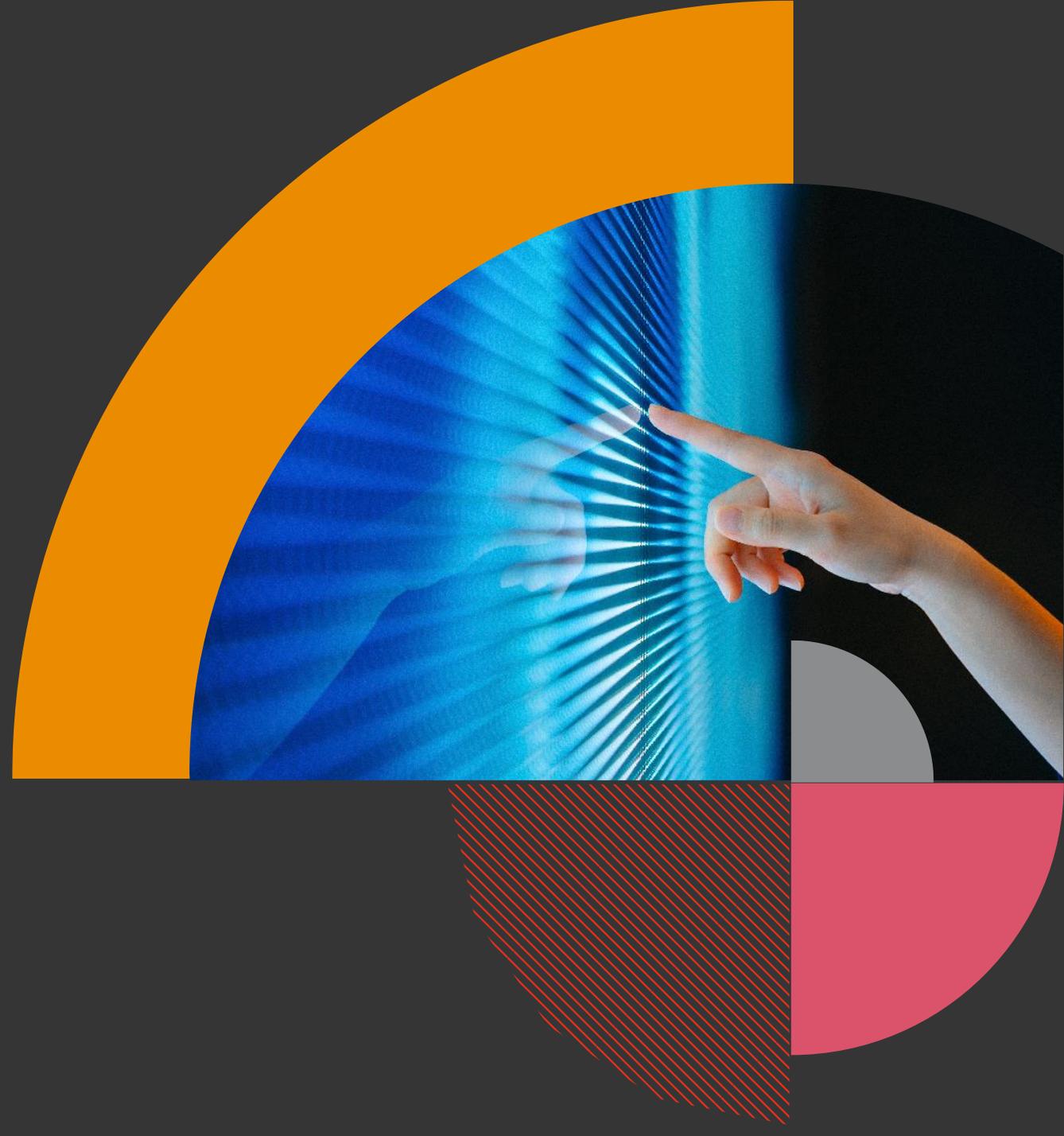


AFF 2024

HKTDC and PwC's Joint Pulse Survey

AI and the Future of Financial Services

January 2024



Introduction

- An annual survey co-launched by HKTDC and PwC
- Help shape the dialogue at this year's Asian Financial Forum
- Gauge the sentiment among companies interested in or with business in Hong Kong
- The survey results shed light on:
 - Hong Kong's AI competencies in delivering financial services;
 - Challenges and opportunities organisations are facing in AI implementation; and
 - Regulatory environment and future developments of AI in the financial service industry
- Survey conducted between November – December 2023 with business leaders in the FS sector based in Hong Kong and the Chinese mainland.

