CONSULTATION DOCUMENT

TARGETED CONSULTATION ON ARTIFICIAL INTELLIGENCE IN THE FINANCIAL SECTOR

Disclaimer
This document is a working document of the Commission services for consultation and does not prejudge the final decision that the Commission may take. The responses to this consultation paper will provide important guidance to the Commission when preparing, if considered appropriate, a formal Commission proposal.

You are invited to reply **by 13 September 2024** at the latest to the **online questionnaire** available on the following webpage:
https://finance.ec.europa.eu/regulation-and-supervision/consultations-0/targeted-consultation-artificial-intelligence-financial-sector_en

Please note that in order to ensure a fair and transparent consultation process **only responses received through the online questionnaire will be taken into account and included in the report summarising the responses**.

This consultation follows the normal rules of the European Commission for public consultations. Responses will be published in accordance with the privacy options respondents will have opted for in the online questionnaire.

Responses authorised for publication will be published on the following webpage:
https://finance.ec.europa.eu/regulation-and-supervision/consultations-0/targeted-consultation-artificial-intelligence-financial-sector_en#consultation-outcome

Any question on this consultation or issue encountered with the online questionnaire can be raised via email at eu-digital-finance-platform@ec.europa.eu.

INTRODUCTION

In financial services and beyond, there is a broad technology-driven trend towards greater use of AI. The Commission highlighted the need for a targeted consultation on the use of AI in financial services. The goal is to identify the main use cases and the benefits, barriers and risks related to the development of AI applications in the financial sector.

In general, the development and use of AI in the EU will be regulated by the AI Act, the world's first comprehensive AI law. The AI Act which was voted by the European Parliament on 13 March and expected to enter into force in July, aims to guarantee the safety and fundamental rights of people and businesses, while strengthening AI uptake, investment and innovation across the EU. To support further these objectives, an AI innovation package has been adopted by the Commission on 24 January 2024. It contains a series of measures to support European startups and SMEs in the development of trustworthy AI that respects EU values and rules. This follows the political agreement reached in December 2023 on the AI Act.

The AI Act is designed to complement the already existing financial services acquis, that, while not explicitly targeted at regulating AI, is an important framework to manage the related risks in specific applications and includes several relevant requirements for financial entities when providing financial services. It does so by pursuing objectives to ensure healthy financial markets, such as transparency, market integrity, investor protection and financial stability. For example, when providing investment services, including through reliance on AI such as trading algorithms, investment firms must comply with the MIFID/R framework and the market abuse rulebook.

The aim of this consultation is not to lead to policy work that would generate new duplicative requirements in relation to the use of AI by the financial sector, or to new requirements that have the potential to stifle AI innovation.

Objective of the consultation

The present targeted consultation will inform the Commission services on the concrete application and impact of AI in financial services, considering the developments in the different financial services use cases.

The views from stakeholders will support the Commission services in their assessment of market developments and risks related to AI and in the implementation of the AI Act and existing financial services legislation in the financial sector. The consultation is focused on the objectives of the financial sector acquis and the AI Act and is not intended to focus on other policy objectives such as competition policy. It is intended to improve the effective implementation of these legal frameworks.

This targeted consultation will include questions with multiple choice and open answers. The questionnaire contains three parts:

1. a first part with general questions on the development of AI

2. a second part with questions related to specific use cases in finance

3. and a third part on the AI Act related to the financial sector

For the purpose of this targeted consultation, the concept of AI corresponds to the definition of an AI system established in the AI Act, which covers *"any machine-based system designed to operate with varying levels of autonomy and that may exhibit adaptiveness after deployment and that, for explicit or implicit objectives, infers, from the input it receives, how to generate outputs such as predictions, content, recommendations, or decisions that can influence physical or virtual environments"*.

Target group

The targeted consultation will gather input from all financial services stakeholders including companies and consumer associations. Views are particularly welcome from financial firms that provide or deploy/use AI systems. This consultation is designed for respondents developing or planning to develop or use AI applications in financial services.

