



HONG KONG MONETARY AUTHORITY  
香港金融管理局

Our Ref.: B10/1C  
B1/15C

9 September 2024

The Chief Executive  
All Authorized Institutions

Dear Sir/Madam,

**Use of Artificial Intelligence for Monitoring of Suspicious Activities**

I am writing to share with the industry how the use of artificial intelligence can help improve the effectiveness and efficiency of monitoring money laundering and terrorist financing (ML/TF) risks, and actions that the Hong Kong Monetary Authority (HKMA) is taking to further support and accelerate the use of artificial intelligence in Authorized Institutions' (AIs) ongoing monitoring processes.

In light of the increasingly complex ML/TF risk landscape, including global and regional money laundering cases, growing use of mule account networks for laundering of fraud proceeds as well as increasing geopolitical risks, the HKMA has been encouraging AIs to enhance their monitoring and mitigation of these risks, while maximising the intelligence being shared within the industry. Part of these efforts has targeted AIs' adoption of technologies to make their ongoing monitoring systems more effective and risk-based, thereby providing the opportunity to prioritise resources towards higher-risk activities.

The HKMA shared a list of high-level principles on artificial intelligence (<https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2019/20191101e1.pdf>) with AIs in 2019. Since then, some AIs have adopted artificial intelligence to enhance their monitoring systems and controls. The HKMA observes that systems powered by artificial intelligence take into account a broad range of contextual information focusing not only on individual transactions, but also the active risk profile and past transaction patterns of customers in determining whether the activity of a customer should be flagged for further investigation. These enhanced systems have proved to be more effective and efficient than conventional rules-based transaction monitoring systems commonly used by AIs. More details regarding the benefits of using artificial intelligence to enhance suspicious activity monitoring can be found at the [Annex](#).

In view of the above, the HKMA is taking the following initiatives to further support and accelerate the use of artificial intelligence in suspicious activity monitoring:

- (a) *Sharing experience and success stories of AIs* – in November 2024 the HKMA will organise an experience sharing forum with speakers from the industry and technology firms on how artificial intelligence is being deployed to enhance the effectiveness and efficiency of suspicious activity monitoring;
- (b) *Providing targeted guidance and support* – the HKMA will establish a dedicated team, supported by an external consultant, to provide supervisory feedback and technical guidance to assist AIs in applying artificial intelligence in enhancing their monitoring processes, through the existing Fintech Supervisory Sandbox and Chatroom; and
- (c) *Creating a conducive environment for AML/CFT innovation* – the HKMA welcomes the use of artificial intelligence in AML/CFT work, and will continue to gauge the interest of AIs in applying artificial intelligence to the monitoring of suspicious activity and provide suitable guidance to the industry where appropriate.

AIs with significant operations in Hong Kong should give due consideration to adopting artificial intelligence in their ML/TF monitoring systems to enable them to stay effective and efficient. A feasibility study based on the AI's current ML/TF risk profile and possible evolution in the near future should be undertaken. Based on the outcome of that review, AIs should formulate an implementation plan, taking into account dependencies, including as related to data requirements outlined in the HKMA's recent guidance<sup>1</sup>. The feasibility study and implementation plan, should be signed off at the board level and submitted to the HKMA by the end of March 2025.

The HKMA will communicate with AIs on an individual basis regarding the exact timing for the feasibility study and implementation plan and the format in which they should be provided, and will consider further engagement and follow up in due course.

AIs may approach their usual supervisory contact in the HKMA's AML and Financial Crime Risk Division on any questions relating to this circular.

Yours faithfully,

Raymond Chan  
Executive Director (Enforcement and AML)

Encl.

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<sup>1</sup> HKMA Circulars "[Report on AML/CFT Regtech: Case Studies and Insights Volume 1](#)" issued on 21 January 2021, "[Report on AML/CFT Regtech: Case Studies and Insights Volume 2](#)" issued on 25 September 2023, and "[Thematic Review of Transaction Monitoring Systems and Use of Artificial Intelligence](#)" issued on 17 April 2024.