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Governance of AI Technologies in the Financial Services

Report of the Roundable held during
24 Fintech on 3rd September, 2024

Hosted by:

Financial Sector Development Program

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Roundtable Discussion on the "Governance of AI Technologies in Financial Services" at 24 Fintech

At the 24Fintech event in Riyadh, CFTE, as a knowledge partner, hosted the roundtable titled **"Governance of AI Technologies in Financial Services,"** uniting 12 prominent leaders from central banks, regulatory bodies, and the financial industry to confront one of today's most urgent challenges: the governance of AI technologies in financial services. As AI continues to reshape the sector, the need to effectively regulate and harness its potential has become a top priority for policymakers, industry leaders, and regulators worldwide. This roundtable provided an essential platform for experts to exchange insights, tackle emerging challenges, and explore the future of AI governance.

The discussions focused on three core themes, each addressing the complexities of AI regulation in finance. These themes formed the basis for evaluating current frameworks, identifying regulatory gaps, and addressing the ethical risks associated with AI deployment in financial systems.

The insights captured in this report are indispensable for those navigating the intersection of AI and financial regulation. While not an exhaustive industry analysis, this report distills key takeaways from thought leaders at the forefront of AI governance. Their expertise sheds light on creating adaptable regulatory frameworks that balance the need for innovation with the imperative to protect consumers and ensure ethical AI use.

We extend our sincere gratitude to the speakers who generously shared their expertise and perspectives. Their contributions have significantly enriched the ongoing dialogue on the responsible governance of AI in financial services and will play a crucial role in shaping the future of AI regulation.

As you explore this report, we hope it serves as a valuable resource for deepening understanding, fostering collaboration, and guiding efforts to build a sustainable, globally aligned regulatory environment for AI technologies.

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Governance of AI Technologies in the Financial Services

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Governance of AI Technologies in the Financial Services

Executive Summary

A decade ago, the financial services sector was only beginning to explore the potential of AI, with expectations of gradual, incremental integration. Today, however, AI has rapidly evolved into a transformative force, with its impact accelerating faster than anticipated, especially within financial services. The **"Governance of AI technologies in financial services"** report offers vital insights into AI's evolving role, addressing regulatory challenges, ethical dilemmas, and the pressing need for collaborative governance frameworks.

The report summarises key discussions among industry leaders, regulators, and AI experts, highlighting the opportunities and complexities AI brings to financial services. It emphasises the urgent need for governance models that can balance innovation with ethical responsibility.

While some experts are optimistic about the progress of AI governance, many argue that existing frameworks fall short of managing AI's rapid evolution. This divergence reflects the challenge of regulating AI systems capable of learning, adapting, and autonomously influencing critical financial decisions.

Key findings of the report include:

AI Regulations Are a High-Priority Topic

The report highlights the significant engagement from all key stakeholders – regulators, AI developers, and financial institutions – around AI regulation. With AI systems becoming more integrated into financial processes, the need for robust and flexible regulations has attracted wide attention, making it a top priority across the industry.

Future-proof AI Regulations Are Elusive

While progress has been made in developing AI regulations, many frameworks remain reactive. The report emphasises the need for adaptive governance models that can evolve alongside AI technologies to ensure they remain relevant in the face of future advancements.

Diverging Regional Approaches

The report highlights significant differences in how regions such as the EU, UK, Saudi Arabia, and Singapore approach AI regulation. These variations reflect different priorities, with some regions focusing on innovation and flexibility, while others emphasise consumer protection and stricter ethical standards.

Ethical AI Is Paramount

One of the most pressing concerns is ensuring that AI systems are transparent, accountable, and free from bias. The roundtable stressed the importance of embedding ethical considerations into AI frameworks, particularly in high-risk areas like credit scoring and lending.

The Role of Regulatory Sandboxes

AI-specific regulatory sandboxes have emerged as a critical tool for fostering innovation while ensuring regulatory oversight. These controlled environments allow financial institutions and regulators to collaborate on testing AI technologies, helping shape effective governance.

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Executive Summary

The Skills Gap

A critical issue raised is the need for upskilling both industry professionals and regulators. As AI systems become more complex, financial institutions and regulatory bodies must ensure they have the expertise to manage and govern AI-driven solutions effectively.

Collaboration Is Key

The report underscores the importance of cross-sector collaboration, involving regulators, industry professionals, academia, and policymakers to create cohesive, globally aligned AI governance frameworks.

The report concludes that the governance of AI in financial services requires a multi-stakeholder approach. Effective AI governance must be flexible, inclusive, and future-ready, ensuring that the industry can harness AI's potential while safeguarding against its risks. This report offers a foundation for ongoing dialogue and future research, urging leaders to prioritise both innovation and ethical governance as AI continues to reshape the financial landscape.

PART 1

Are we getting close to future-proof AI regulations?

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Are we getting close to future-proof AI regulations?

