



BIS Insights on Regulating AI in the Financial Sector: Challenges and Opportunities

On 12 December 2024, the Bank for International Settlements (**BIS**) released a FSI Insights on policy implementation No 63 titled "*Regulating AI in the Financial Sector: Recent Developments and Main Challenges*." This information paper, authored by the Financial Stability Institute (**FSI**), provides an in-depth exploration of the increasing use of artificial intelligence (**AI**) in the financial sector. With AI's transformative potential to revolutionise banking and insurance practices, the report examines the challenges posed by AI adoption and outlines a regulatory framework to mitigate associated risks while fostering innovation.

The paper draws attention to the rapid expansion of AI technologies, particularly in areas such as customer support, fraud detection, and credit and insurance underwriting. These applications have enhanced operational efficiency, improved customer experience, and optimised decision-making processes. However, the exponential growth of AI adoption, particularly with generative AI models, has brought with it heightened risks. These include ethical concerns, governance challenges, and dependency on third-party service providers. The BIS discussed the need for proportionate and risk-based regulatory responses to address these issues, ensuring a balance between technological progress and financial stability.

The use of AI in financial institutions predates the recent advancements in generative AI, the accessibility of sophisticated models has accelerated its adoption. AI tools are increasingly being employed in tasks ranging from credit scoring to fraud detection. Insurers, for example, have begun leveraging AI to analyse unstructured data for accurate risk assessment and pricing. The report aims to guide policymakers, financial institutions, and supervisory authorities in addressing the gaps in current regulations and ensuring the responsible use of AI technologies.

One of the issues identified in this paper is the amplification of risks traditionally associated with financial systems. For instance, the complexity and opacity of AI models can exacerbate credit and operational risks. The reliance on historical data can perpetuate biases, leading to discriminatory outcomes in credit and insurance underwriting. The BIS also raises concerns about third-party dependencies, with financial institutions increasingly relying on global technology firms for AI infrastructure. As financial institutions increasingly outsource AI services to big tech companies, there is a growing risk of systemic vulnerabilities stemming from a lack of direct regulatory oversight of these providers. A framework that extends regulatory perimeters to include technology

suppliers is necessary to address this growing dependency and to ensure that these entities are held accountable for compliance with financial sector regulations. This concentration of service providers poses systemic risks, particularly in cases of operational failure or cyberattacks.

To address these challenges, the report proposes strengthening governance frameworks. Financial institutions must establish clear accountability structures, ensuring senior management oversight and human intervention in critical decision-making processes. The concept of “human-in-control” is emphasised, highlighting the importance of mitigating harmful outcomes from autonomous AI systems.

The report also discusses the importance of harmonising AI regulations across jurisdictions. A lack of a globally accepted definition of AI complicates regulatory efforts, particularly for financial institutions operating internationally. The BIS advocates for international collaboration to create a standardised framework for AI use in finance, ensuring consistency and reducing compliance burdens. Consumer protection is another area addressed in the report, with recommendations to safeguard against discriminatory practices and ensure fairness in AI-driven decision-making.

The exponential increase in computational power needed for training and deploying AI models is a major driver of energy consumption. With the financial sector’s adoption of AI set to expand, concerns about its contribution to carbon emissions and energy inefficiency are becoming increasingly relevant. Current regulatory frameworks scarcely address the sustainability challenges posed by AI, leaving a critical gap in aligning technological progress with global environmental goals.

(Source: <https://www.bis.org/fsi/publ/insights63.pdf>, <https://www.bis.org/fsi/publ/insights63.htm>)

Hong Kong Monetary Authority Announced Schedule for Financial Announcements

The Hong Kong Monetary Authority (**HKMA**), on 31 December 2024, released its [schedule](#) for important financial announcements and updates in January 2025. Renowned for its role in maintaining monetary and banking stability, the HKMA oversees the Hong Kong dollar’s linked exchange rate system, manages the Exchange Fund, promotes the stability of the banking sector, and enhances the efficiency of Hong Kong’s financial infrastructure. Its announcements provide key insights into the financial health and policy direction of the region.

