



AI
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The European Union Artificial Intelligence Act

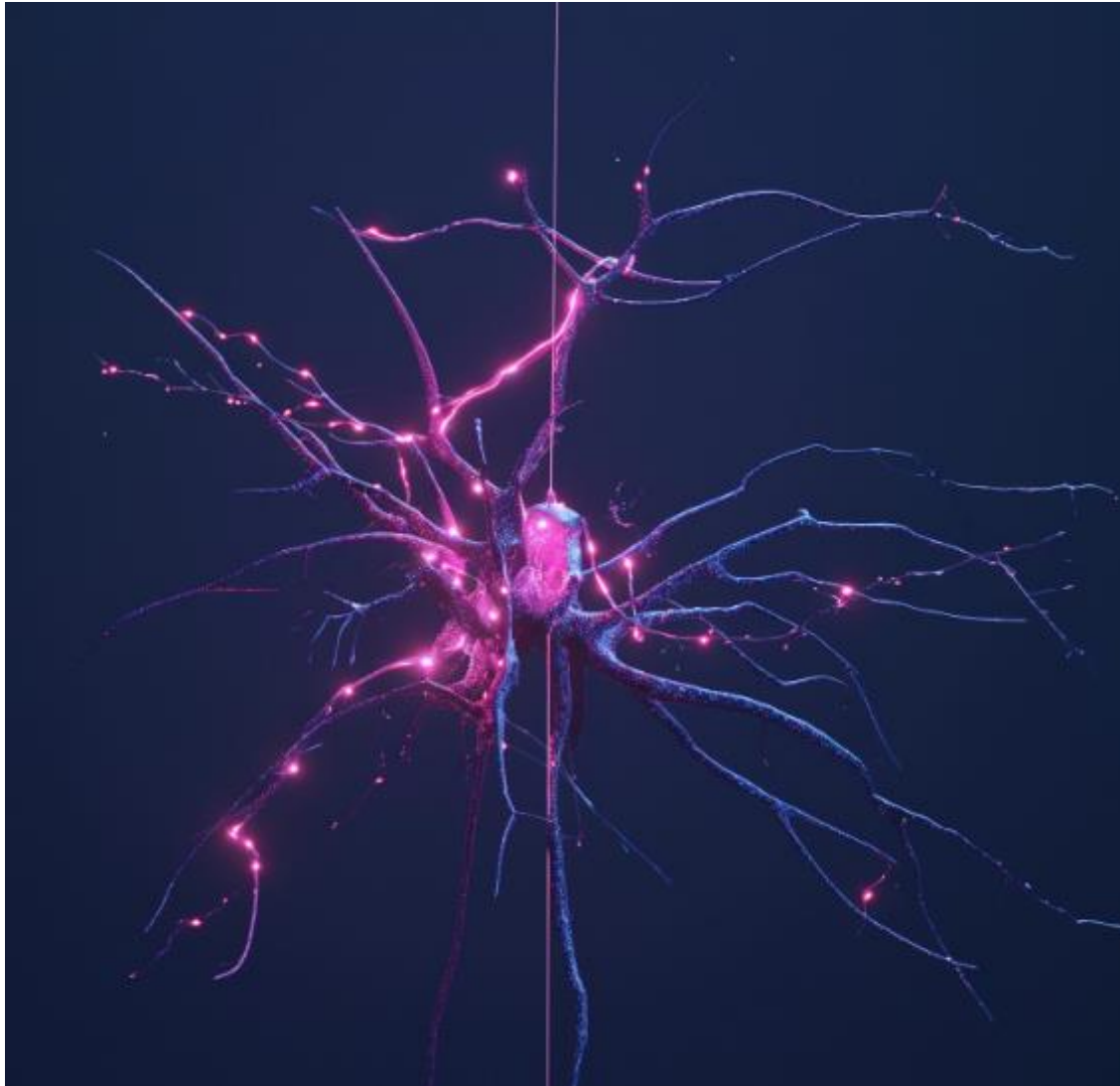
Before the dust settles

How financial services are likely to take a sustainable approach to EU AI Act compliance in a new era for trustworthy AI, ahead of entry into force

March 2024

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A New Era

While AI has enjoyed a huge spike in popularity across all provisions of financial services over the last year or so, European regulators have set themselves the ambitious task of keeping on top of a technology that appears to show no signs of slowing down with the imminent arrival of the EU AI Act.