The roundtable discussion on AI governance began with a critical question: **Are we getting close to future-proof AI regulations?** This sparked a lively and urgent debate, as experts tackled the challenge of managing a technology that evolves faster than most frameworks can keep pace. Some expressed optimism, highlighting recent strides toward adaptable, forward-looking policies. However, others warned that many current regulations remain reactive, struggling to keep up with AI's rapid advancements.

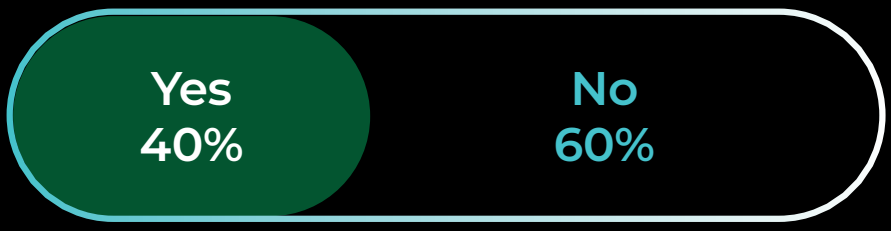

Figure 1: Expert Opinions on Whether We Are Close to Developing Future-Proof AI

Yes, Progress Is Being Made

Some speakers were optimistic, highlighting that although AI regulation is in its early stages, significant progress is being achieved through international initiatives. These frameworks are gradually aligning with local contexts, laying the groundwork for comprehensive, future-proof AI regulations. However, they noted this progress is still in its "baby step" phase, requiring ongoing adaptation to keep up with technological advancements.

No, Current Frameworks Are Insufficient

Others expressed scepticism, particularly in regard to the European Union's regulatory efforts. While the EU AI Act is a positive step, speakers pointed out its lack of specificity in addressing the nuances of AI applications. Some felt that current frameworks are too rigid and lack the flexibility needed to govern the full complexity of AI.

The Four Pillars of Regulatory Focus

One speaker introduced a helpful framework to understand the regulatory landscape, breaking it down into four key areas: macro issues, sector-specific challenges, abuse of AI, and cultural and human capital considerations. These areas illustrate the diverse concerns AI regulation must address, highlighting that no single regulatory framework can comprehensively manage every aspect of AI governance.

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Are we getting close to future-proof AI regulations?

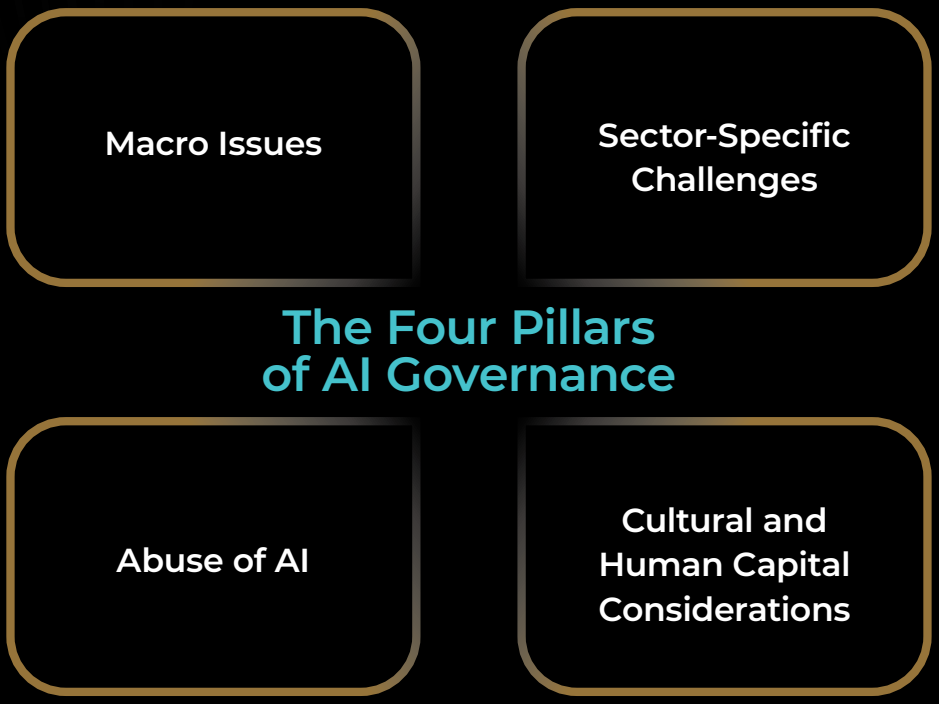

Figure 2: The four pillars of AI governance

Macro Issues

AI's potential to reshape employment, infrastructure, and data management raises broad societal concerns, including its impact on national strategies and the singularity. These issues affect all sectors and the economy as a whole.

Sector-Specific Challenges

Industries like financial services and healthcare face unique AI-related concerns, such as fairness, data privacy, and preventing abuses. AI systems must be explainable, responsible, and compliant with regulations specific to each sector.

