SPECIAL COMMITTEE ON ARTIFICIAL INTELLIGENCE IN A DIGITAL AGE

COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

Joint Public Hearing on

AI and Financial Services

Panel I: Views from EU financial regulatory bodies

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Claudia Guagliano, *Team Leader – Innovation, Products and Technology, Risk Analysis and Economics Department, European Securities and Markets Authority (ESMA)*

Ana Teresa Moutinho, *Head of Supervisory Processes Department, European Insurance and Occupational Pensions Authority (EIOPS)*

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Panel II: Views from business, consumer organisations and civil society

Agnes Chatellier-Chamoulaud*, Legal Leader, Regulatory Digital EU Practice, BNP Paribas & Member of the European Banking Federation AI Expert Group*

Stefan Voicu*, Senior Research & Policy Officer, BETTER FINANCE*

Jasper De Meyer, *Financial Services Team Leader, European Consumer Organisation*

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1-002-0000

IN THE CHAIR: DRAGOŞ TUDORACHE
Chair of the Special Committee on Artificial Intelligence in a Digital Age,

and

IRENE TINAGLI
Chair of the Committee on Economic and Monetary Affairs

(The hearing opened at 13.49)

1-003-0000

IN THE CHAIR: DRAGOŞ TUDORACHE
Chair of the Special Committee on Artificial Intelligence in a Digital Age

Opening remarks

1-005-0000

Chair. – Good afternoon colleagues, I understand that we are all tested and ready to go, so I propose that we start today's hearing, a hearing that we do together with our colleagues the members of the Committee on Economic and Monetary Affairs (ECON), to whom I also like to extend our warm welcome.

Before we move on to the substance of the meeting I would like to ask if we can adopt the agenda as it stands. If there are no suggestions, then I can consider it adopted.

So, moving on. Today's hearing is about AI and financial services. As you know, we have over the last 10 months been looking into various domains of human economic activity and try to assess through the hearings that we've organised, through the debates that we've organised with experts, the good and the bad, the benefits and the risks associated with the deployment of artificial intelligence in these domains.

Today's topic, financial services, is one where clearly AI has already demonstrated, and not only recently but for quite some time, tremendous benefits from credit decisions, financial fraud and the way they are detected and prevented, algorithmic trading, all of these powered by AI, all of these bring benefits.

But there are also pitfalls. There are also risks lying therein in the way this technology is being used, and I'm hoping that in today's hearing, we will also be able to balance these out.

First point that I want to make is about biases and discrimination. Next to the justice system, the financial services system, including credit decisions and asset management decisions, has the most direct impact on our citizens' lives. How can we ensure that financial decisions that impact citizens and that are informed by AI, which is much more effective and cost effective for providers of financial services, are free of biases and prejudices? I am looking forward to learning more about this from our speakers today.

Second, it is about competition. Just as we are now facing a problem with the huge amounts of personal data held by a few tech giants which have the potential to restrict market entry by smaller and perhaps sometimes more innovative companies without access to such data on

which to train performance algorithms, how do we ensure that in the future, smaller providers of financial services will be able to compete with a few giants who have perfected their AI algorithms to the point that they are capable to dominate the market in financial services?

Thirdly, it's about stability of the financial systems, and I'm thinking here about the stock markets and the proliferation of trading in AI algorithms that have surpassed any imagined human ability. This is a positive development, but I cannot help but think on one hand about the disastrous consequences of mistakes, and we have seen cases where rogue algorithms have caused damages of hundreds of millions of dollars in the span of a few minutes, and on the other hand, about the fact that market swings are becoming wider and more frequent. And in that crisis situations, such wide swings powered by machines can have destabilising effects beyond what the crisis itself has produced. How do we ensure this is not the case in the future?

Again, these are open questions, and I'm looking forward to learning more from our speakers and to being put at ease on these concerns.

In terms of the mechanics of today's hearing, we will do as always. We will have two separate panels, each of which will be followed by a Q&A session with the Members and the panellists. The panellists will have five minutes for their initial presentations and then we will do the usual ping-pong of two minutes with the Members and then two minutes for the answers. And as always, again, I kindly ask Members to direct their question to a precise panellist so that we would know how to moderate the discussion.

We have interpretation in 14 languages, so you are free to use that, and that goes also for our panellists. You have in the function on your screen the possibility to select your language so that you can follow the questions that will be put by Members.

I said that we have two panels. In the first one, concentrating on EU financial regulatory bodies, we will have three speakers: Jan Ceyssens, Head of Unit of Digital Finance, DG FISMA, European Commission; Claudia Guagliano, Team Leader – Innovation, Products and Technology, Risk Analysis and Economics Department, ESMA; and Ana Teresa Moutinho, Head of the Supervisory Processes Department at EIOPA.

The second panel will represent views from business, consumer organisations and civil society and we will hear from, again, three panellists: first, Agnes Chatellier-Chamoulaud, Legal Head of Regulatory Digital, Leader of Digital EU Practice, BNP Paribas & Member of the European Banking Federation AI Expert Group; Stefan Voicu, Senior Research & Policy Officer, BETTER FINANCE; and Jasper De Meyer, Financial Services Team Leader with the European Consumer Organisation.

Before I give the floor to my fellow Chairperson, I would like to remind you that after the hearing, AIDA will follow with an internal Coordinators' meeting. So I would insist that we finish sharply at 15.45, to give us time to prepare also for that.

With that, and thanking our colleagues in ECON for being with us today, I give the floor my colleague, Irene Tinagli, Chair of ECON.

1-006-0000

IN THE CHAIR: IRENE TINAGLI

Chair of the Committee on Economic and Monetary Affairs

1-007-0000

Chair. – Thank you very much Dragoş. I would like to welcome as well the guest speakers and AIDA and ECON members and everyone following online. The meeting today will give us the opportunity to exchange views on the future of artificial intelligence in financial services and how to balance the effects of technological advancements, as you also said, the AI impact on financial services, the way in which it can accelerate the digital transformation of the banking and financial industry, the ways in which consumers, corporations and financial institutions would be affected by the uptake of artificial intelligence and the way the digital finance future will look like.

These are all substantial matters, guiding the EU's efforts towards the modernisation of the European economy and its development into a global digital player. Artificial intelligence is one of the key technologies which may contribute, enhancing the Union's competitiveness on a global level.

ECON members have also discussed similar related issues in ECON's FinTech working group. The European Commission published a Digital Finance Package on 24 September 2020, including a digital finance strategy and legislative proposals on crypto-assets and digital resilience. The package aims to support customers in accessing innovative financial products while ensuring at the same time consumer protection and financial stability.

An innovative digital single market for finance will benefit Europeans, opening up new funding channels for companies. Against this background, the increasing adoption of AI systems within the domain of financial technology, implies new business perspectives for the finance and banking sectors, from 24/7 financial guidance offered by chatbots to machine-learning methods for detecting fraud and money laundering schemes, using AI can lead to increased transactional security and a more efficient customer interaction process.

In addition, the European Commission's digital finance strategy includes a partnership with European supervisory authorities aiming at developing regulatory and supervisory guidance on the use of AI applications in finance while promoting the uptake of artificial intelligence tools.

However, the challenge of regulating artificial intelligence reflects some valid concerns regarding, as you also mentioned Dragoş, bias in data and algorithms in the case of credit scoring or loan eligibility, data quality for robust financial predictions and accountability for AI models developed for the FinTech industry, in addition to the possible emergence of new schemes for fraud.

At the same time the proliferation of digital finance should leave no one behind, and the vulnerability of the digital finance solutions for consumers and non-professional investors must go hand-in-hand with greater efforts to ensure transparency, public awareness and access to information.

During the first panel we will have the opportunity to hear the views from EU financial regulatory bodies and before I give the floor to the first speaker, I would just like to remind you that all introductory statements should be limited to a maximum of five minutes.

So we start with now our first panel.

Panel I: "Views from EU financial regulatory bodies"

1-009-0000

Jan Ceyssens, *Head of Unit – Digital Finance, DG FISMA, European Commission***.** – Chairs, honourable Members, thank you very much for this opportunity today to provide our viewpoint on artificial intelligence in finance in Europe.

I want to make three points. The first is where do we stand on this in the markets? The second point is how do we address the risks, which we have mentioned? And the third point is how do we deal with the question of data access, which, as you pointed out, Chair, is key.

On the first point, where do we stand? I'm pleased to hear that you have the impression that the financial sector is relatively advanced on artificial intelligence. I have to say, that since we consulted before – that was now last year – we have had further contact on our digital finance strategy, which Ms Tinagli just mentioned. We realised that I think in some areas the financial sector is relatively advanced and I think you mentioned algorithmic trading. I would also mention rationalisation of back-office procedures to a certain extent, anti-money laundering claims. But when it comes to the core of the financial system, the core of risk assessments, for example, credit risk assessments or others, we have the impression that the financial industry in Europe is at a still rather early stage of adopting artificial intelligence. I do not want to, let's say, consider this as positive or negative. It has certain implications, but our impression is that in artificial intelligence there are still a lot of developments actually to come and to see.

Of course, from our side – and that's my second point, we want to support these users, actually, a stronger uptake of artificial intelligence where it provides opportunities. But we also need to address the risks and you mentioned them, in particular consumer bias and financial stability concerns. Now, I think, here, we have two elements, which we find important. The first one is we have, as you know, already a quite detailed and tightly regulated system in place in the financial sector. We have regulations for all parts of it. And so I think that is an opportunity because we can work with the supervisors actually to make sure that indeed the existing rules are used actually also to address the particular risks, which there are in the area of artificial intelligence.

And to give the example of algorithmic trading, which was mentioned before. Indeed, we have specific rules on this in the MIFID Regulation. But to give another example, the origination of loans, we have general rules for banks and indeed the European Banking Authority has issued more specific guidance actually on how these should be applied to AI-based models. So, the existing rules, I think are a first and very important element of addressing new risks also stemming from AI.

