Adoption of Generative AI Guideline for Hong Kong's Financial Market
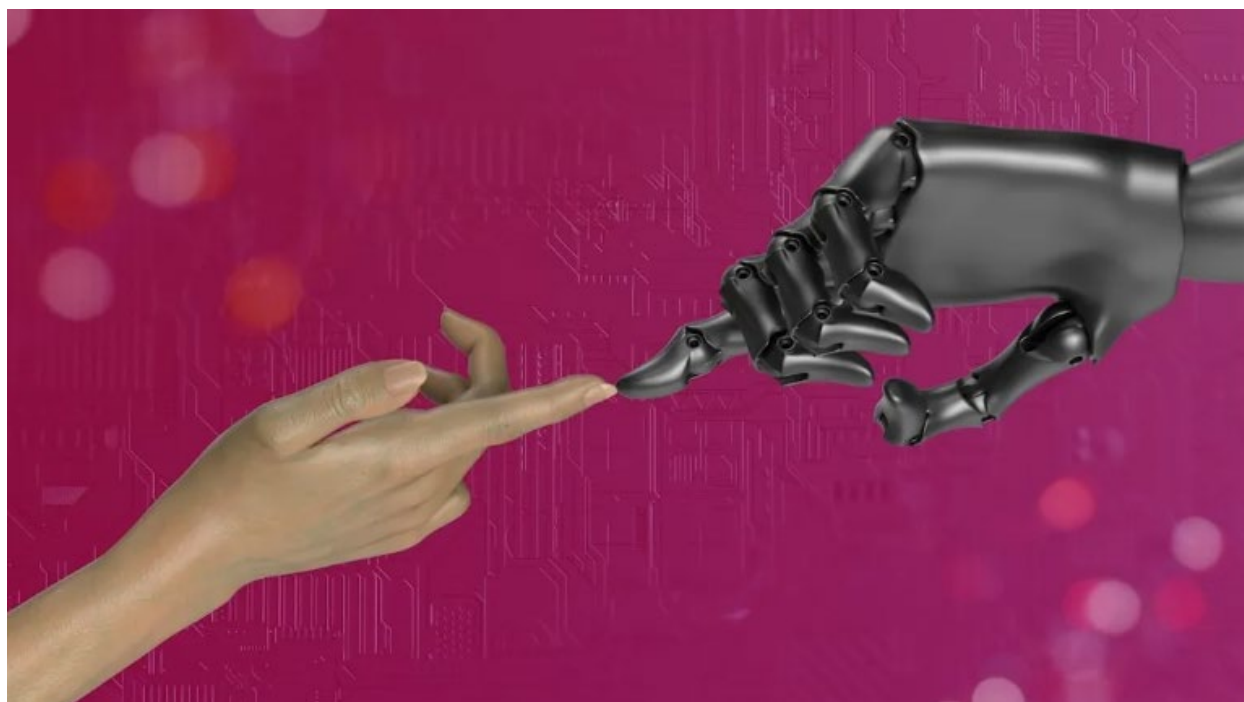

The Digital Policy Office (DPO) of the Hong Kong Government has released the Hong Kong Generative Artificial Intelligence Technical and Application Guideline on April 15, 2025. Designed for technology developers, service providers, and users, the Guideline provides practical advice on the use of generative artificial intelligence (AI), addressing its applications, limitations, and potential risks. Key governance principles focus on mitigating issues such as data leakage, model bias, and errors.

The Guideline was developed in collaboration with the Hong Kong Generative Artificial Intelligence Research and Development Center (HKGAI), which studied industry feedback and practical applications to propose standards on accuracy, accountability, and information security in generative AI. Its primary goal is to balance innovation and responsibility, creating a governance framework tailored to the city and its stakeholders. The Guideline aims to promote safe and responsible development of generative AI while encouraging innovation and broad adoption in Hong Kong.

The development, deployment, and application of generative AI technology in Hong Kong must strictly adhere to all relevant laws, policies, and regulatory standards, including adherence to the Personal Data (Privacy) Ordinance (Cap. 486), the Ethical Artificial Intelligence Framework, and the Hong Kong Generative Artificial Intelligence Technical and Application Guideline, which emphasize the protection of personal privacy, intellectual property rights, and data security.

Technology developers must ensure that data collection respects intellectual property laws and privacy protections, while AI-generated content must not contravene public morality, privacy rights, or existing legal provisions.

Service Providers and Users are also responsible to prevent the dissemination of false or harmful information, aligning with the Government's Principles of Data Governance, which prioritize secure data flow and ethical AI practices.

Responsible Application of Generative AI on Financial Market

Earlier in October 2024, the Financial Services and Treasury Bureau issued a policy statement on the Responsible Application of Artificial Intelligence in the Financial Market, with the objective of promoting AI development while mitigating associated risks concerning cybersecurity, intellectual property rights and data privacy.

To capture AI's benefits while addressing its challenges, Hong Kong is adopting a dual-track approach. This strategy promotes AI development within the financial services sector while addressing critical issues such as cybersecurity, data privacy, and intellectual property protection. By collaborating closely with financial regulators and industry stakeholders, this approach aims to create a sustainable and balanced environment that embraces opportunities and mitigates risks. Ultimately, the goal is to enable financial institutions to responsibly adopt AI, fostering innovation while safeguarding against potential pitfalls.

The application of AI in the financial services sector is characterized by three key attributes, referred to as the "three Ds":

1. **Data-driven**: AI enhances efficiency and competitiveness in this data-intensive industry by enabling advanced data analysis.
2. **Double-edged**: While AI offers immense potential, improper use can lead to significant risks. Financial institutions must mitigate these risks comprehensively, ensuring AI serves as a complementary tool to human judgment, enhancing, rather than replacing, human decision-making.
3. **Dynamic**: AI fosters innovation, contributing to a more vibrant and diverse financial services ecosystem.

To ensure responsible use of AI, the Government emphasizes the importance of protection of privacy and intellectual property rights, human oversight, accountability, operational resilience, information security, as well as job security.

Financial institutions should formulate an AI governance strategy to provide direction on how AI systems should be implemented and used. A risk-based approach should be adopted in the procurement, use and management of AI systems and human oversight will be crucial to mitigating the potential risks.

To mitigate risks, financial institutions should implement robust cybersecurity safeguards, ensuring strict compliance with data privacy laws and respecting intellectual property rights to prevent the misuse of sensitive information. It is critical to have human-in-the-loop oversight for validating AI outputs, along with ongoing monitoring to address issues such as model drift over time. Institutions must clearly disclose their use of AI and the underlying principles of their models, particularly when AI influences business decisions, to prevent discrimination and ensure that customers and investors understand how their data is collected, processed, and utilized. To maintain financial stability and operational resilience, institutions should develop contingency plans that ensure continuity in the event of service disruptions or AI system failures. Additionally, enhanced AI detection systems are necessary to identify and counteract sophisticated frauds, and industry-wide collaboration should be encouraged to effectively counteract these cybercrime threats. For its employees, reskilling and upskilling programs to help them adapt to the evolving roles shaped by AI technologies are equally crucial.

The government has acknowledged that the risks associated with AI have been adequately addressed in current financial regulations and guidelines. To stay abreast of evolving AI technologies, financial regulators plan to regularly review and revise existing regulations. Concurrently, the Hong Kong Police Force has been collaborating with international organizations, law enforcement entities across various regions, and the industry to tackle the cybersecurity challenges brought about by AI, emphasizing the importance of information sharing and cooperation in combating these emerging threats.

To discover how JML can assist your organization in ensuring legal compliance during the application of generative AI in your business, please scan the QR code below to explore our customized legal services.

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