
AI @ EBA - Banking regulator and AI

Meri Rimmanen, Director Data Analytics, Reporting and Transparency
BoF & FSA seminar on Impact of AI on Economy, Finance and Supervision
13 November 2024

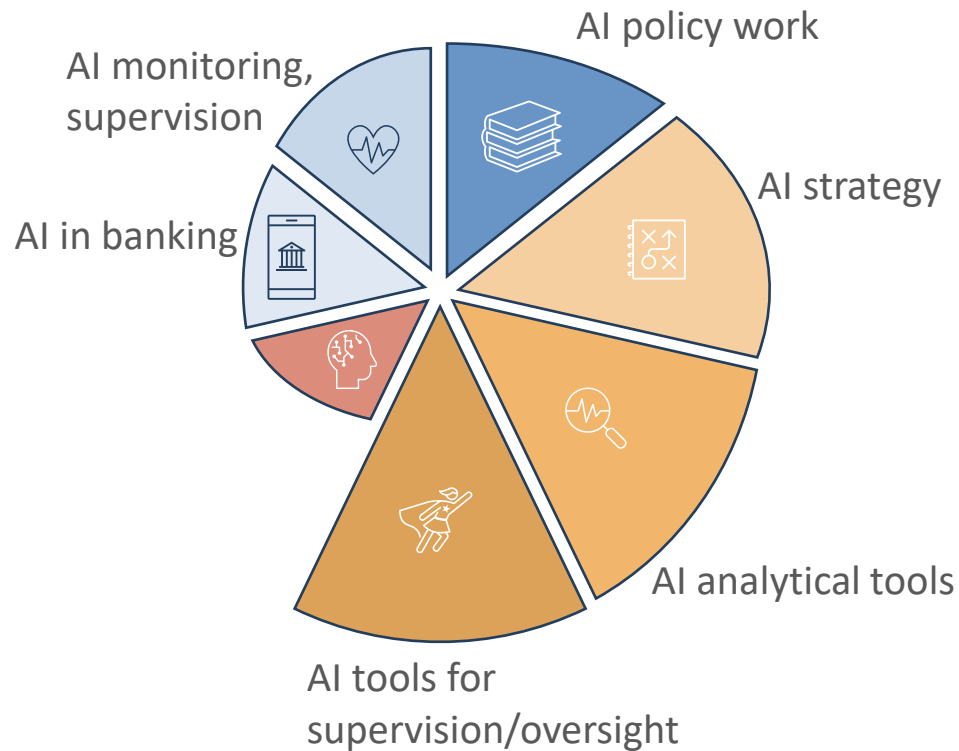
1. EBA Approach

The EBA role in AI

- Risk assessment of banking sector
- Monitoring of market developments, including innovation to achieve
- Coordinated approach to regulatory and supervisory treatment of financial activities

