

## PRESS RELEASE

### ASIFMA Launches New Industry Paper on AI

***Report provides principles to promote a coordinated, risk-based, technology-neutral approach to AI regulation***

Hong Kong, 24 June 2021 - ASIFMA, the financial industry's leading regional trade association, today released a new report "[Enabling an Efficient Regulatory Environment for AI](#)" written by ASIFMA's AI taskforce, which consists of banks, asset managers, technology firms, market infrastructure providers, and professional services firms. This paper proposes a set of regulatory principles for AI which ASIFMA believes will form the basis for an efficient regulatory environment while also supporting customer and investor protection, market integrity and financial and systemic stability. The report was launched during ASIFMA's Tech & Ops Week, a virtual five-day series from 21-25 June.

"Various regulatory agencies across jurisdictions in Asia-Pacific have begun introducing guidelines relating to the use of AI. Because of these individual approaches, there is a risk of regulatory fragmentation and duplication of well-established regulation and standards that the financial industry is already subject to, which might stifle innovation and increase regulatory compliance risks," said Laurence Van der Loo, Executive Director, Technology and Operations at ASIFMA.

Individual approaches to AI among regulators and overly prescriptive rules could cause any rules or guidance to fall out of step with rapid technological developments, undermining their effectiveness, while also unnecessarily raising compliance costs and potentially hampering innovation.

"Financial services is a highly regulated sector and we found in our research that existing regulations largely address and mitigate the key risks which might be caused or increased by the use of AI," continued Ms. Van der Loo.

These include rules in respect of outsourcing, technology risk management, conduct, cybersecurity, duty to clients, internal governance, and model risk management, in addition to sector-agnostic requirements around data privacy and data protection and established internal risk management and governance frameworks. ASIFMA's research studying how existing regulations and guidelines govern risks relevant to the use of AI concludes that existing rules and guidelines largely address AI-related risks.

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“We recommend that regulators take a principles- and risk-based approach to AI, giving financial institutions flexibility in how best to operationalise the principles in relation to their AI adoption, depending on the financial institution’s setup, framework, and the materiality of the AI use case. We encourage regulators to support the global development of AI within capital markets and avoid fragmentation and overregulation, which could slow down its adoption and development,” added Ms. Van der Loo.

The specific regulatory principles recommended to regulators in this paper are:

- **Principle 1:** Support public-private collaboration
- **Principle 2:** Allow financial institutions to take a risk-based approach to AI, taking materiality of the use case and stakeholders into account
- **Principle 3:** Take a technology-agnostic approach to regulation
- **Principle 4:** Leverage existing regulatory frameworks
- **Principle 5:** Strive for regional and international harmonisation
- **Principle 6:** Promote and facilitate cross-border data flow
- **Principle 7:** Engage with the industry on areas that need further discussion

“However, there are a number of areas including transparency, explainability and fairness, that have special relevance to the use of AI that require further analysis and consideration. We encourage regulators to work collaboratively with the industry to address these areas whilst balancing market integrity, financial and systemic stability and customer protection on the one hand and innovation on the other hand,” concluded Ms Van der Loo.

ASIFMA would like to give a special thanks to Bae, Kim and Lee, Clifford Chance, EY, KPMG, King & Wood Mallesons and PwC for their valuable help with desktop research and mapping

Read the full paper [here](#).

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**About ASIFMA**

[ASIFMA](#) is an independent, regional trade association with over 150 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative and competitive Asian capital markets that are necessary to support the region’s economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced

markets through policy papers, and lowering the cost of doing business in the region. Through the [GFMA](#) alliance with [SIFMA](#) in the United States and [AFME](#) in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region.

More information about ASIFMA can be found at: [www.asifma.org](http://www.asifma.org).