Responding to the consultation

Respondents are invited to complete the questionnaire by 13 September 2024. They are invited to elaborate by providing input and additional insights to their answers.

Outcome

Depending on the progress made, the Commission will publish a report on the findings and an analysis of the main trends and issues arising with the use of AI applications in financial services.

Please note that the information collected will not be shared with third parties and if used, it will be anonymised, in such a manner that it does not relate to any identified or identifiable financial institution.

CONSULTATION QUESTIONS

Part 1: GENERAL QUESTIONS ON AI APPLICATIONS IN FINANCIAL SERVICES

1.1. Use of AI

Question 1. Are you using or planning to use AI systems?

- Yes, we are already using AI systems.
- Not yet, but we plan to use AI systems within the next 2 years.
- No, we are not using AI systems and we don't plan to use it within the next 2 years.

Question 2. What are the positive things you encounter when using AI?

Open answer/Please explain and give examples when possible.

Question 3. What are the negative things you encounter when using AI?

Open answer/Please explain and give examples when possible.

Question 4. Will you be deploying AI for new or additional processes within your organisation?

- Yes, which ones?
- No

Question 5. Are you developing or planning to develop in-house AI applications?

- Yes, please explain.
- No, please explain broadly whom you plan to collaborate with for the development of your AI applications (fintech, bigtech, etc.). or whether you plan to buy off the shelf fully developed solutions.

Question 6. Which tools are you using to develop your AI applications? Examples: machine learning, neural networks, natural language processing, large language models, etc.

Open answer/Please explain and give examples when possible.

1.2. Benefits of using AI applications in financial services

Question 7. Please score the following benefits from most significant (10) to least significant (1):

- Fraud detection: AI algorithms can analyse large amounts of data to detect patterns and anomalies that may indicate fraudulent activity, helping to reduce financial losses for businesses and customers.
- Risk management: AI can analyse and predict market trends, assess credit risks, and identify potential investment opportunities, helping financial institutions make more informed decisions and manage risks more effectively.
- Automation of routine tasks: AI can automate repetitive tasks such as data entry, transaction processing, and document verification, freeing up time for employees to focus on more complex and strategic activities.
- Cost savings: by automating processes and improving efficiency, AI can help financial institutions reduce operational costs.
- Personalized financial advice: AI can analyse customer data to provide personalized financial advice and recommendations, helping customers make better financial decisions and improve their financial well-being.
- Compliance and regulatory support: AI can help financial institutions stay compliant with regulations by analysing and interpreting complex regulatory requirements and monitoring transactions for suspicious activities.
- Enhanced decision-making: AI can analyse large amounts of data and provide insights that can help financial institutions make better investment decisions, assess credit risks, and optimize their operations.
- Improved security: AI can enhance security measures by identifying potential security threats, detecting unusual patterns of behaviour, and providing real-time alerts to prevent security breaches.
- Streamlined processes: AI can streamline various financial processes, such as loan underwriting, account opening, and claims processing, leading to faster and more efficient services for customers.
- Improved customer service: AI can be used to provide personalized and efficient customer service, such as chatbots that can answer customer queries and provide assistance 24/7.

Question 8. What are the main benefits/advantages you see in the development of your AI applications?

Open answer/Please explain and give examples when possible.

1.3.   Challenges and risks when using AI applications in financial services

Question 9. Please score the following challenges and risks from most significant (10) to least significant (1):

- Lack of access to the required data, in general.
- Lack of access to the data in an appropriate digital format.
- Lack of access to appropriate data processing technology, e.g. cloud computing.
- Data privacy: it is crucial to ensure that sensitive financial information remains confidential.
- Lack of trust in relation to performance levels/ security aspects/ certified solutions/ reliability of the technology.

