ESTABLISHING THE BOUNDARIES OF THE PLAYING FIELD

Ian Stevens
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AI in FS - the regulatory landscape

- Opportunities
- AI can be used to augment a human decision-maker or to autonomously make a decision
- Ethical, legal and governance challenges
- Risk management

“Technology is a force for good which has improved people’s lives but we must make sure it is developed in a safe and secure way.

Our Centre for Data Ethics and Innovation has been set up to help us achieve this aim and keep Britain at the forefront of technological development.

I’m pleased its team of experts is undertaking an investigation into the potential for bias in algorithmic decision-making in areas including crime, justice and financial services. I look forward to seeing the Centre’s recommendations to Government on any action we need to take to help make sure we maximise the benefits of these powerful technologies for society”

Jeremy Wright, Digital Secretary
AI in FS - the regulatory landscape

“Artificial Intelligence (AI)” refers to a set of technologies that seek to simulate human traits such as knowledge, reasoning, problem solving, perception, learning and planning. AI technologies rely on AI algorithms to generate models. The most appropriate model(s) is/are selected and deployed in a production system.

PDPC Singapore, June 2018

What is there to regulate?

- Use of technology (software), algorithms and data – and the outcomes of that use

Use models

- Human in the loop
- Human out of the loop
- Human over the top
AI in FS - the regulatory landscape

- Use of technology and technology services is already regulated in financial services

- Financial services regulation is technology agnostic and algorithm agnostic

- Governments, regulators, industry and standards bodies are showing increased interest
AI in FS - Increasing consumer and regulatory awareness

- Increased understanding and acceptance
- Greater scrutiny and expectation
- Responsibility, explainability and accuracy
- Increased activism and risk

“If an insurance company cannot work out the intricate nuances that cause their online application system to turn some people away but accept others (however reasonable those underlying reasons may be), how can it hope to explain this to the individuals affected?” ICO

“where a decision has been made by a machine that has a significant impact on an individual, the GDPR requires that they have the right to challenge the decision and a right to have it explained to them” Elizabeth Denham, UK Information Commissioner
AI in FS - Responsibility

- Who is responsible for adverse outcomes – e.g. if users are harmed
- What is the reporting process
- What is the recourse process
- What is the response plan
- Who decides on the necessary changes to the system or data?
- Code of ethics
- Governance

Bias is a prejudice for or against something or somebody, that may result in unfair decisions

Humans are biased in our decision making

AI systems and algorithms are designed by humans

Humans collect and select the data sets used to train machine learning AI systems

The data processed by AI systems in operation may be unbalanced or non-representative, leading to biased inferences being drawn

All of which can lead to human biases being reflected in the AI system’s decision-making
AI in FS - Preparing for successful outcomes - governance and internal controls

- Due diligence
- Making the right choices
- Communication
- Quality assurance and testing
- Monitoring, reporting and auditing
- Updating
- Hand to human
- Kill switch

“Just because people have put data onto social media without restricting access does not necessarily legitimise all further use of it”
ICO

“The concept of algorithms having ‘baked in’ bias is particularly worrying where algorithms are making decisions that have the potential to harm consumers or competition. … My goal as a parent is to teach my children to be moral and law abiding. Can we do the same for algorithms? This is a make or break question for all of us – firms, policy-makers and customers”
Alex Chesterfield, FCA Insight

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