SFC response to targeted consultation on AI in Financial Services

Swiss Finance Council members include the largest global wealth and management firms, many of which have substantial activities within the EU. Our members operate as retail investment product manufacturers, distributors, and advisors, serving EU clients from both within the EU and on a cross-border basis.

The use of AI has steadily grown in the wealth and asset management industry from improved risk management, automated processes to personalised investment advice. The rapid emergence of general purpose AI (GPAI) has the potential to bring additional opportunities, such as with facilitating regulatory compliance or investment research. However, Swiss wealth managers expect that the relationship model with their clients will remain fundamentally human-centric, as for example high net worth clients expect a high level of personalised services.

The growing adoption of AI requires careful consideration of new risks and challenges. As AI applications become more sophisticated and complex, they may pose new challenges in terms of explainability of how a decision has been reached, or the risk for users to rely on incorrect but plausible outcomes. There is also a risk that critical functions become increasingly reliant on AI, and be accompanied by a possible concentration of AI suppliers, in turn requiring effective risk management.

At the same time, AI is already regulated under existing financial services legislation, which largely addresses and mitigates the key risks which might be caused or increased by the use of AI. However, there is a real concern that firms may be subject to different requirements under the AI Act and existing financial services legislation.

Foremost, it is important to clarify the regulatory perimeter under the AI Act, as for example certain simple statistical models that are key to determining financial risk, and are distinct from complex AI models and well understood by supervisors, could be read as in scope of the AI Act.

More broadly, we believe a continued risk-based approach, based on the relevance and the impact of the outcomes for individuals, would be preferred, including with respect to transparency and explainability of AI models.

International alignment of the regulatory framework and supervisory approach to the use of AI in financial services is also key to ensure interoperability of AI systems across regions and a level playing field for financial institutions deploying AI solutions.

Above all, an ongoing dialogue between policy makers, industry stakeholders and technology partners is required to keep pace with technological advancements, and the assessment whether additional guidance may be needed for specific AI use cases in time.

EU TARGETED CONSULTATION ON AI IN THE FINANCIAL SECTOR

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.

- Efficiency gains: AI can automate repetitive and time-consuming tasks (e.g., IT helpdesk, complaints handling), freeing up staff to focus on more strategic and value added endeavors.
- Personalized client services**:** AI can propose targeted recommendations to relationship managers for specific clients by analyzing client data. This helps relationship managers in tailoring investment strategies to individual client needs, thereby improving client satisfaction and loyalty.
- Improved risk management: AI helps in managing risks more effectively by analyzing vast amounts of data to detect patterns and anomalies that might indicate potential risks or fraud.
- Support for regulatory compliance: AI can support in compliance with regulatory requirements, for example by automating routine compliance tasks such as transaction monitoring, regulatory reporting or regulatory change management.
- Enhanced investment strategies: AI-powered algorithms can bring data-driven precision to investment decisions. AI for example can support more accurate forecasts for individual stocks or can identify anomalies and short-term trends that might be missed by conventional analysis.
- Creative content generation: AI generative systems can produce original and creative content, such as text, images, videos, and music. This capability has applications in marketing and advertising.

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

- Open answer/Please explain and give examples when possible.

There is a need for careful consideration of new risks and challenges introduced by a growing use of AI. These include:

- Data quality and integrity: AI systems rely heavily on vast amounts of data. If the data is incomplete, outdated, or biased, it can lead to inaccurate predictions and poor decision-making.
- Cybersecurity and operational risks: AI systems can be vulnerable to cyber attacks and system malfunctions like any software system.
- Overreliance on technology: Large scale adoption of AI could make critical functions increasingly reliant AI. If accompanied by a possible concentration of AI suppliers, this would require effective risk management.

- Reduced explainability: Complex models, whether AI or not, can present interpretation challenges but these can be mitigated through newer explainability techniques and diagnostic tools. It may be more useful, from a regulatory and policy point of view, to test the outputs and the outcomes of models, rather than their construction and operation.
- Hallucination risk: GPAI can produce outputs that are factually incorrect but appear plausible, leading to misinformation and potential harm. Robust evaluation and validation procedures are essential to minimize this risk.
- Reuse of internal data to train models: The standard terms of use of the provider of an AI model may involve a reuse of data to further train/finetune the model, which may lead to increased risks from a data protection perspective (lawful processing, information notice, etc.) and potentially loss of control of the data. Terms need to be negotiated carefully on a case-by-case basis. This also requires the need for user training and awareness to avoid the danger of unintended consequences.