- Regulatory compliance with financial regulation: financial services are heavily regulated and not all types of AI applications are in line with requirements under these regulations.
- Innovation: the ability to leverage on combining AI with other technologies to enhance its potential and generate new services?
- Transparency and explainability: AI algorithms can be complex and opaque. It can be difficult for humans to understand how AI arrives at certain conclusions, which can create issues of trust and accountability.
- Bias and discrimination: AI models are trained using data, and if the data is biased, the AI model can also be biased, leading to unfair outcomes.
- Reputational risk from undesirable AI behavior or output.
- Liability risks: legal uncertainty on who bears the liability in case of damages generated by the malfunctioning of the AI applications.
- Skills gap: the development of AI requires specific tech skills, and there is a shortage of such skills.
- Dependability: as financial institutions rely more and more on AI; the dependability of these systems becomes paramount. Any malfunction or error (e.g. in risk management) can lead to significant financial losses.
- Job displacement: the use of AI can potentially automate certain roles in the financial sector leading to job displacement.
- Cybersecurity: AI systems could be targeted by cybercriminals, leading to potential data breaches or manipulation of AI systems.
- Integration challenges: integrating AI technologies with existing systems and processes can be complex and expensive.
- Additional cost: the deployment and use of AI requires up-front investment and ongoing resources (acquiring or developing applications, keeping them up to date, training/skills).

Question 10. What are the main difficulties/obstacles you are facing in the development of your AI applications?

Open answer/Please explain and give examples when possible.

Question 11. Please rank the potential negative impact that widespread use of AI can have on the following risks. 8 being the highest risk.

- Operational risks
- Market risks
- Liquidity risks
- Financial stability risks
- Market integrity risks
- Investor protection risk
- Consumer protection risk
- Reputational risk

Please explain your answer to the previous question and give examples when possible.

Question 12. AI may affect the type and degree of dependencies in financial markets in certain circumstances, especially where a high number of financial entities rely on a relatively small number of third-party providers of AI systems. Do you see a risk of market concentration and/or herding behavior in AI used for financial services?

- Yes, in which areas of AI?
- No, please explain.

1.4. AI and compliance burden

Question 13. Can AI help to reduce the reporting burden?

- Yes, in which areas do you see AI reducing reporting burden?
- No, why?

Question 14. Do you think AI can facilitate compliance with multiple regulatory standards across the EU and thus facilitate market integration or regulatory compliance? For example, would you consider it feasible to use AI for converting accounting and financial statements developed under one standard (e.g. local GAAP) to another standard (e.g. IFRS)? Please elaborate.

Open answer/Please explain and give examples when possible.

1.5. Data access

Question 15. In order to develop AI applications, do you need access to external datasets that you currently don't have access to?

- Yes
- No

Question 16. Which datasets would you need to develop meaningful AI applications and for which purpose / use case?

Open answer/Please explain and give examples when possible.

Question 17. Do you face hurdles in getting access to the data you need to develop AI applications in financial services?

- Yes, please explain which type of data you would need to have access to.
- No

Question 18. Are you familiar with the EU Data Hub, a data sharing tool for supervisors and financial companies?

- Yes, do you think it can improve access to data?
- No, are you aware of other data sharing initiatives that you find useful?

Question 19. Should public policy measures (e.g. legislative or non-legislative) encourage the exchange of data between market participants, which can be used to train AI systems for use cases in finance?

- Yes. Which type of measures do you propose?
- No

1.6. Business model

Question 20. Has AI changed your business model?

- Yes, how?
- No

Question 21. Which parts of the value chain are being improved with AI?

Open answer/Please explain and give examples when possible.

Question 22. Are there functions that cannot/would not be improved by AI?

Open answer/Please explain and give examples when possible.

1.7. General purpose AI

For the purpose of this targeted consultation, respondents should consider general purpose AI as defined in the AI Act (Article 3(63)), i.e. meaning any "*AI model, including where such an AI model is trained with a large amount of data using self-supervision at scale, that displays significant generality and is capable of competently performing a wide range of distinct tasks regardless of the way the model is placed on the market and that can be integrated into a variety of downstream systems or applications, except AI models that are used for research, development or prototyping activities before they placed on the market*".

Question 23. Do you use general purpose AI models, including generative AI, and their respective reference architectures?

- Yes, please explain why you want to opt for these AI models in your organisation.
- Not yet, but we plan to use general purpose AI models within the next 2 years.
- No, please explain which other AI reference architectures (e.g. more traditional ones) you plan to use to develop your AI applications and why.

