Summary of Conclusions

21st EFIF conference call, 20 November 2024

Date	20 November 2024
Time	09.00-16.30 (CEST)
Location	Hybrid meeting, EIOPA premises
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1. Opening remarks by EIOPA, Chair of the EFIF

EIOPA opened the meeting by welcoming the participants and explained that the meeting structure follows a similar format to the previous meeting. The morning session will include the regular tour de table and other standing items, while the afternoon will be dedicated to a thematic focus area, which today is AI. EIOPA noted that this is the last meeting under EIOPA's current mandate, which will then be handed over to ESMA.

2. Innovation facilitators: Update on developments

Presentation by EIOPA & tour de table

EIOPA thanked everyone for their contributions to the survey and then proceeded by briefly summarising the input received from EFIF members with the aggregated figures.

EIOPA reported that the total number of enquiries since the last EFIF meeting in September is 122, the lowest number so far, but not significantly lower than in May 2024. Regarding use cases, there has been no significant change, with crypto assets continuing to dominate. In terms of enabling technology, no single technology dominates, with Big Data and AI 21%, other technologies 19%, and APIs 17%.

Tour de table:

Some EFIF members shared recent developments related to their national innovation facilitators, including updates on sandbox projects and other related activities. Members reported various activities, such as preparing for MiCA compliance and engaging with the industry through workshops. Some members are finalising the setup of sandboxes or improving existing frameworks. In line with EIOPA's data, some innovation hubs have experienced a decrease in activity.

3. Sandbox Experiences from Ireland

Presenter: Central Bank of Ireland

The Central Bank of Ireland (CBI) presented an overview of its approach to innovation in the financial services sector. The CBI's approach is built around four pillars: deepening its understanding of innovation, informing regulatory approaches, educating innovative firms on what it means to be regulated, and fostering a regulatory culture in emerging and fast-growing companies. To inform its

strategy, the CBI gathered market insights and consulted with peers. As a result, it has launched two initiatives: an enhanced innovation hub and an innovation sandbox programme. The CBI provided details on the functioning, progress, and outcomes of these initiatives.

Discussion

Members asked about the initiatives presented and the CBI provided details on its application process, admission criteria, and structured engagement with participants. The CBI also emphasised its goal of building a compliance culture and educating the industry on regulatory expectations. It was concluded that the takeaways from the discussion will be useful for the EFIF to follow up on and identify key drivers of success and lessons learned.

4. Issues/Barriers in the Context of Innovation Facilitation (Continuation of September Discussion): Focus on Role of EFIF

Presenter: DG FISMA and EIOPA

EIOPA presented the EFIF's key achievements, highlighting that the forum has successfully fostered greater cooperation and collaboration amongst its members, in line with its original objective. However, EIOPA noted that the context has evolved, with technology now having a profound impact on society, challenges becoming increasingly complex and interconnected, and a series of geopolitical shifts. To help inform the EFIF's future direction, this agenda item aims to stimulate discussion by posing key questions. DG FISMA then invited members to reflect on the approach taken to date and share ideas for the future.

Discussion

Some members made suggestions of potential initiatives to be taken, including conducting a market consultation, creating focused initiatives, and involving non-financial sector authorities. There was also a call to avoid overlapping with ESA activities and to focus on concrete deliverables. Members agreed on the importance of cross-sectoral work and the need for tangible results. As a conclusion, a survey will be conducted among EFIF members to gather feedback, and structured thoughts and proposals will be presented to the group for discussion in the future.

5. BigTech Monitoring Framework: Approval

Presenter: EBA

The EBA presented the final proposal for the monitoring matrix, discussed at previous EFIF meetings. The EBA summarised changes made since the last meeting, which do not alter the structure of the matrix. The EBA explained that the first data collection will take place in 2025 and requested the support of EFIF members to move forward with the proposal.

Discussion:

Members supported the proposal.

6. Key Take-Aways from Workshop Series on AI

Presenter: DG FISMA

DG FISMA presented an overview of the workshop series, including a summary of each of the use cases discussed and the key takeaways.

