



HONG KONG MONETARY AUTHORITY  
香港金融管理局

Our Ref: B1/15C  
B10/1C

26 July 2021

The Chief Executive  
All Authorized Institutions

Dear Sir/Madam,

**Regtech Adoption Practice Guide**

I enclose the second issue of the Regtech Adoption Practice Guide for your reference.

This issue focuses on Regtech solutions assisting Anti-Money Laundering/Counter-Financing of Terrorism (AML/CFT) efforts in the area of ongoing monitoring of customers.

Ongoing monitoring of customers has been selected as the focus area given its importance within AML/CFT. Many operational challenges associated with Regtech adoption in this area are caused by the manual processes in collating relevant, complete, and up-to-date information in relation to customers and their transactions. This information is essential to understanding whether the purpose and intended nature of the customer's activities are commensurate with its risk profile and the nature of the business relationship. The application of advanced technologies such as machine learning and cognitive solutions is nascent in the space of ongoing AML/CFT monitoring. These are prime growth areas that can benefit significantly from increased Regtech adoption. The guide will help banks assess whether they have the appropriate governance, controls, skills, infrastructure and underlying data to enable them to apply Regtech solutions in this area.

If your institution has any questions regarding Regtech or any feedback on this Regtech Adoption Practice Guide series, please feel free to contact Mr Ken Wong on 2878-1469 or Mr Patrick Chang on 2878-8561.

Yours faithfully,

Raymond Chan  
Executive Director (Banking Supervision)

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