Question 24. How do you plan to operationalise and adopt general purpose AI at scale?

Open answer/Please explain and give examples when possible.

Question 25. How does the increasing availability of general purpose AI models, including generative AI applications, impact the need to access new datasets?

Open answer/Please explain and give examples when possible.

Question 26. Compared to traditional AI systems such as supervised machine learning systems, what additional opportunities and risks are brought by general purpose AI models?

Open answer/Please explain and give examples when possible.

Question 27. In which areas of the financial services value chain do you think general purpose AI could have a greater potential in the short, medium and long term?

Open answer/Please explain and give examples when possible.

1.8. AI Governance in relation to non-high risk use cases, and which are not subject to specific requirements under the AI Act

Question 28. Have you developed, or are you planning to develop an AI strategy or other relevant guidelines within your organisation for the use of AI systems?

- Yes, which ones?
- No

Question 29. Have you put in place or are you planning to put in place governance and risk management measures to ensure a responsible and trustworthy use of AI within your organisation?

- Yes, which ones?
- No

1.9. Forecasts

Question 30. What are the main evolutions to be expected in AI in finance?

Open answer/Please explain and give examples when possible.

Question 31. Which financial services do you expect to be the most impacted by AI?

Open answer/Please explain and give examples when possible.

Question 32. Do you have any additional information to share?

Part 2: QUESTIONS RELATED TO SPECIFIC USE CASES IN FINANCIAL SERVICES

Question 33. In which sector are you using AI?

You may select more than one answer.

- Banking and payments
- Market infrastructure
- Securities markets
- Insurance and pensions
- Asset management
- Other

2.1. Questions per sector

Banking and payments (if selected)

In banking, possible AI use cases range from credit risk assessment and credit scoring to advice, compliance, early warning (for example of unusual social media activity / massive withdrawal of deposits), fraud/AML and customer service.

Depending on the specific use cases, relevant legislation would include:

- the AI Act (for the identified high-risk use cases such as creditworthiness and credit-scoring of natural persons)
- the Consumer Credit Directive and the Mortgage Credit Directive (creditworthiness of natural persons and robo-advice)
- the Capital Requirements Regulation (CRR) (for example provisions on risk management in relation to credit risk assessment)
- the Payment Services Directives (PSD) (for example for fraud detection)
- and the Anti-Money Laundering Directive (AMLD) (for example for AML risk use cases)

Question BANKING 1. For which use case(s) are you using/considering using AI?

Open answer. Examples: risk assessment, credit scoring, robo-advice, sustainable finance, personal finance management, regulatory compliance, fraud detection, AML, customer service, etc.

Question BANKING 2. What are the opportunities that AI brings to your use case?

Open answer/Please explain and give examples when possible.

Question BANKING 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.)?

Open answer/Please explain and give examples when possible.

Question BANKING 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.)?

Open answer/Please explain and give examples when possible.

Question BANKING 5. Does AI reduce or rather increase bias and discrimination in your use case?

Please explain and give examples when possible.

Question BANKING 6. Has general purpose AI opened new possibilities or risks in your use case?

- Yes
- No

Please explain and give examples when possible.

Question BANKING 7. On whom do you rely for the development of your AI solutions?

- External providers
- In-house applications
- Partial collaboration with external providers

Please explain and give examples when possible.

Market infrastructure (if selected)

According to the European securities and markets authority (ESMA)[1], AI is currently not widely used by financial market infrastructures in their operations. However, use of AI systems in post-trading is emerging and will likely become more relevant in the future, such as for predicting settlement fails, anomaly detection, data verification and data quality checks.

Question MARKET 1. For which use case(s) are you using/considering using AI?

Open answer. Examples: risk management, sustainable finance, regulatory compliance, etc.

Question MARKET 2. What are the opportunities that AI brings to your use case?

Open answer/Please explain and give examples when possible.

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[1] https://www.esma.europa.eu/sites/default/files/library/ESMA50-164-6247-AI_in_securities_markets.pdf

Question MARKET 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.)?

