

Review of virtual banks

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA) issued today (August 6) a report on its review of virtual banks (VBs) (the Report).

The review was conducted in 2024, several years after the eight VBs commenced their business in 2020, to look into their operations and impact on the Hong Kong banking system. The review aims to:

1. assess how well the three policy objectives of introducing VBs to Hong Kong have been delivered so far;
2. review the level of market acceptance, business and financial performance, and user response of VBs since their inception;
3. discuss the challenges facing VBs and the HKMA's policy initiatives to support their development; and
4. recommend the next steps for further development of the VB industry.

Based on the results of the review, the development of VBs in Hong Kong has so far achieved the three policy objectives of introducing virtual banking. Furthermore, virtual banking, the innovative banking model driven by the adoption of technology, is gaining wide market acceptance in Hong Kong, with a total number of 2.2 million depositors as at the end of 2023. The products and services offered by the eight VBs have also received positive response. In terms of business and financial performance, VBs faced challenges in launching their business at the beginning mainly due to the outbreak of the COVID-19 pandemic and none of them had achieved profitability as at the end of 2023. Nevertheless, they recorded moderate business growth over the past three years, and their operating performance continued to improve, with aggregate operating income increasing seven-fold and net losses narrowing by 15 per cent from 2021 financial year to 2023 financial year.

The Chief Executive of the HKMA, Mr Eddie Yue, said, "Looking ahead, with the diversity of VBs and incumbent banks, the HKMA considers that the current number of virtual banking licenses is optimal and does not see any strong justification to introduce more new VB players to the market at this juncture."

In the meantime, the HKMA has commenced today a one-month public consultation on a proposal to rename "Virtual Bank" as "Digital Bank". It is expected that the proposed new name can better reflect the banking model of VBs in the present day.

[The Report](#) and [the public consultation paper of the renaming](#) can be viewed on and downloaded from the HKMA website.