

CPA Australia Ltd  
ABN 64 008 392 452  
Incorporated in Australia  
  
Malaysia  
200202000017  
(994112-V)  
Suite 10.01, Level 10  
The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
  
T +603 2267 3388  
F +603 2287 3030  
E my@cpaustralia.com.au  
  
**cpaustralia.com.au**

15 October 2025

BY EMAIL - [aipolicy@bnm.gov.my](mailto:aipolicy@bnm.gov.my)

## **CPA Australia's submission to Bank Negara Malaysia's discussion paper on Artificial Intelligence in the Financial Sector**

CPA Australia represents the diverse interests of more than 175,000 members in over 100 countries and regions around the world, including more than 10,500 members in Malaysia. We make this submission in response to Bank Negara Malaysia's discussion paper on Artificial Intelligence (AI) in the financial sector, on behalf of our members and in the broader public interest. As an organisation with a presence of nearly 70 years in Malaysia, CPA Australia is invested in contributing to the nation's long-term success.

Malaysia has set out clear aspirations in its *National Artificial Intelligence Roadmap 2021–2025* and *Malaysia Digital Economy Blueprint (MyDIGITAL)*, both of which prioritise AI adoption as a driver of economic transformation. Regionally, the *ASEAN Guide on AI Governance and Ethics* reflects a shared ambition to ensure AI is safe, responsible and trusted across borders. Against this backdrop, BNM's paper is timely and important.

Based on the themes and priorities outlined in the discussion paper, CPA Australia offers the following key policy suggestions for consideration:

- adopting proportional, risk-based regulation focused on high-impact AI uses that are likely to occur
- strengthening governance and accountability, with clear human oversight
- requiring rigorous testing, validation and independent assurance of AI models
- enhancing supervisory capacity through specialist training and tools
- supporting smaller institutions via targeted capacity-building initiatives
- reinforcing consumer protection through transparency, redress and education.

These suggestions are drawn from insights from our members in Malaysia, CPA Australia's international experience and lessons from AI policy developments in comparable jurisdictions

For further detail, please refer to the attached.

If you have any queries, please contact Mr Azfar Asa'ad at CPA Australia on [azfar.asaad@cpaustralia.com.au](mailto:azfar.asaad@cpaustralia.com.au).

Yours sincerely

**Gavan Ord**  
Lead, Business Investment and International

**Marieanne Morris**  
Country Manager Malaysia

### Establishing proportional and risk-based regulation

Malaysia has a strong foundation for technology risk management through the Risk Management in Technology (RMiT) policy document, most recently updated in June 2023. The revised framework significantly strengthened expectations on financial institutions in areas such as cloud adoption, outsourcing arrangements, cyber resilience and authentication measures. These existing measures already address many of the operational and governance issues associated with the increasing use of AI in financial services.

Against this backdrop, we encourage BNM to pursue a regulatory approach that is both proportional and risk based. This means concentrating requirements on high-risk AI systems, such as those directly influencing lending decisions, insurance underwriting or fraud detection. Conversely, lighter-touch requirements should be imposed to lower-risk applications such as customer service chatbots. This approach ensures regulation is targeted at risks most likely to have significant negative impacts, minimising unnecessary compliance costs and ensuring smaller financial institutions are not disproportionately burdened. It also creates space for innovation while safeguarding stability.

In our submission to the Australian government on [mandatory AI guardrails](#), we argued for classification of AI risks to reflect not only the severity but also the likelihood of harm. This concept would likely be equally valuable in the Malaysian context.

While Malaysia should seek alignment with international standards to ensure regulatory interoperability, it is important to acknowledge the challenges in doing so. There is a lack of well-established regimes from other jurisdictions that Malaysia can reliably draw upon. For instance, the European Union's AI Act is only in its infancy. Compounding this is the significant divergence in regulatory approaches among major economies, which makes harmonisation complex.