Open answer/Please explain and give examples when possible.

Question MARKET 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.)?

Open answer/Please explain and give examples when possible.

Question MARKET 5. Does AI reduce or rather increase bias and discrimination in your use case?

Please explain and give examples when possible.

Question MARKET 6. Has general purpose AI opened new possibilities or risks in your use case?

- Yes
- No

Please explain and give examples when possible.

Question MARKET 7. On whom do you rely for the development of your AI solutions?

- External providers
- In-house applications
- Partial collaboration with external providers

Please explain and give examples when possible.

Securities markets (if selected)

In securities markets, possible AI use cases range from risk assessment to trade execution (e.g. algorithmic trading), robo-advice, regulatory compliance and market abuse to customer service. Depending on the specific use cases, relevant legislation would include, for example:

- Markets in Financial Instruments Directive (MiFID) (for example on trading and robo-advice)
- and Market Abuse Regulation (MAR) (for example for market abuse detection use cases).

Robo advice: According to the upcoming AI Act, there are specific transparency requirements for AI systems which are not high-risk. The requirements imply that these AI systems are developed and used in a way that allows making humans aware that they

communicate or interact with an AI system. This would for example apply to use cases such as robo-advice or other customer personalised AI applications.

Question SECURITIES 1. For which use case(s) are you using/considering using AI?

Open answer. Examples: risk assessment, individual or collective portfolio management, algorithmic trading, robo-advice, sustainable finance, personal finance management, regulatory compliance, customer service, market abuse detection, etc.

Question SECURITIES 2. What are the opportunities that AI brings to your use case?

Open answer/Please explain and give examples when possible.

Question SECURITIES 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.)?

Open answer/Please explain and give examples when possible.

Question SECURITIES 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.)?

Open answer/Please explain and give examples when possible.

Question SECURITIES 5. Can AI reduce bias and discrimination or increase them in your use case?

- Yes
- No

Please explain and give examples when possible.

Question SECURITIES 6. Has general purpose AI opened new possibilities or risks in your use case?

- Yes
- No

Please explain and give examples when possible.

Question SECURITIES 7. On whom do you rely for the development of your AI solutions?

- External providers
- In-house applications
- Partial collaboration with external providers

Please explain and give examples when possible.

Question SECURITIES 8. 'Herding effects', where trading is dominated by trading algorithms that make decisions based on similar model calibrations, are often considered as a risk for financial markets. Do you believe that the use of AI has increased this risk?

- Yes
- No

Please explain and give examples when possible.

Question SECURITIES 9. Machine learning trading algorithms can interact with each other in unpredictable ways on the market. Do you see any risks to market integrity and efficiency stemming from these interactions, such as collusion that can amount to market manipulation or sudden bouts of illiquidity where trading algorithms stop trading in response to unusual patterns of market behaviour?

- Yes
- No

Please explain and give examples when possible.

Question SECURITIES 10. Can robo-advice based on general purpose AI, which can sometimes produce 'hallucinations', i.e. nonsensical or inaccurate replies, be made compatible with regulatory requirements applicable to investment advice?

- Yes
- No

Please explain and give examples when possible.

Question SECURITIES 11. What precautions will you put in place to ensure robo-advice is developed in compliance with the requirements for investment advice?

Insurance and pensions (if selected)

In insurance, possible AI use cases range from insurance pricing and underwriting to advice, compliance, fraud detection/AML and customer service. Depending on the specific use cases, relevant legislation would include

- the AI Act (for the identified high risk use-cases such as life and health insurance risk assessment and pricing in relation to natural persons)
- the Insurance Intermediation Directive (IDD) (for example robo-advice),
- Solvency II and institutions for occupational retirement provisions (IORPs) (for example provisions on risk management in relation to insurance risk assessment),

- and the [Anti-Money Laundering Directive (AMLD)](#) (for example AML use cases).

Question INSURANCE 1. For which use case(s) are you using/considering using AI?