Secondly, as you know, the Commission has presented earlier this year a broader proposal on artificial intelligence and we have indeed identified one let's say 'use case' in the financial sector, which we identified as high risk – the use of AI for credit assessments of natural persons, because indeed creditworthiness assessments are very important for access not only to credit, but very often in some Member States, also access to housing, access to telecommunications and other essential services. So, in this case, we have proposals from the Commission to submit to the additional specific regulation, which actually the Commission has proposed earlier this year on artificial intelligence.

In both cases – and that is very important – the rules are the one thing, the application is the other thing. So what is really key and what we are working on together with the European supervisory authorities is to strengthen the skills of the supervisors, to really understand and be aware of what is happening in the market. Those are new skills and the experts you need are expensive and are

rare, so this is really something on which we also in Europe need to pool our efforts and make sure that supervisors pool their knowledge and look at this together, so that really they can also, in practice, apply the rules which are in place and which are being addressed.

Now, my third and last point is indeed access to data, which is very important indeed to develop and train AI. This is essential and that is why as part of the digital finance strategy, which the European Commission presented last year, and Chair you referred to it, we actually proposed to set up a European financial data space, which is part of the broader Commission data strategy, which indeed allows and enables actually access to data and sharing of data. We know there are large technology companies who are sitting on a large pool of data, but not everybody has such large pools of data available and indeed to enable AI to be developed by all kinds of companies, this idea of data spaces where sharing and reuse of data is possible is, in our perspective, very important.

I will conclude there and I am looking forward to your questions.

1-010-0000

Claudia Guagliano, *Team Leader – Innovation, Products and Technology, Risk Analysis and Economics Department, European Securities and Markets Authority (ESMA)***.** – Thank you very much Chair, and thank you very much for the opportunity for being here today to discuss about artificial intelligence. I will focus my intervention as well on three points. The first one is the developments we observe in AI in financial markets. The second one is the use of AI regulators and supervisors. And I will finish with some risks and challenges and some ways to address them.

Starting with the first point. What do we see in financial markets? We see that the COVID-19 crisis has accelerated in general and intensified the digitalisation trend, also with reference to the use of artificial intelligence and we see a lot of investment, a lot of executives that are planning to invest into artificial intelligence, machine learning, cloud services in the next years, to address the challenges and the changes that we have all experienced in this year.

In particular, the spending for cloud services, which facilitate a wide range of activities, including artificial intelligence, has increased by 35% at the global level in the first quarter of 2021 compared to the first quarter of 2020.

Focusing on asset managers, so institutional investors that are really in ESMA's remit, we see that AI and also general digitalisation are becoming a topical theme for investment funds and we observe huge inflows in these kind of funds in the European Union. In particular in the first quarter again of 2021 there was an inflow of one billion. That doesn't seem a lot, but if you think that the total assets under management in this sector is 10 billion, it means that this type of strategic funds are increasing a lot.

Moving to the second point, the use of AI by regulators and supervisors, we focus in particular on natural language processing. That is a form of AI that may have promising applications in detecting market manipulation in the market. We know that new tools in this area are particularly useful because it's very difficult to detect the collusive behaviour and price manipulation using traditional methods.

Indeed, the rule-based systems like transaction monitoring have a very high false positive rate, which bring a lot of extra work for both exchanges and regulators. And again, recent use in this context of machine-learning systems to detect potential cases seems really promising. Yet as now we are trying to explore new AI-based applications across the organisation. We are still in a pre-production stage and in particular we are looking into text analysis. So the use of this technology

to extract information from text, from tables, because we know that structured data represent only 10% of all the available data and there is a huge amount of unstructured data for which AI can be very useful.

Finally moving to risk and challenges and how to address them, some challenges and risks have already been mentioned, model explainability and possible bias, as well as model complexity. There are, I think, two main areas that can help to address these risks. The first one which has already been mentioned is data availability and data quality. And the second one is the development of appropriate skills that are really crucial.

Why are data so important? Because limited availability of training data can be an issue for an AI model, and this means that prior to using the data regulators and supervisors must have the appropriate systems in place to ensure that the data they receive are of good quality. One possible solution is to develop more machine-readable regulations, in particular in the field of regulatory reporting.

Last point, appropriate skills. Why? Because for AI and using AI in finance we need a number of different skills for constructing an AI-based model, for maintaining AI-based models once they are built, but also to be able to explain. Going to the example of traders or asset managers that have already been mentioned, relying on the output of models without an appropriate level of understanding of how the output is generated could lead to the driving of risk and an unpredictable feedback loop among trading strategies, with all the financial stability risk.

And I will conclude here. I am looking forward to your questions.

1-011-0000

Ana Teresa Moutinho, *Head of Supervisory Processes Department, European Insurance and Occupational Pensions Authority (EIOPS)***.** – Thank you very much and thank you very much as well for the opportunity of being here. I would like to start by highlighting that data processing is at the very core of the insurance business, which is rooted strongly in data-led statistical analysis. Mathematical models have been used to inform underwriting decisions, price policies, settling claims and also prevent fraud.

There has, of course, been a pursuit of more granular data sets and predictive models and therefore the relevance of big analytics and artificial intelligence. Additionally, as the other speakers have said, COVID-19 in fact seems to have accelerated the adoption of artificial intelligence, including throughout the insurance value-chain.

EIOPA undertook a thematic review on 2019, where it was found that artificial intelligence or machine learning were already in use by 31% of the participating companies, while another 24% were already at a proof-of-concept at that stage.

Artificial intelligence systems are used by insurance undertakings in all stages of the insurance value-chain and they are increasingly used within insurance to process new and old data sets, combine them to underwrite risks and price insurance products, but also to make targeted market campaigns or cross-sell insurance products. Artificial intelligence seems also to have increasingly been used to process claims more timely and fight against fraud more efficiently, as also has already been said.

The benefits arising from artificial intelligence in terms of prediction, accuracy, automation, design of new products and services or cost reduction are in fact remarkable. However, there are also growing concerns about the impact that increasing adoption of artificial intelligence could

have for the financial inclusion of groups of protected classes or vulnerable consumers or on our society as a whole.

Some of these risks are not new, in fact, but their significance is amplified in the context of big-data analytics and use of artificial intelligence. This is particularly the case regarding ethical issues, regarding the fairness of data use, as well as regarding the explanability and transparency of the so-called black-box artificial intelligence systems. While the current legislative framework in place already caters for artificial intelligence applications to insurance activities, an ethical use of data and of digital technologies requires more than merely complying with legal provisions and needs to take into consideration the provision also of public good for society as part of the corporate social responsibility we believe the insurance market has.

Therefore, addressing digital ethics for the insurance industry is a necessary task. The operation of the insurance market is an important economic and welfare function for the wider society, and it can generate both positive and negative externalities. In terms of social inclusion, the life insurance, the health insurance and also non-life insurance lines of business play an important role in here.

Against this background, EIOPA actually convened back in 2019 a consultative expert group on digital ethics to allow a wide range of stakeholders to work together on identifying both opportunities and risks associated to the use of artificial intelligence. The group developed, in fact, six governance principles to promote an ethical and trustworthy artificial intelligence in the European sector.

These high-level principles are also followed by additional guidance for insurance undertakings on how to implement them in practice throughout the artificial intelligence system lifecycle. This work has been published last month on the EIOPA website and is definitely worth reading.

In a nutshell, the principles are tackling some of the risks already identified here. Proportionality, because it will always be necessary. Different complexities of the systems will lead to different governance settings. Fairness and non-discrimination, meaning adherence to principles of fairness and non-discrimination when using artificial intelligence. Transparency and explainability with different types of explanations for different use cases and to different recipients and stakeholders as well. Human oversights reflecting the need for adequate levels of human oversight throughout the lifecycle as well of the artificial intelligence system. Data governance and recordkeeping, and here we believe that a lot has been done and the provisions on national and European data protection laws should be the basis, but then, of course, adapted. And finally, robustness and performance and the need for robust systems, either in-house or developed externally, where of course issues like cyber risk and cyber security also play a role.

Most of these principles I have just mentioned, we will see without surprise that they are also captured by the Commission's legislative proposal on artificial intelligence, which we welcome and support.

We do expect that the work that we developed will help the insurance undertakings to implement in a proportionate manner the right combination of governance measures that better adapt their respective business models and more particularly to the concrete AI cases they have implemented or plan to implement in the future. We also trust that this work can further enhance trust in the use of artificial intelligence by insurance undertakings.

1-012-0000

IN THE CHAIR: DRAGOŞ TUDORACHE

Chair of the Special Committee on Artificial Intelligence in a Digital Age

1-013-0000

Chair. – We now open the Q&A session.

1-014-0000

Paul Tang (S&D). – Thank you Chair for giving me the floor, but also for having organised this meeting. I think it's a very relevant topic. Thanks also to the speakers for being here with us.

I hear that the take-up of artificial intelligence in the financial sector, especially banks, is in the early stages. Yet we already realise there are certain dangers involved in the application of artificial intelligence. Indeed, a credit assessment is labelled as a high-risk AI activity in the AI strategy, and for good reasons. My question is do we see *[inaudible]* in the early stages of take-up, or do you always see awareness in the financial sectors, and most notably the larger financial institutions, that there are restrictions or conditions on the use of AI to make sure that the algorithms are fair, unbiased and non-discriminatory? I'd like to hear that.

The second question is that we have seen in data-driven business a fair amount of clear market concentration. It could very well be the case that once the financial sector becomes more data driven, we see a similar concentration. One of the things that comes to mind is that payment services, or at least payment data, are of crucial importance and that big tech has a keen eye on them to better predict and manipulate consumer behaviour. Do you see this risk of increasing market concentration? Are the current laws in place or coming up enough to counteract this market concentration and with new legislation, for example the Digital Market Act?

