Report on "Artificial Intelligence in Banking: The Changing Landscape in Compliance and Supervision"

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Institute for Monetary and Financial Research (HKIMR), the research arm of the Hong Kong Academy of Finance (AoF), today (August 21) released its second Applied Research report titled "Artificial Intelligence in Banking: The Changing Landscape in Compliance and Supervision". HKIMR Applied Research reports are released on topics that are highly relevant to the financial industry and regulators in Hong Kong, and they aim to provide insights on the long-term development strategy and direction of Hong Kong's financial industry.

This report is part of a research project on the adoption of artificial intelligence (AI) in banking, carried out in collaboration with the Hong Kong Monetary Authority (HKMA) and other collaborators. It aims to assess the current status of AI adoption in the Hong Kong banking industry and its implications for banking compliance and supervision.

The first part of the report assesses the current status of AI adoption in the Hong Kong banking industry based on an industry-wide survey conducted by the HKMA, and the findings indicate that banks in Hong Kong have adopted AI in all key functional areas. Over 80 per cent of participating banks view AI adoption as a way of improving efficiency and strengthening risk management. Banks are also optimistic about the prospects of using AI, with some 80 per cent of survey respondents planning to increase investment in AI over the next five years. The second part of the report provides useful insights about the risk management framework for banks adopting AI, the overarching principles guiding the supervision of AI adoption in banking and the development of AI-aided compliance and supervision (Regtech and Suptech).

"We are delighted that the banking industry is adopting AI positively. We hope this report serves as a starting point towards understanding the implications of AI applications for the banking industry, especially for its compliance and supervision," said the Senior Executive Director of the HKMA and Deputy Chairman of the HKIMR, Mr Edmond Lau.

The report is available on the [AoF/HKIMR website](#).

About the AoF

The AoF is set up with full collaboration amongst the HKMA, the Securities and Futures Commission, the Insurance Authority and the Mandatory Provident Fund Schemes Authority. By bringing together the strengths of the industry, the regulatory community, professional bodies and the academia, it

aims to serve as (i) a centre of excellence for developing financial leadership; and (ii) a repository of knowledge in monetary and financial research, including applied research.

About the HKIMR

The HKIMR is the research arm of the AoF. Its main remit is to conduct research in the fields of monetary policy, banking and finance that are of strategic importance to Hong Kong and the Asia region. The Applied Research studies undertaken by the HKIMR are on topics that are highly relevant to the financial industry and regulators in Hong Kong, and they aim to provide insights on the long-term development strategy and direction of Hong Kong's financial industry.