Open answer. Examples: risk management, insurance pricing and underwriting, setting capital requirements/technical provisions, robo-advice, regulatory compliance, sustainable finance, fraud detection, AML, customer service, sales and distribution, claims management, etc.

Question INSURANCE 2. What are the opportunities that AI brings to your use case?

Open answer/Please explain and give examples when possible.

Question INSURANCE 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.)?

Open answer/Please explain and give examples when possible.

Question INSURANCE 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.)?

Open answer/Please explain and give examples when possible.

Question INSURANCE 5. Does AI reduce or rather increase bias and discrimination in your use case?

Please explain and give examples when possible.

Question INSURANCE 6. How can insurers ensure that the outcomes of AI systems are not biased?

Open answer/Please explain and give examples when possible.

Question INSURANCE 7. Has general purpose AI opened new possibilities or risks in your use case?

- Yes
- No

Please explain and give examples when possible.

Question INSURANCE 8. On whom do you rely for the development of your AI solutions?

- External providers
- In-house applications
- Partial collaboration with external providers

Please explain and give examples when possible.

Asset management (if selected)

In asset management, possible AI use cases range from risk and portfolio management, robo-advice, regulatory compliance and market abuse to customer service. Depending on the specific use cases, relevant legislation would include, for example:

- Undertakings for the Collective Investment in Transferable Securities (UCITS)
- Alternative Investment Fund Managers Directive (AIFMD)
- or Markets in Financial Instruments Directive (MiFID)

Question ASSET MANAGEMENT 1. For which use case(s) are you using/considering using AI?

Open answer. Examples: risk management, individual and collective portfolio management, regulatory compliance, trades monitoring, robo-advice, customer service, sustainable finance, etc.

Question ASSET MANAGEMENT 2. What are the opportunities that AI brings to your use case?

Open answer/Please explain and give examples when possible.

Question ASSET MANAGEMENT 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.)?

Open answer/Please explain and give examples when possible.

Question ASSET MANAGEMENT 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.)?

Open answer/Please explain and give examples when possible.

Question ASSET MANAGEMENT 5. Does AI reduce or rather increase bias and discrimination in your use case?

Please explain and give examples when possible.

Question ASSET MANAGEMENT 6. Has general purpose AI opened new possibilities or risks in your use case?

- Yes
- No

Please explain and give examples when possible.

Question ASSET MANAGEMENT 7. On whom do you rely for the development of your AI solutions?

- External providers
- In-house applications
- Partial collaboration with external providers

Please explain and give examples when possible.

Question ASSET MANAGEMENT 8. When delegating functions to third parties, do you check the extent to which the provisions of services will entail the use of AI?

- Yes
- No

Please explain and give examples when possible.

Other (if selected)

Question OTHER 1. For which use case(s) are you using/considering using AI?

Open answer. Examples: accounting, financial planning, credit rating, etc.

Question OTHER 2. What are the opportunities that AI brings to your use case?

Open answer/Please explain and give examples when possible.

Question OTHER 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.)?

Open answer/Please explain and give examples when possible.

Question OTHER 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.)?

Open answer/Please explain and give examples when possible.

Question OTHER 5. Does AI reduce or rather increase bias and discrimination in your use case?

Please explain and give examples when possible.

Question OTHER 6. Has general purpose AI opened new possibilities or risks in your use case?

- Yes
- No

Please explain and give examples when possible.

Question OTHER 7. On whom do you rely for the development of your AI solutions?

- External providers
- In-house applications
- Partial collaboration with external providers

Please explain and give examples when possible.

Part 3: AI ACT

In December 2023 the European Parliament and the Council reached a provisional political agreement on the [first comprehensive AI framework, put forward by the Commission on 21 April 2021](#). The regulation was adopted by the European Parliament on 13 March 2024 and will enter into force later this spring once it has been published in the Official Journal of the EU. This horizontal acquis is applicable across all economic sectors.