1-015-0000

Chair. – May I kindly ask to whom you would like to address your questions?

1-016-0000

Paul Tang (S&D). – I think the first one was in response to the EBA and the second one is probably more in line for ESMA.

1-017-0000

Chair. – OK, so then the first one goes to the Commission or to EIOPA?

1-018-0000

Paul Tang (S&D). – Sorry, I may have mixed up. Sorry, it was for the Commission.

1-019-0000

Chair. – So the first question is to Mr Ceyssens and the second one is to Ms Guagliano.

1-020-0000

Jan Ceyssens, *Head of Unit – Digital Finance, DG FISMA, European Commission***.** – Mr Tang, you are asking about the awareness in industry of the sensitivities. We have the impression that the financial industry is aware because I think they are also aware of the regulatory risks and enforcement risks. In that sense, we have the impression that there is quite a bit of reluctance to move strongly and quickly on this. I think evidence of this is that, both in the US and certainly also in China – which however, is anyway in a different situation – these developments are much more advanced in a way. So we see a certain awareness and a certain caution, and I think that is healthy. However, I also think that, by creating a legislative framework which is clear and predictable, we can allow people to move ahead with those applications which are responsible.

1-021-0000

Claudia Guagliano, *Team Leader – Innovation, Products and Technology, Risk Analysis and Economics Department, ESMA***.** – Thank you for the question. I will reply by saying that we are actually working on technical advice at the moment. We received this mandate from the Commission in

February and we are working on this, together with the EBA and EIOPA, to address what changes are brought to the market by the entry of big tech, in terms of the fragmented value chain and also the use of platforms in this data-driven business.

How is it changing the market? At ESMA we published a call for evidence on 25 May and the deadline for this call for evidence is 1 August. We hope to receive quite a lot of input, also from market participants, in order also – in relation to the first question – to see where the risks are related to what Jan has just said.

1-022-0000

Stéphanie Yon-Courtin (Renew). – Monsieur le Président, je m'en tiendrai à des questions courtes pour permettre aux trois panélistes de s'exprimer.

Nous constatons que l'intelligence artificielle peut apporter plus d'efficacité sur les marchés financiers, mais ceci n'est vraiment pas sans risques et je pense en particulier à l'offre de crédit à la consommation des produits d'assurance basée sur des techniques invasives pour la vie privée des consommateurs. Je pense également à de grands investissements internationaux, par exemple BlackRock, qui sont très en pointe sur l'automatisation des décisions d'investissement sans intervention humaine et qui vendent même ces services d'intelligence artificielle à d'autres gestionnaires d'actifs.

Sur la base de ces exemples précis, je souhaite interroger les trois experts. D'abord, une question à celui de la Commission: notre cadre réglementaire est-il adapté pour répondre à ces nouvelles menaces? Ensuite aux intervenants de l'ESMA et de l'EIOPA: les superviseurs sont-ils bien armés en termes de moyens et d'expertise pour anticiper des risques potentiels pour les consommateurs et pour la stabilité financière?

1-023-0000

Jan Ceyssens, *Head of Unit – Digital Finance, DG FISMA, European Commission***.** – The first question was 'is our regulatory framework sufficient?' As I mentioned already, I think we have already identified one area, which is the creditworthiness assessment in relation to natural persons, where we think that additional rules are necessary because we consider this high risk – particularly for fundamental rights. That is therefore part of the Commission's proposal on artificial intelligence, the horizontal proposal.

Second, when it comes to other use cases, we have the impression that we have a general framework which enables supervisors to act. What is important is, indeed, that supervisors across the EU actually look at this in a concerted manner and that is very important. We have also encouraged, and we are encouraging, in the final stretch, ESMA, EIOPA and EBA to develop guidance to actually converge supervisory practices in this area.

We would think that a more detailed – let's say – regulatory legislative framework, which would in detail regulate different use cases in great detail, in a manifold way, would probably be rather complex, and probably, at the moment in which it is applied, may already be overtaken by events.

So we think that the best approach is to rely on the general powers which financial supervisors have – and they are indeed very broad – to make sure that the EU's supervisory authorities issue guidance that is applied in the same manner across Europe and to identify specifically those use cases where there is a high risk for fundamental rights, and to address them through the horizontal proposal on artificial intelligence.

1-024-0000

Claudia Guagliano, *Team Leader – Innovation, Products and Technology, Risk Analysis and Economics Department, ESMA***.** – Yes, thank you for the question. I will reply to the second one. So are the supervisors well armed to deal with this? I think I mentioned in my introductory remarks two things. So it's data and resources. So when we talk about data, I think in the last years, ESMA has started to see quite a lot of data from market participants and we are really trying to exploit these data, because the more we are able to use data and to have data of good quality, the more prepared we are to assess the risk and also to tackle the risk when they realise.

Second, the resources. Resources, I mentioned the skills. So these skills are difficult to find and we need to develop this expertise, but it means also IT resources and IT resources are very costly. So I think that if you want to be ready to assess the risks, but also to be able to address them once they are more visible, it's very important also to invest in these IT tools and systems.

1-025-0000

Ana Teresa Moutinho, *Head of Supervisory Processes Department, EIOPA***.** – Thank you. I'll try to be brief as well. I would just like to say that I support what Claudia said in terms of the resources, and to highlight that there are different approaches to this problem of the risks arising from artificial intelligence. You refer to consumer protection and financial stability. For sure, these are very relevant points.

Consumer protection has always been the driver of all the consultations and all the monitoring from an EIOPA perspective in terms of all digital services issues, but also financial stability and cyber risks. We are exploring ways of including cyber risk in our stress tests or sensitivity analysis – how they could be incorporated – and highlighting the risk of the concentration, that was referred to. I would like the Digital Operational Resilience Act (DORA) to also include a part on the management of third-party risk, which will also be very crucial in this case.

Finally, in terms of resources, yes, it's true, as Claudia said, that we need resources with different profiles and with different types of training. But I would also like to emphasise the importance of what we are doing in terms of sharing experiences across the EU, because this is, of course, developing in different ways across the EU. Supervisors sitting together, exchanging experiences and doubts, is actually one of the best ways to do the training and I will emphasise the valuable work that (*inaudible*) has been doing in this area.

1-026-0000

Stasys Jakeliūnas (Verts/ALE). – Thank you, Chair, for organising this, and it is very intriguing and also quite promising. I like the six principles mentioned by EIOPA and I will address three brief questions to Jan Ceyssens for the European Commission, but before I do that I'll mention briefly that human intelligence is an important concept and there are cognitive, emotional and in 2005 there was a principle or concept of moral intelligence developed, so when we're discussing these six principles or something else, white-boxing as well, that's probably the elements of the artificial moral intelligence. Are these six principles of so-called artificial moral intelligence required embedded in the AI systems by regulation also in the auditing set-ups? That's question number one.

The second question on open data was mentioned. That's very important of course. Is it a requirement to release anonymised data, especially from big players, so the researchers and auditors could also simulate an experiment and learn and be able to understand how it works?

And the third question. It is also mentioned that the skillset is very important. What sort of skills are being envisioned? Not only technical skills and computer skills, but maybe sociology and psychology are important here? And how to solve this mismatch between the private sector,

which can have huge resources and the supervisors which have more limited resources in that capacity?

1-027-0000

Jan Ceyssens, *Head of Unit – Digital Finance, DG FISMA, European Commission***.** – Thank you very much for the questions. I'll try to answer them briefly. So, first of all, there are the principles on AI, which were mentioned before, and are also included indeed and covered in the auditing set-ups. Again, I think the auditing set-ups are part of the general risk management of financial institutions. These are requirements which are available and there, but indeed, right now, the supervisors are working to apply them and implement them as well for artificial intelligence actually.

So, yes, this must be part of the – let's say – overall risk management. In the Commission proposal, actually on high-risk applications in the artificial intelligence proposal, we indeed explicitly included this also in the risk management requirements. For those areas where this proposal does not apply and anywhere pending its entry into force, which may still take a bit of time, indeed this has been looked at on the basis of the existing regulations, which have general requirements for audit, actually to take into account the specific risks of specific operations.

So, of course, AI-related risks actually need to be taken into account here. Again, the supervisory authorities – EBA, ESMA, EIOPA – play an important role to ensure that there is also indeed supervisory convergence on this across Europe.

Second – and I'll try to be more brief – you point to the possibility of anonymised access to data, actually to train and develop artificial intelligence. I think this is one of the key projects and elements of the European financial data space, which we are actually looking at and developing. But there is some way to go here for Europe, that is very clear.

Thirdly, how to solve the skills mismatch. One way, from the Commission side, is that we offer and provide, upon request through DG Reform and our structural reform support service, actually dedicated support for supervisors. A number of national supervisors have actually taken and accepted this.

I think this is one way how Europe can actually help here – through financial support. I think the second way is through a pooling of resources and skills, and that's where the European supervisory authorities actually play an important role, so that the skills one national supervisor develops actually can also be exploited and benefited from by other national supervisors.

I think we do need a certain exchange and an interaction with the private sector and with industry. I think in this, of course, the supervisors need to take their own responsibilities, but they need to have a certain level of interaction also with the private sector to understand indeed what is actually happening, what are the implications which are being developed, and to learn here.

I think that, in the spirit of responsible AI, it is also in the interest of the private sector that supervisors fully understand what they are doing, and in that sense also to work on this together – taking, however, into account that in the end the supervisors need to have the full expertise themselves to make a judgement on those matters.