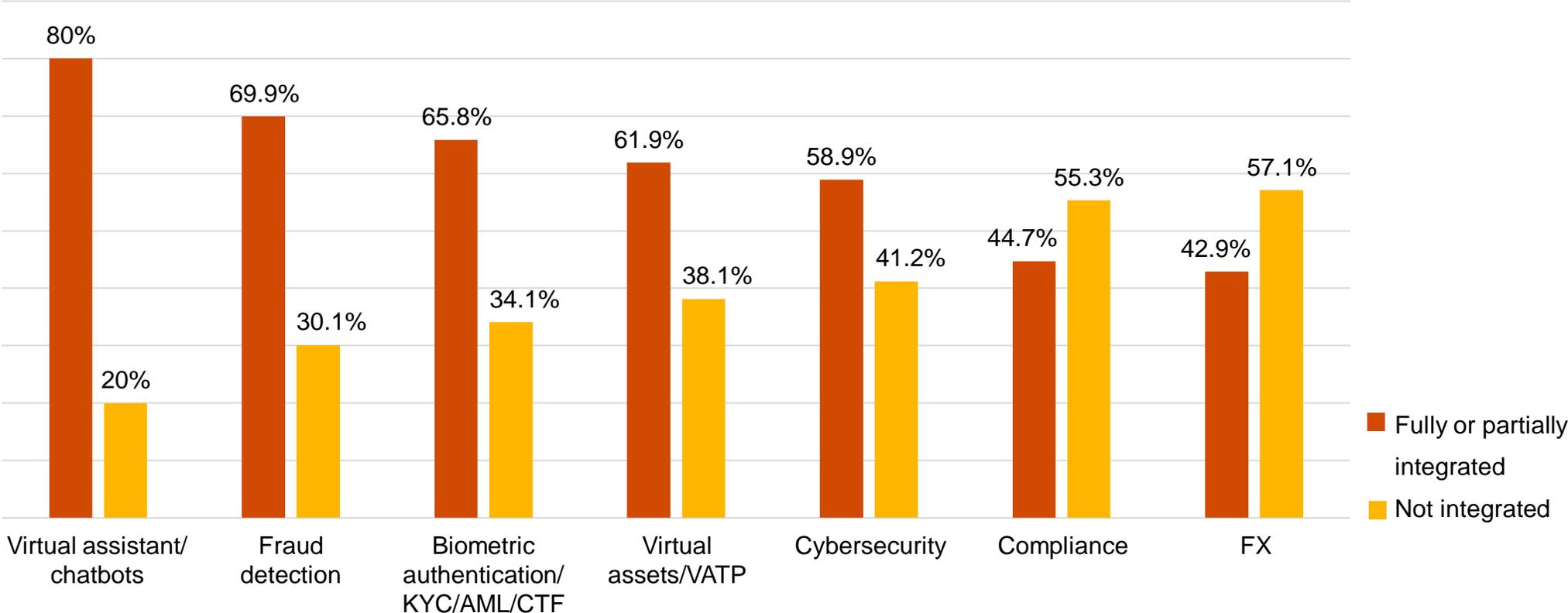


Driving AI competencies in delivering financial services



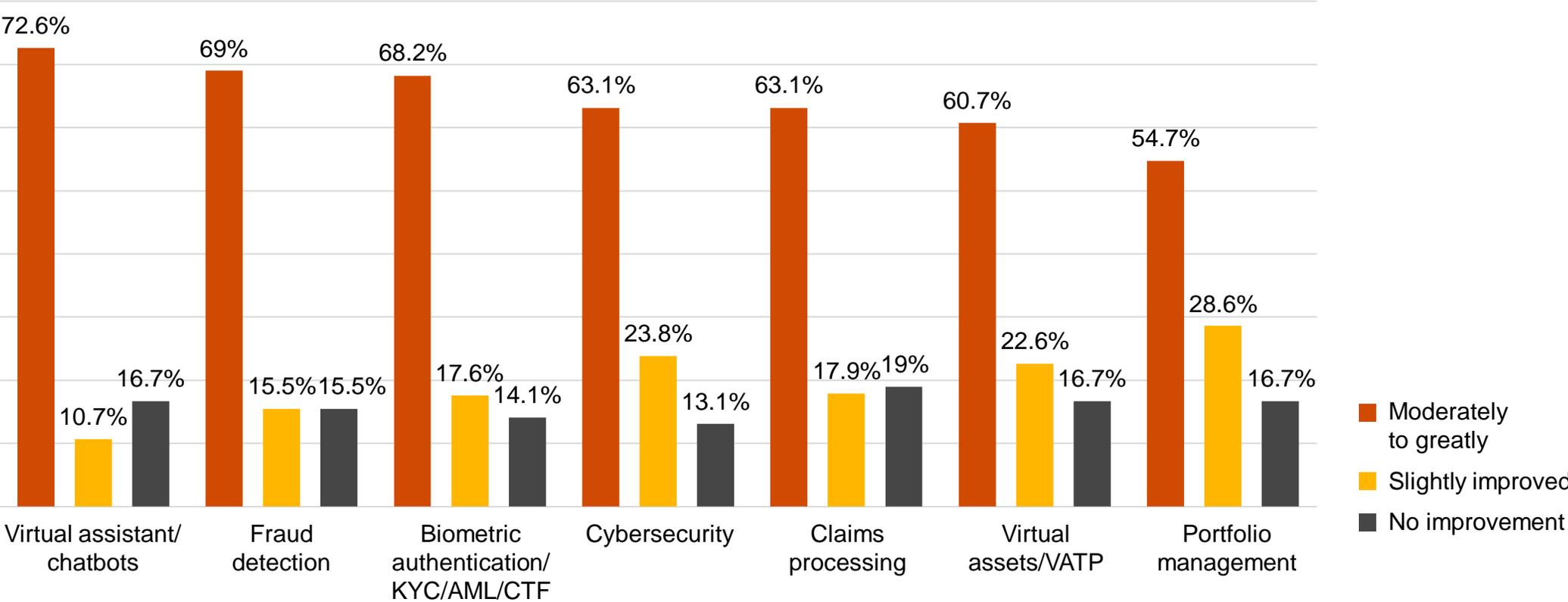
AI has made inroads into several areas of financial services in Hong Kong with considerable integration seen in **virtual assistant/chatbots, fraud detection, and biometric authentication**

Figure 1: What is your perceived degree of AI integration in the following areas of financial services in Hong Kong?