What is the EU AI Act?

Risk-based approach to regulating use, development, deployment and/or marketing of AI systems in the EU based on risks to individuals' safety, security and fundamental rights.

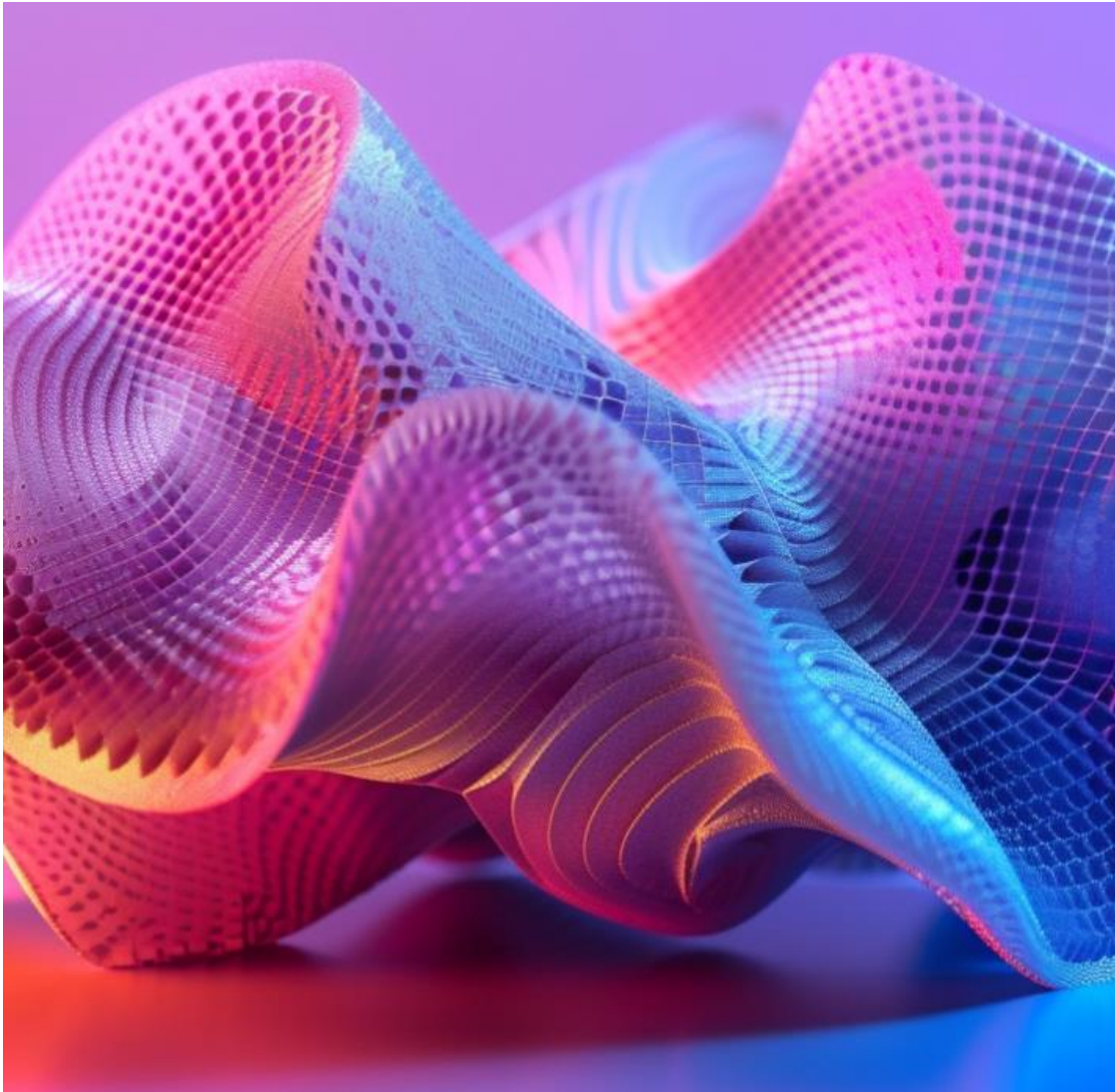
What does this report focus on?

Analyses the potential impact on financial services companies and their customers in the first year of operation.



