

Opening a Bank Account in Hong Kong as a FinTech Business



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The FinTech Association of Hong Kong (FTAHK) is a **member-driven, independent, not-for-profit, and diverse** organisation that is the voice of the FinTech community in Hong Kong. It is organised and led by the community, for the community through a series of committees.

Our objective is to promote Advocacy, Collaboration and Education in the wider FinTech ecosystem.

Build the community.

Be the connector.

Overview

The trials of opening a bank account for startups are often discussed. For FinTech businesses this is often a sticking point in launching operations or taking activities to the next stage. At the same time, banks are subject to rigorous anti-money laundering and counter-terrorist financing (“**AML**”) requirements at both the time of onboarding and throughout the client relationship, which can be costly and time-consuming.

This Guidance Note has been developed to assist FinTech businesses understand what steps they can take to make the process of opening and account in Hong Kong as smooth as possible and have the greatest likelihood of success.

Looking at the problem from the banks’ point of view

Before we start it is probably helpful to look at this from the bank’s point of view. They are in the business of providing account and other services to real businesses for fees.

The process of opening and then operating an account is primarily so that they can learn and collect evidence that your business is a ‘real’ business, invested and run by ‘real people’.

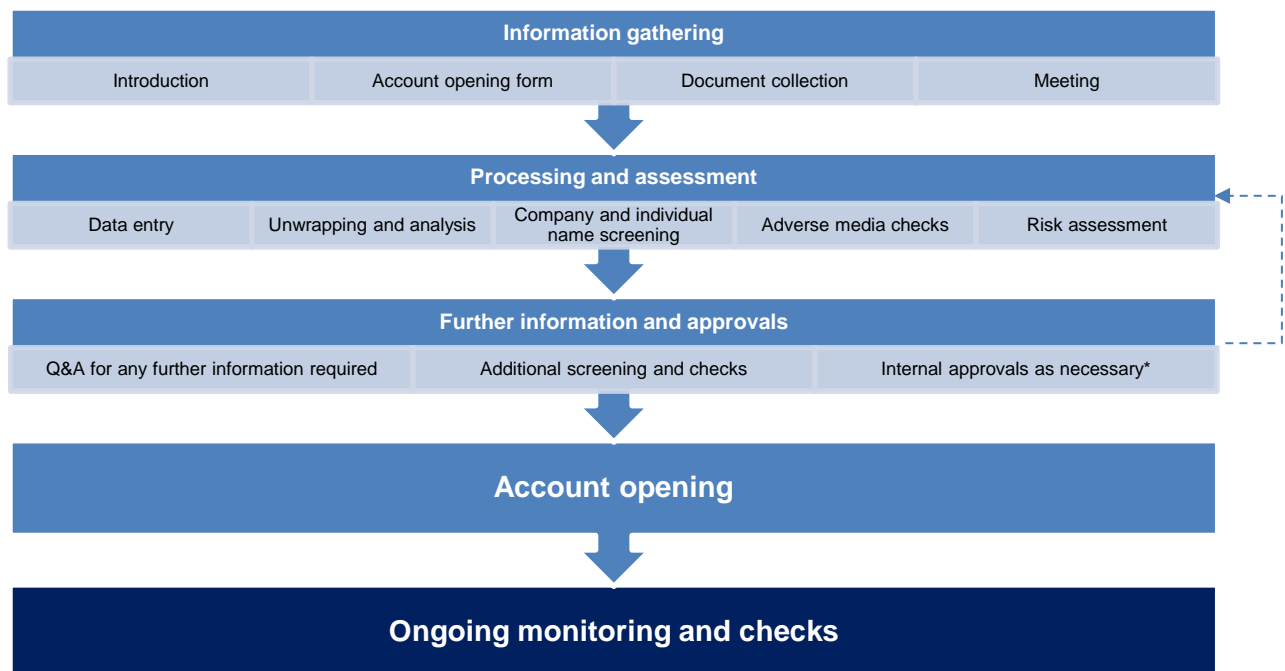
Particularly after the last ten years of scandals, fines and increased regulatory oversight they are trying to avoid opening or operating an account for one of the very very small (but very very high risk) illegitimate businesses that involved in criminal activities, conducting transactions with sanctioned countries, certain individuals or terrorist financing. In addition, banks that operate globally often need to comply with the regulatory obligations of a number of jurisdictions. This may result in the application of the most stringent rules across the financial institution irrespective of the jurisdiction in which you are based.

