



HONG KONG MONETARY AUTHORITY
香港金融管理局

Industry Adoption of AML/CFT Regtech

Preliminary findings from the
2021 HKMA AML/CFT Regtech Survey

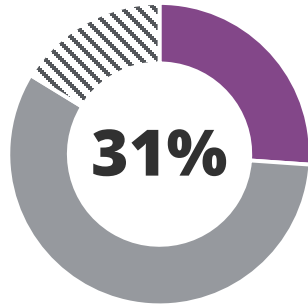
Yuichiro Mitsutomi | Program Co-Director | Deloitte
September 16 2021

Deloitte.

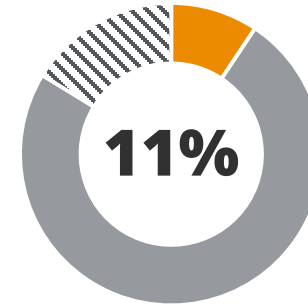


DATA & ANALYTICS

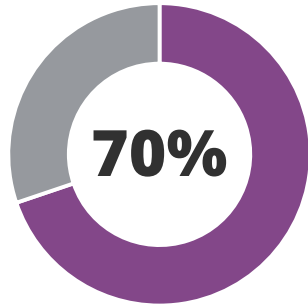
Moving from
Standard Definition to
High Definition
Typologies



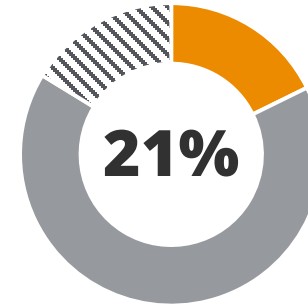
53 out of 170 institutions are exploring alternative data to perform AML/CFT analyses or investigations.



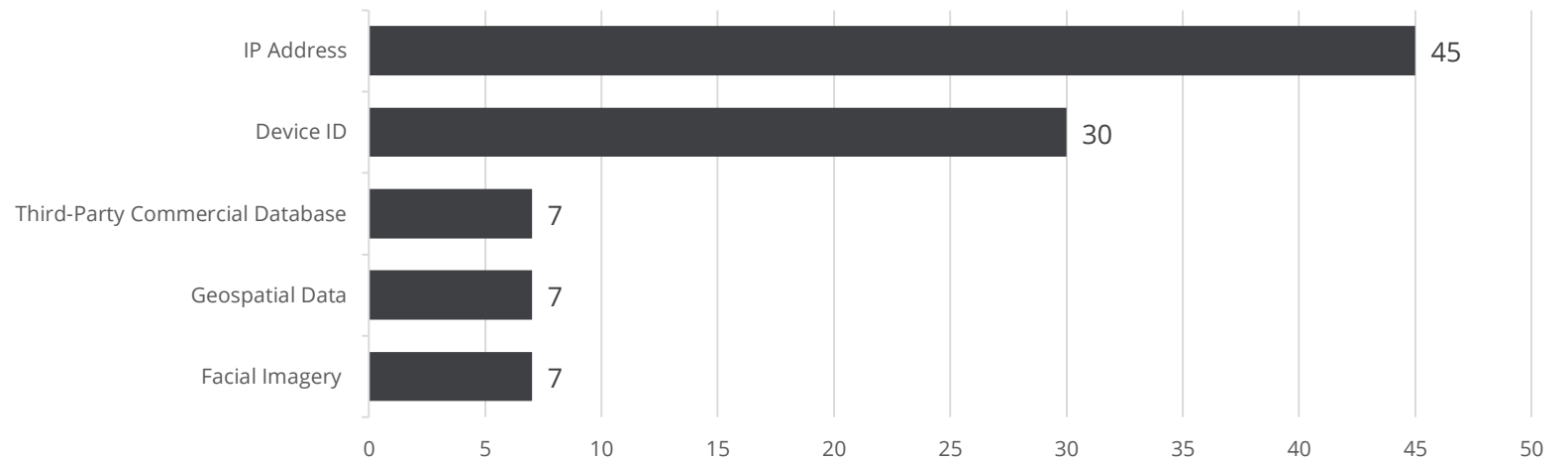
19 out of 170 institutions are currently using graph-native databases for their customer / transactions data.



The use of alternative data has led to the detection of unusual activity or relationships for 37 out of the 53 institutions.



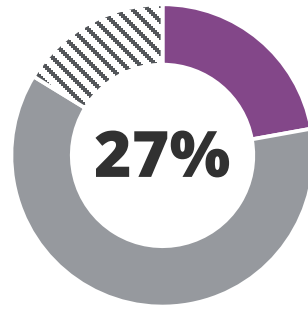
36 out of 170 institutions are currently using graph / network analytics for AML/CFT purposes.



ARTIFICIAL INTELLIGENCE

Responsible innovation.

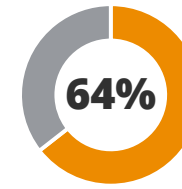
Taking measured steps toward broader adoption and acceptance.



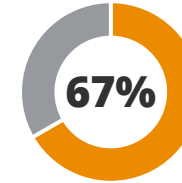
OVERALL ADOPTION

45 out of 170 institutions are currently using some form of artificial intelligence to aid their AML/CFT efforts.

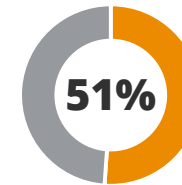
By comparison, in 2019, only 28 institutions (14% of total respondents) were applying artificial intelligence to their AML/CFT controls.



