



inSight

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Embracing new opportunities and accessing banking services

With the pandemic coming to an end, the Hong Kong economy is regaining momentum, and many companies that are newly established or located overseas are keen to open bank accounts in Hong Kong to explore business opportunities. In the face of the increasing demand, banks are expediting the handling of account opening applications. In effect, there has also been more comments about the difficulty of opening an account, where some of them cited that banks would reject applications due to anti-money laundering (AML) reasons and perceived high risks.

To this end, in recent months we have actively discussed with banks and reminded them that there is no legal and regulatory requirement prohibiting banks in Hong Kong from providing banking services to virtual assets (VA) related entities. We have also reminded banks to adhere to a “risk-based approach” when conducting customer due diligence (CDD) and avoid unnecessary processes, and refrain from adopting a “one-size-fits-all” approach to reject account opening applications.

A “risk-based approach” means that the banks should differentiate the risk levels of customers and apply proportionate CDD measures without adopting a “one-size-fits-all” or de-risking approach. In implementing effective AML measures, banks should also treat customers fairly and enhance access to basic banking services by businesses through transparent, reasonable and efficient procedures. A good example of the application of the risk-based approach is the Simple Bank Account (SBA) arrangement, which was launched a few years ago at the encouragement of the HKMA.

SBAs are a tier of accounts derived from traditional deposit accounts focusing on the provision of basic banking services (e.g. deposits, withdrawals, local and cross-boundary remittances) to eligible corporates based on their actual operational needs. Given the lower risks associated with the lower transaction volume and narrower service scope, banks are able to apply less extensive CDD measures. Since the launch of the SBA arrangement in 2019, about 13,000 of such accounts had been opened by banks, with an average of about 3,000 accounts opened each year.

Highlights of recent market development

In addition to reminding banks to adopt a risk-based approach in conducting CDD, as many new business segments have also emerged in recent years alongside the market development and innovation, banks must keep abreast of latest market trends in order to meet customers’ new operational needs.

Virtual assets

The Government set out clearly in its policy statement last October the objective of promoting the sustainable and responsible development of the VA sector in Hong Kong. Last December, the Legislative Council also amended the relevant legislation for the establishment of a comprehensive and balanced regulatory framework for VA activities to protect investors. Understandably, for some VA businesses that may present higher AML risks, banks will be more cautious when processing their account opening applications. However, with the implementation of the regulatory regime for VA activities in Hong Kong and the strengthening of supervisory regimes in different jurisdictions according to the international standards, and as the banking industry develops a better understanding of the VA industry over time, we expect that regulated virtual asset service providers (VASPs) will be able to successfully apply for a bank account through a reasonable process.

To cope with needs for opening accounts and to enhance the related processes, the HKMA will issue later today a circular to further clarify the possible misinterpretations by banks in respect of CDD and share some past cases and good practices. The HKMA and the Securities and Futures Commission will also jointly organise a roundtable tomorrow for the banking industry and VASPs to exchange views on account opening, as well as other useful information.

Markets with promising potential

Besides the emergence of new sectors, the Government has recently been actively exploring new markets, such as the Middle East and the Southeast Asia. These markets have good potential and are among the main bright spots in the global economy going forward. In particular, the Chief Executive of the HKSAR visited Thailand in last November, as well as several Middle Eastern countries in February this year. To attract businesses from new markets, it is crucial to have high quality financial services, while enhancing corporates' access to bank accounts would be one of the key priorities.

With relatively less experience in dealing with these new markets, frontline bank staff may be less conversant in handling the corporate account applications from these places or reviewing the relevant documentation. These may have unnecessarily complicated the account opening and CDD processes, and in some instances, frontline staff may even try to turn customers away to avoid hassle. That said, banks do attach importance to the quality of customer experience, and value the opportunities from these new markets. We expect banks to continue stepping up staff training on account opening, and allocating additional resources as needed to set up dedicated teams or hotlines to assist companies in the account opening process, so as to capture new business opportunities.

I am confident that banking services will continue to keep up with the market developments. As a regulator, the HKMA will actively participate in the formulation and implementation of international standards, and provide guidance to banks from time to time to help them carry out AML measures in a balanced and proportionate manner. At the same time, we will continue to work closely with the industry, gather feedback from the wide community, and exchange views with stakeholders to enhance customer experience.

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