

Speech by DSJ at luncheon of Cross Strait Four Regions Young Lawyers Forum 2024 (English only) (with photos)

Following is the speech by the Deputy Secretary for Justice, Mr Cheung Kwok-kwan, at the luncheon of the Cross Strait Four Regions Young Lawyers Forum 2024 today (September 20):

President Tong (President of the Law Society of Hong Kong, Mr Roden Tong), distinguished guests, ladies and gentlemen,

It is my pleasure to be here today to discuss the evolving roles of lawyers in an AI (artificial intelligence)-driven legal landscape, with a particular focus on the opportunities and challenges presented by the (Guangdong-Hong Kong-Macao) Greater Bay Area.

As AI becomes increasingly integrated into legal practices, lawyers are finding new ways to enhance their efficiency, improve client services, and embrace the challenges and opportunities presented by the development of the Greater Bay Area. Let me share with you some of the key opportunities and risks that lawyers must navigate in this evolving landscape.

Opportunities offered by AI

One of the most significant benefits of AI for lawyers is enhanced efficiency and productivity. AI technology can simplify legal tasks like reviewing documents and conducting research, tasks which traditionally consume substantial amount of time. By automating these tasks, lawyers can handle a higher volume of cases, catering to the dynamic market of the Greater Bay Area, where rapid economic growth demands quick legal solutions.

AI-powered document review tools can quickly analyse thousands of pages of contracts, leases, and other legal documents, identifying key terms, clauses, and potential issues. This allows lawyers to focus their attention on higher-level analysis and strategy, rather than getting caught up in tedious manual review. Similarly, AI-driven legal research tools can sift through vast databases of case law, legislations and regulations to find relevant precedents and authorities, saving lawyers hours of time.

I remember when I first started practicing law, I spent hours and hours poring over dusty law books and case files, searching for that one crucial piece of information that could make or break a case. It was tedious, time-consuming work that often left me feeling like I was drowning in a sea of paper. But now, with AI-powered research tools, I can find the relevant information I need in a fraction of time. It's like having a personal assistant who never gets tired and never complains.

Another exciting opportunity lies in data-driven decision making. AI integration enables lawyers to employ predictive analysis, using past data to anticipate outcomes. By analysing past cases and judicial trends, AI can help lawyers predict the likely outcomes of a case and develop more effective litigation strategies. This data-driven approach can also assist in negotiating better settlements and advising clients on the risks and benefits of pursuing legal action. In a region as economically vibrant and legally complex as the Greater Bay Area, having this kind of analytical edge can be a game changer for law firms.

AI also has the potential to improve access to justice by reducing legal costs. In regions where legal fees can be substantially high, AI-driven solutions can lower operational costs, making legal services more affordable for small businesses and individuals. By automating routine tasks and streamlining processes, AI can help law firms reduce their overhead expenses and pass those savings on to their clients.

The Greater Bay Area is characterised by its unique legal frameworks with the coexistence of different legal systems. AI can assist lawyers in navigating the complexities and differences in the interpretation and application of laws across the region. For example, AI tools can help in contract analysis and compliance checks, ensuring that businesses operating within the Greater Bay Area are in compliance with the legal frameworks across different jurisdictions. This cross-border legal service is a valuable asset for lawyers looking to serve clients in the Greater Bay Area.

By leveraging AI to analyse and compare the legal requirements in the Greater Bay Area, lawyers can more easily identify potential issues and ensure that their clients' contracts and transactions comply with all relevant laws and regulations. This can be particularly useful in areas like intellectual property, where different jurisdictions may have varying protections and registration requirements. AI can also help lawyers stay up-to-date with changes in the law across the region, ensuring that their advice remains current and accurate.

Finally, AI tools such as chatbots and virtual assistants are transforming client engagement by enabling lawyers to deliver prompt advice and assistance. This technology enables lawyers to focus on building relationships with clients, a crucial aspect in the culturally diverse Greater Bay Area, where understanding client needs is essential for delivering effective legal service.