Things to note

- The EU AI Act introduces significant regulatory changes for financial services companies using AI.
- Compliance challenges will emerge in areas like risk assessment, data governance, and explicability.
- Potential enforcement actions could impact reputational and financial standing.
- Business operations and revenue streams may be affected by stricter regulations.
- Proactive adaptation and consumer awareness are crucial for successful navigation.



Core Understandings

- This report analyses the potential impact of the EU AI Act on financial services companies and their customers.
- It targets executives, risk professionals, compliance officers, and technology leaders within the industry.
- The information aims to inform strategic decision-making and risk mitigation efforts.



Pressure Points

- Risk assessment methodologies need adaptation to comply with new AI-specific requirements.
- Data governance practices must align with stricter data protection and transparency regulations.
- Ensuring AI explicability and interpretability to meet accountability standards.
- Integrating ethical considerations into AI development and deployment processes.



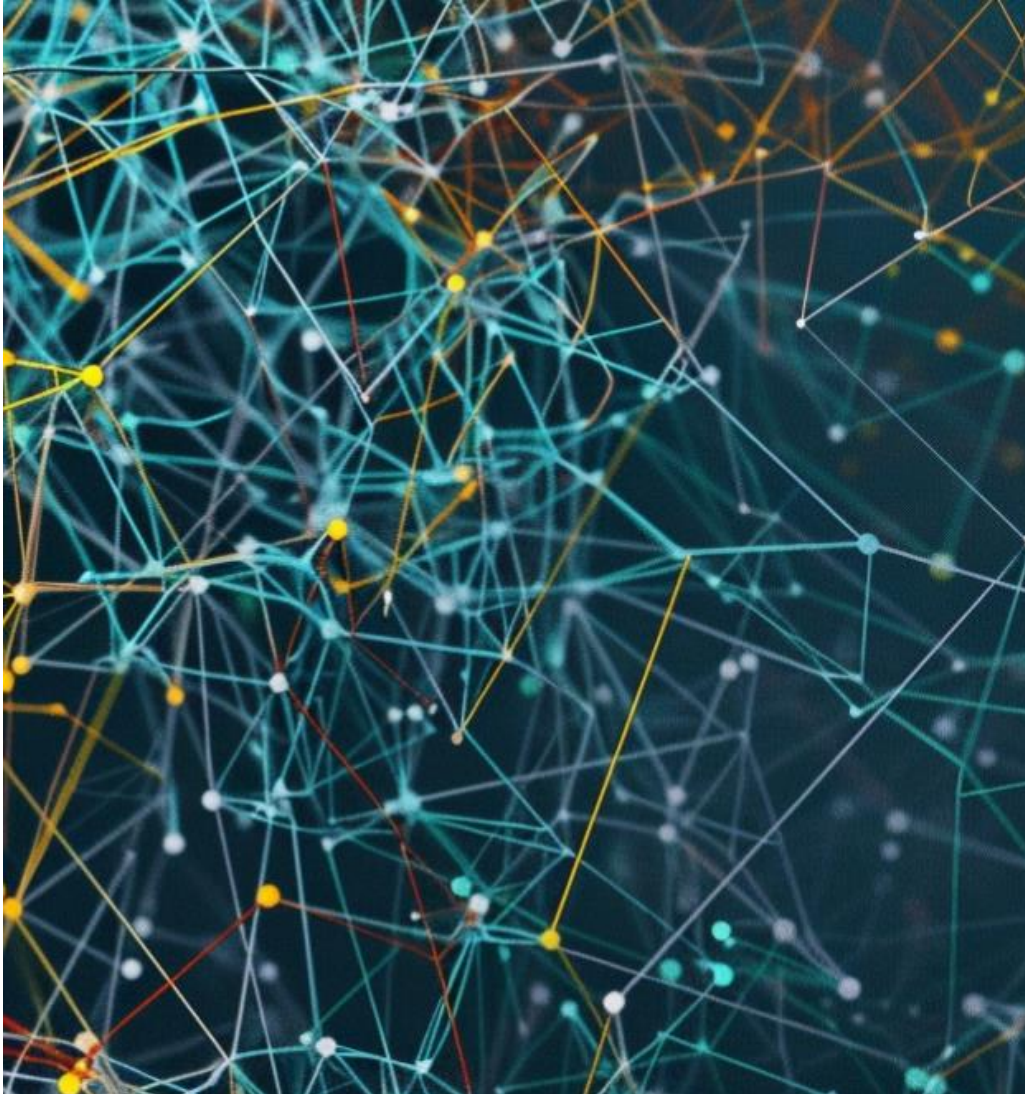
Risk Vectors

- Non-compliance with the EU AI Act can lead to hefty fines and reputational damage.
- Regulatory authorities have diverse enforcement powers, including investigations, sanctions, and corrective orders.
- Proactive compliance and clear documentation are essential for mitigating enforcement risks.