On 7 January 2025, the HKMA will release the latest figures on Hong Kong’s foreign currency reserve assets, of the region’s economic resilience and ability to support the local currency. The same day, the results of the tender for Exchange Fund Bills (Issue Nos. Q2502 and H2531) will be published, providing updates on short-term debt instruments essential for liquidity management and monetary operations.

On 14 January 2025, the Hong Kong Analytical Accounts of the Exchange Fund will be unveiled. These accounts deal with the fund’s financial position and operations, and aim to provide transparency into the HKMA’s management of Hong Kong’s reserves and monetary tools. Official press releases for these updates are expected on the respective dates, providing details and analysis of HKMA.

(Source: <https://www.hkma.gov.hk/media/eng/doc/key-information/forthcoming-event/febr.pdf>, <https://www.hkma.gov.hk/eng/news-and-media/forthcoming-events/>)

MAS Encourages Use of Fit Notes and E-Hong Baos for a Greener Lunar New Year

On 2 January 2025, the Monetary Authority of Singapore (**MAS**) announced initiatives to promote the use of Fit notes and digital gifting during the upcoming Lunar New Year festivities. By encouraging the public to opt for these environmentally friendly alternatives over new currency notes, MAS aims to reduce carbon emissions and support sustainable practices.

In collaboration with major banks like DBS, OCBC, and UOB, the MAS will facilitate online pre-booking of Fit notes starting from 7 January 2025. These banks are also increasing the number of pop-up and branch ATMs dispensing Fit notes across Singapore, making it more convenient for the public to access them. Customers of these banks who wish to exchange Fit or new notes at branches must make an online pre-booking through the banks' official websites or mobile banking applications. Walk-in exchanges will be available for those aged 60 and above or persons with disabilities.

In 2024, nearly two-thirds of hong bao givers surveyed chose Fit notes over new notes, resulting in the exchange of over 11.7 million pieces of Fit note, a 5% increase from the previous Lunar New Year. This shift led to carbon emissions savings of approximately 408 tonnes of CO₂ equivalent, comparable to the annual emissions from powering about 220 four-room public housing flats.

The push towards using Fit notes and e-hong baos aligns with Singapore's broader environmental goals. By reducing the demand for new currency notes, the MAS and partnering banks are taking meaningful steps towards a greener future. E-hong baos have also gained popularity as a convenient and personalised way to send well-wishes, further reducing the environmental impact associated with traditional red packets.

The timeline for these initiatives is as follows: online pre-booking of notes begins on 7 January 2025, with collection of pre-booked notes and walk-in exchanges starting from 14 January 2025.

Assistant Managing Director (Finance, Risk & Currency) of MAS, Ms. Cindy Mok, expressed optimism about the public's response: *"We are heartened that more and more Singaporeans are adopting greener options by using Fit notes or e-hong baos for festive gifting. This coming Lunar New Year, let us encourage more of our family and friends to do so. Together, we can contribute to a greener tomorrow, while preserving our Lunar New Year customs."*

(Source: <https://www.mas.gov.sg/news/media-releases/2025/choose-fit-notes-or-digital-gifting-this-lunar-new-year-for-a-greener-future>, <https://www.mas.gov.sg/-/media/mas-media-library/news/media-releases/annex—notes-exchange-at-banks-for-lunar-new-year-2025.pdf>)

Hong Kong Solicitor Held Guilty of Breaching HK SFC's Secrecy Rules

On 2 January 2025, the Hong Kong's Securities and Futures Commission (**HK SFC**), announced the conviction against a practicing solicitor for breaching the secrecy provisions under the Hong Kong Securities and Futures Ordinance (**HK SFO**). The Eastern Magistrates' Courts found Mr. Tse Yin Fung, principal of the law firm O Tse & Co., guilty of disclosing confidential information in violation of the HK SFO. Tse pleaded guilty to the charge and was fined HK\$ 25,000 while being ordered to pay the HK SFC's investigation costs.

