

LCQ8: Virtual banks

Following is a question by the Hon Chan Chun-ying and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (April 29):

Question:

The Hong Kong Monetary Authority (HKMA) granted a total of eight virtual bank licences between March and May last year. Up to the middle of April this year, one virtual bank has officially launched services, three others are conducting pilot trials through the Fintech Supervisory Sandbox, and the remaining four are doing preparatory work. In this connection, will the Government inform this Council:

(1) whether the progress of service launch by virtual banks has met the expectations of HKMA; if not, whether HKMA has looked into the specific reasons for that; whether HKMA knows if the four virtual banks that have not yet launched services or commenced pilot trials at present have adjusted their schedules for launching services;

(2) as there are still quite a number of institutions that have expressed an interest in applying for a virtual bank licence, whether HKMA will grant more licences shortly; if so, of the details; if not, the reasons for that; and

(3) whether HKMA will review in a timely manner the cybersecurity fortification initiatives implemented by the virtual banks that have launched services, and gather the feedback of customers on virtual banking services; if so, of the details; if not, the reasons for that?

Reply:

President,

Our reply to the various parts of the question is as follows:

(1) To promote fintech development and innovation as well as financial inclusion in Hong Kong, the Hong Kong Monetary Authority (HKMA) granted banking licences to eight virtual banks in the first half of 2019. As at April 24, 2020, one virtual bank has officially commenced operation, providing the public with innovative financial services such as remote account onboarding and online lending. Three virtual banks are piloting operation in the HKMA's Fintech Supervisory Sandbox, with services provided to a confined group of customers. The pilot trials enable the banks to collect customer feedback for refining their products and services, and help them get better prepared for the official launch of services at a later stage. The remaining virtual banks are also pressing ahead at full steam with the necessary preparatory work, with a view to providing services to the public as soon as practicable. Noting that the outbreak of the COVID-19 has

inevitably affected the virtual banks' preparation for launch of services, the HKMA considers the progress made by virtual banks towards business commencement on a whole satisfactory.

(2) Following the granting of the eight virtual bank licences, many institutions have approached the HKMA enquiring about or expressing an interest in applying for a licence to operate a virtual bank. The HKMA will monitor the operation of the existing virtual banks after they commence business, and assess user response to their services, the level of market acceptance and the impact on the banking system. The assessment results will be taken into account in considering the way forward, including whether to grant additional licences to virtual bank operators.

(3) The HKMA requires virtual banks to complete a series of preparatory work before commencing business, including developing IT systems and establishing robust risk management measures. On technology risk management, virtual banks are required to conduct comprehensive independent assessments of their technology risks, including an assessment of their cybersecurity risk under the Cyber Resilience Assessment Framework, before business commencement. Virtual banks should also establish procedures for regular reviews of their technology risk controls to ensure that these controls remain appropriate notwithstanding continued development in technology. The HKMA will conduct regular reviews on the effectiveness of virtual banks' technology risk management and cybersecurity controls following their commencement of operation. The HKMA will also collect customer feedback on their services through ongoing communications with the virtual banks in operation.

Latest arrangements for public services provided by departments under DEVB Planning and Lands Branch

Following the announcement made by the Government that public services will resume under a phased approach from May 4, a spokesman for the Development Bureau said today (April 29) the latest arrangements of the public services provided by the departments under its Planning and Lands Branch will be as follows:

Buildings Department (BD)

All public counter services, including the Receipt Counter and the Enquiry Counter on the ground floor of the BD's Headquarters at North Tower, West Kowloon Government Offices, 11 Hoi Ting Road, Yau Ma Tei, Kowloon; the Receipt and Dispatch Counter of its New Buildings Divisions at 7/F, 14 Taikoo Wan Road, Taikoo Shing, Hong Kong; and the Building Information Centre on 2/F

of its Headquarters will reopen on May 4 to provide services for the public from Monday to Friday.

In order to reduce social contact, the public are advised to make use of the BD's online services. For general enquiries and reports, members of the public can call 1823 or inform the department via online reporting form, email, fax or post.

Lands Department (LandsD)

The LandsD's offices (including the District Lands Offices) will resume providing public counter services and enquiry telephone lines on May 4. The services include payment of government rent and premiums, map sales, collection of compensation for land resumption, depositing of land boundary plans and survey record plans, and inspection of a full list of Authorised Land Surveyors.