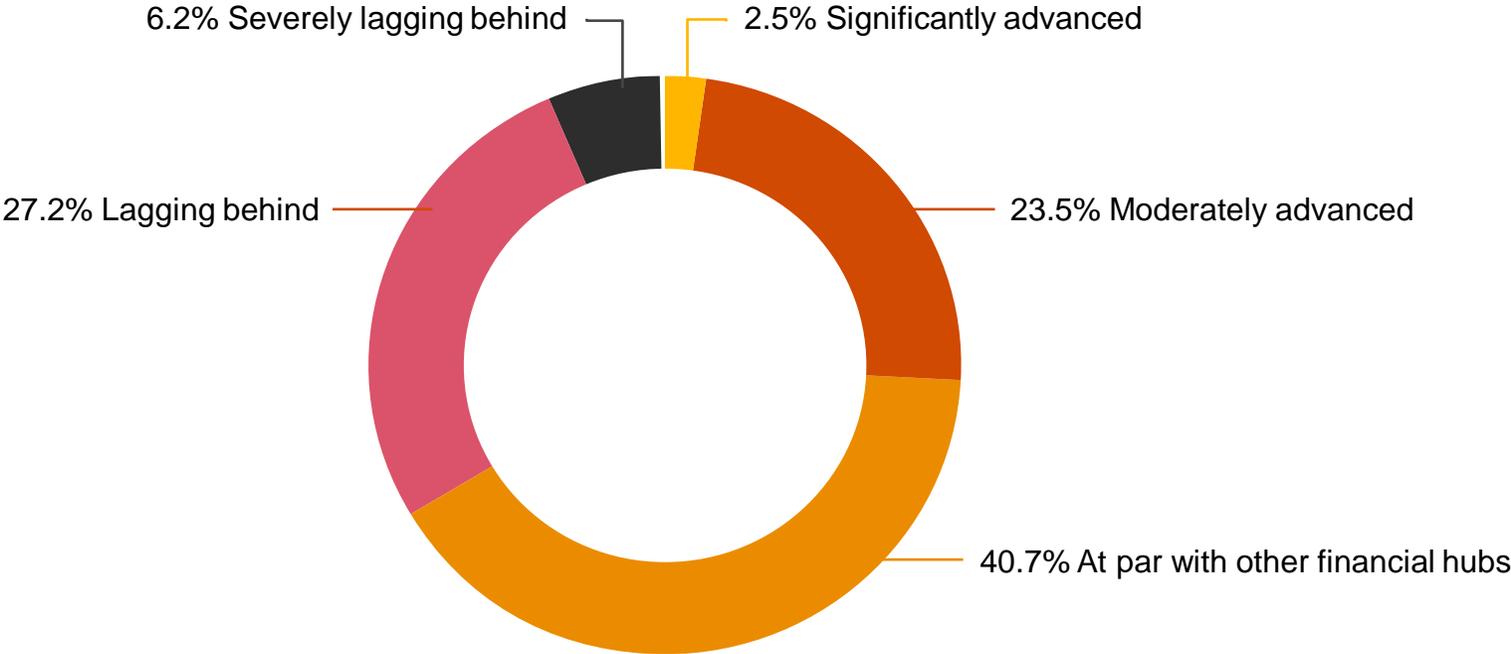
Over 80% of respondents believe the use of AI has **improved the overall efficiency** of their organisation, both in terms of costs and customer satisfaction across multiple areas

Figure 2: To what extent has the use of AI improved the overall efficiency, both in terms of costs and customer satisfaction, in the aforesaid areas?



More than 40% of respondents believe Hong Kong is **at par with other financial hubs** in terms of the development and application of AI in financial service industry

Figure 3: How would you perceive Hong Kong’s current status in the development and application of AI in the financial service industry?