On 9 February 2021 when Mr. Tse Yin Fung, acting as the legal representative for an individual under HK SFC investigation, disclosed confidential information to two other individuals. This information concerned a restriction notice issued by the HK SFC to the client, prohibiting their brokerage firm from dealing with certain assets in their trading account. Such notices are a key tool in the HK SFC's investigations into suspected market misconduct, including ramp-and-dump schemes (a manipulative tactic where fraudsters artificially inflate share prices before selling at a profit).

Under the HK SFO, Sections 378(7) and 378(11) explicitly prohibit unauthorised disclosure of confidential information. Breaches carry penalties, including fines of up to HK\$ 1 million and two years' imprisonment upon conviction on indictment or upon summary conviction, to a maximum fine of HK\$ 100,000 and imprisonment for up to six months. A regulated person may, in addition, be disciplined. Mr. Tse Yin Fung's case is the first where a solicitor has been held accountable under these provisions for breach of legal obligations of legal practitioners in maintaining secrecy in regulatory investigations.

Nearly four years passed between the disclosure in February 2021 and the conviction in January 2025. The HK SFC's investigation into the ramp-and-dump syndicate dealt with the increasing role of social media in stock market fraud, where fraudsters lure investors with misleading information to drive up share prices artificially.

Mr. Christopher Wilson, Executive Director of Enforcement at the HK SFC, stating that: "Legal professionals should maintain the highest standard of professional conduct as any wrongdoing while acting on behalf of their clients may jeopardise the integrity of our investigation."

(Source: <https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=25PR1>)

US SEC Chair: Registered PCAOB Inactive Firms Under Scrutiny with New Registration Withdrawal Rule

On 2 January 2025, Gary Gensler, Chair of the United States Securities and Exchange Commission (**US SEC**), gave an official statement announcing a rule change approved by the US SEC. The new regulation, proposed by the Public Company Accounting Oversight Board (**PCAOB**), mandates the withdrawal of registration for accounting firms that fail to meet basic compliance requirements for two consecutive years. This move aims to maintain the integrity of the PCAOB's registry and ensure public confidence in the oversight of accounting firms.

The new rule targets firms that have not filed annual reports on Form 2 or paid annual fees for two years in succession. Under the new rule, such firms will automatically enter a formal withdrawal process, effectively curbing their ability to present themselves as registered entities with the PCAOB. Gary Gensler discussed the importance of this measure, noting that it ensures inactive or non-operational firms do not mislead stakeholders or diminish the credibility of the PCAOB's public records.

The PCAOB safeguards the accuracy of financial reporting for public companies, and this new standard represents a significant effort to address a gap in its regulatory framework. Among the 1,544 firms currently registered, 80 firms have failed to comply with these basic obligations for both 2022 and 2023. None of these firms have issued an audit report for any public company issuer between 1 January 2021 and 31 August 2024. This lack of activity suggests these firms are either defunct or no longer operational, necessitating their removal from the PCAOB's registry. The rule incorporates a 60-day grace period during which firms may notify the PCAOB of their intent to remain registered and resolve any outstanding compliance issues.

This decision follows years of review, with the PCAOB identifying persistent non-compliance among certain firms. Chair Gensler's announcement signals the culmination of these efforts, with the rule now in effect as of January 2025. Affected firms have 60 days to take corrective action, after which the withdrawal process will be finalised, marking a decisive resolution to this regulatory challenge.

Chair Gary Gensler acknowledged the contributions of PCAOB staff and US SEC colleagues across multiple divisions, including the Office of the Chief Accountant, the Division of Economic and Risk Analysis, and the Division of Enforcement, among others. By removing inactive firms from its registry, the PCAOB aims to enhance transparency and safeguard public trust.