AI use @ EBA to support these activities

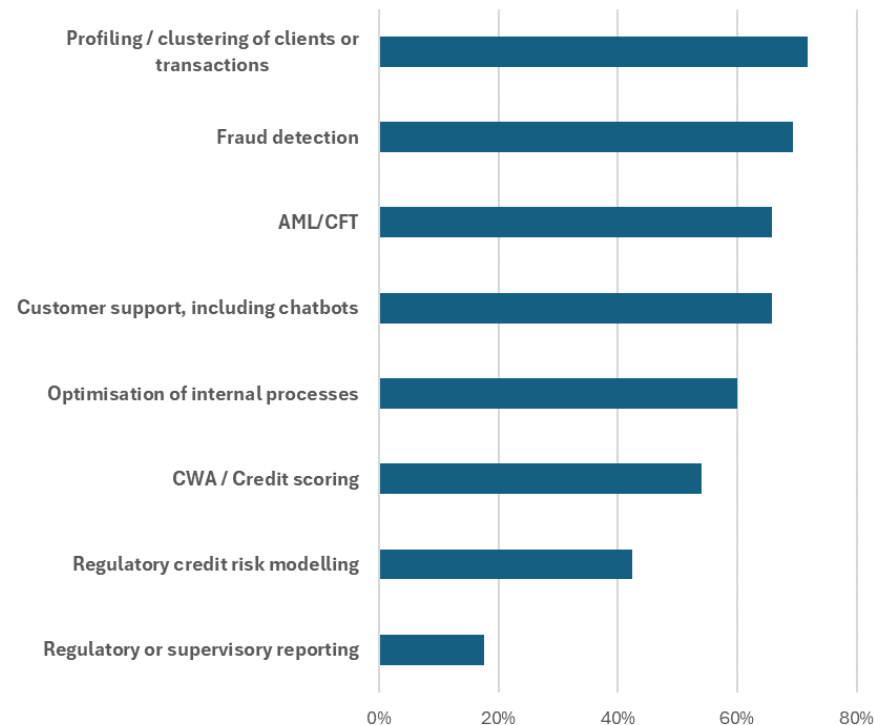
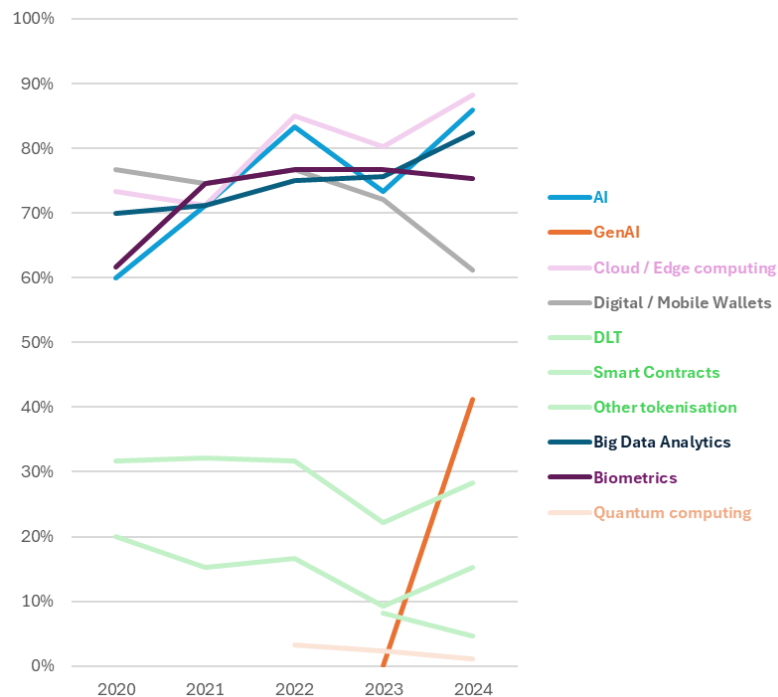
- EBA's approach, strategy
- Analytical and supervisory tools



02

AI in banking

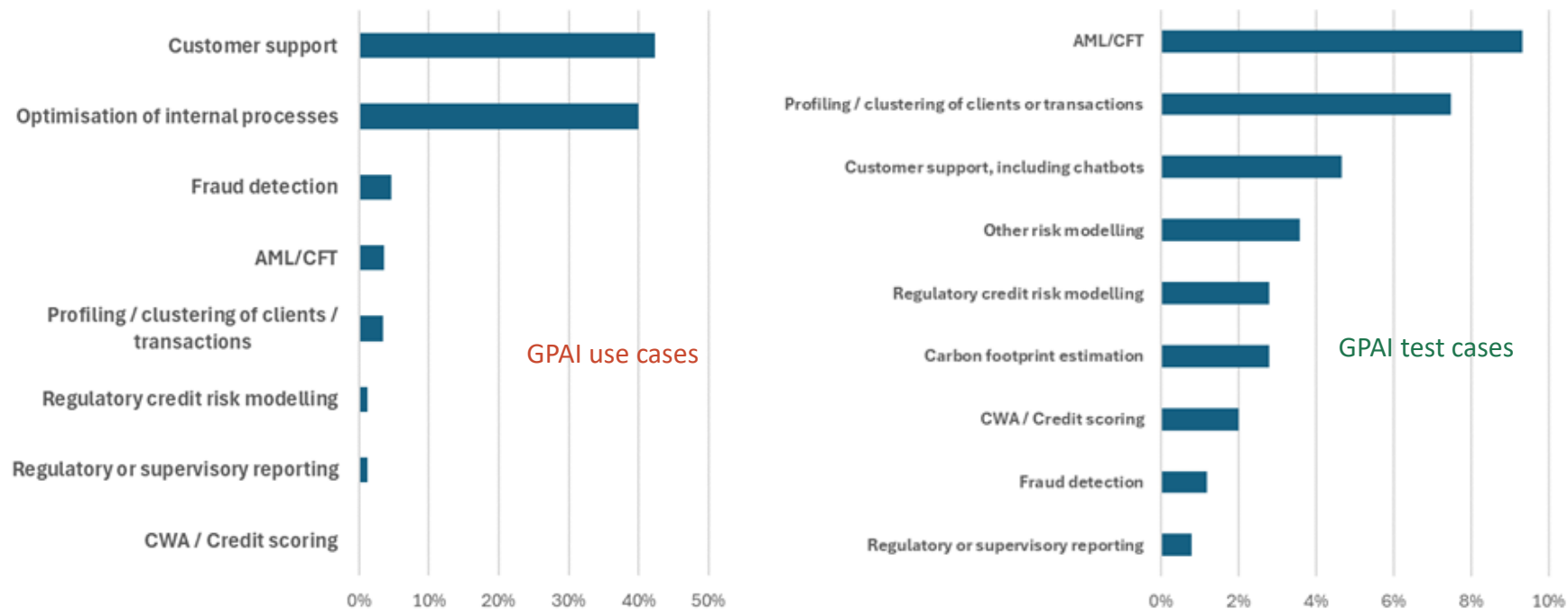
2. AI in banking – use of technologies and AI