The [AI Act](#) defines an AI system as "a machine-based system designed to operate with varying levels of autonomy, that may exhibit adaptiveness after deployment and that, for explicit or implicit objectives, infers, from the input it receives, how to generate outputs such as predictions, content, recommendations, or decisions that can influence physical or virtual environments". Recital 11 further sets out the reasons for this definition, notably setting out that it is based on key characteristics that distinguish it from simpler traditional software systems of programming approaches.

The AI Act will establish two high risk use cases for the financial sector:

1. AI systems intended to be used to evaluate the creditworthiness of natural persons or establish their credit score, with the exception of those AI systems used for the purpose of detecting financial fraud
2. AI systems intended to be used for risk assessment and pricing in relation to natural persons in the case of life and health insurance

The aim of this section is to identify which are your specific needs in order for the Commission to be able to adequately assist you with appropriate guidance for the implementation of the upcoming AI framework in your specific market areas, especially in particular to the high-risk use cases identified.

3.1. Scope and AI definition

Question 34. Which of the following use cases that could fall into the categorisation of high-risk are potentially relevant to your activity?

- AI systems intended to be used to evaluate the creditworthiness of natural persons or establish their credit score.
- AI systems intended to be used for risk assessment and pricing in relation to natural persons in the case of life and health insurance.
- Both.
- None.

Question 35. Please explain the overall business and/or risk management process in which the high-risk use case would be integrated and what function exactly the AI would carry out.

Question 36. Are there any related functions AI would carry out which you would suggest distinguishing from the intended purpose of the high-risk AI systems in particular to the use cases identified in question 34?

Question 37. Please explain why these functions would/should in your view not be covered by the high-risk use cases set out in the AI act either because they would not be covered by the definition of the use case or by relying on one of the conditions under article 6(3) of the AI Act and explaining your assessment accordingly that the AI system would not pose a significant risk of harm if:

a) the AI system is intended to perform a narrow procedural task
b) the AI system is intended to improve the result of a previously completed human activity
c) the AI system is intended to detect decision-making patterns or deviations from prior decision-making patterns and is not meant to replace or influence the previously completed human assessment, without proper human review
d) or the AI system is intended to perform a preparatory task to an assessment relevant for the purpose of the use cases listed in Annex III of the AI Act

Question 38. At this stage, do you have examples of specific AI applications/use cases you believe may fall under any of the conditions from article 6(3) listed above?

Please describe the use case(s) in cause and the conditions you believe they may fall under.

Question 39. Based on the definition of the AI system, as explained above (and in article 3(1) and accompanying recitals), do you find it clear if your system would fall within the scope of the AI Act?

- Yes
- No, it is not clear/ easy to understand if it falls within the scope of the AI Act. If "No", please specify in relation to what aspects and/or which algorithmic/mathematical models?

3.2. AI Act requirements

Question 40. Bearing in mind there will be harmonised standards for the requirements for high-risk AI (Mandates sent to CEN-CENELEC can be monitored here), would you consider helpful further guidance tailored to the financial services sector on specific AI Act requirements, in particular regarding the two high-risk AI use cases?

- Yes. If yes, on which specific provisions or requirements and on what aspects concretely?
- No

3.3. Financial legislation requirements

Question 41. Future AI high-risk use cases would also need to comply with existing requirements from the financial legislation. Would you consider helpful further guidance meant to clarify the supervisory expectations for these use cases?

- If yes, please explain your choice and indicate if the guidance should be high-level and principles based or tailored to specific use cases.
- No, the supervisory expectations are clear.

Question 42. There are other use cases in relation to the use of AI by the financial services sector which are not considered of high-risk by the AI Act, but which need to comply with the existing requirements from the financial legislation. Would you consider helpful further guidance meant to clarify the supervisory expectations for these use cases?

- If yes, please explain your response, and indicate if the guidance should be high-level and principles based or tailored to specific use cases.
- No, the supervisory expectations are clear.

Question 43. Are you aware of any provisions from the financial acquis that could impede the development of AI applications (e.g. provisions that prohibit the use of risk management models which are not fully explainable or the use of fully automated services for the interaction with consumers)?

- If yes, please indicate the acquis/ provision in cause.
- No, I am not aware of any provision(s) of this kind