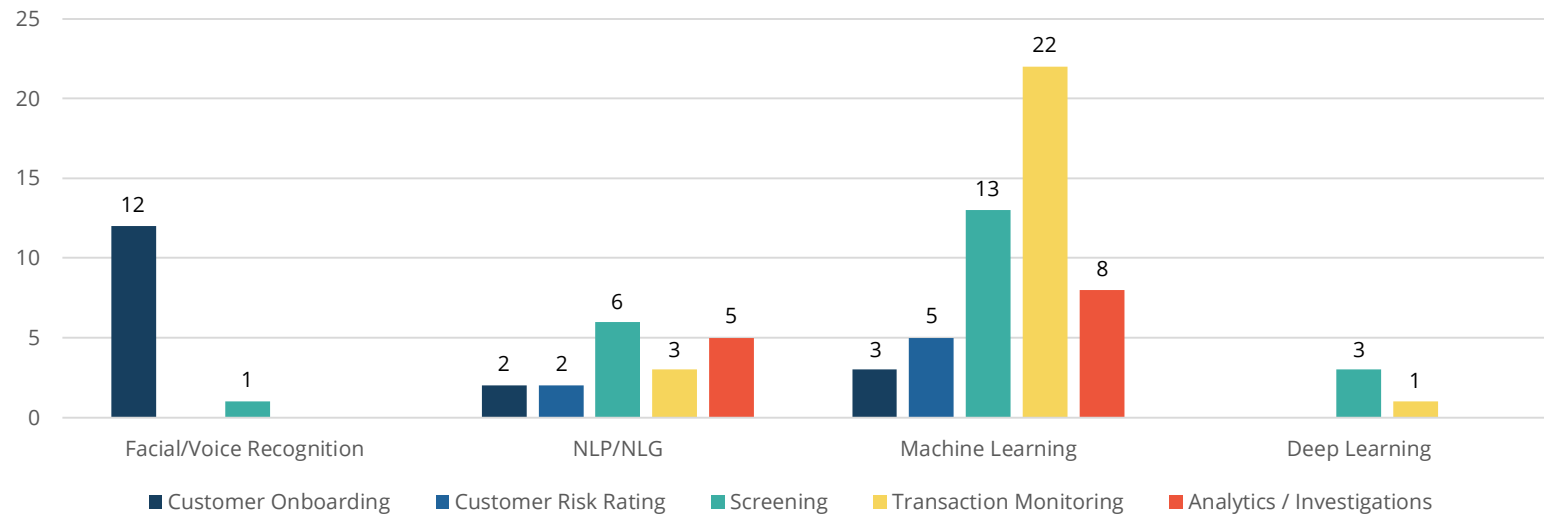
29 out of 45 institutions either procured or co-developed their AI-enabled AML/CFT solution with a third-party.

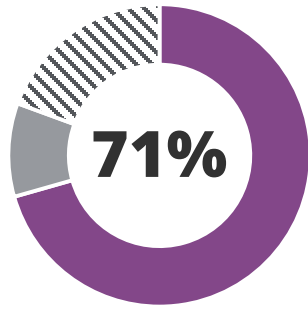


30 out of 45 institutions used internal data to train their AI-enabled AML/CFT solutions.



23 out of 45 institutions have an officer responsible for data / artificial intelligence ethics.

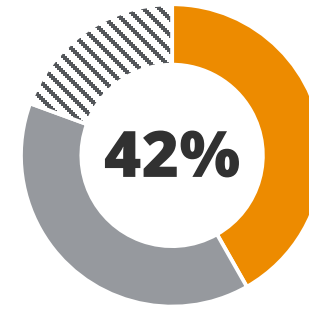




PROCESS OPTIMIZATION

In the past two years, 120 institutions have embarked on some form of business process optimization for their AML/CFT functions.

Most of these process optimization efforts (68% - 82 out of 120) involved the use of technology, such as RPA (49), No- / Low-Code Workflow Automation Software (29) and Process Mining Software (20).



KNOWLEDGE & SKILLS

71 institutions (41.7%) have felt knowledge and skill limitations have constrained their ability to enhance the effectiveness of their AML/CFT programs.

AML/CFT leaders at these 71 institutions collectively raised 174 examples of knowledge / skills desired by their teams. These are summarized in the diagram below.

TECH-ENABLED CHANGE

Technology will always be guided by our ability and our intentions.

How will we *choose* to use the tools made available to us?

| | | | | | | | | |
|-------------------------------------|------------------------------------|--------------------------------------|----------------------------------------|----------------------------|-----------------------------------|-----------------------|---|---|
| QUANTITATIVE (total: 101) | 49 | 11 | 9 | 6 | QUALITATIVE (total: 73) | 11 | 9 | 8 |
| | | | Programming Language (Python, SQL, R) | | | | | |
| | Artificial Intelligence | Graph Analytics | 2 | 5 | | | 5 | |
| | 18 | 6 | 6 | 4 | | | 3 | |
| Statistics and Data Science | General Data and Technology Skills | Data Engineering and Data Management | Project Management / Change Management | Legal Regulatory Knowledge | Communication | Products and Services | | |

NEXT STEPS

The findings presented today are preliminary, and will evolve as we close out the survey and begin engaging representatives from the AML/CFT ecosystem in Hong Kong.

01

FOCUS GROUPS & INTERVIEWS

By the end of September, we will close out the survey and begin conversations with select AIs and SVF licensees to build a more nuanced understanding of the current state of AML/CFT Regtech adoption.

02

AML/CFT REGTECH LABS

Information obtained from the survey will be used to begin selecting and inviting AIs and SVF licensees to attend the HKMA's AML/CFT Regtech Labs, which are currently slated to commence in early November 2021.

03

AML/CFT REGTECH CASE STUDIES & INSIGHTS VOL. 2

Over the coming year, the HKMA and Deloitte will work with representatives from the industry to produce a follow-up to the January 2021 publication: *AML/CFT Regtech: Case Studies and Insights*.

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