(Source: <https://www.sec.gov/newsroom/speeches-statements/gensler-pcaob-withdrawal-registration-010225>)

IMF Publishes Blog on How Artificial Intelligence Will Affect Asia's Economies

On 5 January 2025, International Monetary Fund (**IMF**) published a blog titled '*How Artificial Intelligence Will Affect Asia's Economies*', discussing the implications of artificial intelligence (**AI**) on labour markets across the Asia-Pacific region. The blog, based on findings from the October 2024 *Asia-Pacific Regional Economic Outlook*, delves into how AI can enhance productivity and innovation while also posing risks of deepening inequality both within and across nations.

The IMF's blog published in January 2024 by IMF Managing Director Kristalina Georgieva and AI Preparedness Index served as a foundation for understanding the uneven readiness of countries to harness AI's transformative power. The report revealed that advanced economies, such as Singapore, the United States, and Denmark, lead the way in AI adoption, scoring high on metrics such as digital infrastructure, human capital, and regulatory frameworks. These nations stand to benefit significantly from AI, with about 60% of their jobs exposed to the technology. While AI complements half of these roles by enhancing productivity, the other half faces risks of reduced demand, lower wages, or outright displacement.

In contrast, emerging markets and low-income countries, with AI exposure at 40% and 26% respectively, face fewer immediate disruptions but are less equipped to leverage AI's benefits. Many lack the infrastructure and skilled workforce necessary to integrate AI, heightening the risk of falling further behind advanced economies. For example, while Singapore boasts 40% of jobs classified as highly complementary to AI, the figure in Laos is just 3%, underscoring the stark divide in readiness and opportunity.

The Asia-Pacific region, known for its economic dynamism and diversity, is poised to experience uneven impacts from AI adoption. Advanced economies such as Singapore and Japan are likely to witness greater shifts, with nearly half of all jobs in these countries potentially affected by AI. However, these same economies have a higher share of roles that can be complemented rather than replaced by AI, enabling productivity gains and economic efficiency. In Singapore, 40% of jobs are classified as highly complementary to AI, compared to just 3% in Laos, showing stark disparities in AI-readiness between advanced and emerging markets.

According to IMF Blog, disparity risks exacerbate inequalities between wealthier and less developed nations in the region. Advanced economies, with their better technological infrastructure and skilled workforces, are better positioned to capitalise on AI's benefits. Emerging markets, on the other hand, face limited opportunities to integrate AI productively, further widening the development gap.

Within countries, AI also threatens to intensify existing inequalities. Workers in service, sales, and clerical roles, who are disproportionately at risk of job displacement, are often among the most vulnerable in the workforce. Women, who are overrepresented in these sectors, are particularly at risk, potentially worsening gender disparities. Conversely, AI is expected to benefit managerial, professional, and technical roles, which are already higher-paying occupations and are more likely to be held by men.

To address these challenges, IMF emphasised the need for proactive policymaking. They pointed to the importance of implementing robust social safety nets and reskilling programmes to support workers displaced by AI and enable their transition to new roles. Education and training systems must also be overhauled to equip the workforce with skills that can harness AI's potential, particularly in emerging economies where fewer jobs currently stand to benefit from the technology. Beyond workforce readiness, they highlighted the urgency of establishing ethical AI regulations and data protection frameworks to mitigate potential disruptions and ensure responsible use of the technology.

The analysis draws on the economic diversity of Asia, a region that is home to some of the world's fastest-growing economies and technologically advanced nations. Advanced economies, with their high-tech industries and skilled labour forces, are well-placed to reap the benefits of AI-driven efficiencies. However, less developed nations risk being left behind unless targeted interventions are introduced to level the playing field.

While AI offers immense potential for economic growth and innovation, it also poses critical challenges, and without deliberate action, the disruptive effects of AI could outpace its benefits, particularly in countries and sectors with limited readiness to adapt. Concerns about data privacy, ethical use, and social upheaval further underscore the need for robust governance.