By using AI to handle routine inquiries and provide basic information, lawyers can free up more time to engage with clients on a personal level, understanding their unique concerns and goals. This can lead to stronger lawyer-client relationships, higher client satisfaction, and increased client loyalty. In a region as competitive as the Greater Bay Area, where clients have many options for legal services, building strong relationships can be a key differentiator for law firms.

Challenges and risks

Despite the significant advantages that AI may bring to the legal field, its incorporation also introduces various challenges and risks that legal professionals must address. A primary concern is data security and privacy. The utilisation of AI systems in handling confidential client information raises critical concerns about data privacy and security. Lawyers are entrusted with the responsibility of ensuring that AI tools adhere to strict data protection regulations to safeguard client confidentiality, especially in regions like the Greater Bay Area where legal standards vary.

With the increasing reliance of law firms on cloud-based storage and AI-driven technologies, the vulnerability to cyber threats and data breaches escalates. Law firms are attractive targets for cybercriminals seeking valuable client data, which could comprise sensitive financial records, trade secrets and personal details. To mitigate these risks, lawyers must implement robust cybersecurity protocols such as encryption, multi-factor authentication and frequent software updates.

Moreover, AI systems can produce unreliable outputs, a phenomenon known as "AI hallucination", where the technology generates false information or cites non-existent cases. This phenomenon poses significant challenges for legal professionals, as these inaccuracies can lead to mistaken citations, misinterpretation of legal precedents and potentially harmful consequences for clients and cases. Lawyers must critically evaluate AI outputs to prevent errors and maintain rigorous fact checking and validation of AI generated content.

Using AI in the legal field can be very helpful because it makes things faster and easier. But there are also important moral concerns we need to think about. One big worry is that relying too much on AI might take away the human side of legal matters. Humans can understand feelings and emotions, something machines may struggle with. This could lead to less fair and compassionate legal decisions. Another concern is that AI may carry biases from the dataset that the AI tools are trained on. If not monitored, these biases could make legal outcomes unfair for some people. Lawyers must be vigilant in monitoring AI outputs to prevent perpetuating existing biases present in historical legal data.

One way to address this issue is through the development of ethical frameworks and guidelines for the use of AI in legal practice. These guidelines should cover topics such as data quality, algorithmic transparency, human oversight and accountability. Law firms should also consider appointing an AI ethics committee or designating a chief AI officer to oversee the firm's AI initiatives and ensure compliance with ethical standards.

As AI automates routine tasks, there is concern about job displacement within the legal profession. However, rather than replacing lawyers, AI is expected to augment their capabilities, allowing them to focus on more complex and strategic aspects of their work. This shift can lead to the development of new roles within the legal field, emphasising the need for continuous learning and adaptation.

While it is true that AI may phase out certain entry-level legal positions, it is unlikely to replace the need for skilled lawyers altogether. Instead, AI is expected to prompt a transformation in the essential skills and knowledge that lawyers must possess to excel in their field. Lawyers will need to develop stronger data analysis and AI oversight skills, as well as a deeper understanding of the ethical and regulatory implications of AI use in legal practice.

To adapt to this changing landscape, lawyers must dedicate themselves to continuous learning and professional advancement. This may involve taking courses in data science, machine learning and AI ethics, as well as attending conferences and workshops to remain abreast of the latest developments in legal technology. Law firms should also invest in training and developing programmes to help their legal teams acquire these new skills and stay competitive in the job market.

As AI becomes widely adopted in the legal profession, there will be increasing pressure from clients, regulators, and the public to ensure that these technologies are used in a safe, ethical, and transparent manner. Lawyers must stay informed about the latest developments in AI regulation, both in their home jurisdictions and across the Greater Bay Area, to ensure that their practices remain compliant.