EBA Risk Assessment Questionnaires: Proportion of EU banks using different technologies (2020-2024, left) and uses of AI by EU banks, per use case in 2024 (right)

EBA [Risk Assessment Report](#) will be published end-November 2024

2. AI in banking – adoption of General purpose AI





Potential opportunities

- Content intelligence, content generation
 - Customer engagement
 - Code generation
- Not sufficiently robust for other use cases (yet)



Potential risks

- Explainability, transparency
- ICT risks, data governance
- Access to necessary skills
- Environmental impacts, market concentration



Consumer protection concerns

- Accountability
- Bias, discrimination, financial exclusion
- Transparency, data security
- Other risks like cyber criminals using for phishing, manipulation, hyper-realistic scams

2. AI in banking — opportunities, risks of GPAI

03

AI policy, supervision

3. AI policy - Regulatory framework

- The final text of the AI Act was published in the OJ June 2024, with its entry into application spanning from 6 months to 24 months. It is considered as a *lex generalis* that complements the regulatory framework applying to EU banks.
- The AI Act introduces a horizontal regulation on AI systems with a focus on the protection of fundamental rights.
- AI Act classifies 2 financial sector use cases as of high risk, introducing new requirements on FIs.



Annex II & III (other high risk AI systems)

- Use of AI to evaluate the creditworthiness of natural persons or establish their credit score
- Use of AI for risk assessment and pricing in relation to natural persons in the case of life and health insurance

Capital Requirements Directive / Regulation (CRD/CRR)

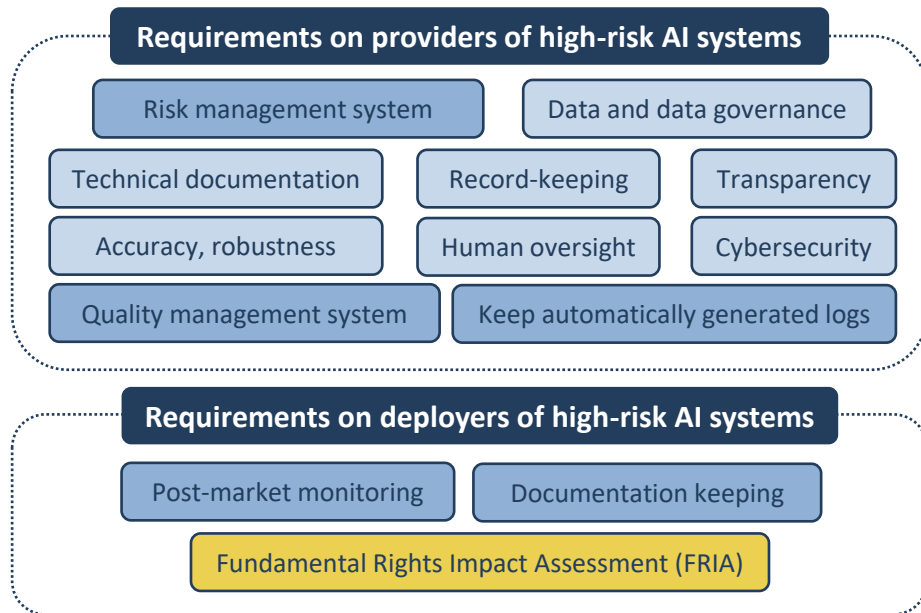
EBA GL on loan origination and monitoring

