The main principle is that the HKMA will not object to the establishment of virtual banks in Hong Kong provided that they can satisfy the same prudential criteria that apply to conventional banks.

While the Guideline is intended mainly for applicants seeking authorization as virtual banks, some of the principles contained in the Guideline, particularly those relating to risk management of electronic banking activities, will also be relevant to existing banks providing banking services through the internet. In addition, as mentioned in the Guideline, banks which propose to be converted into virtual banks should notify the HKMA of their plans in advance and seek approval from the HKMA of such a change.

Should you have any questions relating to this Guideline, please contact Mr Edmond Lau at 2878-8110 or Mr Raymond Chan at 2878-1846.

Yours faithfully,

(Raymond Li)
Executive Director (Banking Policy)

Encl.

c.c. Chairman, The Hong Kong Association of Banks
Chairman, The DTC Association

Last revision date : 05 May 2000