1-028-0000

Έλενα Κουντουρά (The Left). – Κύριε Πρόεδρε, θα ήθελα να ευχαριστήσω τους ομιλητές και όλους τους εισηγητές για τις διαφωτιστικές παρουσιάσεις τους. Η χρήση εφαρμογών τεχνητής νοημοσύνης στις χρηματοοικονομικές υπηρεσίες μπορεί να οδηγήσει στην ανάπτυξη νέων ειδών αξίας και πληθώρας υπηρεσιών για εταιρείες του χρηματοπιστωτικού κλάδου. Ωστόσο, η τεχνητή νοημοσύνη και ο

αυτοματισμός εγείρουν μεγάλες ανησυχίες που έχουν να κάνουν, μεταξύ άλλων, με τον ρόλο των ανθρώπων στην εξέλιξη, τη χρήση, την παρακολούθηση και την επίβλεψη της τεχνητής νοημοσύνης. Μία από τις χρήσεις αφορά την τοποθέτηση εφαρμογών μηχανικής μάθησης στις ιστοσελίδες ή τις εφαρμογές των χρηματοοικονομικών ιδρυμάτων. Τράπεζες και ασφαλιστικές εταιρείες προβλέπουν τις αγοραστικές τάσεις των πελατών τους και κάνουν μάρκετινγκ με βάση τα δεδομένα συμπεριφοράς τους σε πραγματικό χρόνο. Θα ήθελα να απευθύνω μια ερώτηση που η αλήθεια είναι ότι ακούστηκε γενικά. Θέλω ειδικότερα να ρωτήσω για το πρόβλημα του μαύρου κουτιού («the black box problem»). Πώς μπορεί να ελεγχθεί ότι η αγορά που κάνει ένας πολίτης με τη χρεωστική του κάρτα, είτε on-line είτε off-line, δεν θα τον κάνει στόχο διαφημίσεων για πιστωτικές κάρτες και δάνεια που δεν χρειάζεται, ή μεγαλύτερων τιμών ασφάλισης, τη στιγμή μάλιστα που ο γενικός κανονισμός για την προστασία των δεδομένων συχνά δεν παρέχει επαρκή σχετική καθοδήγηση στους υπεύθυνους επεξεργασίας δεδομένων προσωπικού χαρακτήρα για εφαρμογές τεχνητής νοημοσύνης;

1-029-0000
Chair. – Ms Kountoura, which member of the panel would you like to answer your question?

1-030-0000
Elena Kountoura (The Left). – Both our speakers.

1-031-0000
Chair. – Well we have three.

1-032-0000
Elena Kountoura (The Left). – Well OK, to Mr Ceyssens and Ms Guagliano.

1-033-0000
Jan Ceyssens, *Head of Unit – Digital Finance, DG FISMA, European Commission***.** – Thank you very much, Ms Kountoura, for the very pertinent question. I understand that you are asking how we can make sure that individual users of financial services are not, let's say, subject to results and the outcome of algorithms without being aware of this.

From the Commission side – and this is a general principle – I think that, first of all, very simply, people need to know. So if you are basically in a chat box and interacting with somebody who is not a human being, that needs to be transparent. That is a very easy one, but still very important.

Secondly, I think that, if we want to have some use of artificial intelligence in the financial sector – and we do think that there can be benefits in certain situations – that will also mean that users will be subject to the results of algorithms. What is always important there is that the algorithm itself is indeed explainable. This is the issue of explainability – so that there is not just a black box, but it is very clear what the methodology is and that AI is being applied, so that the consumer is fully aware.

Thirdly, there must be a human oversight of algorithms. That does not mean that each and every decision needs to be controlled by a human being, because then probably the added value of the algorithm may well be quite limited, but it means there needs to be a human being, who, first of all, up to the higher levels in the financial institution, understands what is happening, and is controlling it, checking it and making sure that risk management systems are in place.

1-034-0000
Claudia Guagliano, *Team Leader – Innovation, Products and Technology, Risk Analysis and Economics Department, ESMA***.** – Jan has already replied but I would also start with the general principle that investor protection is really one of our main objectives as ESMA. And as Jan said, transparency is a key concept in this area. The lack of explainability that has been mentioned in the question is not compatible with existing regulation. If you think about credit ratings or to do an example in ESMA remit, the credit rating agency needs to be able to explain how they build their model. So I think

this is something very important to keep in mind, so the black box thing is not in line with the existing regulation.

1-035-0000

Sabrina Pignedoli (NI). – Signor Presidente, onorevoli colleghi, l'intelligenza artificiale svolge sempre più un ruolo nel settore finanziario con transazioni, processi e flussi di denaro ottimizzati con algoritmi sempre più sofisticati.

Quello che però volevo chiedermi era una questione vista da un altro punto di vista, cioè quello che mi domando è: queste nuove opportunità sono sfruttate anche da organizzazioni criminali grandi e piccole, evasori fiscali, da coloro che cercano di riciclare denaro sporco e cercano di nasconderlo?

Quindi volevo chiedere al dottor Ceyssens della DG FISMA: quanto possono questi sistemi essere utilizzati dalle organizzazioni criminali e quanto, dall'altra parte, questi sistemi possono essere utilizzati per evitare il riciclaggio ed evitare questi reati? Ci sono delle misure al riguardo?

1-036-0000

Jan Ceyssens, *Head of Unit – Digital Finance, DG FISMA, European Commission***.** – Thank you very much for the question, Ms Pignedoli. Artificial intelligence can indeed be good and bad depending on the purpose it is used for, and the dark side of things is of course using opportunities as much as regulators and supervisors are doing.

This is not something which we can avoid as such, so it is important, firstly, that supervisors are aware of what is happening. In the remit of our work in DG FISMA, this concerns, for example, the money laundering situation, which is in our remit, but I think there are other parts of organised crime where the issues are actually very similar.

So financial supervisors in our area and public prosecutors need to have the tools to recognise, to see, what is actually happening. I myself am not yet aware that we have seen specific cases where artificial intelligence is actually being used on a larger scale by organised crime for money laundering in Europe, but I think it is certainly something which is a matter of time. So supervisors need to be aware and need to be looking at it.

Secondly, artificial intelligence – and I think Claudia mentioned this some moments ago – for general market surveillance can actually have great benefits for supervisors because today they are swamped with a large amount of information and very often the key need is, out of all the reports they get on potential money laundering issues, to filter and select the information, which is important and which brings them to the real cases. That is where artificial intelligence can be very useful.

From our side, we are supporting this technology and, as you know, we will also have a package on anti-money laundering coming up shortly, where we are also envisaging the creation of a European anti-money laundering authority, and certainly these kinds of measures would also be a key challenge for such a project and such a proposal.

1-037-0000

Eva Kaili (S&D). – Thank you Chair also for organising such an interesting discussion on this topic, since we all agree that it's highly important to ensure that we have an EU principle-based transparency in design and oversight of AI solutions – especially the ones that plug into financial services firms, their existing duties and also their ability to protect consumers and avoid the exclusion of discrimination in how products are offered to the market. But also, as you mentioned, to avoid discrimination for access to housing and financing.

I would like to ask your views, initially, to the Commission, Mr Ceyssens, on whether we need a revision or even a new stance on how we will allocate responsibility and liability within a firm for wrongdoing, especially in cases of large global entities. And I think this would go also in parallel to the liability provisions. I would like to ask you if you think we should clarify who we think in firms should be responsible for misconduct and for fulfilling a duty of care to its customers? Maybe senior managers, or should we think of another model to also require to educate senior management and staff to understand how targeted AI systems work and how even predictive tools could pose challenges in their decisions?

And to Ms Guagliano and DG FISMA, I was reading the Alan Turing Institute report of this month actually, and these concerns may be more relevant when it comes to the inherent reliance on AI solutions of external or other sources, third party sources, the use of the self-tools or software that's not originally designed to support these AI cases and then the tendency for complex AI solutions to be outsourced. Where these solutions drive direct consumer outcomes in my understanding the lines could be blurred and also the consumers and investors need protection and legal certainty.

This is your role, so do you think we need also new oversight models to adequately address the roles, the responsibilities and the allocation of liability for failures through this supply chain?

1-038-0000

Jan Ceyssens, *Head of Unit – Digital Finance, DG FISMA, European Commission***.** – Thank you very much, Ms Kaili, very important questions. Indeed, the first one on who is responsible in the financial institution and who is liable for if I actually create damage to citizens, to users, to financial stability.

The general principle, which is enshrined in the EU financial services legislation, is indeed that the board and specific risk management function there is responsible and is in charge of the risk management of a credit institution or an investment firm or a financial institution. And this is something which, of course, must also apply to the risks created by artificial intelligence.

That does not mean, and that will not mean, that each and every board member actually understands and is in the details of the technology of artificial intelligence. But it means, because that would not be probably very realistic, but it means that they need to have a general understanding of the risks that are involved and they need to provide the assurance actually, that the appropriate risk management systems are put in place actually to manage and address those risks.

And I think the proposals we made from the Commission on Artificial Intelligence highlighted in detail how those risk management systems need to look like, data management, data selection controls, all that was mentioned before, etc.

So, yes indeed, the answer is the board should be responsible for this and that's the general principle in our legislation. And again, via guidance, together with the supervisory authorities, this could be also made very concrete for artificial intelligence.

The same applies also indeed then to the requirement of board members to actually to educate and to be up to date. Again, there is the EU requirements on that and those requirements apply to new trends, new risks, institution faces. And I would clearly say any institution which uses AI, that is a potential risk. So there is an obligation for board members also to educate themselves on this.

1-039-0000
Billy Kelleher (Renew). – Just for Jan Ceyssens from the Commission. Just in terms of when you drafted your proposal for the regulation of the European Parliament and the Council on digital operation resilience for the financial sector: in assessing that proposal, how much due diligence was done in terms of looking at potential cyber risk? Because of artificial intelligence, very complex algorithms are now being used quite regularly in financial services. The fact that, while the Digital Operation Resilience Regulation and Act may have some oversight in certain areas of the data that could be inputted into algorithms and into automated intelligent systems, there are certain key areas that will not come under the auspices or the guidance of the DORA Act.

