

Spotlight: Responsible deployment of AI in financial services

[Cenfri](#), with support from [GIZ](#) and in collaboration with [On Think Tanks](#), is hosting a series of digital dialogues to explore issues at the intersection of digital governance, digital financial services (DFS) and the Sustainable Development Goals (SDGs) across emerging economies. The first dialogues will cover:



Responsible deployment of AI in financial services



Financial sector and data innovation and cybersecurity risks



DFS for transparent supply chains



Digital currencies and illicit financial flows

This note puts the spotlight on the first topic, namely **Responsible deployment of Artificial Intelligence (AI) in financial services**.

AI is one of the digital technology trends shaping the future of financial service provision. For example, algorithmic decision-making is being applied to unlock alternative data to serve previously unreachable clients with credit or insurance, and across the financial services spectrum chatbots are changing the nature of client services, marketing and financial advice.



In an era where algorithms make decisions and machines replace human interaction: **How should regulators respond to fulfil their mandate of protecting consumers while facilitating market development?**

Conversations around the use of AI in DFS are complex and multi-layered: they exist at the intersect between governance, regulation and ethics, and take place across the civil, academic, private and public spheres. In developed markets, discussion around the regulation of tech has been ongoing for years, with increasing emphasis on ethical uses of data that underpin automated decision-making. In emerging markets, the debate around what effective regulation of AI means and what regulation in the DFS sphere should focus on is more recent.

As the debate unfolds, a number of key questions are emerging:



What is at stake?

What are the current applications of AI in DFS and what are the underlying business models? What are the potential benefits as well as risks for consumers? How does the use of AI filter through to the achievement of sustainable development goals such as gender equality, reduced inequalities or good jobs and economic growth? For financial sector regulators and policymakers accustomed to asking these questions in the context of financial inclusion, the question is: what is different? Do the risks and outcomes associated with algorithmic decision-making require a different response? How can the outcomes of algorithmic decision-making be monitored, and who should be responsible to do so?



Who sets the tone?

In emerging markets, decisions on AI-related regulation are likely to be influenced by regulatory best-practice in the developed world. This can be seen in the spread of GDPR – even in countries without similar data protection frameworks, companies need to comply with GDPR standards to do business in the EU. International organisations are also bound by the rules and laws of where their headquarters are. Countries that need to develop data protection and other frameworks relevant to AI will naturally turn to examples from jurisdictions with established frameworks. Alongside the EU, China and the USA are the major powers that are likely to influence AI regulation in emerging markets.



What would a locally relevant framework look like?

When the tone for AI regulatory approaches is set in mature markets, the risk is that emerging markets will merely copy and paste frameworks without adequately allowing for the unique context to shape the approach – in terms of culture, digital literacy, access to devices, digital connectivity, market features, physical infrastructure and identity systems, to name but a few aspects. For regulation to be relevant, it cannot simply be adapted, but must be created for the local context. But what would a fit for purpose AI regulatory framework look like in the developing country context? And how should regulators go about getting to such a framework – what are the practical first steps?



How to stay ahead of the curve and how can AI help?

Private sector use and development of AI often outpaces formal governance mechanisms. This raises questions around how to build the right expertise and create the right level of capacity to stay current, and what the principles for engagement are that regulators should set to prevent them from continually having to play catch up. Here, AI is not only a phenomenon to respond to and regulate; equally relevant is to ask how regulators and supervisors can use AI to enable them to better perform their own tasks.

The answers to these and other questions will shape the financial lives of people in developing nations for years to come, but they are by no means clear-cut yet. The [New Nexus convening](#) on responsible AI in DFS will be bringing together academics, research institutes, technology and regulatory and policy experts to discuss important questions that can start to chart a way forward. If you are interested in exploring the important questions around AI in DFS, please contact karenk@cenfri.org or mishkah@cenfri.org.