# Hong Kong's digital banks embrace physical branches in regulatory shift



Emerging trends in the banking sector, particularly in Hong Kong, signal a significant shift towards the integration of physical operations in the rising digital banking landscape. Following a new regulation announced by the Hong Kong Monetary Authority (HKMA), several licensed digital banks are now contemplating the establishment of physical branches, a move that marks the first major change in their operational framework since their inception.

The HKMA originally issued eight virtual bank licences in 2019, as part of efforts to stimulate innovation and increase competition within the financial sector. Subsequently, banks like ZA Bank, WeLab Bank, Mox Bank, Ant Bank, Livi Bank, PAO Bank (previously Ping An OneConnect Bank), Airstar Bank, and Fusion Bank commenced their operations. The recent reform allows these institutions to establish limited physical branches, thereby replacing the terminology of "virtual bank" with "licensed digital bank" to bolster public confidence.

In a statement, a spokesman for the HKMA indicated that this decision was made after considering feedback from industry stakeholders. "Taking into consideration feedback from the industry, the HKMA considers that giving flexibility to digital banks to conduct business through non-electronic channels in a limited manner will help improve their transaction processes and enhance customer experience," he noted. Furthermore, the HKMA will scrutinise applications from these banks seeking to open physical branches to ensure they are justified.

Among the digital banks considering this expansion are WeLab Bank, Mox Bank, and ZA Bank, although Livi Bank has stated it has no current plans to set up any physical branches. With the introduction of this regulation, Barbaros Uygun, the CEO of Mox Bank, expressed optimism regarding the transformation saying, "The move to allow digital banks to have a physical presence not only opens up business opportunities but also enhances the competitiveness of digital banks and customer trust." Uygun also highlighted that this decision would likely encourage greater financial inclusion, benefitting the overall growth of the industry, while the bank continues to enhance its digital services.

WeLab Bank has signalled its intent to explore the possibility of physical branches following its recent achievement of reporting a monthly profit for the first time in December. CEO Tat Lee affirmed this direction, indicating confidence in a hybrid model that combines digital efficiencies with face-to-face interactions.

As these developments unfold, the landscape of digital banking in Hong Kong is poised for transformation, with potential implications for customer engagement, service offerings, and operational strategies within the banking industry.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

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4. <https://www.chinadailyhk.com/hk/article/597964> - Details the regulatory framework and the need for HKMA approval for each physical branch, ensuring a balance between digital and physical services.
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11. <https://www.chinadailyhk.com/hk/article/597964> - Explains how the new regulation supports greater financial inclusion and the overall growth of the industry.
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