ECB GL on internal models

Consumer Credit Directive (CCD)

Mortgage Credit Directive (MCD)

3. AI policy – AI Act: requirements for banks



- The requirements introduced by the AI Act are mostly covered in the existing financial sector (FS) legislation.
- Competent Authorities (CAs) for the supervision and enforcement of the FS legislation (i.e. under CRD, CCD, MCD) should be designated as CAs for the purpose of supervising the implementation of the AI Act.
- Financial institutions are allowed to carry out the conformity assessment procedure based on internal control.

3. AI monitoring/supervision - EBA workplan on AI

- AI has been identified as one of the EBA's priority financial innovation areas.
- On the topic of AI, the EBA's focus is on consumer protection: financial inclusion, access to key services, discrimination.

Ongoing, by H1 2025

- Coordination with EC, ESAs, CAs on potential avenues for EBA contribution on EC mandates and tasks under AI Act.
 - Definitions, classification/exclusion on high-risk, CA's powers/tasks, market surveillance activities
- Monitoring of AI adoption levels by EU/EEA banks via EBA RAQ, including of Generative AI.
- Comprehensive mapping of existing and upcoming prudential and consumer protection requirements on the use of AI in the banking sector, primarily focusing on CWA of natural persons.
- Assessment of areas where additional guidance may be needed on supervisory expectations on the use of AI.
- EBA Factsheet on use cases of Generative AI and potential risks and opportunities in the banking sector.

3. AI supervision – supervisors & AI (and SupTech)

More than half of supervisors have or are working on **AI/SupTech strategy**

Benefits expected: efficiency, effectiveness, time saving, automation, process standardisation, increased data quality....

Horizontal processes like chatbots on regulation, social media monitoring, information retrieval... and **more specific supervisory processes**

Business areas mostly benefiting AI/SupTech projects: AML/CTF, consumer protection, complaints analysis, supervision, risk assessment and surveillance, fit&proper, disclosure and market discipline

Shared challenges: fast pace, budget, data protection/confidentiality/security, skills, transparency, data, ICT...

Call for **collaboration**



05

AI @ EBA

5. AI @ EBA – our journey

New team established in 2024 to promote the application of **advanced and innovative SupTech and AI-based** technologies in the EBA, to enhance **EBA's operational performance and productivity**.

- The Team will **explore, discuss, and foster the adoption** and implementation of technologies such as artificial intelligence, natural language processing and data analytics
- Balancing risk appetite, compliance / innovation expectations

Collaboration and engagement with peers

- CAs, EU agencies, other regulatory/supervisory communities

Knowledge sharing, training, increase adoption

- Build internal community for sharing information, experiences, training

Prioritisation of use cases – proof of concepts

- M365 Copilot
- Data analysis

Ethics and legal

- Dos/donts, guidelines, handbooks, top prompts, registry of AI systems
- Data protection, code sharing policy



5. AI @ EBA – use cases

Data cleaning: identify relationships and build group compositions

Data cleaning: outlier detection

Interactive Risk dashboard: identify patterns and develop insights (powerBI copilot)

