New Pacific Way Ltd
2/F Tern Centre, Tower 1, 237 Queen's Road, Central
Hong Kong SAR

Basic or Full Route?

A decision guide to the MAS Guidelines on AI Risk Management

The decision every licensed firm must record

MAS issued its Guidelines on Artificial Intelligence Risk Management on 7 October 2026. They apply to every financial institution and to all forms of AI, including generative AI, AI agents and AI built into vendors' software. They take effect on **7 October 2027** (¶1.8).

How much work the Guidelines mean for a financial institution (FI) depends on one decision: whether it may apply basic AI governance policies (the Basic route) or must implement Sections 3–6, scaled to risk (the Full route). A firm that has not adopted AI still needs a policy on whether and how staff may use it (RtF ¶3.14).

The test

The basic route applies if poor performance or unavailability of the AI an FI uses is unlikely to have a material adverse impact on the FI, its customers or other stakeholders (¶2.3). Each AI use case should be weighed against two limbs:

a. financial, operational, regulatory, legal or reputational impact on the firm (¶2.3(a));

b. impact on customers and other stakeholders, including fairness, ethical conduct and consumer protection (¶2.3(b)).

Six steps to a defensible decision

#	Step	What good looks like	Document references
1	**Identify all AI use cases**	Staff survey, software and expense review, vendor checks for AI built into their services, known use of public tools. Machine learning (including logistic regression), generative AI and agents are in scope; rule-based tools, fixed RPA and Monte Carlo simulation are not.	¶1.3; RtF ¶2.8
2	**Record each AI use case, not each tool**	One tool can carry several uses with different impact. Note the purpose, the users, whether output reaches customers, whether a person reviews it, and what happens if it stops.	¶2.3
3	**Set the materiality threshold**	Use the impact scales in your existing risk framework. Add a customer-impact scale if the framework lacks one.	¶2.3
4	**Test each AI use case**	Assess poor performance and unavailability against both limbs. Record the rationale and any condition relied on, such as mandatory human review.	¶2.3–2.4
5	**Aggregate**	The basic route needs every AI use case to pass. One use case with material impact moves the firm to the full route, applied proportionately per use case.	¶2.3; RtF ¶3.7, ¶3.9
6	**Record, approve, re-test**	A route determination memo owned by the accountable senior manager and noted by the board or a delegated committee. Re-tested periodically and on triggers.	¶2.5(a), (f); RtF ¶3.16(c)

MAS does not prescribe a method; steps 3, 5 and 6 are NPW's reading. Firms may engage MAS bilaterally (RtF ¶3.8).

Signals that point each way

Usually the basic route	Usually the full route
Humans involved in AI use cases review the output before it is used (¶2.4) • Drafting or proofreading customer emails, reviewed before sending (¶2.4(a)) • Summarising documents or meeting notes for internal reference (¶2.4(b)) • Initial internal review or analysis of documents (¶2.4(c)) • Formulas, charts or visualisations for internal reference (¶2.4(d)) • Images for marketing or internal materials (¶2.4(e)) • Internal chatbot for finding policies and procedures (¶2.4(f))	• AI output reaching customers without human review, such as a client chatbot (¶1.9(e)) • AI informing advice, suitability, fund management or underwriting (¶2.2(b), ¶5.6) • AI in AML, fraud or sanctions screening, including inside vendor software (¶1.9(d)) • An outage that would disrupt a regulated activity or critical workflow (¶2.3) • AI agents with access to tools or systems (¶1.11) • Processing of sensitive personal data (¶4.12(a))

What each route requires

	Basic route	Full route
What	• An accountable senior manager (¶2.5(a)) • Permitted and prohibited uses with human-review rules (¶2.5(b)) • An approved AI tool list and approval process (¶2.5(c)) • Staff education (¶2.5(d)) • Regular compliance checks (¶2.5(e)) • Periodic and trigger-based re-testing of the route (¶2.5(f))	Keep the basic-route policies and add: • A board-approved framework and risk appetite (Section 3) • AI identification, inventory and materiality assessments (Section 4) • Lifecycle controls scaled to each use case's materiality (Section 5) • Staff capability, training and infrastructure (Section 6)
By	7 October 2027 (¶1.8)	• Sections 3–4 by 7 October 2027 (¶1.8) • Sections 5–6 by 7 October 2028 (¶1.8) • High-risk use cases as soon as possible (RtF ¶13.5)

When to re-test the decision

- A new AI tool, or a new AI feature in software you already use.
- AI output starts reaching customers, or human review is reduced or removed.
- AI output starts feeding advice, suitability or another regulated decision.
- An AI incident or near miss, a change in business model, or new MAS guidance (¶2.5(f)).

About the Route Kit

This guide comes with the MAS AI Requirements Matrix (Excel) and an AI Acceptable Use Policy template. NPW's Route Check applies the six steps to your firm and produces a signed-off route determination memo. Contact sales@npw.ltd.

Sources: MAS Guidelines on AI Risk Management *(7 October 2026);* MAS Response to Feedback Received, P017-2025 *(7 October 2026). ¶ references are to the Guidelines; RtF refers to the Response to Feedback. This guide summarises MAS publications for general information and is not legal advice.*