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

- Yes, which ones?
- No

Examples of areas where AI is being adopted by wealth managers include:

- Services for assistance and information retrieval relating to regulatory documents.
- Information retrieval to respond to due diligence questionnaires and RFP's for large clients.
- AML applications, such as transaction monitoring, risk classification etc.
- Fraud prevention applications.
- Translation

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.

Wealth managers prefer a hybrid approach of building and buying AI applications, with the majority of AI solutions being developed by inhouse AI teams. Vendor solutions (e.g. Microsoft copilot) and certain FinTech solutions are also being considered and tested.

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.

There is a combination of AI tools and techniques based on the needs of the specific task. For example, traditional machine learning and GPAI are used for time series forecasts for Assets under Management outflows and clustering of clients based on their behaviours and preferences. Large Language Models (LLMs) are used for translation and summarization of documents. Natural Language Processing (NLPs) is used for text extractions.

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):

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. **10**
2. 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. **5**
3. 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. **7**
4. Cost savings: by automating processes and improving efficiency, AI can help financial institutions reduce operational costs. **6**
5. 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. **4**
6. 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. **5**
7. 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. **2**
8. 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. **3**
9. 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. **8**
10. 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. **1**

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.

- Risk management: AI can analyze vast amounts of data quickly and accurately providing insights to manage risks more effectively.
- Operational efficiency: AI helps to automate and streamline various processes and tasks that are repetitive, time-consuming, or error-prone.
- Data enhanced decision making: AI can identify patterns in historical data with a view to make more accurate predictions and forecasts, and hence allow for better decision making.
- Customer engagement: AI supports the provisioning of tailored solutions and recommendations to customers, based on their behaviors and needs.
- Employee engagement: AI can automate repetitive tasks, such as data entry and verification, thereby freeing up the employees to focus on more creative and strategic activities.

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):

1. Lack of access to the required data, in general.
2. Lack of access to the data in an appropriate digital format. **9**
3. Lack of access to appropriate data processing technology, e.g. cloud computing.
4. Data privacy: it is crucial to ensure that sensitive financial information remains confidential. **10**
5. Lack of trust in relation to performance levels/ security aspects/ certified solutions/ reliability of the technology.
6. 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.
7. Innovation: the ability to leverage on combining AI with other technologies to enhance its potential and generate new services?
8. 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.
9. 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. **2**
10. Reputational risk from undesirable AI behavior or output. **5**
11. Liability risks: legal uncertainty on who bears the liability in case of damages generated by the malfunctioning of the AI applications. **8**
12. Skills gap: the development of AI requires specific tech skills, and there is a shortage of such skills.
13. 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. **4**
14. Job displacement: the use of AI can potentially automate certain roles in the financial sector leading to job displacement. **1**
15. Cybersecurity: AI systems could be targeted by cybercriminals, leading to potential data breaches or manipulation of AI systems. **3**
16. Integration challenges: integrating AI technologies with existing systems and processes can be complex and expensive. **7**
17. 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). **6**

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.

The main difficulties are related to:

- Implementation of AI systems and integration with internal processes.
- Trust of vendor solutions.
- Understanding the perimeter of the applicable regulation. As the regulatory framework and supervisory approach evolve, it will be key to explore ways to promote international alignment, which will help ensure interoperability of AI systems across regions and deploy their full potential.

- Finding relevant and up-to-date skills on the market (i.e. knowledge of AI and Data Science combined with relevant experience in corporate domain) & change management and employee training and upskilling of the organisation.

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 **5**
- Market risks **4**
- Liquidity risks **3**
- Financial stability risks **6**
- Market integrity risks **8**
- Investor protection risk **1**
- Consumer protection risk **2**
- Reputational risk **7**

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

AI is already regulated under existing financial services regulation, which largely addresses and mitigates the key risks which might be caused or increased by the use of AI. These include rules in respect of outsourcing, technology risk management, conduct, cybersecurity, internal governance, and model risk management as well as data protection and privacy frameworks.