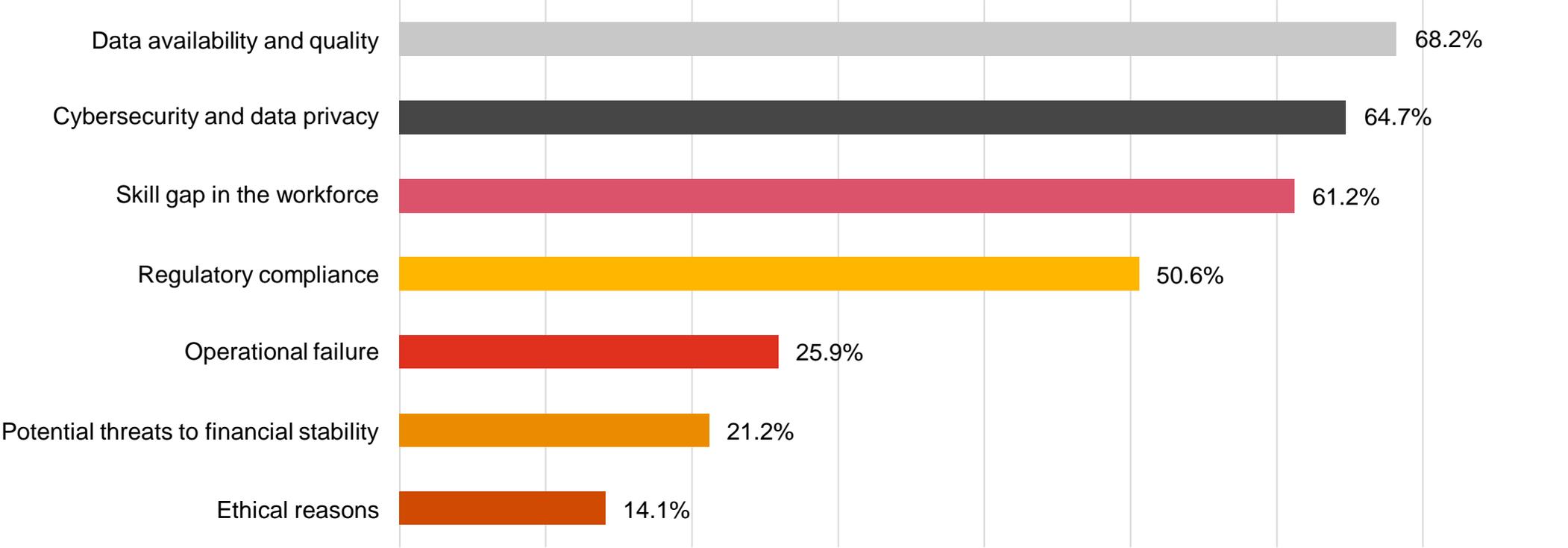


Harness the Power of
AI: challenges and
opportunities



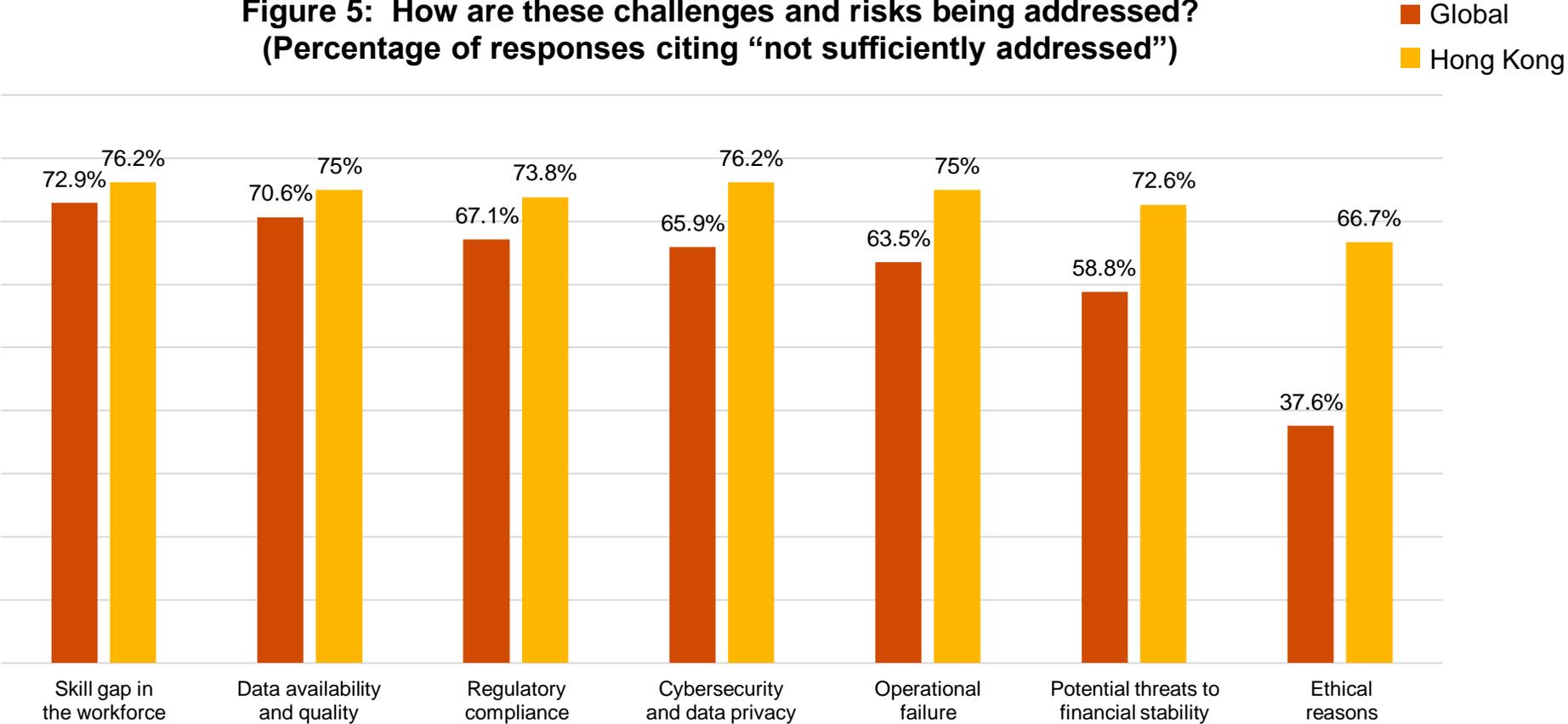
Data availability and quality, cybersecurity and data privacy, and skill gap in the workforce pose significant challenges to the further implementation of AI

Figure 4: Considering both demand and supply side factors, what are the main risks, challenges, and barriers to further implement AI in the financial service industry?