Managing Expectations

- Increased compliance costs associated with adapting to the new regulatory landscape.
- Potential operational disruptions due to implementing new processes and technologies.
- Risk of innovation being stifled by overly strict regulations.
- Opportunities for differentiation by embracing transparency and responsible AI practices.



Top-Down Action

- **Strategic Alignment:** Integrate responsible AI principles into overall business strategy to navigate regulatory and ethical landscape.
- **Proactive Compliance:** Allocate resources and build internal expertise to implement robust compliance measures in anticipation of the Act's enforcement.
- **Risk Management:** Establish comprehensive risk assessment frameworks tailored to AI-specific risks and continuously monitor compliance.
- **Stakeholder Engagement:** Communicate transparently with customers, regulators, and investors about AI practices and adherence to the Act.
- **Technology Investment:** Evaluate and invest in technology solutions that facilitate compliance and responsible AI development.



Addressing Asymmetries

- **Limited Current Awareness:** Most consumers lack understanding of the EU AI Act and its implications for their financial services interactions.
- **Transparency is Key:** Clearly communicate how AI is used in financial services and the safeguards implemented to protect their data and privacy.
- **Building Trust:** Educate consumers about their rights and how to raise concerns or report potential AI misuse.
- **Empowerment Through Tools:** Develop user-friendly tools for accessing information about AI usage and controlling their data preferences.
- **Industry Collaboration:** Collaborate with consumer protection agencies and advocacy groups to promote awareness and responsible AI practices.



Addressing Tomorrow's Issues Today

- **Increased Demand:** Expect a rise in demand for AI expertise across various roles, such as ethicists, data scientists, compliance specialists.
- **Emerging Skillsets:** New talent acquisition strategies needed to attract professionals with AI development, explainability, and risk management skills.
- **Upskilling Existing Workforce:** Invest in training programs to equip existing employees with the knowledge and skills necessary to adapt to the changing AI landscape.
- **Promoting Diversity and Inclusion:** Ensure diverse representation in AI teams to foster responsible development and mitigate potential biases.
- **Collaboration with Academia:** Partner with academic institutions to develop relevant AI-focused curricula and foster talent pipelines

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Facilitating Value Added Activities

- **Compliance Automation:** Leverage technology solutions to automate tasks like data governance, risk assessment, and reporting, streamlining compliance processes.
- **Explainable AI Tools:** Utilize explainable AI tools to make AI models more transparent and understandable, facilitating compliance requirements.
- **Data Security and Privacy Solutions:** Invest in technologies that enhance data security, privacy, and anonymization capabilities to meet EU AI Act standards.
- **Responsible AI Development Frameworks:** Implement technology platforms and frameworks that embed ethical considerations into the entire AI development lifecycle.
- **Continuous Innovation:** Stay informed about emerging AI technologies and their potential role in enhancing responsible AI practices in the financial sector.



Setting Industry Best Practice

- **Stay Informed:** Monitor regulatory updates and guidance related to the EU AI Act to ensure ongoing compliance and adaptation.
- **Industry Collaboration:** Participate in industry forums and initiatives to share best practices, address challenges, and advocate for responsible AI development.
- **Engage with Regulators:** Build positive relationships with regulators through open communication and proactive engagement.
- **Invest in Responsible AI Practices:** Continuously assess and improve AI deployment strategies to align with evolving ethical and regulatory standards.
- **Be Proactive, Not Reactive:** Approach the EU AI Act as an opportunity to drive positive change and lead the industry towards responsible AI adoption.

— Thanking Our Corporate Partners For Invaluable Support



— Thanking Our Individual Partners For Invaluable Support



- **Doug Hohulin**, Business Associate (AI & Partners), Strategy and Technology Advisor on Responsible AI (Ethics, Governance, Policy, Regulation, Compliance, Safety), AI in Healthcare, and AI Operations and Workflows
- **Simon Greenman**, Co-founder and partner in Best Practice AI, an AI management consultancy that works with executives to help create competitive advantage with AI and digital transformation.

— Thank you!



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