(Source: <https://www.imf.org/en/Blogs>, <https://www.imf.org/en/Blogs/Articles/2025/01/05/how-artificial-intelligence-will-affect-asias-economies>)

Former Texas Resident Leena Jaitley Ordered to Pay Millions Following US SEC Fraud Complaint

On 7 January 2025, the United States Securities and Exchange Commission (**US SEC**) published the Litigation release. On 12 December 2024, the United States District Court for the Western District of Texas issued a final judgment against Leena Jaitley, a former resident of Austin, Texas, for her role in defrauding investors through two fraudulent websites, Managed Options Trading and Options by Pros. This ruling followed an investigation and litigation conducted by US SEC, which uncovered a scheme that caused financial harm to unsuspecting investors.

Leena Jaitley operated her fraudulent websites from 2018, falsely claiming that they employed skilled New York-based traders using a proprietary trading methodology with a successful track record. Instead, Leena Jaitley worked alone from her Austin home, occasionally involving her father, who lacked any professional trading qualifications. The US SEC's investigation revealed that Leena Jaitley's actions led to at least 15 investors losing more than US\$800,000 in principal through high-risk, unprofitable trades, with total losses, including fees, exceeding US\$1.4 million.

The US SEC filed its initial complaint against Leena Jaitley on 20 September 2021, outlining her misrepresentations and detailing how she fabricated testimonials and misled clients with guarantees of extraordinary profits. On 3 January 2024, the court ruled in favour of the US SEC's motion for summary judgment, finding that Jaitley had violated multiple anti-fraud provisions of the US Securities Act of 1933, the US Securities Exchange Act of

1934, and the Investment Advisers Act of 1940. Nearly a year later, on 12 December 2024, the final judgment permanently enjoined Jaitley from future violations of securities laws, ordered her to disgorge \$672,833 in ill-gotten gains plus \$158,835 in prejudgment interest, and pay an equivalent amount in civil penalties.

Leena Jaitley's fraudulent scheme began in 2018, with her deceptive websites promising clients large profits from options trading. Over the next three years, she solicited investments through false claims and misrepresentations, while clients suffered devastating financial losses. The US SEC intervened, filing its lawsuit in September 2021 to hold Jaitley accountable. On 3 January 2024, 833 days after the complaint was filed, the court found her guilty of violating anti-fraud provisions. This legal battle culminated 344 days later, in December 2024, with the court's final judgment.

By permanently banning Leena Jaitley from participating in activities that violate US securities laws and imposing hefty financial penalties, the decision shows the consequences of abusing public trust. The US SEC investigation and prosecution was led by Christian Ascunce, Greg Hillson, Charlie Divine, and Zachary Avallone.

(Source: <https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26212>)

US CFTC Chairman Rostin Behnam Announces Departure After Seven Years of Leadership

On 7 January 2025, Rostin Behnam, Chairman of the United States Commodity Futures Trading Commission (**US CFTC**), announced his decision to step down from his role, with his final day at the Commission set for 7 February 2025. Chairman Behnam's tenure at the US CFTC spanned over seven years, during which he played a pivotal role in guiding the agency through a period of significant market evolution and global challenges.

Rostin Behnam joined the US CFTC in 2017 as a commissioner and later assumed the role of Chairman, leading the agency during a transformative era for global financial markets. The US CFTC, which oversees the derivatives markets that underpin critical segments of the US economy, has navigated regulatory complexities under his stewardship. Behnam's tenure coincided with periods of market volatility driven by domestic and international economic events. His leadership focused on addressing regulatory gaps, managing market risks, and fostering innovation through responsible engagement with new market entrants.

In his announcement, Chairman Behnam reflected on his accomplishments, highlighting deliberate and consensus-driven actions to ensure market stability, minimise disruptions, and establish clear regulatory guardrails. He emphasised the importance of the US CFTC's work in supporting financial stability, fostering economic growth, and ensuring the predictability of commodity prices. His leadership was marked by efforts to modernise the agency's capabilities and integrate emerging innovations into the regulatory framework, with the support of Congress.