Discussion:

Members found the workshops interesting. Additionally, it was noted that the range of use cases highlights the potential for AI to transform the sector.

7. Update: EU Data Hub (EU Digital Finance Platform)

Presenter: DG FISMA

DG FISMA explained that the data hub was officially launched in March this year. The data sharing project aims to encourage financial supervisors to share data. All data is synthesised, making it untraceable and unidentifiable. The aim of the data hub is to reduce the gap in relation to data. Finally, DG FISMA indicated that the primary use case is the use of data to train AI systems.

Discussion:

In response to a question, DG FIMSA clarified the criteria for accepting data requests from companies. Members also discussed the usefulness of synthetic data, with DG FISMA informing members about plans to gather feedback from users. Additionally, consideration was given to potentially expanding the data hub to include other types of data and applications.

8. Implementation of the AI Act & Next Steps

Presenter: DG CNECT

DG CNECT provided an overview of the AI Act and the AI Office's work. Next year, they will start their oversight and enforcement work on General Purpose AI models. They will also coordinate the governance structure to ensure a coherent application and enforcement of the AI Act. They also have a role in coordinating the interpretation of the AI Act, determining how it should be applied, and providing guidance and monitoring the development of the standards. Additionally, they will engage in international outreach and collaboration.

Discussion:

Members highlighted some challenges in the implementation of the AI Act and the need to ensure cooperation with the ESAs to ensure a smooth application in the financial sector. Furthermore, there were questions about the requirement in the AI Act for Member States to create an AI sandbox.

9. Beyond the Hype: Real Use Cases of AI in the Banking Sector

Presenter: Management Solutions

Management Solutions provided an overview of the state of play of AI adoption in the banking sector, highlighting that the use cases of AI span all areas of a financial institution. The presentation included a demo of an AI tool that conducts an analysis of the internal policy of a bank (e.g. remuneration policy) and checks compliance with the relevant regulation (e.g. EBA remuneration GLs). Management Solutions indicated that the banking sector is getting ready for the AI Act. To this end they are doing inventories of the use cases and categorise them, to identify high risk use cases and ensure there are no prohibited systems. Finally, Management Solutions highlighted that AI is not a hype, but a reality and that banks need to balance between allowing innovation and managing risks associated.

Discussion

Members highlighted the need for a holistic view of AI use cases, their integration into firms, and the implications for supervisors from both a prudential and conduct perspective. It was also mentioned that the designation of the authority responsible for supervising the AI Act is unclear and may vary

across member states. Members stressed the importance of cooperation among authorities, as different components of the value chain may be supervised by different bodies.

10. Fully Autonomous AI Trading Platform

Presenter: Predictiva

Predictiva explained that investment managers rely heavily on past experiences, and their decisions are often influenced by emotions, which is not ideal. To address these problems, they have designed a fully autonomous trading platform that uses algorithms that learn and adapt to market conditions, without relying on past emotions and successes. Their algorithms use the principles of reinforcement learning. Depending on customers' preferences, once the tool makes a recommendation, it can be either executed or simply used to inform the client.

Discussion:

In response to questions from members, Predictiva provided additional details about the functioning of the tool, including the data used to train the algorithm, the level of automation, and the interface.

11. Usage of AI in Reinsurance

Presenter: VIG Re

VIG Re presented its approach to adopting AI, including specific use cases.

Discussion:

Members asked about how VIG Re addresses the potential impact of AI on internal controls and operational risk. VIG Re explained that they implement AI with a cautious approach, maintaining human oversight, testing, and piloting, and starting with low-risk use cases to ensure transparency and explainability.

12. EFIF Work Programme for 2025 & Handover to New Chair

Presenter: ESMA

ESMA presented the EFIF work programme for 2025 to the members for their agreement. ESMA highlighted the most relevant changes introduced in response to comments submitted by members during the written procedure. Regarding next steps, ESMA indicated that the work programme will be submitted to the Joint Committee for approval.

13. Closing remarks

EIOPA

EIOPA thanked all participants for their contributions throughout 2024 and closed the meeting.