Therefore, we do not expect that new AI technologies will significantly affect market risks and liquidity risks.

A high level of automation, especially in back-office activities, needs to be managed in a way that avoids raising operational risk. While AI may be used in certain aspects of wealth management, the relationship model between wealth managers and their clients is expected to remain fundamentally human-centric. Therefore, we expect consumer and investor protection risks to be limited.

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.

There could be a risk of market concentration in the area of Large Language Models (LLMs) as the market matures and adoption increases. Training LLMs, including open-source models, requires large financial and data resources and only large companies will be able to do so. Market concentration and subsequent use of common open source or vendor provided LLMs could result in a common 'flaw' which could intentionally or unintentionally lead to broad market exposure.

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?

Large Language Models (LLMs) can help reduce the reporting burden. AI solutions can help with information retrieval and analysis in regulatory documents, updating of regulatory reporting documentation as well as internal rules assessment and gap analysis.

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

Most AI applications currently developed work with internal data.

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.

High quality global macro-economic data sets could help with market trend analysis and portfolio optimisation.

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

Most solutions currently developed work with internal data.

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

Support the curation of high quality, global and regional data sets of general interest (e.g. macro-economic trends).

1.6. Business model

Question 20. Has AI changed your business model?

- Yes, how?
- No

While AI may be used in certain aspects of wealth management, the relationship model between wealth managers and their clients is expected to remain fundamentally human-centric.

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

- Open answer/Please explain and give examples when possible.

Mainly internal operations including internal translations, help desk ticket routing, KYC entry improvements, data-based Assets under Management predictions, compliance and risk processes.

Question 22. Are there functions that cannot/would not be improved by AI? Open answer/Please explain and give examples when possible.

AI will currently not impact direct client interaction for Swiss wealth managers, as the focus remains on human interaction for relationship managers.

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 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.

There is strong internal demand for GPAI solutions given the large number of potential use cases and opportunities for process improvements. Having a substantial amount of textual data, the use of LLM solutions may enable among other things, expediting the process of researching and analyzing documents. GPAI models are designed for versatile tasks, and their use and experimentation internally help in keeping banks technologically advanced.

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

- Open answer/Please explain and give examples when possible.

Swiss wealth management firms are using a hybrid approach to operationalizing GPAI solutions. On-premise solutions are often based on open source GPAI solutions. Firms may also look for

customized AI solutions designed to address specific challenges or requirements of an organization, which operate in a private cloud environment.

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.

The current set of use cases is mainly about optimizing existing processes and solutions. Therefore the data required is already being available and accessed.

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.

GPAI presents a lower hurdle for users to engage with, not at least as the interaction is in natural language. Among the opportunities arising from the implementation of a GPAI system compared to current AI solutions are improved operational efficiency by automating routine and repetitive work, personalization of services and improved risk identification and analysis

This added value comes with new risks that are unique to GPAI. These include risks associated with foundation models (e.g., quality and possible bias of training data, and hallucination) as well as issues related to data access and usage (e.g., intellectual property, confidentiality and privacy issues).

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.
- Short term: Speeding up of select process steps (e.g., translation, summarization, knowledge retrieval).
- Mid-term: Idea brainstorming, innovation and marketing.
- Long-term: Hard to predict given the rate of change for model development, but generally will enhance decision-making processes and reduction of human influenced biases.

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

- AI strategy to support existing strategies and use case prioritization
- AI model development guidelines
- User dos and don'ts & risk training
- Updates to risk framework, policies, risk types
- AI regulation monitoring
- Tollgate process for review and approval for different phases of AI projects

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

See question 28

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.
- More investment recommendation startups
- More tailored solutions for back-office topics (e.g. regulation compliance checks)
- Stronger need to differentiate communication (e.g. show the human touch)
- User expectation for faster or broader service (e.g. eventually expectation that translations in any language should be available)

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

- Open answer/Please explain and give examples when possible.
- Retail banking, where there is less personalization and more automation already happening.