Whilst you are well aware you are not – the questions and process the bank has to perform is to collect evidence of this, they have a difficult job as the frontline ‘defence’ against these activities so none of the questions are ‘personal’ i.e. different for you compared with other businesses.

Banks want to ensure that they manage their potential exposure to fraud or being used as a means to launder money or finance terrorism. In engaging with your bank or potential bank, be prepared to demonstrate how you have built the right compliance resources, policies and controls within your business to safeguard your customers and your company against these risks. This will assist the bank in considering whether to onboard you, or whether the relationship will create a risk that they are not willing to accept in light of international regulatory obligations and business / cost considerations.

What should I expect?

Every bank is different. Each bank will have its own internal policies and procedures and parameters around accepting FinTech businesses as customers of the bank. The timeline to open a bank account can also vary from weeks to months, depending on various factors. However this is what is usually involved as part of the account opening process.



** Various internal approvals may be required depending on all the facts. Some require senior managers to sign off the account because of mandatory statutory requirements and certain circumstances may require escalation to AML / compliance experts within the bank.*

Practical steps you can take to assist the process

What do to?	Why?
<p>Find the right bank and the right contact person and explain the business simply (i.e. getting paid for services that a group of customers want).</p>	<p>Banks are organisations made up of people. Finding the right person within a bank that understands FinTech is the first step to ensuring that you are not met with an immediate "no" or "too hard" response or alternatively describing the business simply – provide these services that we get paid for from these customers, with initial funding from this source.</p> <p>Speak to your industry contacts – where have they opened a bank account? Who was their contact point? Get the right person's information and start with them rather than walking into a branch and hoping for a good outcome. Banks will often have dedicated FinTech teams or specialists – identify and engage with these dedicated persons.</p> <p>Importantly, you can (and should) try more than one bank.</p>
<p>Collect your information.</p>	<p>Banks are subject to international AML standards and will not entertain applicants that are not able to satisfy the bank's AML standards.</p> <p>Be prepared to have documents and information demonstrating:</p> <ul style="list-style-type: none"> • Who you are – what is the legal entity that is opening the bank account? If you are corporate entity, have all your documents ready demonstrating your incorporation, the powers that regulate and bind you (usually your Articles), your directors and your shareholding structure. Understand the documents required for your particular legal structure, by asking the bank. • Who owns and controls you? The bank needs to understand the ownership and control structure of the account holder. Be ready to produce corporate structure information as well as identification and verification material in respect of beneficial owners. Beneficial owners are usually those who own or control 25% or more of the entity, but it can include additional persons and the threshold may differ for certain banks who adopt tighter controls to reflect their internal policies. For example, some banks may adopt a 10% ownership threshold to meet their obligations / policy requirements. • What is the nature of your business and how you generate money? Be prepared to provide anticipated transaction levels and volumes. See also under "Polish your business plan" below. • Where do you operate and why do you need a bank account? Demonstrate to the bank how the account is intended to operate so that it can assess the risk associated with your business activities and the funds that may be received into the account. • How are you managing your compliance obligations? Ensure you let the bank know about any licences or

accreditations you have, or are in the process of obtaining, if you are required to have them. If you have a Compliance function, it is a good idea to have the head of your Compliance team meet with your Bank to explain what you are doing to manage your own compliance risks.

- **Where will the initial funds to be transferred to the bank come from?** The bank will need to know this is “clean” money from a trusted source; be ready to provide information (and potentially supporting documentation) to show how it was made and the account it will come from. Be aware that some banks restrict third party funding.
- **Who is allowed to operate the account?** The bank will need to identify and verify the individuals to operate the account. Produce identity documentation as well as evidence of their authority to operate the account.
- **Who are other relevant parties connected to the account holder?** The names of directors, partners, trustees and senior managers (depending on the structure of the account holder) will need to be provided for screening purposes. Certain banks may also require verification documents (i.e. passports, ID cards) to corroborate that information. Be ready to produce identification in respect of those individuals.
- **Are there any “risky” factors that you need to address?** Understand factors that may increase your perceived money laundering/terrorist financing risks. If you have a “PEP” (politically exposed person)¹ on the Board, be upfront about it – of itself, it should not bar account opening and it will demonstrate honesty. You can also consider obtaining a copy of your TransUnion credit report, to identify if there are any issues that might pose a hurdle for you.