Rostin Behnam began his journey at the US CFTC in 2017 as a commissioner before being appointed Chairman. His announcement on 7 January 2025 comes 20 days before his formal resignation on 20 January, marking the conclusion of a transformative era for the agency. His last day at the US CFTC will be 7 February 2025, 31 days after his resignation takes effect, allowing for a seamless and orderly transition of leadership. Behnam also pledged to work closely with President Trump's administration to ensure continuity.

(Source: <https://www.cftc.gov/PressRoom/SpeechesTestimony/behnamstatement010725>)

Singapore Addresses Credit Card Fraud: Protections and Responsibilities Outlined

On 7 January 2025, during a Parliament sitting, Mr. Gan Kim Yong, Deputy Prime Minister and Minister for Trade and Industry, and Chairman of the Monetary Authority of Singapore (**MAS**), addressed a query on credit card fraud raised by Mr. Desmond Choo, Member of Parliament for Tampines GRC. The question centred on the frequency and scale of credit card fraud in recent years, and whether a framework akin to the Shared Responsibility Framework (**SRF**) could be introduced to clarify the obligations of banks and cardholders in such cases.

Mr. Desmond Choo asked the government to provide statistics on the number of credit card fraud cases reported over the past three years, the corresponding quantum of losses, and whether a framework similar to the SRF could be applied to credit card fraud. The SRF, a framework for electronic banking fraud, clarifies responsibilities in the event of fraud and helps define acts of gross negligence and reasonable reporting timelines.

In response, Mr. Gan revealed that, on average, 790 cases of credit card fraud were reported annually between 2021 and 2023, with yearly losses averaging \$2.1 million. He highlighted that safeguards put in place by global card schemes, such as Visa and Mastercard, and card issuers like banks, have evolved to counter fraud effectively. For example, the 3-D Secure (**3DS**) protocol adds a layer of authentication for online transactions, requiring more than just static card details to complete a payment.

Banks have also enhanced real-time transaction monitoring to identify possible fraud, notifying cardholders promptly and encouraging immediate reporting of unauthorised activities. Additionally, many banks are transitioning from SMS One-Time Passwords (**OTPs**) to more secure push notifications through digital banking apps, which are resistant to phishing attacks.

On the possibility of introducing a framework similar to the SRF for credit card fraud, Mr. Gan stated that it would not be appropriate. Instead, he pointed to existing protections under the ABS Code of Practice for Banks – Credit Cards. Under this code, the liability of cardholders for unauthorised transactions is capped at \$100, provided they report the issue promptly, do not act fraudulently, and are not grossly negligent. For instance, if a cardholder unknowingly authenticates a fraudulent 3DS transaction, they may be deemed negligent and thus liable.

Mr. Gan also mentioned the chargeback mechanism available under card scheme rules, which allows cardholders to dispute fraudulent charges. For example, if a merchant failed to enable 3DS authentication for an online transaction, the liability typically shifts to the merchant, protecting the cardholder from financial losses.

The government has steadily reinforced these protections over the past few years, and the shift from SMS OTPs to more secure authentication methods is ongoing. This proactive stance ensures that both consumers and financial institutions remain vigilant in combating fraud. Mr. Gan urged the public to play their part by safeguarding their card information, regularly monitoring transactions, and promptly reporting unauthorised activities to banks.

This reply, delivered 14 days into the new year, reflects Singapore's broader commitment to enhancing financial security while balancing the responsibilities of all stakeholders. Mr. Gan's remarks underscore the continued evolution of fraud prevention measures, ensuring that both consumers and banks share a role in maintaining a secure financial environment.