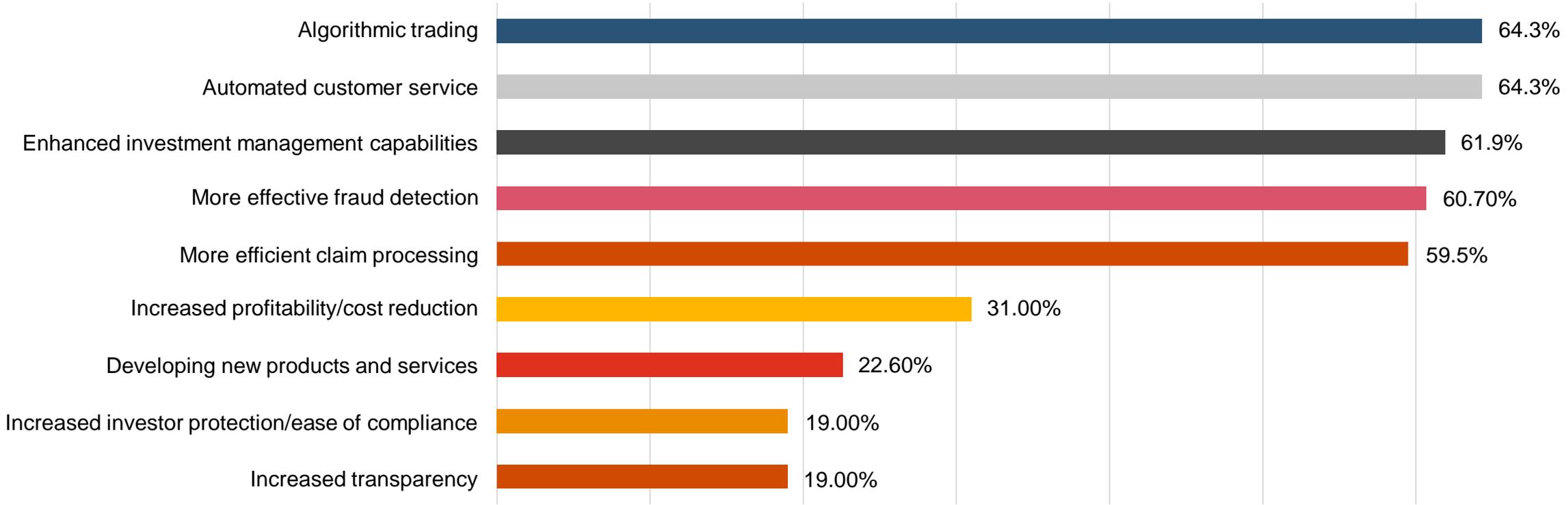
Several challenges and risks, including a **skill gap in the workforce**, and **stakeholder and customer trust/explainability**, have not been sufficiently addressed in Hong Kong

**Figure 5: How are these challenges and risks being addressed?
(Percentage of responses citing “not sufficiently addressed”)**



The further implementation of AI presents organisations with emerging opportunities, including **algorithmic trading**, **automated customer service**, and **enhanced investment management capabilities**

Figure 6: Considering both supply and demand side factors, what are the major opportunities arising from the further implementation of AI in the financial service industry?

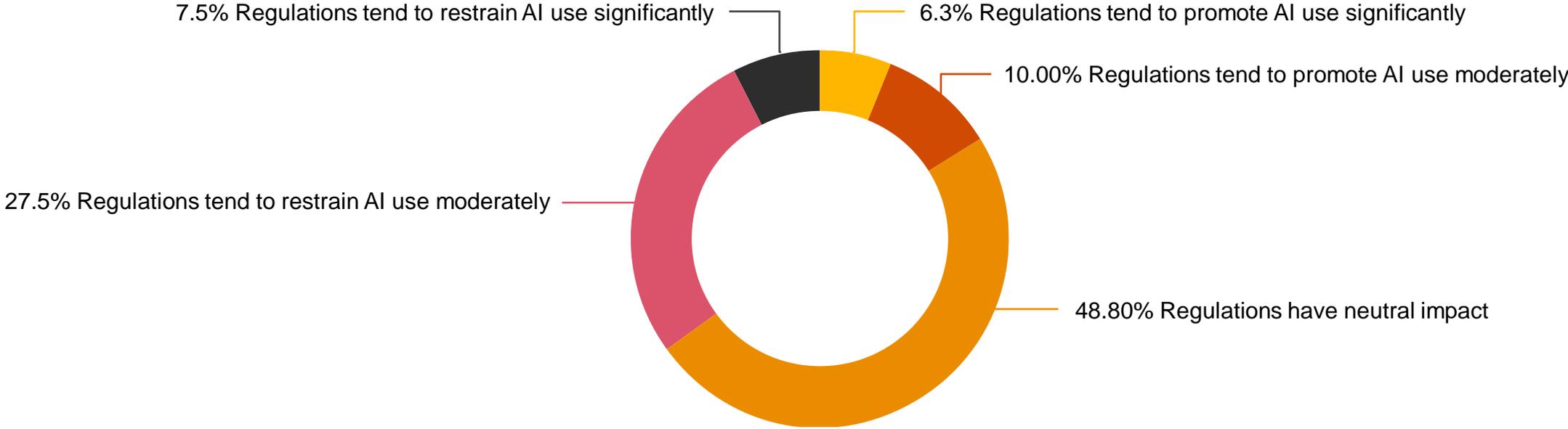


An aerial photograph of Hong Kong's skyline, featuring numerous skyscrapers and a harbor with boats. A large, white, stylized question mark is overlaid on the left side of the image. The text is centered in a white, sans-serif font on a dark, semi-transparent rectangular background. There are also several colorful, semi-circular graphic elements: an orange one at the top left, a yellow one at the top right, and a pink one at the bottom right.

Moving forward: What does the future hold for Hong Kong's AI development?

