

**FinTech Association of Hong Kong and LITE Lab@HKU respond to IOSCO’s consultation on the use of AI and machine learning by market intermediaries and asset managers**

**Hong Kong – 27 October 2020** – Reflecting the rapid evolution of artificial intelligence (AI), its use in the financial services sector and growing regulatory scrutiny, the FinTech Association of Hong Kong (FTAHK), in collaboration with LITE Lab@HKU, has responded to the International Organization Of Securities Commission’s (IOSCO) consultation report on the use of artificial intelligence and machine learning by market intermediaries and asset managers.

The response strongly agrees with IOSCO that the use of AI and ML by market intermediaries and asset management firms creates novel opportunities and risks, with an overall need to foster trust in AI and financial markets. We believe that such risks should be appropriately mitigated by proportionate regulation that continues to foster responsible innovation in a way that promotes market integrity, fairness and investor protection, financial stability, competition and innovation. It should also support financial inclusion and combat financial crime.

Our Consultation Response draws the IOSCO Board’s attention to four important themes:

- (1) Encouraging the use of AI/ML in RegTech
- (2) Addressing unintended consequences that may discourage innovation
- (3) Guidance on Proportionality Factors (especially for Customer and Client Disclosure)
- (4) Human-In-The-Loop approach to address AI fairness, accountability and transparency

FTAHK and LITE Lab@HKU thank the IOSCO Board for inviting broad and representative participation in its Consultation Report. Together, they hope that the final guidance will encourage responsible innovation in a way that avoids unintended consequences whilst promoting fair and efficient markets, financial stability, innovation and competition. The final guidance should also support financial inclusion and offer customers and clients the benefits of AI/ML innovation.

Benjamin Quinlan, Chairman of FTAHK, said, “The rapid increase in the use of AI presents challenges in terms of building trust, particularly for FinTechs. Through providing the voice of our members to IOSCO, we want to ensure that when regulation does come it is proportionate, does not have unintended consequences, and encourages robust and efficient financial markets.”

Brian Tang, who is LITE Lab@HKU founding executive director, Co-Chair of the FTAHK RegTech Committee and one of the response’s authors, said, “As global attention towards algorithmic fairness, accountability and transparency grows, regulators worldwide can play an important role in reinforcing a human-in-the-loop (“HITL”) approach in the design, development, deployment and maintenance stages of AI/ML systems. A globally inclusive HITL approach will better embed the principles of investor protection and market integrity and stability into the beneficial innovations that AI/ML can bring to our internationally inter-related capital markets, and in turn to our broader society.”

**For more information, please contact:**

<b>Cognito</b>	<b>FinTech Association of Hong Kong</b>	<b>LITE Lab@HKU</b>
Dan Bradley	Helene Li	Brian Tang
dan.bradley@cognitomedia.com	generalmanager@ftahk.org	bwtang@hku.hk
+852 6145 7455	+852 5591 6934	



### **About the FinTech Association of Hong Kong**

The FinTech Association of Hong Kong (FTAHK) is an independent, not-for-profit, member-driven organisation that is the voice of the FinTech community in Hong Kong. Members range from promising startups and passionate individuals to FinTech unicorns, global financial institutions, and leading professional service providers. FTAHK is led by a volunteer group of board members from the FinTech community who care about the future of FinTech in Hong Kong, mainland China, and Asia. The Association's three initial goals are to:

- Advocate – create the unified voice for the Hong Kong FinTech ecosystem
- Collaborate – bring together the diverse parts of the community
- Educate – learn from existing leaders and nurture the next generation of talent

For more information about the FinTech Association of Hong Kong and how you can join, go to: <http://ftahk.org/>

### **About LITE Lab@HKU**

LITE Lab@HKU is an interdisciplinary and experiential programme at the University of Hong Kong's Faculty of Law in conjunction with the Department of Computer Science that fosters law, innovation, technology and entrepreneurship (LITE) to positively impact our society and future generations. To date, LITE Lab@HKU has created and introduced novel curriculum for undergraduate and postgraduate students, lawtech and regtech hackathons, and industry collaborations and research in areas such as legal transformation, regulatory technology, entrepreneurship and innovation and emerging technologies such as AI and distributed ledger technology.

For more information about LITE Lab, go to: <https://lite.law.hku.hk/>