I'm just wondering from that perspective is there any other way of verification, of ensuring that the integrity of the data that is being inputted into these algorithms and these automated machines can be guaranteed? Or is there a requirement for DORA and the work that the committee is doing to look beyond what is presently in the proposals to see whether or not there is a requirement to bring further oversight into information that's being inputted into algorithms that could be and are being used in the financial services?

1-040-0000
Jan Ceyssens, *Head of Unit – Digital Finance, DG FISMA, European Commission***.** – Thank you very much, Mr Kelleher, and indeed congratulations on all your excellent work on the Digital Operation Resilience Act (DORA) as a rapporteur. We know that the work is going on at full speed and are looking forward to this.

Indeed, the question of what the use of artificial intelligence actually means for financial firms, in terms of their operational resilience and their risk and how this is integrated into the proposals is an important one. When we designed the proposals on which you are now working, we actually decided not to have specific requirements for individual technologies because we know that technologies are changing and we need to have legislation which is future proof, but we decided to propose a number of principles on which you will now have to decide.

One of them is data security, which is key for data integrity, which is key for artificial intelligence, as we heard today. There is also a need for its cybersecurity. Another is a general requirement to identify and manage the risks which your operations are causing. Financial firms which do not use AI do not of course have these risks. Financial firms which do use AI do have these risks. In that sense, the general requirements for DORA would actually apply here, but this is certainly something which could also be clarified further. I think that is one element of the reply.

Another point, which we also alluded to, is the opportunities which are created by the standardisation of technologies. Supervisors will not be able to look in detail at the technical underlying of each and every AI application, but here indeed – and we've seen this in technology for a long time – standardisation can play a useful role, and that is also part of the Commission's broader work on AI. We have a legislative proposal, but that proposal will be underpinned by the huge work of technical standardisation of the relevant standardisation bodies.

1-041-0000
Chair. – Thank you very much, and I would like to thank all three speakers for their contributions, for the answers and insights, very useful already. That concludes our first panel.

And now, without further ado, we move on to the second panel. I hope the three speakers are prepared for it.

Panel II: "Views from business, consumer organisations and civil society"

1-043-0000

Agnès Chatellier-Chamoulaud, *Legal Leader, Regulatory Digital EU Practice, BNP Paribas & Member of the European Banking Federation AI Expert Group***.** – Thank you, Chair, for giving the European Banking Federation the opportunity to share some views on the use of AI within the banking sector.

The financial sector should review approaches to people and processes to remain relevant and competitive. Furthermore, several trends in digital have accelerated during the COVID-19 pandemic. There are three main areas in banks where adoption of AI solutions is widespread: to enhance the customer experience; to enhance the efficiency of banking processes; and also to enhance risk control.

I will give you some more detail on opportunities of AI for the financial sector. A very important aspect for banks is to improve customer experience on other action, taking into account rising customer expectations as adoption of digital banking increases. Our motto is to develop and maintain our customer trust. To achieve that, we need to elaborate customer support such as chatbots or robot advice. We need to improve our banking services with, for example, biometric identification and we need to better answer our clients' expectations in order to offer them the most relevant products and services and to provide personalised insights and recommendations.

Another aspect of the benefits of AI for banks is the capacity to ensure security and risk control. AI may help financial institutions to better assess risks, to detect and prevent payment fraud, to improve anti-money-laundering and counter-terrorism-financing obligations through better monitoring of suspicious or anonymous transactions, for example. AI is also important to help us to improve, to be more efficient and detect and also limit cyber-attacks and other threats.

Regarding our internet processing, AI may help us to enhance our efficiency. For example, we can limit certain manual tasks to favour process automation. We can then improve our employee efficiencies, be focused on the value-added activities rather than basic tasks. AI allows banks to better perform KYC regulatory checks and improve risk-scoring activities that should *(inaudible)* to develop accurate risk modelling of clients.

AI is at last helpful for the different mandatory regulatory reporting generation.

As we have just seen, artificial intelligence may offer opportunities to the financial sector, but we know we have to face challenges as the customers' trust is key for the financial sector. We need to find the right degree of transparency regarding AI activities. The financial sector is aware of the necessity to take into account accountability in decisions based on the AI system and to develop fairness towards customers. So the use of AI implies to be able to identify and correct unfair bias.

Another challenge for banks is the development of awareness of information between industry and people, as well as vis-à-vis our regulators to ensure they have the right level of knowledge on AI to supervise this activity.

Last but not least, an important challenge comes from the interplay between different regulations, financial ones, of course, but also the GDPR, trade secrets or intellectual property. So the good news for the financial sector is we are not starting from a blank page. As you all know, we are used to managing the different risks through our lines of defence organisation and we already have

governance in place. We consider that AI risks are already part of our existing control management as other risks.

That's it for me.

1-044-0000

Stefan Voicu, *Senior Research & Policy Officer, BETTER FINANCE***.** – BETTER FINANCE, the European Federation of Investors and Financial Services users, which is a public-interest, non-governmental organisation advocating and defending the interests of European citizens as financial services users at European level, welcomes the initiatives and efforts of the EU public authorities – meaning the European Parliament, the European Commission and the European supervisory authorities – to regulate capital markets in light of digital and technological developments, aiming to create a safe and stable environment for innovative businesses to flourish and for consumers to invest and fully reap the benefits of fintech.

In light of the rapidly evolving fintech sector, the timeliness and decisiveness of such initiatives are key for the EU to maintain a leading role on the global regulatory scene. The EU has already adopted a progressive approach to the regulation of digital tools, and the emerging new technologies integrated into financial services and capital markets, with the FinTech Action Plan in 2018 and the recent digital finance strategy in 2020, taking important steps in creating a framework for regulatory and supervisory guidance on the use of artificial intelligence applications, promoting data-driven innovation and finance and regulating crypto assets and distributed ledger technologies.

As such, BETTER FINANCE, to begin with, congratulates the EU authorities on the initiatives with AI crypto assets and DLT-based market structures, as these are becoming more and more popular with EU citizens as long-term savers, but do not come without risks.

Concerning artificial intelligence and digitalisation, although BETTER FINANCE's activities so far do not focus on these topics as much as we would have liked, this is becoming more and more important in terms of the risks and challenges posed to consumer protection. In short, our views are that the EU should ensure explainability, interoperability, governance and the operational resilience of artificial intelligence and automated decision-making by providing guidance measures and surveillance on the use of innovative technologies in finance.

The EU should take the necessary steps to guarantee a level playing field by ensuring that the regulation of the financial sector follows common principles of fairness and to create a regulatory sandbox framework at EU level.

Another important debate to ensure the human-centric and fair application of artificial intelligence is the creation of an appropriate institutional framework on AI governance. An ethical code should be developed and implemented for the development and the application of algorithms and artificial intelligence. Ethical codes and principles should be at the basis of a fair, non-discriminatory and non-harmful use of artificial intelligence.

At the same time, BETTER FINANCE is also concerned about the other part of the digital finance package, which is MiCA and the DLT pilot regime, about which I will not go into detail at the moment. Suffice to say that BETTER FINANCE supports both initiatives.

However, considering the limitations triggered by the COVID-19 health crisis, online and digitally-enabled business models in capital markets will be used more and more by individual non-professional investors. At the same time, the increase in digital literacy and in the propensity

of EU households to invest we need to ensure that the EU digital finance framework is, by design, built to protect financial services users, and we enable them to fully reap the benefits that new technologies bring.

For instance, BETTER FINANCE continues its research into robo-advice *[inaudible]* platforms that provide robo-advisory and investing services and analysing the user-friendliness, transparency, costs, stability of recommendations, sustainability and divergences in asset allocation and expected returns. Our research shows the wide range of benefits that come with robo-advice, such as considerably lower fees, increased accessibility, wider availability, speediness and often unbiased advice free of conflicts of interest. However, it comes also with high divergences, for instance, in expected returns and asset allocation that also put the reliability of the algorithms used and the automation processes into question and jeopardise the stability of the investment advice provided.

This serious issue on the reliability of algorithms is, of course, not specific to robo-advisers, but to many other intermediaries using them. As such, although much work remains to be done in the field of digital finance, BETTER FINANCE acknowledges the difficulty of the task to keep up with technological developments, particularly when applied to financial services. The challenge is to innovate products and business models to expand while ensuring the safety, stability and integrity of EU capital markets and a high standard of investor protection.

1-045-0000

Jasper De Meyer, *Financial Services Team Leader, European Consumer Organisation***.** – Dear Chair, dear MEPs, thank you for inviting BEUC/European Consumer Organisation to this hearing.

Firms are increasingly relying on AI when offering products to consumers, including in the financial services sector. In September last year, BEUC carried out a survey with consumers to assess how they view the growing use of AI. They see potential benefits, but equally they have significant worries. The majority of respondents to our survey feared the risks of discriminatory outcomes and exploitative profiling by firms. A strong majority were also concerned that current rules to protect them from the harms of AI were potentially insufficient. Overall, our survey showed that many consumers are worried that AI could potentially leave them worse off in future.

For the purpose of today's presentation, I would like to hone in on two sectors where we can expect AI to have a major impact: the consumer credit sector and the insurance sector.

In the area of consumer credit, firms are increasingly relying on non-traditional data, non-financial information, such as consumer social media data or their online shopping habits, when assessing whether to lend to consumers. The integration of AI in credit models gives incentives to firms to collect larger amounts of data about consumers' behaviour, generating potential data protection and privacy concerns, including the possibility for biased and discriminatory outcomes.

Decisions about extending credit to consumers are often made in a black box, with little to no transparency or explainability for consumers. The objectiveness of the information that is used by credit lenders is also often questionable, and consumers currently have limited capacity to contest decisions that are reached about them, or to seek redress where things go wrong.