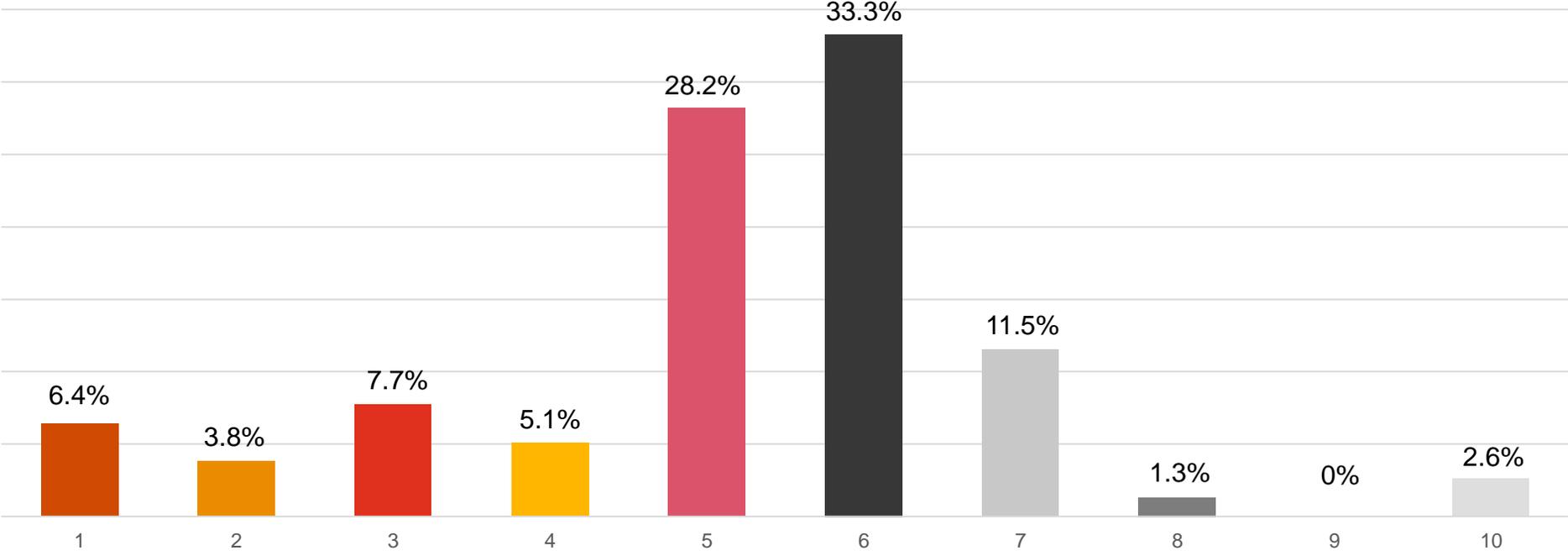
The current regulations in Hong Kong have **largely neutral impact** on the use of AI in the financial service industry

Figure 7: To what degree do the current regulations in Hong Kong impact the use of AI in the financial service industry?



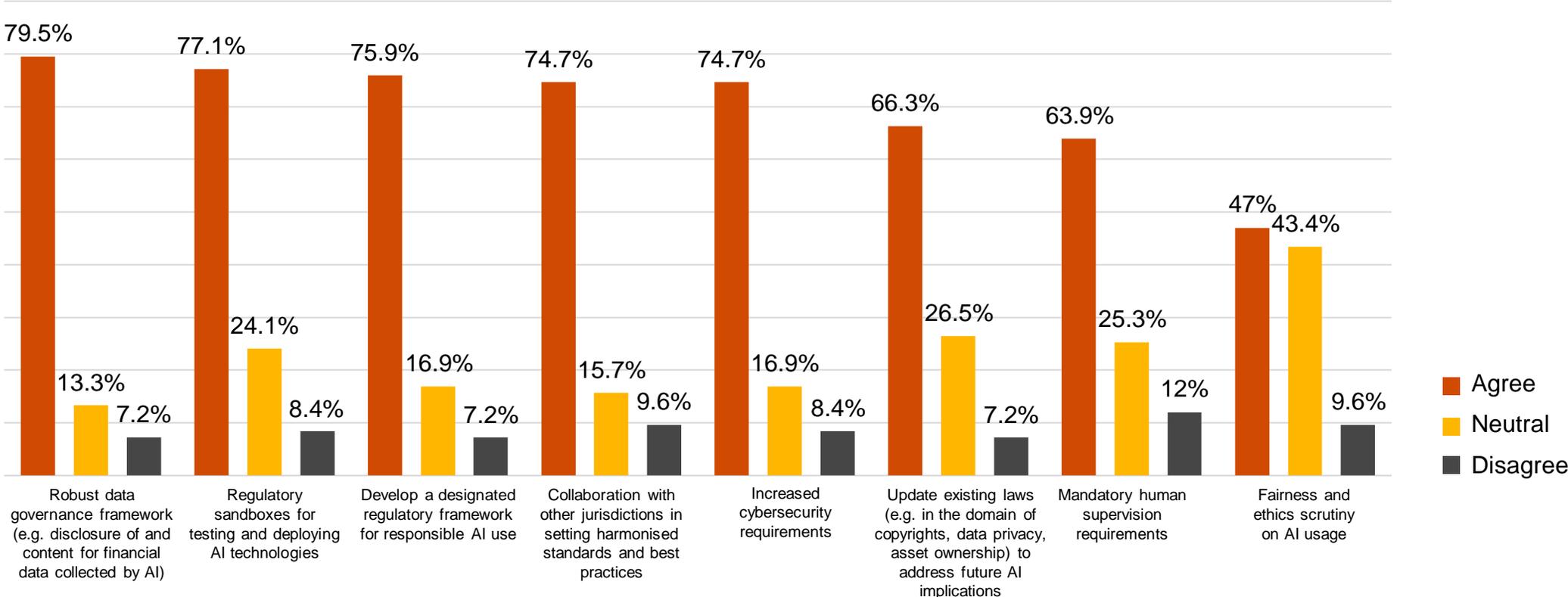
Respondents believe that Hong Kong demonstrates a **moderate level of effectiveness** in keeping regulations up to date

Figure 8: How effectively is Hong Kong keeping its regulations up to date to facilitate the adoption of AI in its financial service industry? (1 indicating “not effective at all” and 10 indicating “extremely effective”)



