



Our Ref.: B10/21C

17 April 2024

The Chief Executive
All Stored Value Facility Licensees

Dear Sir/Madam,

Thematic Review of Transaction Monitoring Systems and Use of Artificial Intelligence

I am writing to draw your attention to key observations and good practices identified in a recent thematic review of Authorized Institutions' (AIs) transaction monitoring (TM) systems, which the HKMA has shared with the banking sector today¹. Effective detection of suspicious transactions is an essential element of anti-money laundering and counter-financing of terrorism (AML/CFT) controls. The thematic review examined the end-to-end processes of design, implementation and optimisation of AIs' TM systems, including governance and oversight, data quality, detection scenario, threshold setting and periodic review with a focus on strengthening effectiveness and output into the AML/CFT eco-system. The review also included how AIs adopt artificial intelligence to optimise the performance of TM systems, and provides AML/CFT specific guidance based on best industry practices.

A number of case studies are set out in the Annex, including common characteristics of AIs which demonstrated strong management oversight and governance, and how technology and data were being used to improve TM system efficiencies.

Stored value facility licensees are expected to optimise the performance of their TM systems, having regard to their size, business scope and ML/TF risks, by making reference to the HKMA's regulatory expectations.

¹ HKMA Circular "Thematic Review of Transaction Monitoring Systems and Use of Artificial Intelligence" issued on 17 April 2024.

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If you have any questions regarding this circular, please contact us at aml@hkma.iclnet.hk.

Yours faithfully,

Carmen Chu
Executive Director (Enforcement and AML)

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