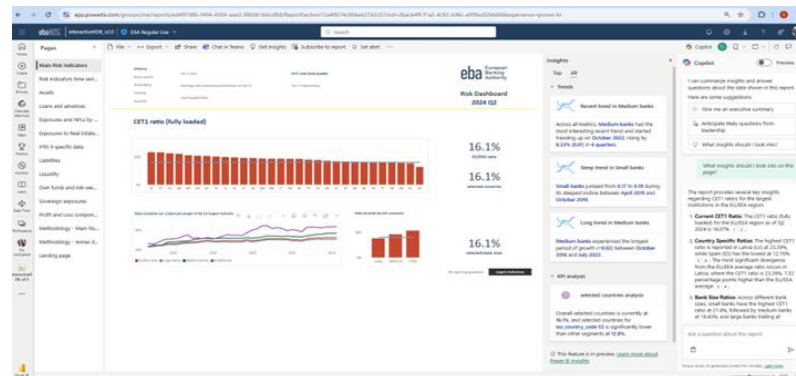
Code sharing to replace excel-formula based process in an EU-wide exercise

Use case analysis ongoing

- DORA oversight, critical third party providers register, designation
- MICA supervision

M365 copilot use cases

- Written content augmentation and creation , drafting, briefings, summaries



Lessons Learned so far..

1

Learning by doing

Definition of realistic use cases is much easier after training, so user community understands the capabilities and make the tool part of everyday process

2

Pilot Implementation benefits

Allowed us to take advantage of the time and gradually build guidelines, organise trainings increase adoption.

3

DPIA takes time..

Although first draft was completed early 2024, several rounds followed, with the last being the staff consultation as advised by the EBA DPO.

4

Importance of Training

Training EBA Wide supported adoption, focused training on effective prompting enabled more mature users to better use the capabilities, AI@EC, EU Learn Trainings are very useful

5

Communication and Guidelines

Dedicated Teams Channel, separate presentations to EBA Units, weekly updated on EBA intranet. Guidance for compliance, dos and donts Alignment with EU agencies

6

Short notice changes in Microsoft's AI backends

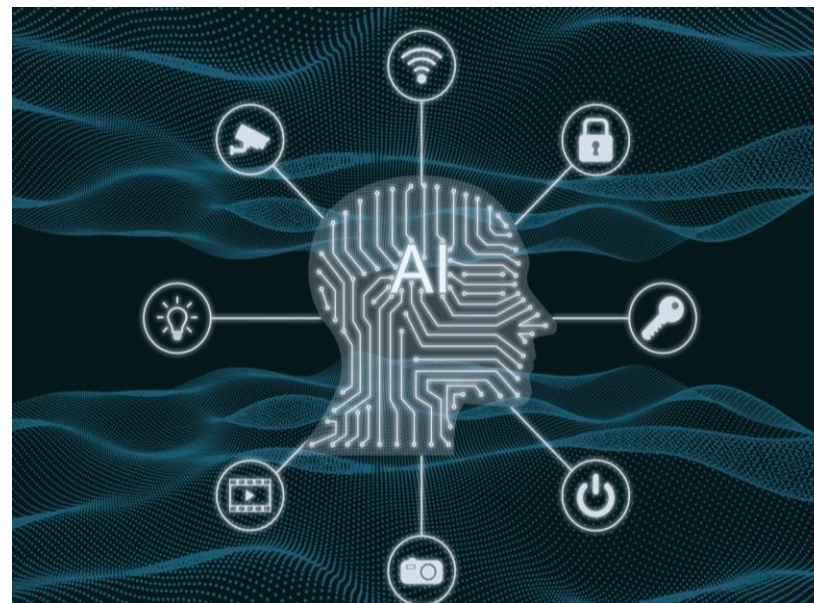
Changes in Microsoft's AI backend features is becoming challenging to keep up with, focus is on speed of AI innovations, with security and stability on second plan

06

What next?

6. What next?

- Monitoring of use of AI and GPAI in banking
- Coordinate, facilitate exchanges of views with the Commission, CAs, financial sector to ensure consistent approaches
- Guidance on supervisory expectations of AI and in implementation of AI Act
- Continue training efforts via [EU Supervisory Digital Finance Academy](#)
- Build on experiences to define EBA AI (and supotech) strategy and governance framework
- EBA oversight, supervisory tools
- Continue dialogue how to support supervisory community



Thank you!



Floor 24-27, Tour Europlaza
20 Avenue André Prothin
92400 Courbevoie, France

Tel: +33 1 86 52 70 00
E-mail: info@eba.europa.eu

<https://eba.europa.eu/>