To give a concrete example of the risks that we see, in the United States an inquiry was launched by US financial regulators into Apple's credit cards, which were found to offer lower credit limits to women than they did for men, leading to allegations of gender bias.

Moving on to the insurance sector, AI can be expected to have a major impact on the way that insurers underwrite and price insurance contracts, potentially generating new forms of financial exclusion. Increasingly, granular risk assessments by insurers based on non-traditional data could in future allow them to more easily identify high-risk consumers who are more likely to claim on their insurance policy and charge corresponding premiums.

Hyper-personalised risk assessments with increasingly personalised prices and insurances could in due to time leave certain groups of consumers uninsurable or at the risk of significantly overpaying for their insurance contracts. Already, evidence is beginning to emerge.

In the Netherlands, our Dutch member, the Consumentenbond, reported a significant increase in home insurance premiums for Dutch consumers as insurers expanded their reliance on alternative data provided by big data firms. In some cases there was clear evidence that the big data that insurers relied upon was not accurate.

Meanwhile, in the UK and Ireland, financial regulators have found evidence that insurers increasingly rely on irrelevant consumer data when setting premiums for insurance contracts, such as what time the consumer bought the insurance policy, which internet browser or computer they used in order to purchase the policy, or how long they have held the insurance policy with a particular insurer.

Insurance firms often leverage such information in order to engage in price optimisation practices, with firms deliberately targeting price increases based on consumers' willingness to pay or their likelihood to switch. Price optimisation practices could become more widespread as firms integrate AI into their pricing models.

The bottom line is that every move that you make offline or online should not feed into your credit score or into your insurance premium. Consumers' freedom, their autonomy and self-determination are potentially all at risk as AI is integrated into the financial services markets. AI should offer consumers innovative new products, but not open the door for excessive profiling or manipulation by firms.

In conclusion, we think that regulation is key to establish trust in AI, in particular in such a sensitive area as financial services. In this sense, we welcome the European Commission's recently-proposed AI regulation, which classifies AI systems used for credit scoring as a high-risk activity.

This will require lenders to put in place risk management systems, to assess possible biases in the data that they use and to enhance transparency and explainability for consumers. Unfortunately, the European Commission's proposal currently omits the AI practices of insurance firms as a high-risk activity, meaning that insurance consumers will not benefit from similar protections as consumer credit borrowers.

We urge EU legislators to add the AI activities of insurance firms as a high risk activity under the AI regulation. Overall, in terms of the proposed AI regulation, we also think that several elements are missing and that further rights are needed for consumers to ensure consumer protection when dealing with artificial intelligence. I'd be happy to elaborate further on this during the Q&A. Thank you for listening. I'm happy to take any questions.

1-046-0000

Marion Walsmann (PPE). – Dear Chair, dear colleagues, thank you for this interesting exchange today. As you also stated today, the financial sector is indeed experiencing some of the most

developed and advanced applications of AI and at the same time, it is providing funding for the development of more new AI applications, which in my view is very promising.

I see a lot of potential in the use of AI in the sector and in my opinion, the benefits of developing AI in the financial sector outweigh by far the risks. Nevertheless, a certain level of regulation is necessary to protect consumers, but not overregulation. And my question goes in this direction and to Ms Chatellier-Chamoulaud – I hope the pronunciation is right! – in your point of view as a representative of the financial sector or banking sector in this case, do you think that the proposed AI regulation offers the right framework in helping build the next generation of the financial market and keeping the European financial market competitive in a global scale and does it promote innovation? And what are the shortcomings, if there are any?

1-047-0000

Agnès Chatellier-Chamoulaud, *Legal Leader, Regulatory Digital EU Practice (responsable juridique, règlementation du numérique en Europe), BNP Paribas, et membre du groupe des experts en IA de la Fédération bancaire européenne (FBE)***.** – Monsieur le Président, merci beaucoup pour cette importante et intéressante question. Effectivement, pour nous, ce texte présente de l'importance et nous accueillons cette proposition de la Commission avec intérêt, notamment parce qu'elle intervient dans un cadre, en posant le principe de l'approche basée sur les risques.

Ce qui est clair pour le secteur financier, en particulier, c'est que nous avons déjà, comme vous le savez tous, de très nombreuses réglementations à implémenter, ce qui implique de mettre en place des règles internes, des politiques internes, de la gouvernance et bien sûr, d'assurer cette maîtrise des risques, qui est quand même notre mission première. Pour que le texte sur l'intelligence artificielle ne bloque pas l'innovation, il faut probablement que les définitions, telles qu'elles existent aujourd'hui, soient améliorées en termes de cadre, qu'elles ne décident pas systématiquement que les scores de crédits sont forcément qualifiés comme des «high risk». Il faudrait pour cela qu'on puisse avoir l'occasion d'expliquer un peu mieux le fonctionnement de ces aspects.

Par ailleurs, aujourd'hui, dans le cadre de la protection des personnes, le RGPD, qui a été publié il y a quelques années, nous oblige déjà à informer nos clients, à être transparents sur les traitements de données que nous organisons – et nous savons tous que l'intelligence artificielle peut emporter un grand nombre de données personnelles. Donc, nous sommes déjà très conscients de l'importance – que nous devons prendre en compte vis-à-vis de nos consommateurs – de cette nécessité d'être plus transparents et plus explicatifs sur les techniques d'intelligence artificielle que nous pourrions être amenés à utiliser.

Pour terminer sur cette future réglementation, l'idéal serait qu'elle ne rajoute pas un cadre complexe et supplémentaire aux cadres déjà existants, mais qu'elle s'appuie sur ces réglementations existantes, et peut-être qu'elle vienne les compléter, si besoin, sur des aspects plus particuliers.

1-048-0000

Eero Heinäluoma (S&D). – Thank you very much for a really important discussion, and for organising this meeting. Thanks also to our experts. These are themes which are really important for consumers and for ordinary people, and I'm afraid that the information is not available for them in such a manner that they could really know their rights.

I have two questions. The first one goes to BETTER FINANCE. You mentioned underlying algorithms. And of course, we know that there can be real problems here from the service, which you mentioned and from other information sources. There can be racial and gender bias elements

which are inside these algorithms. So I would be interested to hear how this could be reconciled. And is stricter control on the underlying algorithm feasible? And if so, how could this be done?

And then my second question goes to the European Consumer Organisation: the right to know what was already earlier mentioned here. And this is a key question. As I said, I suppose people don't really know how much data are now stored and which kind of data is backing these decisions concerning, for example, their loans. So right now is an important thing. As it is now, does the legislation give enough rights to consumers, or is this mainly an information question, ought we to inform the public, or ought we to have stricter legislation giving more rights to consumers so that they can know what kind of information the banks, for example, are using in their decision-making?

1-049-0000

Stefan Voicu, *Senior Research & Policy Officer, BETTER FINANCE***.** – Just to answer shortly on the question of algorithms used by automated investment platforms to generate investment advice, that's what we've been researching, normally, EU laws – in particular MiFID and IDD – are made technology-neutral, so the same rules apply to *[inaudible]* advisers should apply to automated investment platforms as well, the reason for which naturally there should not be any kind of biases in these algorithms, not more that there would be anyway with traditional advisors.

At the same time, there can be biases, but we believe that these biases are much easier to control as there can be operations undertaken by national supervisory authorities to change the underlying algorithms to see if there is any kind of inclination whatsoever to go into recommending, for instance, a different portfolio of instruments or investments that would normally be recommended if for instance details such as gender would not be known.

So to wrap up, I think this translates into an issue of suitability, appropriateness or the demands and needs, which is still a big issue for investor protection at EU level.

1-050-0000

Svenja Hahn (Renew). – Thank you very much for the exchange and thank you very much to our experts for your input. I think it's really important for us lawmakers to get input from on the ground and hear how are you are viewing the emerging technologies and what is already possible. And as you know, in the special committee, we are discussing a general approach for the European Parliament on artificial intelligence in all kind of forms and our approach is to form like a holistic European approach to these topics. So of course the financial aspect is one very important part of it. And you already mentioned in your opening some important points.

Especially looking at the fast development of technologies and use in the financial sector, I have actually two questions to Ms Chatellier-Chamoulaud and Mr De Meyer, especially from a practical perspective, this is what I'm interested in from the consumer perspective. Do you see there are bigger gaps that we need to close in the EU legislation concerning AI and its use in financial services? And then I would have a concrete question towards the AI act proposal that we have seen presented by the Commission in April. If you have an assessment on them, is there something missing from your view or if there is something that is going too far. So I'd be interested to hear something more about that.

1-051-0000

Agnès Chatellier-Chamoulaud, *Legal Leader, Regulatory Digital EU Practice (responsable juridique, règlementation du numérique en Europe), BNP Paribas, et membre du groupe des experts en IA de la Fédération bancaire européenne (FBE)***.** – Monsieur le Président, pour répondre à la question de savoir ce qui pourrait éventuellement manquer ou poser problème dans la future réglementation, le vrai sujet pour nos établissements c'est sans doute la transparence. Autant nous sommes favorables à

la transparence car il est important d'informer les personnes sur les activités qu'on peut mener avec leurs données dans le cadre de notre rôle de banquier, autant on doit trouver un équilibre dans cette information, puisque parfois, comme vous le savez, il n'est pas possible d'informer sur certaines des activités que nous sommes amenés à mettre en place dans le cadre, par exemple, de la lutte contre le blanchiment et le terrorisme ou dans le cas de la lutte contre la fraude.

Nous ne pouvons pas être trop transparents, car cela permettrait, vous l'imaginez bien, à d'autres acteurs, qui ne seraient pas des consommateurs ou d'autres banques, de disposer d'informations et donc de pouvoir organiser des attaques, des cyberattaques ou d'autres activités non autorisées. Il faut donc trouver ce nécessaire équilibre dans la transparence et également permettre aux consommateurs de comprendre ce qui sous-tend les activités qu'on peut mener.