### Strengthening governance and accountability

Trust in AI will depend on the strength of governance and accountability arrangements within financial institutions. Directors and senior management must demonstrate an adequate understanding of the role AI plays in their organisations, including its risks, limitations and ethical implications. This requires institutions to embed AI oversight within existing risk and governance frameworks, treating AI as a governance issue rather than solely a technical one.

Accountability must be clear and well documented. Institutions should maintain comprehensive records of training data, model design and decision logic to support both supervisory review and consumer transparency. Such documentation will be critical in establishing responsibility in the event of disputes or systemic issues.

Equally important is ensuring that high-impact decisions, such as credit rejections, claims denials or fraud flags are subject to meaningful human oversight. As noted in our submission to the International Organisation of Securities Commission on [AI in capital markets](#), the principle of human accountability is essential in complex, technology-driven environments. Applying this principle to consumer-facing financial services will help safeguard trust and protect vulnerable customers.

### Model testing, validation and assurance

AI systems should not be deployed without proper testing and assurance. Pre-deployment validation is essential to confirm that models perform as intended and do not inadvertently introduce bias or systemic vulnerabilities. Given that AI models often evolve as they interact with new data, ongoing monitoring is equally essential. Such monitoring should assess accuracy, fairness, resilience and security throughout the life of the AI model.

Independent assurance has a role to play in this ecosystem. Institutions should be encouraged to engage external assurance providers and seek certifications, particularly when procuring models from third-party vendors or when using complex outsourced solutions. This would serve not only as a supervisory safeguard but also as a mechanism to build consumer and market confidence in the responsible use of AI.

Regional cooperation may also be valuable. The *ASEAN Guide on AI Governance and Ethics*, provides guidance on promoting cross-border alignment, which Malaysia could integrate into its supervisory framework. Doing so would help ensure that financial institutions operating regionally are not subject to conflicting standards.

### Supervisory readiness and capacity building

BNM's own supervisory readiness will be central to effective regulation of AI in the financial sector. As AI becomes more sophisticated and increasingly embedded in Malaysia's financial system, including the potential emergence of new business models driven by AI, regulators will need to build specialist expertise in AI methodologies, risks and applications.

AI adoption is accelerating across accounting and finance teams in Malaysia, a trend highlighted in CPA Australia's upcoming *Business Technology Survey 2025*. The survey results show that AI is being used across a wide range of functions, with the most prevalent applications being data analytics and insights (46 per cent), communication and research (37 per cent) and variance analysis and performance reporting (20 per cent). This reflects a growing reliance on AI to support both strategic decision-making and day-to-day operations.



To meet these demands, BNM will need to invest in targeted training and recruitment of staff with technical expertise in data science and machine learning. Supervisory capacity will also depend on access to appropriate tools, including regulatory sandboxes, model validation toolkits and datasets for testing AI systems.

Capacity building must extend beyond regulators to financial institutions themselves. While larger banks and insurers may have resources to invest in advanced AI capabilities, smaller financial