Judiciary guidelines

Recently, the Hong Kong Judiciary has taken a significant step by issuing its very first guidelines for the use of generative AI among judges, judicial officials and support staff. This initiative aims to enhance the efficiency of judicial and administrative functions while firmly upholding the core principles of judicial independence, impartiality and accountability.

The guidelines include two main principles. First, it is imperative that judges must not delegate judicial responsibilities to AI and should exercise caution regarding data security and confidentiality when interacting with generative AI tools. Secondly, judicial staff must critically assess AI-generated outputs for factual accuracy, potential biases and intellectual property infringements, and accept full responsibility for their use.

While the Judiciary acknowledges the potential of generative AI for tasks like summarisation and administrative support, it warns of its limitations in legal research and analysis. AI operates on probabilities rather than a deep understanding of context, which can lead to inaccuracies, making it unsuitable for legal decision-making without robust safeguards and verification mechanisms in place.

Conclusion

In conclusion, the evolving roles of lawyers in the AI-driven legal landscape of the Greater Bay Area represent a fusion of tradition and transformation, of expertise and experimentation. By integrating AI technologies into their practices, lawyers can position themselves at the

forefront of a rapidly evolving legal landscape, ultimately providing superior services to their clients in this dynamic region.

While embracing AI, legal professionals must remain vigilant about the potential risks and limitations associated with the use of AI, particularly regarding data security and ethical considerations. Effectively navigating these challenges is essential for ensuring that the legal profession maintains its commitment to innovation and high-quality client service, while safeguarding the integrity of the legal system.

To thrive in this era, lawyers need to adapt by acquiring new skills and proactively exploring AI's potential to enhance their practices. By embracing emerging technologies while upholding ethical standards, lawyers in the Greater Bay Area can significantly contribute to economic growth, social progress and equitable access to justice for all.

As I bring my speech to a close, let's raise a virtual toast to AI in law, because who doesn't want a robot intern who never sleeps? Thank you for your time and participation. I wish everyone a fruitful and inspiring conference filled with valuable insights and connections. Thank you very much.



Inspection of aquatic products imported from Japan

In response to the Japanese Government's plan to discharge nuclear-contaminated water at the Fukushima Nuclear Power Station, the Director of Food and Environmental Hygiene issued a Food Safety Order which prohibits all aquatic products, sea salt and seaweeds originating from the 10 metropolis/prefectures, namely Tokyo, Fukushima, Ibaraki, Miyagi, Chiba, Gunma, Tochigi, Niigata, Nagano and Saitama, from being imported into and supplied in Hong Kong.

For other Japanese aquatic products, sea salt and seaweeds that are not

prohibited from being imported into Hong Kong, the Centre for Food Safety (CFS) of the Food and Environmental Hygiene Department will conduct comprehensive radiological tests to verify that the radiation levels of these products do not exceed the guideline levels before they are allowed to be supplied in the market.

As the discharge of nuclear-contaminated water is unprecedented and will continue for 30 years or more, the Government will closely monitor and step up the testing arrangements. Should anomalies be detected, the Government does not preclude further tightening the scope of the import ban.

From noon on September 19 to noon today (September 20), the CFS conducted tests on the radiological levels of 233 food samples imported from Japan, which were of the "aquatic and related products, seaweeds and sea salt" category. No sample was found to have exceeded the safety limit. Details can be found on the CFS's thematic website titled "Control Measures on Foods Imported from Japan" (www.cfs.gov.hk/english/programme/programme_rafs/programme_rafs_fc_01_30_Nuclear_Event_and_Food_Safety.html).

In parallel, the Agriculture, Fisheries and Conservation Department (AFCD) has also tested 52 samples of local catch for radiological levels. All the samples passed the tests. Details can be found on the AFCD's website (www.afcd.gov.hk/english/fisheries/Radiological_testing/Radiological_Test.html).

The Hong Kong Observatory (HKO) has also enhanced the environmental monitoring of the local waters. No anomaly has been detected so far. For details, please refer to the HKO's website (www.hko.gov.hk/en/radiation/monitoring/seawater.html).