Ce qu'il faut bien garder en tête, c'est que l'objectif de nos établissements est avant tout de conserver la confiance de nos clients et de répondre à leurs attentes. Ils sont de plus en plus demandeurs de nouveaux produits et services adaptés à leurs attentes, et attendent aussi que toutes ces activités aillent vite parce qu'ils ont pris l'habitude d'agir via les services numériques. Et pour cela, nous avons nous-mêmes besoin d'utiliser des nouveaux outils, mais parfois, ces derniers sont extrêmement complexes à expliquer.

Il faut savoir aussi que la transparence peut être intéressante dans un certain nombre de cas, mais peut parfois soulever plus de questions et finalement ne pas répondre aux attentes des clients.

1-052-0000

Jasper De Meyer, *Financial Services Team Leader, European Consumer Organisation***.** – Thank you very much for the question. In terms of the legal gaps that we see, a lack of transparency and explainability when it comes to how AI models are used in financial services is clearly one of the key gaps. And certainly more transparency about data is a first good step. But we may also need further limits on the types of data that can be considered about consumers when offering financial services, particularly in such a sensitive area as financial services.

So we think further limits on the type of data that can be considered, like social media data or other irrelevant data, or data that might potentially lead to discriminatory outcomes, could be worth looking further into in the financial services sector.

Transparency is also necessary in order to make sure that consumers can contest decisions that are reached about them in case inaccurate data is used, for instance.

Beyond this, we also need much more human oversight of AI models. They should be audited and tested to make sure that they do not lead to discriminatory outcomes.

I think that the AI Regulation does a good job of ensuring that credit scoring will in future be labelled as a high-risk activity. But unfortunately for insurers, their AI activities *[inaudible]* as a high-risk application under the AI Regulation. And I think this is one key way that the AI Regulation can be improved going forward.

1-053-0000

Stasys Jakeliūnas (Verts/ALE). – Thank you, Chair. Before I address my couple of questions to Mr De Meyer again, I would like to pre-announce that this area of artificial intelligence and finance is quite interesting. We'll most certainly cover this in the Fintech working group which was initiated back in 2019. I'll try to invite members of the committee as well.

So the first question is related to the classification of AI which I found in some paper a couple of years ago. I would like to ask as a first question whether it is valid – does it make sense at least

from a user perspective? I would like you to read the report on the review of consumer-related AI. It goes like this: assisted, augmented, automated and autonomous intelligence. Do you have a comment on this classification?

The second question is related to what I see as one more potentially high-risk area, which is investment. This is because of the low interest rate environment and, in general, transfer of risk – in this case, investment risk – to consumers, who are not professionals. Added to that, there are the crypto assets which are already distributed through licensed companies, even the banks, at least the neo banks. Do you see that as potentially an area of high risk which, if accumulated and added to by artificial intelligence systems, could cause problems – both financial stability, reputational problems, or some other problems?

What is your opinion on these two questions?

1-054-0000

Jasper De Meyer, *Financial Services Team Leader, European Consumer Organisation***.** – Thank you very much for your questions. In terms of the AI regulation, innovation is good but it shouldn't be seen as an end in itself.

We think that regulation is really key in order to ensure and establish trust in AI for consumers. Without consumers, there is no market and so regulation is really key in order to ensure that consumers feel trusted when using AI and when financial services applications integrate into their decision-making.

In terms of the proposed AI regulation, we do think that several improvements are needed for consumers and that for the moment the consumer angle is to some degree missing from the proposal. First, the regulation focuses almost exclusively on high-risk applications, meaning that many applications that could have an impact on consumers' everyday lives are currently not covered by the regulation.

We think that all activities, and not just high-risk activities, should be subject to a minimum set of rules to protect consumers. The proposal currently includes a list of prohibited AI practices, such as social scoring by public authorities. This is strongly welcomed, but it does fall short in certain respects and we think that the list of prohibited AI practices should be expanded to include, for instance, practices which lead to discriminatory or manipulative outcomes that could cause economic harm to consumers.

Another additional element that we think is needed under the AI regulation is more specific rights for consumers including, for instance, the ability to complain or contest the decisions that were reached about them using AI, or to seek redress if they have suffered harm from an AI system that did not comply with the rules of the AI regulation. So we hope that that several elements can still be integrated into the regulation when it's considered by EU legislators.

1-055-0000

Έλενα Κουντουρά (The Left). – Κύριε Πρόεδρε, θα ήθελα να ευχαριστήσω τους ομιλητές για τις παρεμβάσεις τους στη σημερινή συζήτηση. Η ανάπτυξη επωφελών για τους καταναλωτές εφαρμογών τεχνητής νοημοσύνης απαιτεί πρόσβαση σε όσο το δυνατό περισσότερα δεδομένα. Πολλές τράπεζες και ασφαλιστικές εταιρείες, οι οποίες έχουν ήδη συγκεντρώσει πολλά μαζικά δεδομένα («Big Data»), μπορούν να τα αξιοποιήσουν και να δημιουργήσουν χρήσιμες εφαρμογές βασισμένες στην τεχνητή νοημοσύνη. Ωστόσο, νεοφυείς και μικρότερες επιχειρήσεις έχουν πολύ περιορισμένη πρόσβαση σε τέτοιες βάσεις δεδομένων, με αποτέλεσμα να μην μπορούν να ανταγωνιστούν επί ίσοις όροις παλαιότερες και μεγαλύτερες εταιρείες. Ταυτόχρονα όμως, παρατηρούμε συχνά ότι, παρά το ανταγωνιστικό τους μειονέκτημα, νεοφυείς εταιρείες προσφέρουν πολύ πιο καινοτόμα προϊόντα απ' ό,τι

εδραιωμένοι ανταγωνιστές. Επίσης, σε σύγκριση με προϊόντα των Ηνωμένων Πολιτειών της Αμερικής, στους Ευρωπαίους πολίτες συχνά προσφέρονται υποδεέστερες και ακριβότερες χρηματοοικονομικές υπηρεσίες, ειδικά όσον αφορά την πρόσβαση και την επένδυση σε εγχώριες και ξένες κεφαλαιαγορές.
Κύριε Stefan Voicu, κατά πόσο θεωρείτε ότι το φαινόμενο της περιορισμένης πρόσβασης σε μαζικά δεδομένα εμποδίζει νέες και μικρότερες εταιρείες χρηματοοικονομικής τεχνολογίας («FinTech») να ανταγωνιστούν εδραιωμένα χρηματοπιστωτικά ιδρύματα; Με ποιους τρόπους πιστεύετε ότι πρέπει να βοηθήσουμε εταιρείες χρηματοπιστωτικής τεχνολογίας να προσφέρουν όσο το δυνατόν καλύτερα, ασφαλέστερα και χωρίς αποκλεισμούς προϊόντα στους καταναλωτές, και ποια είναι η γνώμη σας για την πιθανή είσοδο των «Big Tech» στον χρηματοοικονομικό τομέα; Θεωρείται ότι υπάρχει κίνδυνος περαιτέρω διατάραξης της αγοράς των χρηματοοικονομικών υπηρεσιών ή κίνδυνος δημιουργίας μονοπωλίων; Και, κύριε De Meyer, ποιος πιστεύετε ότι θα είναι ο αντίκτυπος της εισόδου των εταιρειών στον χρηματοοικονομικό τομέα για τους καταναλωτές;

1-056-0000
Jasper De Meyer, *Financial Services Team Leader, European Consumer Organisation***.** – Thank you very much for this question. We also see the risk that big tech firms who often collect very extensive information about their consumers could soon be entering the financial services sector and offering increasing financial services products to consumers.

Big tech firms often pervasively track and profile consumers through their practices, and consumers often have very little knowledge about the type of data that big tech firms hold about them, how this data is processed. And we also see big tech firms' data practices are often out of control, with privacy violations, including potential breaches of the GDPR or European laws. Consumers are often really not aware of the extent of data that big tech firms hold about consumers. And I think it would be very troublesome if big tech profiling practices were migrated towards the insurance and the banking industry. And if insurers and the banking industry increasingly profile and monitor consumers – and this is a particularly sensitive topic in the area of financial services, because financial services are an essential service for many consumers. They are very important for financial and social inclusion purposes. So we think data should only be considered based on the explicit consent of the consumer.

And beyond that, I think in a sensitive area such as financial services, we need to also consider whether there should be certain limits on the types of data that any firm can rely on when offering financial services products to consumers. And certain data is simply irrelevant for the purposes of offering financial services to consumers, and stricter limits I think would be worthwhile seeking in this area.

1-057-0000
Alessandra Basso (ID). – Signor Presidente, onorevoli colleghi, ringrazio i relatori per la loro partecipazione e avrei una domanda per il dottor Voicu.

La tutela dei consumatori è anche la tutela dei piccoli investitori e dei piccoli *trader*, che spesso utilizzano applicazioni a basso costo su smartphone per poter operare sui mercati finanziari, e penso a piattaforme come ad esempio Robinhood, peraltro utilizzata dai giovanissimi, che conta negli Stati Uniti 31 milioni di utenti e che si è poi scoperto faccia transitare i propri ordini tramite il sito della Citadel. Quest'ultima grossa società di brokeraggio si trova così ad avere delle importanti indicazioni sui flussi degli ordini che, analizzati tramite l'intelligenza artificiale, permettono di giocare in anticipo sui mercati.

Le chiedo, quindi, se non ritiene che sia necessario allargare la normativa relativa all'intelligenza artificiale a questi campi, in modo da porre tutti gli operatori sullo stesso livello ed evitare che i grandi *trader* possano arricchirsi sfruttando flussi informativi preferenziali.

