Contribution to the Working Group Financial Services on 8 February 2022 given by Brando BENIFEI, MEP/S&D

First of all, I would like to thank you for this invitation. Especially as co-rapporteur of the AI Act, it is essential to have a discussion with all stakeholders in order to have the full picture of all the areas that this regulation will touch.

As you know, we have just started the work of the Parliament in which 2 committees are involved for the report and 5 for the opinions while the Council has already started its work.

The main challenge is to find the right balance between protecting fundamental rights and freedoms and stimulating innovation, giving legal certainty and a level playing field to businesses, with particular attention to SMEs and start-ups, including those involved in financial services.

The financial sector is undergoing a real revolution due to a strong acceleration of digitalisation processes, so that many of the transactions we used to do at the bank can now be done from our smartphones. FinTech is one of the sectors attracting the most interest at the moment. The revolution that is coming with artificial intelligence will be even more disruptive and we need to be ready for it.

The financial sector is not new to the regulatory activity of all those sectors, such as health, which have a strong impact on people's rights.

For this reason, Article 63 of the AI Act provides that the authority that will have to supervise the adoption of AI systems by financial institutions will be the one already competent for this sector. This implies a fundamental education of these authorities on the issues of artificial intelligence and the possible biases that this technology inevitably brings with it. Indeed, we do not want some citizens to be cut off from access to credit because of the adoption of systems that, perhaps looking only at the history of those applying for credit, fail to see the potential of a young person who wants to buy a house or of a startupper with a great idea and few resources to realize it.

It is therefore necessary to provide adequate safeguards to establish the necessary trust by citizens and consumers in the adoption of these new technologies, which are in some ways shrouded in mystery, such as AI.

Article 22 of the GDPR already provides safeguards in all those cases where an automated process has consequences on the fundamental rights of individuals. It is true that, although the GDPR has been in force for four years now, not all companies are sufficiently transparent in this respect. The AI Act is therefore a further opportunity to strengthen the guarantees for citizens to request human intervention at any time if they feel they have been discriminated against. We must not forget that every time an automated process is used, the mistakes that are normally made

by the individual operator are repeated exponentially with a potential effect on the lives of thousands of people.

The gradation of risk levels in the draft is certainly to be appreciated, as it allows a flexible approach to different scenarios and the cross-sectoral nature of AI. The Commission's draft text is a good starting point, but there remain several critical points on which we need to work in the coming months in order to arrive at the trialogue with a position broadly shared among the parliamentary groups.

The first point we are discussing in Parliament and with stakeholders is the definition of AI. At the moment, for some it is too broad and risks including even simple algorithms.

The second point, one of the most critical, is **Article 5** on prohibited practices.
We want to broaden the range of cases involving the exploitation of a subject's vulnerabilities, going beyond age and disability, and touching on additional sensitive data such as gender, sexual orientation, ethnicity, race, religion. These use cases must be prohibited. (art. 5,1,b)

Social scoring

We want to prohibit **social scoring** in both the public and private sector, as also proposed by the Council. (Art. 5.1.c) The proposal currently provides for a ban on social scoring in the public sector only. We do not want to encourage the development of a society that uses a series of decontextualised information that could disadvantage entire social groups, usually the most disadvantaged.
We are not talking about something theoretical, we already see the effects in other countries that do not share European values. We realise that the use of information of this kind can lead to a better profiling of the client by being able to offer a more personalised offer, which is very useful in the banking sector that has to assess the solvency risk, but perhaps the risks are far greater than the opportunities.
Finally, we want to prevent the categorisation of individuals on the basis of political, sexual, or ethnic orientation when this has a discriminatory purpose (amendment in progress).

Biometric recognition

For exceptions to real-time biometric recognition, we would like to extend the special regime not only to publicly accessible places but also to privately accessible places, such as company buildings. Mass surveillance should not only concern

squares, but also those places that are not accessible to everyone. The protection of fundamental rights must not differentiate in this respect.

Certifications

Another critical point concerns the certification mechanism. Currently, according to Article 43, for all the uses contained in the Annex except real-time and ex-post biometric recognition, a self-assessment of conformity is allowed, so the developer can independently affix the CE mark after completing the assessment. In our opinion, for uses such as those in Annex 3, the risk to fundamental rights is too high for self-certification to be sufficient. It seems to us, therefore, that it is necessary to further investigate for which uses this may be acceptable and for which independent certification would be better, in order to guarantee the full protection of fundamental rights.

We are talking about systems which, if poorly designed, could lead to the dismissal of thousands of workers, revoke social benefits from those who need them most, or suggest that an offender is more likely to reoffend because he comes from a poor neighbourhood. These systems cannot be put on the market lightly.

Up-skilling and re-skilling

Another topic related to AI, even if not touched by the AI Act, with which I would like to conclude this speech, is the importance of the training system for workers in managing the change brought by artificial intelligence.

As mentioned, the financial sector is experiencing a strong change. If we don't want many people to lose their jobs with this new digital revolution, we need to think about how to upskill and reskill them in time. AI should be thought of as something that will facilitate humans work. The AI we have in mind always sees the human being at the centre.

I look forward to engaging with you and hearing your proposals and concerns.

Thank you.