Polish your business plan

A bank will consider your request for an account from a commercial standpoint as well. It needs to understand the nature, scale and risks of your business to determine how the benefits of the relationship will weigh against the costs of compliance, which can be high.

Ensure your business plan is clearly drafted and contains:

- a very simple description of the services provided;
- a simple description of your current and future markets (both industry and geography especially important given there are restricted activities e.g. online gambling and countries e.g. North Korea);
- the names (ideally), type / location of actual and prospective clients and current or contracted transactions;
- the products and services you offer / plan to offer;
- (at least) a three-year business plan including financials and marketing strategy; and
- the CVs of senior leadership.

Where your business involves financial services (eg payments, funds etc), blockchain / virtual assets, gaming or other regulated

¹ In Hong Kong, this is defined in Schedule 2 to the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) and in related regulatory guidelines published by regulators.

	services, make sure you have already obtained legal advice about that business and (where applicable) can demonstrate your AML controls.
Package it up and sell yourself.	Put a proposal to your bank. Rather than providing a dump of documentation, package it up with a cover letter and explain the rationale for your business, who are the people behind it and where you see it going. Take measures to present the information to make it easy to digest, particularly for readers who may not be as familiar with FinTech terminology, and pre-empt the questions that may come next.
Get your people on the ground to meet the bank.	Be willing to have a face to face meeting with your bank in Hong Kong – this means having people on the ground. There are amazing developments to reduce the need for face to face verification but nothing beats rapport building that can come from in-person meetings. It will also demonstrate your commitment to building your relationship.
Open more than one bank account	Your business needs to be resilient. You should ideally open more than one bank account, particularly if you have banking needs in other jurisdictions, or require different types of banking products and services. This also helps guard against the risk that an account is closed, which might happen for various reasons, not always within your control.

Maintaining a bank account

Once you have opened a bank account, you need to maintain it!

You have certain responsibilities with this, which include:

- **responding to questions promptly**– this may include requests for additional information about specific transactions or about your business.
- **updating the bank when things change** – for example, if your signatories, directors, beneficial owners or contact details change. You should also consider communicating with your bank relationship manager when you are about to change your business model, expand to a new market, or move into a new product/customer segment, so that the bank can manage any necessary internal approvals for these new fund flows in your account. This may be required under your agreement with the bank. In any event, doing this will ensure you're well prepared for any questions they have or re-assessments they might need to make – and you never know, they might even have some connections in other markets, or products that could help you succeed;
- assessing whether you need to contact the bank proactively **if something bad happens** – it is often better for the bank to hear something from you (with an explanation), rather than reading it in the news.

What can you ask the Bank?

A bank account is never guaranteed. However, you should be able to ask for:

- a prompt initial response from the bank – usually allow 1-2 days for this;
- clear upfront guidance about the core information and documents that the bank requires, and how to contact the bank during this process;
- an indicative overview of the process and timeline. A timeline may well change depending on the complexity of the business, your responsiveness, bank caseload and any issues that arise, but you can at least ask for general guidance;
- periodic updates about the status of your application (you may need to prompt) and clear requests for any further information or documents;
- a decision on your account opening; and
- ideally, reasons for any rejection. Be aware that in certain cases, the bank can only provide very general reasons because of its legal, regulatory and internal policy requirements. Sometimes, it cannot give any reason at all. For example, certain laws impose criminal liability for “tipping off” a person following a suspicion.

What to do if you have a question or complaint?

Usually, the best first step is to **contact the bank first**, through your usual contacts.

If your query or concern is not resolved, you are entitled to lodge a complaint with the bank itself. Each bank should have details readily available on their website or on request. This is often listed on the “**Contact us**” page or similar.

The HKMA also accepts complaints. Further details about the HKMA procedure and banks’ obligations are available on its dedicated webpage, available at <https://www.hkma.gov.hk/eng/key-functions/banking-stability/complaints-about-banks.shtml>.

This document is current to June 2019. It has been prepared by the Policy & Advocacy Committee of the FinTech Association of Hong Kong Limited in consultation with the FinTech industry and members of the Hong Kong banking community, as a general guide only. It is not legal, tax or other professional advice. Please consider obtaining the professional advice you need.