

**Moving the Needle:
Driving Improved Outcomes in Anti-Money Laundering
The Role of RegTech**

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Panel on The Emergence of RegTech
Applications, Adoptions and Challenges
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1. Thank you to the Hong Kong Institute of Bankers for putting together a thought provoking series of speakers and discussions. I am delighted to be speaking here today.
2. I recall last year the theme was the new future; the past few months have felt like we are already in that future.
3. Digital innovation together with the impact of Covid-19 is certainly heralding a new era in AML work. Not only has it changed the way we are working but it has also had a profound impact on the way some ML/TF risk management functions are being performed using RegTech, and accelerated thinking and changes that might otherwise have taken much longer.
4. So today that is our focus, and more specifically RegTech application and adoption.

5. But before I do so let me take you back a year and some of things we talked about doing and benchmark how these have been progressing and provide some commentary on where we want to go next.
6. Last year we set some goals, namely (i) increasing our active stimulation so innovation becomes BAU, this is the ‘enabling’ role that regulators are increasingly playing (ii) helping to create the conditions so that all banks are exploring and using Regtech in AML work – a consistent approach and application - and on this we have some numbers to share and (iii) and this is why we are here today, encourage greater collaboration to realize that potential.
7. In November last year the HKMA hosted its inaugural AML/CFT Regtech Forum, gathering various stakeholders in Hong Kong’s AML/CFT eco-system and attended by around 400 representatives of banks as well as government agencies, financial regulators and law enforcement agencies, together with global experts and firms in the application of technology, including artificial intelligence and data analytics. Participants shared insights in grasping opportunities for the use of innovative technology to enhance the efficiency of both banks and the wider AML/CFT ecosystem.
8. The Forum reflected the rapid transformation of AML/CFT work and emphasized the need to adapt through responsible innovation.
9. While hugely successful as event, its real success can only be measured over time. What progress are banks making? How many of those discussions in the break out groups resulted in tangible actions, in POCs and in actual outcomes – not outputs. In a few minutes the panelists, who all participated in the Forum, will get their chance to provide their different industry perspectives. But let me start by providing mine.

10. *Responsible* innovation was an underlying theme in the Forum and remains so in all our Regtech work; while Covid has accelerated the pace of change these principles remain the same:
 - (i) Making sure new and emerging sectors can develop in a responsible way, with adequate safeguards.
 - (ii) Making sure that our requirements are up-to-date and allow all of our supervised entities to take full advantage of the opportunities offered by Regtech.
 - (iii) It also means enabling change that is consistent with the HKMA's objectives - not only in banks but equally importantly at the HKMA itself, so that we can continue to supervise effectively; in our supervision we need to think and act in a way that is consistent with the changes occurring in the sectors we supervise.
11. We also recognize that the better AIs are able to interact with their own data, the more successful we will be as a supervisor in delivering on what we are trying to achieve, so there is a very strong and direct benefit to enabling and encouraging change in this way.
12. So we are adapting our AML/CFT Supervision to the ever changing technological landscape and this will mean significant changes for the eco-system we supervise.
13. Increased engagement, data collection and increased expectations.
Faster change and the nature of digital activity means we can no longer solely rely on point-in-time regulatory returns and thematic reviews.
14. To enhance surveillance, we will make better use of banks' data and better understand your models; increased engagement and data collection, more proactive and forward looking. At the same time technology will help us improve and speed up our processes, increasing accuracy and industry user friendliness.

15. We will tomorrow be publishing a document setting out these objectives ‘AML/CFT Supervision in the Age of Digital Innovation’ and I would urge all of you to look out for that.
16. But we are keenly aware that Industry adoption of RegTech for AML/CFT remains a vital part of the equation; the good news is we are already seeing very positive results following our AML/CFT RegTech Forum in 2019 – up to 80% adoption in some groups:
 - *80% of ‘accelerator’ banks – those banks at an early stage of the adoption cycle - are now using or planning to use RegTech solutions in AML/CFT work.*
 - *77% of ‘enabler banks’ – which explored implementing machine learning in AML/CFT are now either using machine learning or have advanced concrete plans to do so, including proof of concepts.*
17. Covid-19 has also accelerated remote customer on-boarding for individuals: 85% of all retail banks have either successfully launched or are planning to launch these services using RegTech solutions.
18. At the same time there has been strong growth in testing remote customer on-boarding for corporates through the Fintech Supervisory Chatroom.
19. And we continue to deliver guidance that supports banks’ use of technology; last week we published key principles relating to the remote on-boarding of corporate customers. Similar to the guidance for individuals in 2019, these principles will help banks make the fullest possible use of the risk-based approach and reliable digital solutions as a response to the challenges of Covid-19.
20. Innovation in AML/CFT is not limited to technology – the collaborative relationship between Regulator and Banks is also

changing. The pace of change requires a more proactive approach, working closely to share expertise, data, information on risk and most critically experience.

21. Our public private partnership is a good example of that; Regtech and analytics applications have led to a significant increase in the sharing of strategic, tactical and operational intelligence on Covid-19 criminal threats, including for example, mask scams.
22. Looking forward, the AML/CFT RegTech Forum 2019 has acted as a strong agent for change but we want to see that momentum continuing. We are going through a period of very substantial change in AML/CFT work and there remain many challenges that we must collectively overcome. But tremendous opportunities also exist, to be more effective in our work, to deliver better experience while also addressing ML/TF risks and to tackle the challenges of Covid-19 in an agile and risk-based way.
23. The HKMA stands ready to work with you on that.

[Remarks: This is the text of the presentation as drafted and may differ slightly from the delivered version.]