

Arthur Yuen: Welcome remarks - HKMA Anti-Money Laundering and Counter-Financing of Terrorism Regulatory Technology Forum

Welcome remarks by Mr Arthur Yuen, Deputy Chief Executive of the Hong Kong Monetary Authority, at the HKMA Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT Regulatory Technology (RegTech) Forum (Excerpt), Hong Kong, 22 November 2019.

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1. First of all let me welcome you all to this AML/CFT Regtech Forum, which we intend to be the first in a series.
2. In particular let me thank everyone for the very positive response and participation of key stakeholders including the FinTech Association of Hong Kong, experts, academia, other regulators as well as our partners in government bureaux, Companies Registry, Joint Financial Intelligence Unit (JFIU), Law Enforcement Agencies (LEAs) and Hong Kong Association of Banks.
3. Let me start with a question that speaks to why we are all here today: how effective are we, really, in our important role in anti-money laundering and counter-terrorist financing? We all recognise the efforts of the banking sector over many years – and continuing today – in helping to combat money laundering and terrorist financing. This has recently been praised by the Financial Action Task Force (FATF), which gave us a very good score card in its Mutual Evaluation Report on Hong Kong.
4. But, despite the mutual evaluation result, no system is perfect and most of the challenges we face – money laundering from fraud, tax crimes and corruption to name but a few – are global in nature. And the continuing efforts of the banking sector also represent challenges of their own: banks filed over 68,000 or 90% of the suspicious transaction reports (STRs) with the JFIU in a year. And that is just the STRs: we all know what that means in terms of the massive amount of data that banks are monitoring, screening and analysing on an ongoing basis.
5. The more difficult part of the answer to my question therefore means looking forward and requires vision and – dare I say it – aspiration – because we know that FATF evaluations represent a snap shot. There are always new and emerging risks, to which the HKMA and banks have stayed vigilant and agile; criminals are also exploiting new technology and innovations to create terrible harm to consumers and the integrity of the financial system. Banks that play a frontline role in combating that harm, not only by applying preventive measures when on-boarding customers, but increasingly through the value of information they are able to extract and feed into the AML/CFT eco-system and the close cooperation with the LEAs and the HKMA in converting STRs and intelligence into actions like arrests and asset recovery.
6. This is the challenge we face so we've taken a step back from the FATF evaluation report and asked ourselves some potent questions: is our system working as well as we would like it to be? Are the supervisory tools and techniques we have been using for years still fit-for-purpose?
7. Let me start by saying that the HKMA is committed to ensuring we all have the right tools and expertise to deliver an effective response. That's why we are all here.
8. Responsible innovation will drive the agenda for responding to those questions, and it is very clear that data and technology are at the heart of that.
9. Technologies like robotic process automation and natural language processing are already being used by quite a number of banks to automate existing processes *but there are still a lot of banks using highly manual processes*. We need to **accelerate** this transition.
10. Machine learning is also increasingly being used in AML work, for example to reduce false positives in monitoring and screening, *but many banks are still grappling with huge numbers*

of false positives. We need to **enable** a wider application of technology to AML work in the sector.

11. Moreover, data driven approaches applying network analytic tools are already proving to be valuable in more effectively identifying risk in banks and a game changer in how global money laundering networks are tackled. At the moment not every bank has the full capability to participate or even consider such an approach. Greater **collaboration** is required if we are really going to improve outcomes in combating networks, because currently each one of you can only see a part of the picture.
12. Many of you will know that similar changes are taking place globally in AML/CFT; technology is providing practical solutions that are being applied in the real world. So what's holding some of us back? Should we be afraid to experiment, to change the way we are doing AML work?
13. Let me be very clear about one thing: the risk for all of us is being complacent, of carrying on as we have been and not confronting the barriers that may stand between us and progress. We should not be afraid of trying out solutions that we feel will have genuine impact, even if some turn out not to deliver everything they promise.
14. With that in mind, our focus in these two days is to bring banks, regulators, technologists and other important players within our AML/CFT eco-system together to challenge our thinking, tackle pain points and discuss how we can move further ahead. Working collaboratively with like-minded people, we need to be ambitious because this is just as much about the human element, the impact of global financial crime, as it is about compliance with AML/CFT requirements.
15. We want to help enable change in banks because we recognise that, the better banks are able to apply a data driven, technology-enabled approach to AML work, the better we are able to discharge our role and achieve the HKMA's statutory objectives.
16. So this is also about the HKMA changing as a regulator; modernising the fight against money laundering requires change and regulatory support, a more flexible approach, and we are committed to further developing the approach that has been started through our various initiatives.
17. So my message is simple. The purpose of engaging every one of you in these two days is to enable and encourage banks, whatever stage you are at in your Regtech evolution, to consider, test and responsibly implement technology-enabled innovations in the fight against financial crime, facilitated by, as well as contributing to, an effective AML/CFT regime in Hong Kong.
18. On our part we are going to be using a number of tools, including continued engagement through forums like this, to follow up and see that positive changes are happening in banks and the wider eco-system. The HKMA and the banking sector will continue to contribute to AML/CFT efforts in Hong Kong, and through our supervisory processes, regulations and guidance, we support banks' efforts to innovate and fully grasp the benefits of RegTech. We welcome your feedback.
19. Please enjoy today, I know the team have put a lot of thought into making it interesting and thought provoking.
20. Let us seize this opportunity to develop a stronger collective vision of what each of us can contribute towards a more effective response to money laundering.