ema

Subject: EC targeted consultation of AI in finance; Text of final submission

Date: 13.09.2024

Topic	EC targeted consultation of AI in finance.
Target audience	EMA members: general
Relevant jurisdiction*(s)*	EU
Brief intro	This is the final text of the Electronic Money Association (EMA) submission to the European Commission's "**Targeted Consultation on Artificial Intelligence in the Financial Sector**". This consultation was initiated in June by the Directorate-General for Financial Stability, Financial Services and Capital Markets Union. The draft text was circulated on10/9/2024 and minor additions and amendments were made based on member's feedback. The final submission was made via the EC survey platform on 13/09/2024. Specifically, we addressed the questions in Part 2 (Q33 onward) of the consultation, which focuses on the "Banking and Payments" use case. Our response will reflect the positions expressed by our members in the AI adoption survey conducted by the EMA earlier this year.
This briefing is for your:	Information
Deadline / Timeline	*N/A*

EMA Draft response to EC targeted consultation of AI in finance

#	Part	Question Text	Submission text
33	Part 2 : Sector spercific either • Banking	In which sector are you using AI? [Banking and payments, • Market infrastructure, Securities markets,	Selected: Banking and payments

	and payments or other	Insurance and pensions, Asset management, Other]	
33.1		For which use case(s) are you using/considering using AI?	In a Q2/2024 survey, which we conducted, association members primarily reported using AI technologies in two areas: • Customer Service: This includes technologies such as chatbots and virtual assistants. • Anti-Money Laundering (AML) and Fraud Detection. To a lesser extent, members also reported using AI for Know Your Customer (KYC) processes and customer onboarding, fraud monitoring and detection, and sales.
33.2		What are the opportunities that AI brings to your use case?	EMA members reported a mixture of reasons underlying their adoption of AI. Their primary motivation was improving operational efficiency. However, they also cited several other factors, including reducing costs, enhancing customer experience, mitigating risks, and ensuring compliance.
33.3		What are the main challenges and risks that AI brings to your use case (e.g. discrimination, opacity of the AI application developed, difficult to control / supervise it, etc.)?	When asked about the challenges encountered in implementing AI association members cited a number of concerns, these included : • Difficulties in ensuring transparency and explainability of AI decisions • Challenges in establishing appropriate governance and oversight mechanisms • Difficulties with integrating AI technologies with legacy systems • Issues related to maintaining data privacy and security • Difficulties obtaining sufficient detail from third-party vendors of AI products to fully assess the risk of bias arising from the use of the vendor's AI

			product • Difficulties with mapping the data flows, the retention of input and output data held by AI providers /developers, and the implementation of needed controls; • Allocation of the risks and the responsibility in the business terms with the AI providers/developers.
33.4		What is the main barrier to developing AI in your use case (e.g. lack of skills and resources, readiness of the technology, high regulatory costs for compliance with the relevant frameworks, etc.)?	While AI is a promising technology, significant uncertainties remain regarding its evolution, particularly concerning regulation and the potential risks and liabilities associated with its adoption. These uncertainties include obligations for firms to disclose their use of AI and implement procedures to support new customer rights. For example, customers might have the right to request explanations of AI-driven decisions or ask for manual reviews of decisions informed or implemented by AI. Firms operating across multiple jurisdictions are sensitive to the costs associated with maintaining parallel compliance efforts. This concern arises when there are significant differences in guidance or duplication of reporting requirements across different regulatory regimes. The pace at which the need for regulation of AI has emerged heightens the risk of unharmonised approaches in different jurisdictions. Additionally, the impact of the need to redesign current internal practices and vendor due diligence processes to ensure compliance with the new frameworks and regulations is a significant issue for firms.
33.5		Does AI reduce or rather increase bias and discrimination in your use case?	AI has the potential to make decisions more consistent and reduce bias, for example, by excluding protected characteristics from consideration in decision-making processes. However, achieving fairness is contingent on careful screening of training data to ensure models capture a diverse cohort, thorough

			validation of applications before deployment, and adapting monitoring to reflect a new, potentially hybrid human/AI interaction.
33.6		Has general purpose AI opened new possibilities or risks in your use case?	The development of AI presents new possibilities and benefits for both consumers and businesses. AI can help customers more efficiently obtain information about their accounts and answer their questions, while also enabling businesses to achieve greater operational efficiency. These benefits need to be balanced against new risks which the use of AI introduces. In customer service applications, there is potential liability and reputational consequences for firms if advice or outputs contain inaccuracies or fail to reflect the most current information. This lag in information can be caused by the time delay between when the AI model is trained and when it is used to generate responses. Additionally, it may be difficult for AI to identify when it is appropriate to escalate an exchange to a human representative, for example where vulnerable users are involved or users might be attempting to game a system.
33.7		On whom do you rely for the development of your AI solutions?	N/A