From August 24, 2023, to noon today, the CFS and the AFCD have conducted tests on the radiological levels of 85 528 samples of food imported from Japan (including 54 660 samples of aquatic and related products, seaweeds and sea salt) and 19 556 samples of local catch respectively. All the samples passed the tests.

SFC-HKMA joint survey shows strong rebound in sales of investment products in 2023

The following is issued on behalf of the Hong Kong Monetary Authority:

A joint survey (Annex) by the Securities and Futures Commission (SFC)

and the Hong Kong Monetary Authority (HKMA) on the sales of non-exchange-traded investment products by licensed corporations (LCs) and registered institutions (RIs) (Note 1) showed a 14 per cent increase in total transaction to \$4,338 billion (Note 2) in 2023 from \$3,799 billion in 2022.

Respondent firms saw an improvement in overall market sentiment in 2023 amid market recovery from the pandemic, easing of inflationary pressures and anticipation of the end of the monetary tightening cycle in major economies. Against this backdrop, the number of firms engaged in the sale of investment products grew to 380 in 2023 from 371 in 2022. About 68 per cent of these firms reported year-on-year increases in transaction amount, and about 29 per cent of them expanded their sales force by 50 per cent or more to meet growing business needs. The number of participating clients also grew by 15 per cent to over 940 000 (Note 3).

The solid sales growth of investment products was fuelled largely by an increase in the sales of collective investment schemes (CIS) (up \$394 billion), debt securities (up \$80 billion) and structured products (up \$59 billion).

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According to the survey, sales of money market funds increased in 2023 and accounted for 76 per cent of the total transaction amount of the top five CIS reported by the large firms (Note 4), up from 61 per cent in 2022. Sales of sovereign bonds also rose, representing 44 per cent of total debt securities sold in 2023, up from 29 per cent in 2022. The rise in popularity of money market funds and sovereign bonds was attributable to investors' preference for lower risk products with more stable yields amid the persistent high interest rate environment.

"The survey findings reflect a notable recovery in Hong Kong's investment market, demonstrating the resilience of the securities sector, and the growth across various product segments has highlighted the industry's adaptability and commitment to meeting investor needs," said the SFC's Executive Director of Intermediaries, Dr Eric Yip. "The SFC remains committed to fostering stability and growth of the financial market while ensuring that investor interests are protected."

"The survey shows an upward trend in the sales of a wide range of product types and increased participation by investors in Hong Kong's investment market, indicating a recovery of the investment market and investors' interest in 2023," said the Executive Director (Banking Conduct) of the HKMA, Mr Alan Au. "The survey also provides valuable insights for regulators in formulating policy and carrying out supervisory work related to investor protection."

Other major observations from the survey included:

- Structured products continued to be the top product type sold by the respondent firms, representing 46 per cent (\$1,980 billion) of the total transaction amount in 2023. CIS and debt securities rounded out the top

three spots, accounting for 29 per cent (\$1,278 billion) and 17 per cent (\$728 billion) respectively.

- The transaction amount of equity-linked products stood at \$1,206 billion, representing 61 per cent of all structured products sold in 2023, up from 53 per cent in 2022. The major underlying equities of the top five products sold by the large firms were from the internet (29 per cent), automotive (27 per cent) and technology (20 per cent) sectors.
- There was an upward trend in utilising online platforms for distributing investment products. The number of firms distributing investment products online increased by 11 per cent to 92 in 2023, up from 83 in 2022. Online sales accounted for 12 per cent of the aggregate transaction amount of all respondent firms, as compared to 7 per cent in 2022. CIS represented 72 per cent of all online sales, followed by debt securities, which accounted for 25 per cent.

Note 1: The annual survey questionnaires were sent to 2 310 LCs and 112 RIs licensed or registered for Type 1 (dealing in securities), Type 4 (advising on securities) or both regulated activities, and were answered by more than 99 per cent of these firms. The survey covered the sale of non-exchange-traded investment products from January 1 to December 31, 2023 (the reporting period), by respondent firms to non-professional investor clients, individual professional investors (PIs) and certain corporate PIs.