(Source: <https://www.mas.gov.sg/news/parliamentary-replies/2025/written-reply-to-pq-on-credit-card-fraud>)

US SEC Updates Investment Company Names Rule with New FAQs, Retiring Obsolete Guidelines

On 7 January 2025, the United States Securities and Exchange Commission (**US SEC**) published updated Frequently Asked Questions (**FAQs**) related to Rule 35d-1 under the United States Investment Company Act of 1940, commonly known as the "names rule." These 2025 FAQs reflect changes stemming from the 2023 **amendments** to the rule, which aim to address investment company names that could mislead investors about a fund's investments and risks. As part of the update, the US SEC has withdrawn certain outdated FAQs from the 2001 guidance, marking a significant step in modernising regulatory interpretations for the financial industry.

The "names rule," officially Rule 35d-1 under the United States Investment Company Act of 1940, was first adopted by the US SEC in 2001 to address the potential for misleading investment company names. Fund names can strongly influence investor decisions, often implying a particular investment focus or risk profile. To protect investors, the rule mandated that funds whose names suggest a specific type of investment, industry, or geographic region must invest at least 80% of their assets in accordance with those implications. Known as the "80% investment policy," this requirement was designed to align fund marketing practices with their actual investment strategies.

Over the years, as investment products and strategies evolved, gaps in the original rule's scope became evident. Certain fund names, such as those suggesting issuer characteristics or broader themes like "high-yield" or "tax-sensitive", were not explicitly covered, raising concerns about consistency and investor transparency. Additionally, new fund types and marketing practices called for updates to ensure the rule's relevance in a modern context.

In 2023, the US SEC amended Rule 35d-1 to expand its coverage, accounting for fund names that suggest characteristics of investments or their issuers, such as environmental, social, and governance (**ESG**) themes or specific credit qualities. These changes aimed to enhance investor protection by addressing ambiguities and ensuring that fund names accurately reflect their investment compositions and strategies.

US SEC Rule 35d-1, originally adopted in 2001, requires funds whose names suggest a focus on specific types of investments, industries, or geographic regions to allocate at least 80% of their assets in accordance with those designations. The rule's 2023 amendments broadened its scope to include names suggesting characteristics of investments or their issuers. This move ensures greater alignment with contemporary investment practices and improves clarity for investors navigating an evolving financial landscape.

The 2025 FAQs, issued by the staff of the Division of Investment Management, provide updated interpretations and guidance tailored to the amended rule. Among the changes, the FAQs clarify the application of the 80% investment policy for funds with terms such as "high-yield," "tax-sensitive," and "income" in their names. For instance, funds using the term "high-yield" must generally adhere to the 80% investment threshold for corporate bonds below certain creditworthiness standards. Meanwhile, terms like "tax-sensitive" are deemed to reflect portfolio characteristics rather than specific investment types, exempting such funds from the 80% requirement under the rule.

The US SEC also retired several of the 2001 FAQs. The withdrawn guidance included topics related to the initial adoption of the names rule, such as compliance timelines and specific interpretations of fund naming conventions. For example, guidance on terms like "global" or "international" and the use of portfolio duration in fund names has been deemed either moot or sufficiently addressed in the 2023 amendments. This streamlining effort ensures that the regulatory framework remains relevant and precise, avoiding redundancy while maintaining protections for investors.

Under the revised guidance, funds now have clearer expectations about shareholder approvals for changes in fundamental policies. If a fund revises its fundamental 80% investment policy to comply with the amended rule without deviating from its existing fundamental policies, shareholder approval is not required. Additionally, funds with names suggesting tax-exempt distributions must adopt a fundamental policy to ensure compliance with the 80% requirement, which can be satisfied either through an asset test or an income test, depending on the fund's focus.

The 2023 amendments to Rule 35d-1 were adopted after comprehensive consultations, with the 2025 FAQs representing the culmination of two years of evaluation and refinement. The withdrawal of outdated FAQs and publication of updated guidance come over two decades after the original names rule was introduced, demonstrating the US SEC's ongoing commitment to adapting its policies to contemporary market conditions.