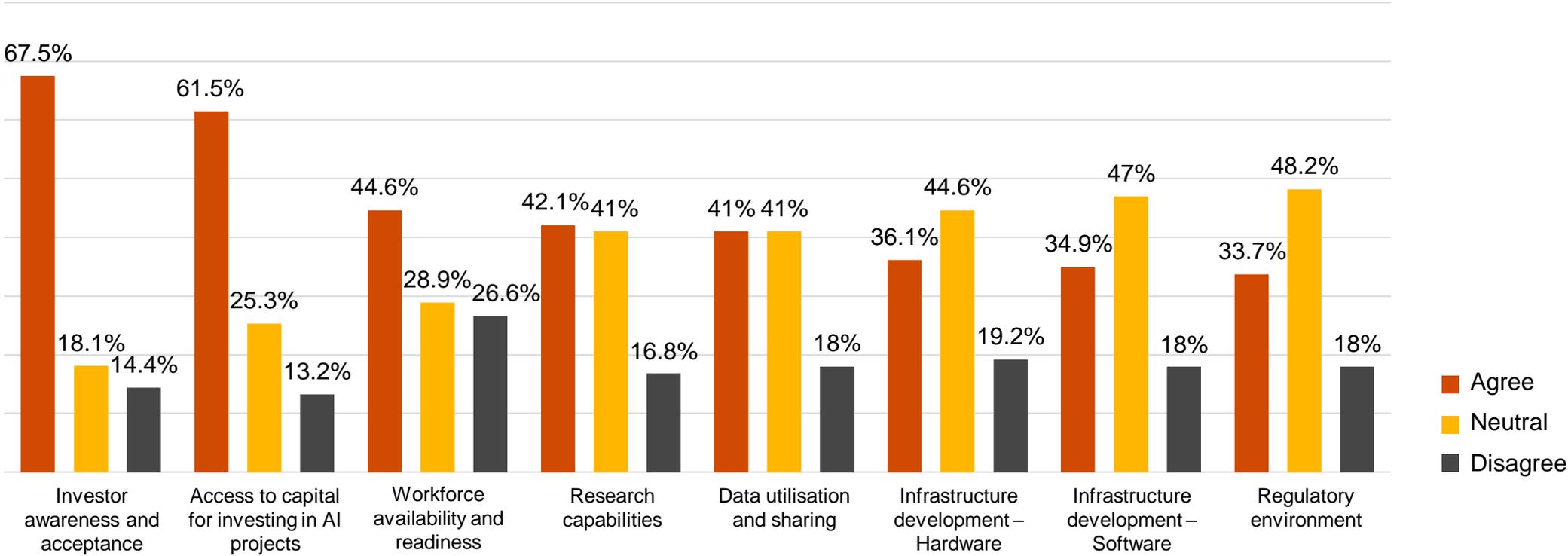
Balancing between innovation and risk while facilitating AI development in the FS industry would require **implementing changes within the regulatory environment**

Figure 9: What changes to the regulatory environment would you agree are necessary to strike a balance between innovation and risk while facilitating AI development in the financial service industry?



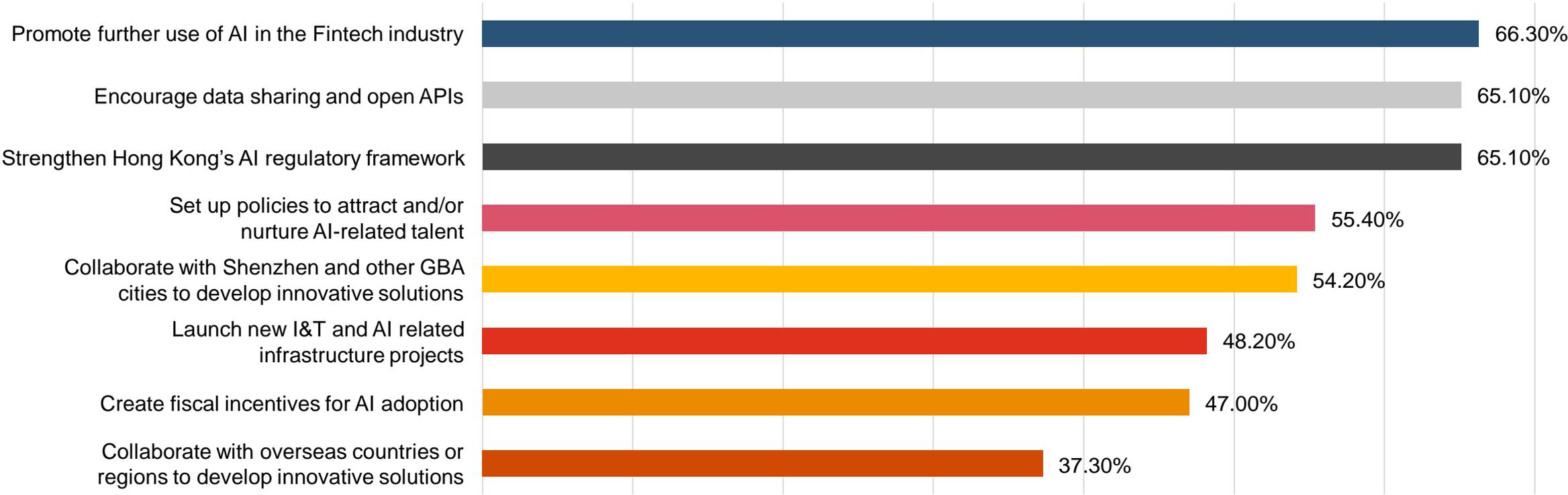
Hong Kong is poised for further adoption of AI thanks to **investor awareness and acceptance, access to capital for investing in AI projects, and data utilisation and sharing**

Figure 10: To what extent would you agree Hong Kong is ready or future-proofed for further adoption of AI in the financial service sector for the following categories?



Hong Kong can implement various measures to leverage its status as an international financial centre and advanced I&T hub to foster innovation in AI

Figure 11: How can Hong Kong leverage its status as an international financial centre and advanced I&T hub to drive innovation in AI for the financial service industry?