Online services will continue to operate. Members of the public can continue to purchase most map products from Hong Kong Map Service 2.0 (www.hkmapservice.gov.hk), and can pay government rent and land premiums online or through other electronic means. Members of the public are also encouraged to file enquiries or complaints and send in requests for service by email.

Planning Department (PlanD)

Normal operation of the PlanD's public services will resume on May 4. Counter services of the Planning Enquiry Counters of North Point Government Offices (NPGO) and Sha Tin Government Offices will return to normal, including enquiry services on general planning information and inspection of documents required under the Town Planning Ordinance.

The District Planning Offices will resume fieldwork, including posting of site notices for planning applications.

In addition, the Town Planning Board Secretariat's reception counter on 15/F of NPGO will resume normal service.

Members of the public are encouraged to make enquiries through its hotline (2231 5000) or email (enquire@pland.gov.hk), and can visit the PlanD's website (www.pland.gov.hk) for general planning information.

Land Registry

The opening hours of all Land Registry offices will return to normal on May 4. Details are as follows:

- (1) between 9am and 1.30pm from Monday to Friday, other than on a public holiday, for the purpose of delivering instruments for registration; and
- (2) between 9am and 12.30pm and between 2pm and 5pm from Monday to Friday,

other than on a public holiday, for other purposes.

People may also deposit documents to be delivered to the Land Registry (excluding instruments to be delivered for registration) in the Drop-in Box located near the Information Counter on the Deck Floor of the High Block of Queensway Government Offices between 9am and 5pm from Monday to Friday, other than on a public holiday.

Members of the public are encouraged to conduct land searches through the Land Registry's online search service (www.iris.gov.hk) and use the Drop-in Box as far as possible. For enquiries, please call the Land Registry hotline on 3105 0000.

Report No. 74 of the Director of Audit

Report No. 74 of the Director of Audit on the results of value for money audits was tabled in the Legislative Council this morning (April 29).

Value for money audit is an examination into the economy, efficiency and effectiveness with which any bureau of the Government Secretariat, department, agency or other public body has discharged its functions. Report No. 74 of the Director of Audit covers a variety of subjects on the administration of government programmes and provision of public services.

Report No. 74 comprises the following eight chapters:

Management of funding for sports development throughout the Arts and Sports Development Fund (Sports portion)

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Report No. 74 of the Director of Audit on the results of value for money audits is available on the Audit Commission's website at www.aud.gov.hk.

Site formation and infrastructure works for public housing developments at Kam Tin South in Yuen Long authorised

The Chief Executive in Council has authorised the site formation and infrastructure works for public housing developments at Kam Tin South in Yuen Long. The notice was gazetted today (April 29).

Details of the works are set out in the Annex.

Legislative amendments to abolish embarkation fee for cross-boundary ferry passengers gazetted

Legislative amendments which seek to effect the abolition of the embarkation fee for cross-boundary ferry passengers (embarkation fee), namely the Shipping and Port Control (Ferry Terminals) (Amendment) Regulation 2020, Merchant Shipping (Local Vessels) (Ferry Terminals) (Amendment) Regulation 2020 and Merchant Shipping (Local Vessels) (Fees) (Amendment) Regulation 2020, were gazetted today (April 29).

A spokesman for the Transport and Housing Bureau said that the embarkation fee is imposed on cross-boundary ferry owners in respect of each passenger embarking on a cross-boundary ferry vessel at the Hong Kong-Macau Ferry Terminal, China Ferry Terminal or Tuen Mun Ferry Terminal. According to the current ferry fares, the embarkation fee is set at \$11 per passenger for a single trip. The abolition of embarkation fee was an initiative announced by the Chief Executive in her 2019 Policy Address Supplement.

The spokesman said, "All the cross-boundary ferry operators have undertaken to reduce their ferry fares to reflect the \$11 fee reduction in full and to hold such reduced fares for at least one year.

"The diversion effect of the Hong Kong-Zhuhai-Macao Bridge on cross-boundary patronage at the three above-mentioned cross-boundary ferry terminuses has been noticeable. The abolition of the embarkation fee should facilitate the development of cross-boundary ferry services while promoting, over the long term, a healthier competition between the land and sea cross-boundary transport modes. It should also help the cross-boundary ferry operators re-gain business when the three cross-boundary ferry terminuses are re-open for normal business."

The above legislative amendments will be tabled at the Legislative Council next Wednesday (May 6) under negative vetting procedures and the target commencement date is August 1.