1-058-0000
Stefan Voicu, *Senior Research & Policy Officer, BETTER FINANCE***.** – You are very much right, there are many issues stemming from the practices of online brokerage platforms for retail investors, the ones that you just mentioned *[inaudible]*. There are two sides here, one that's related to the inherent conflict of interest and the one that's related to the use of data in advance in order to basically to transmit orders to the market *[inaudible]* or of the online brokerage platform.

On the second one, I agree that these practices should be explicitly covered by EU financial regulation. But however, BETTER FINANCE has not yet developed a clear position on these practices and on what solution would be best to be used forward.

1-059-0000
Sabrina Pignedoli (NI). – Signor Presidente, onorevoli colleghi, grazie ai nostri oratori.

L'interazione fra clienti e fornitori di servizi finanziari gestiti con l'intelligenza artificiale presenta molte sfide e problematiche. In molti casi questa interazione riguarda diritti basilari. Prendiamo per esempio l'erogazione dei prestiti: il mutuo per l'acquisto di una casa o il calcolo del tasso di un'assicurazione. L'eccessiva severità di un algoritmo per prevenire i rischi potrebbe causare maggiori difficoltà nell'accesso al credito? Ci potrebbero anche essere delle distorsioni appunto legate a discriminazioni che vengono fatte tramite questi algoritmi?

Io volevo chiederlo al dottor De Meyer e se viene ravvisato questo problema e se le associazioni dei consumatori hanno dei correttivi da proporre.

1-060-0000
Jasper De Meyer, *Financial Services Team Leader, European Consumer Organisation***.** – Thank you very much for that question. This is indeed one of the key risks that we see: a risk of financial exclusion. As insurers and credit lenders we will be able to use increasingly more accurate AI modelling in order to decide whether to extend a loan or to offer an insurance product to a consumer.

Particularly in the area of insurance, a more granular risk assessment by insurers could allow them in future to cherry-pick potentially low-risk consumers and at the same time charge much higher prices to consumers whom they view as a high risk of claiming on their insurance policy. And this is a key risk that we see going forward. This could lead to financial exclusion concerns, and we already do have evidence, for instance in the Netherlands, where insurers increasingly rely on big data in order to set premiums for consumers. And this has led to an increase in premiums for consumers.

I think where there are grave concerns about financial exclusion and where we see excessive differentiation in pricing when it comes to insurance contracts, there can be significant harms for consumers, and regulators and supervisors should assess whether certain information that leads to excessive differentiation in pricing shouldn't be considered by insurers when setting premiums. Insurance has always traditionally been priced based on a solidarity model or based on risk-pooling. And any move away from that model I think would be very harmful for consumers and deserves regulatory scrutiny.

1-061-0000
Ondřej Kovařík (Renew). – Thank you once again for the opportunity to exchange on these very important issues that we discussed today. I think a lot was already said, but I would maybe also have a couple of concrete questions for our experts.

The first one would go to the representative of the banking industry. I was following attentively the presentation and the slides. In one section you mentioned that AI technologies have the potential to enhance the efficiency of banking processes. I would like to ask you in this regard

about the way the technology can help in compliance with regulatory requirements. I think you mentioned also that AI can help with regulatory reporting generation. I would maybe be more interested if you have examples on what we call the regulatory technologies – so how the use of artificial intelligence applications can actually help the banks to comply and maybe facilitate and make smoother the application and then the requirements of supervisory issues.

The second question would go to the European Consumer Organisation and Mr de Meyer. Can we maybe have some practical examples from your experience, from the ground. Apart from the insurance industry, which was I think elaborated on quite broadly today, do you have any examples of the negative impact of AI on enforcing consumers' rights, especially in terms of using those services that are driven or enhanced by AI applications and AI technologies?

1-062-0000

Chair. – I will now give the floor to the two speakers for the answers, and I would also ask them, since this was our last intervention from the members, to also add possibly to their reply some final remarks which they want to address to us.

1-063-0000

Agnès Chatellier-Chamoulaud, *Legal Leader, Regulatory Digital EU Practice (responsable juridique, règlementation du numérique en Europe), BNP Paribas, et membre du groupe des experts en IA de la Fédération bancaire européenne (FBE)***.** – Monsieur le Président, nous utilisons l'intelligence artificielle pour faciliter l'activité de nos collaborateurs pour certaines tâches qu'on pourrait considérer comme des tâches assez simples qui ne nécessitent pas forcément une plus-value. On peut espérer que ces tâches soient faites à travers certains outils d'intelligence artificielle, qui balayent simplement les documents pour vérifier, par exemple, la présence de certaines clauses dans nos contrats avec nos fournisseurs d'accès ou pour s'assurer du respect de certains engagements qui ont été pris. Cela nous permet justement de mieux concentrer l'activité des collaborateurs, comme vous le disiez notamment, sur le fait d'assurer la conformité avec les réglementations existantes.

Dans tous les cas, quand bien même nous utiliserions des outils d'intelligence artificielle pour remplir nos obligations, très clairement l'intervention humaine est toujours présente pour s'assurer que les réglementations sont effectivement respectées, que les documents nécessaires ont bien été fournis et que les rapports que l'on peut avoir à fournir à nos régulateurs répondent aux attentes.

En conclusion, aujourd'hui, pour notre secteur, l'intelligence artificielle est quelque chose qui est évidemment très important à la fois pour améliorer nos produits et services pour notre clientèle, pour chercher à améliorer également nos traitements réglementaires, qui sont nombreux et qui exigent de plus en plus de précision et de plus en plus de données. Pour compléter mes propos sur l'importance de l'intelligence artificielle, son usage permet de balayer les données existantes et les documents existants très rapidement – beaucoup plus vite qu'une personne – afin d'en tirer des éléments immédiatement utilisables par des collaborateurs qui peuvent ensuite en tirer les conclusions nécessaires.

Nous sommes très intéressés par la poursuite des travaux sur le texte de la Commission européenne sur l'intelligence artificielle. Nous y participerons évidemment activement, de notre côté, pour fournir nos positions et éventuellement pour expliquer certains aspects concernant, en particulier, le *creditworthiness* (degré de solvabilité, qualité de crédit), qui a été beaucoup abordé aujourd'hui et qui, pour nous, est un sujet important. Car on rappelle que cette utilisation du *creditworthiness* est une mesure du risque et est avant tout un outil d'aide à la décision, ce n'est pas systématiquement discriminatoire, voire ça ne l'est pas du tout: notre objectif n'est pas de discriminer, mais de répondre à nos obligations en matière de risques.

1-064-0000
Jasper De Meyer, *Financial Services Team Leader, European Consumer Organisation***.** – Thank you very much for that question. In order to give some concrete examples of the risks of AI that we have seen in the recent past, and with AI increasingly being applied in the financial services sector, in the United States credit card firms were, for instance, recently found to have lowered credit limits for consumers who shopped at certain stores that the firms identified as being associated with a low ability to repay their credit loans.

Another example from the insurance sector that we have seen in the recent past is in the UK, where there was clear evidence that car insurance comparison websites often charge higher premiums to consumers with names suggesting that they were from ethnic minorities. And as a result, an investigation showed that ethnic minorities often significantly overpaid for their insurance premiums. Another example in the UK, when it comes to the use of artificial intelligence, concerns price optimisation practices in the insurance sector. What we see is that insurers increasingly rely on data that isn't necessarily related to the risk of the consumer, but irrelevant data like how long the consumer has held their insurance policy with a particular insurer, or how frequently they might switch between insurance products. And there's clear evidence that insurers engage in price optimisation practices where they target price increases on consumers who do not switch between insurance products, or consumers who have stayed with the same provider for a very long time. And this means that consumers are often paying a loyalty penalty or a higher premium for their insurance products compared to consumers who actively switch and look for better offers on the market.

So these are some of the risks that we see with AI, and already some specific examples from the recent past.

In terms of my final remarks, we were very happy that the European Commission has come forward with an AI regulation. We think that, for now, the consumer angle is missing to some degree, and we will be developing a position paper on this topic in the coming months. And we urge you as legislators to take into account the consumer protection element when reviewing this regulation.

1-065-0000
Chair. – My understanding is that we have no interpretation services any longer at this stage. So Mr Voicu, I would kindly ask you in English for a one minute conclusion. I'm hoping that colleagues can still follow that, and then we will close.

1-066-0000
Stefan Voicu, *Senior Research & Policy Officer, BETTER FINANCE***.** – On behalf of BETTER FINANCE, I would like to reiterate again the fact that we are very happy that the EU and the EU authorities have taken such a progressive approach towards regulating artificial intelligence and the applications of digital innovation in finance, as these are rapidly taken up by consumers and in consumer services by financial institutions. And we are very happy also to see the consumer orientation in certain initiatives taken at EU level.

As a final remark, I want to stress again that it's very important to maintain a high standard of investor protection when going forward with any EU policy initiative or regulation in this field.

Closing remarks

1-068-0000
Chair. – Many thanks to all three panellists. Many thanks to the colleagues, members of both AIDA and ECON for staying with us during this hearing, for intervening, for sharing their

thoughts as well as their questions. No time and no opportunity for closing remarks as such, but I think we can all agree, at least the colleagues in AIDA who have been following these hearings looking at impacts of artificial intelligence on many other domains that, again, we find commonalities.

Now, when discussing about financial services and the use of AI, we hear again of impact of biases and prejudices. We hear again about issues related to access, to ensuring that no one is left behind, to the dichotomy between smaller companies and how they can compete with big tech companies. Do we need more regulation, and if we do, how further should it go? So a lot of commonalities with other domains that we've been looking at. Still I think questions that remain to be answered. And part of the work that we are continuing to do and part of the work that will be reflected in our report at the end of our committee will be hopefully finding answers to these questions.

We are closing here our hearing. We will see each other again in AIDA at the end of September – 30 September for the time being, but it's still to be to be confirmed. So have a relaxing summer if we don't have the occasion to see each other again, we close here.

(The hearing closed at 15.52.)