4

Closing remarks

Key messages to take home



The implementation of AI has enhanced overall efficiency, particularly in the areas of virtual assistant/chatbots, fraud detection, and biometric authentication, where a higher degree of AI integration is observed



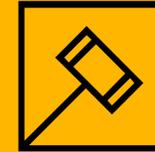
Hong Kong is primarily regarded as on par with other financial hubs in terms of the development and application of AI in the financial services industry



The major challenges hindering the further implementation of AI include issues related to data availability and quality, cybersecurity and data privacy, and the skill gap in the workforce



Algorithmic trading, automated customer service, and enhanced investment management capabilities will create emerging opportunities for the further implementation of AI



Implementing necessary changes within the regulatory environment, including advancements in regulatory sandboxes and the establishment of a robust framework for data governance, is imperative to strike a balance between innovation and risk



Hong Kong is ready or future-proofed for further adoption of AI in the financial service sector in terms of investor awareness and acceptance, access to capital for investing in AI projects, and data utilisation and sharing

Respondents profile

Figure 12: What is your organisation size?

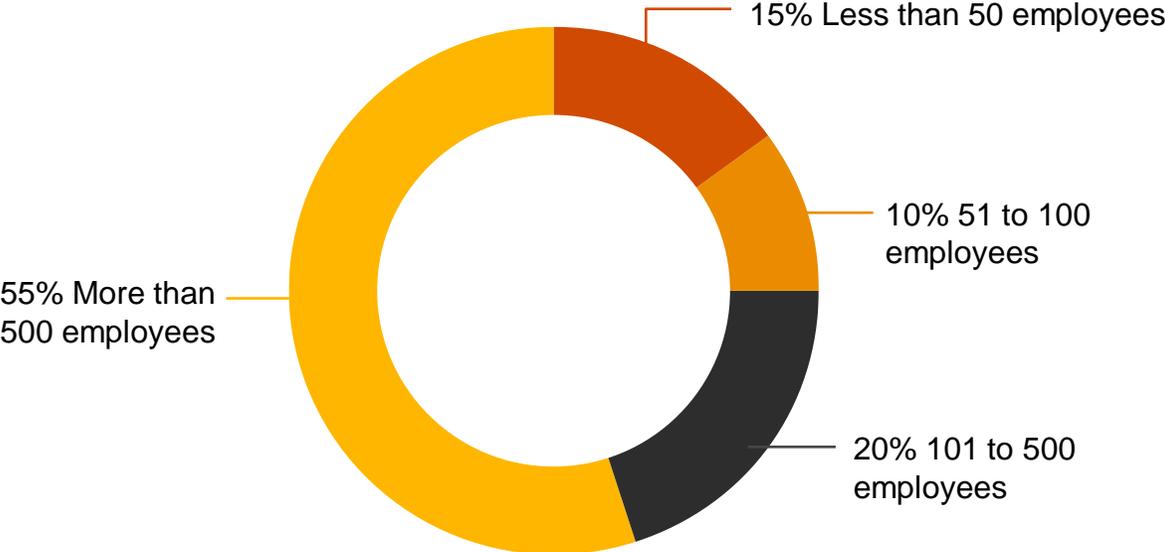
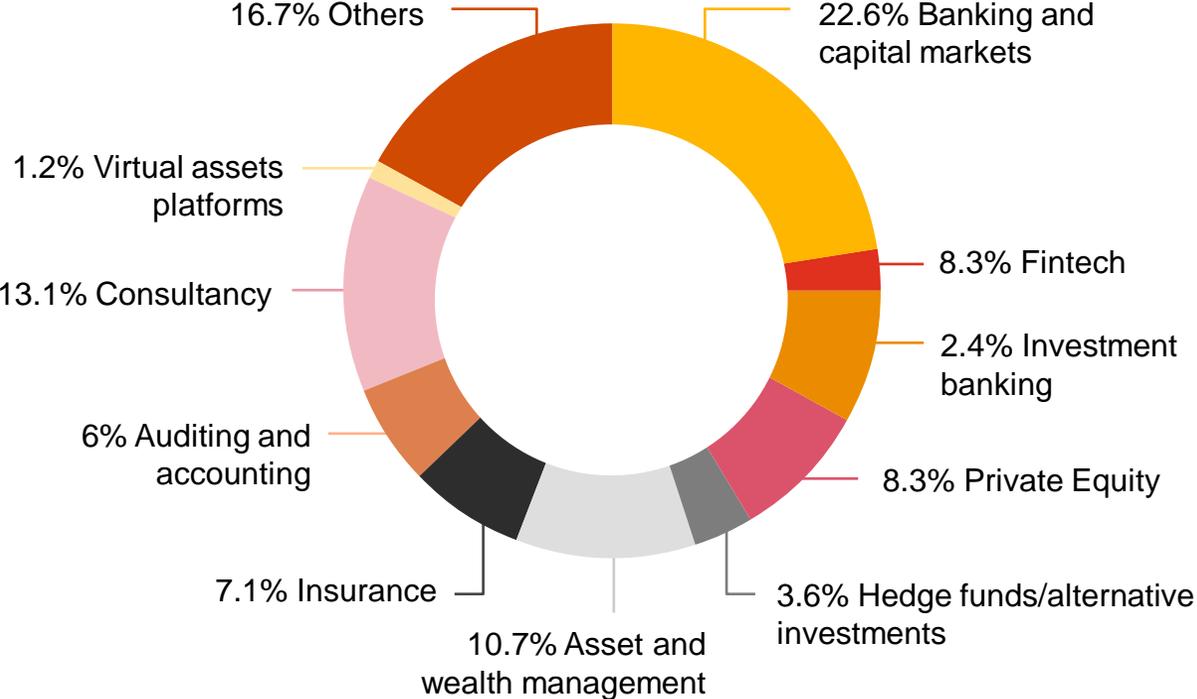


Figure 13: What sector is your organisation's key business in?



Thank you



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