(Source: <https://www.sec.gov/rules-regulations/staff-guidance/division-investment-management-frequently-asked-questions/2025-names-rule-faqs>, <https://www.sec.gov/rules-regulations/staff-guidance/division-investment-management-frequently-asked-questions/withdrawn-2001-names-rule-faqs>)

RBI Announces HaRBInger 2024 Winners: Transforming Financial Security and Accessibility

On 7 January 2025, the Reserve Bank of India (**RBI**) announced the winners of the third edition of its global hackathon, *HaRBInger 2024 - Innovation for Transformation*, during a grand finale in Bengaluru. The event brought together innovators, industry leaders, and policymakers to celebrate groundbreaking technological solutions aimed at tackling financial fraud, FinTech and enhancing accessibility for differently-abled individuals.

The RBI launched HaRBInger 2024 on 7 June 2024, focusing on two themes: 'Zero Financial Frauds' and 'Being Divyang Friendly.' The hackathon encouraged participants to overcome four challenges: developing real-time fraud detection systems, ensuring transaction anonymity in Central Bank Digital Currency (**CBDCs**) systems,

identifying mule bank accounts, and creating solutions for currency identification by visually impaired individuals. A special category was also introduced to honour the best all-women team, to enhance inclusivity and diversity in innovation.

The hackathon received an overwhelming response, with 534 proposals submitted, including 39 entries from international teams spanning the United States, United Kingdom, Singapore, Brazil, and other countries. The competition was conducted in three rigorous phases. Initially, 70 entries were shortlisted from the total submissions. This number was further reduced to 28 teams for the solution development phase, during which participants built prototypes over an eight-week period, supported by stipends and mentored by industry experts. The final phase saw these teams present their solutions to an independent jury during an evaluation held on 2-3 January 2025 in Bengaluru.

The winners of HaRBInger 2024 were recognised for their creativity, scalability, and practical applications to address systemic financial challenges. In the category of real-time fraud detection, FPL Technologies Pvt. Ltd. emerged victorious with their solution, 'OneRadar.' This fraud risk management system integrates consumer feedback, decision models, and expert reviews to deliver efficient fraud detection and prevention. For the challenge of ensuring transaction anonymity in CBDC systems, Xaults Technologies Pvt. Ltd. was declared the winner. Their innovative solution leverages Stealth Addresses and Zero-Knowledge Proofs to enable cash-like privacy in digital transactions.

The identification of mule bank accounts, a pressing issue in the financial sector, saw joint winners. Epifi Technologies Pvt. Ltd.'s 'Satark' created digital footprints using AI models to detect suspicious accounts in real time, while NapID Cybersec Pvt. Ltd.'s 'Tager AI' used Loop Tagging technology to identify unauthorised transactions and protect financial system integrity. For visually impaired individuals, joint winners H Vision India Pvt. Ltd. and Rupya Darshini introduced innovative solutions. H Vision India's smart wallet detects banknotes using features like UV absorption and fluorescence, while Rupya Darshini developed a tactile, wallet-sized tool that helps users identify currency through Braille markings and geometric dimensions. In the all-women team category, VisAst received accolades for their lightweight wearable device capable of identifying currency notes and providing voice-based feedback.

The initiative progressed seamlessly from its announcement in June 2024 to the culmination of the hackathon in January 2025. Within seven months, the competition not only identified but also nurtured innovative solutions capable of addressing significant challenges in the financial sector. The eight-week solution development phase, supported by mentoring and stipends, ensured that participants could transform their ideas into tangible prototypes.

These innovative solutions address issues such as fraud prevention, transaction privacy, and accessibility for differently-abled individuals. Subject to compliance with regulatory requirements, these solutions hold immense potential for widespread adoption in the financial sector.

(Source: <https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR462LAUNCHOFHARBINGER20244FB0839A-530B491093A0CDDFF95C38C95.PDF>, https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=58059)

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