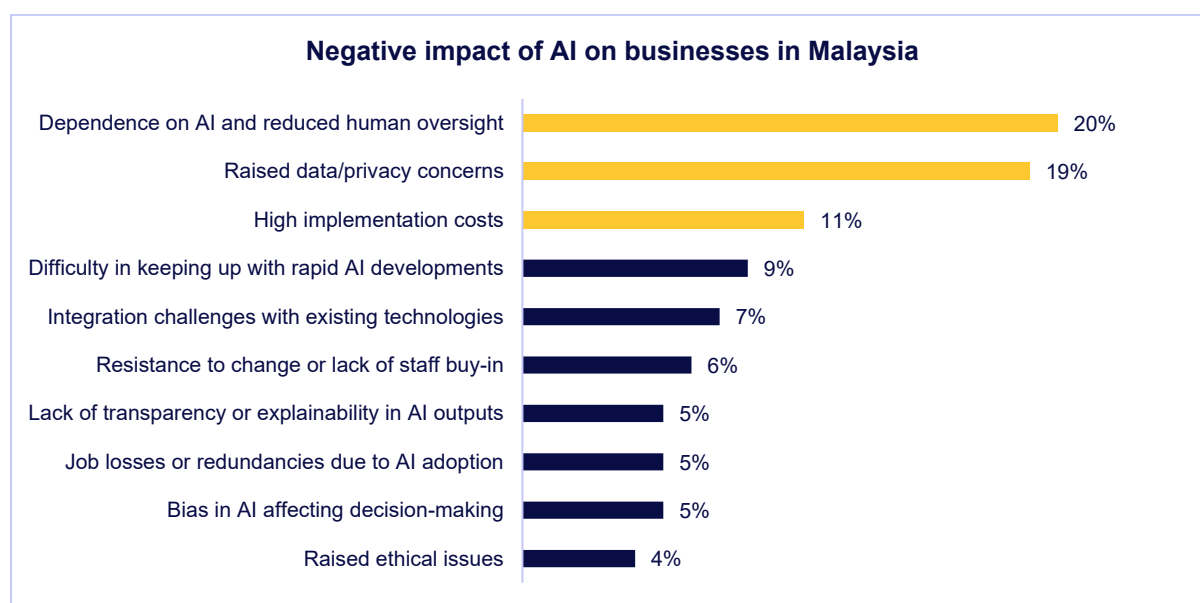
institutions may not, risking them being left behind. Without targeted support, this imbalance could lead to uneven adoption and widen competitive gaps.

Public-private partnerships could play a valuable role in addressing this challenge. Notably, the US\$2.2 billion Microsoft investment in Malaysia announced in 2024, which includes training 200,000 Malaysians in cloud and AI skills, provides an opportunity to align national AI skilling initiatives with sector-specific needs in finance. By coordinating with technology providers and industry associations, BNM can help ensure smaller institutions benefit from these broader capacity-building efforts.

### Consumer protection and public confidence

The success of AI in the financial sector will ultimately depend on public confidence. Consumers must be assured that AI-driven decisions are fair, explainable and contestable. Transparency is critical in this regard. Financial institutions should clearly disclose when and how AI is used in decision-making processes that affect customers. Where decisions are automated, consumers should retain the right to request human review.

This safeguard is essential. CPA Australia's *Business Technology Survey 2025* reveals a rising concern among Malaysian businesses: diminished human oversight due to increasing reliance on AI. According to the survey, 20 per cent of respondents identified this as a key issue, with data and privacy concerns following closely at 19 per cent. These findings underscore the need for balanced AI integration that maintains accountability and protects sensitive information.



Strong dispute resolution mechanisms are also essential. Complaint channels must remain accessible and consumer-friendly, ensuring that individuals who feel unfairly treated by AI-driven decisions can seek redress. In our submission to Australia's Department of Treasury on [AI and consumer law](#), we highlighted the importance of providing consumers with both clear explanations of AI outcomes and pathways to challenge them. Embedding these principles into the Malaysian financial sector will help foster trust while protecting consumer rights.

Public awareness of AI remains limited, and without education, misunderstandings may erode trust. Financial literacy initiatives should be expanded to cover the basics of AI, including its benefits, risks and consumer rights in relation to AI-driven services. Such initiatives would complement existing digital literacy campaigns and further support informed engagement with financial products.

## Conclusion

Malaysia has an opportunity to position itself as a regional leader in the responsible adoption of AI in financial services. With a strong regulatory foundation through the RMIT policy, significant new investments in digital infrastructure, and an emerging innovation ecosystem, the country is well placed to embrace AI while safeguarding public trust and financial stability.

BNM's discussion paper correctly highlights the importance of proportional regulation, sound governance, independent assurance, supervisory readiness and consumer protection. Embedding these principles into the regulatory framework will encourage responsible innovation, support financial inclusion and maintain the integrity of the financial system.

CPA Australia looks forward to working with BNM and other stakeholders to support this important agenda.