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

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

Banking and payments

Question 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.
- Risk assessment
- Regulatory compliance
- Fraud detection
- AML
- Targeted client investment recommendations to relationship managers
- Pricing solutions
- Revenue predictions

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

- Open answer/Please explain and give examples when possible.
- Regular analyses: AI can continuously monitor and analyze market trends, client portfolios, and financial news.
- Speed: AI processes data at incredible speeds. This allows wealth managers to react swiftly to market changes and client needs, providing a competitive edge.

- Consistency: AI systems follow predefined algorithms and rules, ensuring consistent analysis and decision-making. This reduces the risk of human error and bias, leading to more reliable outcomes.
- Ability to process vast amounts of data: AI can handle and analyze large datasets from various sources, such as market data, economic indicators, and client information.
- Reduction of repetitive low value-add tasks for staff: AI automates routine tasks like data entry, report generation, and basic analysis. This frees up staff to focus on more strategic activities, such as client relationship management and personalized financial planning.

Question 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.
- Maintaining input data quality: AI systems rely heavily on the quality of input data. Poor data quality can lead to inaccurate models and unreliable outcomes.
- User awareness risks: Users often lack understanding of how AI solutions work, which can lead to misinterpretation of AI outcomes.
- Data privacy: AI systems often require large amounts of data, raising the need for safeguards on how this data is collected, stored, and used.
- Third party risk management: Many AI systems rely on third-party vendors for data, tools, or services, introducing additional operational risks.
- Intellectual property rights: The use of AI can complicate IP rights, especially when AI-generated content is involved.

Question 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.
- High upfront investment: Implementing AI solutions often requires substantial investment including in hardware, software and infrastructure. Governance of AI solutions also requires significant investment as specialized talent, such as data scientists and AI engineers, are needed to help develop AI models and integrate them into existing systems.
- Quickly evolving landscape: The rapid emergence of new AI solutions and vendors requires continuous updating and careful evaluation of the reliability and trustworthiness of vendors.

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

- Please explain and give examples when possible.

Not particularly relevant in the use cases for wealth managers given that they keep human-centric relationship model.

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

- Yes
- No Please explain and give examples when possible.

GPAI has opened new opportunities in the implementation of generative use cases (e.g. summarization). It also opens up new risks stemming from foundation models (e.g., bias,

hallucination) and user related risks (easy to just copy and paste e.g. email proposal without checking).

Question 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

Both in-house application sand external providers are being used.

Part 3: AI Act

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.

Deployment of AI systems would go through the model risk management process and then requirements specified by regulators.

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?

Systems that utilise basic statistical methods like linear or logistic regression should not be classified as AI systems, as these techniques do not align with the AI definition outlined in the AI Regulation.

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:

- the AI system is intended to perform a narrow procedural task
- the AI system is intended to improve the result of a previously completed human activity
- 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
- 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.

An AI system that is used to detect and prevent fraud, money laundering, or terrorist financing in the financial sector, and to report suspicious transactions or activities to the authorities.

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?

The AI Act broadly defines an AI system. The minimum requirements for a system to be considered an AI system under the AI Act are not explicitly clear. Therefore, certain statistical simple techniques (e.g. linear and logistic regressions), that are distinct from complex AI systems and fundamental to analytical processes that help determine financial risk, could be regarded as falling with the scope of the AI Act. Even though the ECB has suggested the specific exclusion of these statistical models, financial firms continue to face uncertainty regarding the scope of the AI Act. Therefore, it is essential to clarify the perimeter of what constitutes an AI system for financial services sector participants at EU level to have a consistent application throughout the EU. Consistency is also needed among regulatory approaches and definitions at international level to ensure a level playing field for global financial services sector participants deploying AI solutions.

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 (and as above).
- 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.

Financial institutions already comply with a comprehensive regulatory framework aimed at ensuring consumer protection, data privacy, and effective risk management. These existing regulations cover many of the principles highlighted in the AI Act.

Members would welcome the opportunity to engage with the Commission as it considers issues of transparency, explainability and the role of human oversight.

More broadly, maintaining an ongoing conversation between policymakers, industry stakeholders and technology partners will help evaluate if additional guidance is necessary for specific AI applications overtime. .

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