Note 2: The transaction amount refers to the amount paid or payable by investors for investment products. For structured products and derivative products, the transaction amount refers to the maximum exposure of the contracts at the point of sale. Respondent firms were requested to report only one side of the transaction. Rollovers, redemptions and position close-outs were not included.

Note 3: The number of participating clients refer to clients who completed at least one transaction in non-exchange-traded investment products during the reporting period. The number of clients of LCs and RIs were 341 124 and 605 399, respectively.

Note 4: Large firms refer to LCs and RIs with respective total transactions of \$1 billion or more and \$30 billion or more during the reporting period. They were requested to provide details about the investment products they sold, such as the transaction amount of products by types of investors and the details of the top five products ranked by transaction amount.

Applications invited for Constitution and Basic Law Promotion Activity and Research Sponsorship Scheme

The Constitutional and Mainland Affairs Bureau is inviting a new round of applications under the Constitution and Basic Law Promotion Activity and Research Sponsorship Scheme.

The Government of the Hong Kong Special Administrative Region has been promoting the Constitution, the Basic Law and the National Security Law to members of the public through various channels. The Sponsorship Scheme aims to encourage different groups or organisations to promote the Constitution, the Basic Law and the National Security Law to the public and to conduct relevant research, with a view to enhancing public understanding of and support for the three laws and the "one country, two systems" principle.

To make the research proposals under this Sponsorship Scheme more focused, in this round of applications, research proposals related to the theme of "how the institutional advantages of 'one country, two systems' conferred by the Basic Law can enhance the momentum of Hong Kong's economic development and contribute to national development" will be given higher priority for consideration.

Application information can be downloaded from the Basic Law website (www.basiclaw.gov.hk/en/committee/sponsorship.html). The deadline for application is October 25, 2024.

For enquiries, please contact the Secretariat of the Sponsorship Scheme at 2810 2106.

Civil Service College holds Thematic Study Programme on Modern Chinese History (with photos)

The Civil Service College (CSC) has launched a new Thematic Study Programme on Modern Chinese History under The 75th Anniversary of the Founding of the People's Republic of China: Striving towards a New Era Series, to enhance civil servants' understanding of the history of the country's endeavours over the past century and explore Hong Kong's role and contributions along the journey of national rejuvenation. The first session

of the programme was delivered today (September 20) by the Executive Director of the Academy of Chinese Studies, Dr Yau Yat.

Addressing the session, the Secretary for the Civil Service, Mrs Ingrid Yeung, pointed out that this year marks the 75th anniversary of the founding of the People's Republic of China (PRC). At this important juncture, civil servants should humbly learn and gain a deeper understanding of Chinese history, comprehend the path of the national modernisation, and reflect on their identities, roles and missions in the process of national development.

Mrs Yeung said that modern Chinese history is an important journey in shaping the new China. Over the past century, the Chinese nation has undergone monumental historical changes. Generation after generation of Chinese people have ceaselessly strived and endeavoured for the country, sustaining the Chinese nation to the present day. Through this programme, she encouraged participants to reflect on their roles and responsibilities as Hong Kong civil servants, inheriting and continuing the great mission of national rejuvenation, while contributing to the country and Hong Kong.

Around 270 middle and senior-level civil servants from more than 40 bureaux and departments attended the programme.

The Thematic Study Programme on Modern Chinese History consists of five sessions, making use of important historical events from the late Qing dynasty to the founding of the PRC, to examine the endeavours and evolution of the country over the past century in the aspects of politics, economics, society and foreign relations. This programme is a key training initiative in The 75th Anniversary of the Founding of the People's Republic of China: Striving towards a New Era Series. Other topics covered in the Series include the country's foreign affairs, national security and national innovation and technology.