Abuse of AI

The misuse of AI for cybercrime, fraud, and illegal activities is a critical concern. Effective regulation requires cybersecurity frameworks to address malicious AI use, as traditional regulations may not suffice.

Cultural and Human Capital Considerations

Society's adaptation to AI includes education and upskilling, ensuring individuals are prepared to work alongside AI systems and adapt culturally to new technologies.

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Are we getting close to future-proof AI regulations?

The Future-Proofing Dilemma

One speaker argued against the idea of "future-proof" regulations, emphasising that AI's rapid innovation makes it impossible to create long-lasting rules. Instead, they advocated for adaptable, responsive regulatory frameworks that manage risks without stifling innovation. Overly rigid or prescriptive regulations could lead to instability, particularly if they change unpredictably.

Existing Legal Frameworks: Do We Need New AI Laws?

The discussion questioned whether new AI-specific laws are necessary. One speaker suggested that many AI issues could be addressed through existing regulations, similar to how current laws handle horse-related matters (the "law of the horse" analogy). However, they acknowledged that as AI evolves, new regulatory elements may be needed, especially for emerging risks like generative AI.

In summary, speakers agreed on the need for adaptable, flexible regulations that support AI innovation while managing risks. The challenge is balancing technological growth with regulatory protection.

The Law of the Horse

The "Law of the Horse" is a metaphor used in legal studies, particularly in the context of cyberlaw, that critiques the idea of creating a specialised legal discipline for rapidly evolving technologies. This concept was famously discussed by Judge Frank H. Easterbrook in a 1996 lecture at the University of Chicago, where he argued against the idea of developing a distinct body of law for the internet, which he referred to as "cyberlaw.

Easterbrook suggested that there is no more a "law of the horse" than there is a "law of cyberspace." He argued that just as legal issues concerning horses should be addressed by general principles of law (like property, contract, or tort law), so should issues arising from the internet. He believed that creating a specialised area of law for every new technology or domain is unnecessary and inefficient, as it would fragment legal education and practice without adding substantive value.

In contrast, Lawrence Lessig, another prominent legal scholar, argued against Easterbrook's view. In his response titled "The Law of the Horse: What Cyberlaw Might Teach," published in the Harvard Law Review, Lessig contended that studying the internet as a specific field could provide unique insights into the broader legal landscape and reveal how laws adapt to technology. He believed that specialised study could illuminate the unique problems and regulatory challenges posed by digital spaces, thus meriting a distinct area of legal study and practice.

Source: Frank H. Easterbrook: Cyberspace and the Law of the Horse and Lawrence Lessig: The Law of the Horse: What Cyberlaw Might Teach

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PART 2

AI Governance Across Regions: Key Objectives and Approaches

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AI Governance Across Regions: Key Objectives and Approaches

Overview of Regulatory Approaches by Region

The roundtable highlighted various regional approaches to AI governance in financial services, focusing on Saudi Arabia, the UK, the EU, Singapore, and Japan.

Saudi Arabia

A speaker highlighted that Saudi Arabia views AI as a national priority, with significant focus placed on AI education and infrastructure development. The Kingdom's approach spans from education at all levels to building AI infrastructure and ensuring data sovereignty. Significant investments in local infrastructure, including data centers from companies like Google, Microsoft, and Oracle, address regulatory challenges related to cloud usage and cross-border data flows. Key initiatives, such as the Saudi Data and AI Authority's (SDAIA) National AI Ethics Checklist and partnerships with UNESCO, support responsible AI use.

> **"We have a national AI ethics checklist that allows you to go through and identify what are the risks of what you're doing against a standardised checklist."**

United Kingdom

The UK emphasises outcome-based regulation, applicable to emerging technologies like AI. As noted in its AI Update, the FCA is enabling the safe and responsible use of AI that drives growth and competitiveness within the sector. Its regulatory approach prioritises risk management and consumer protection, with frameworks such as the Senior Managers and Certification Regime (SM&CR) holding firms accountable for AI risks. The FCA's Consumer Duty ensures AI decision-making is fair and delivers good outcomes for consumers.

European Union

The EU's AI Act emphasises consumer protection, transparency, and fairness, particularly in financial services. It imposes strict requirements on AI applications, such as credit scoring, ensuring they respect individuals' rights. The regulation is detailed, especially for high-risk AI systems in sectors like finance, where decisions can impact the impact assessment.

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AI Governance Across Regions: Key Objectives and Approaches

Singapore

Singapore has taken a leadership role in AI governance, particularly in the financial sector. Through initiatives like Project Veritas, Singapore addresses the ethical challenges of AI in banking by creating open-source frameworks to assist financial institutions in embedding principles of fairness, ethics, accountability, and transparency (FEAT) into their AI systems. A speaker shared, **"We worked on an industry-led programme... we opened up a GitHub account with open-source code where tech companies, regulators, and banks worked together,"** which demonstrates Singapore's collaborative approach to tackling AI's ethical risks.

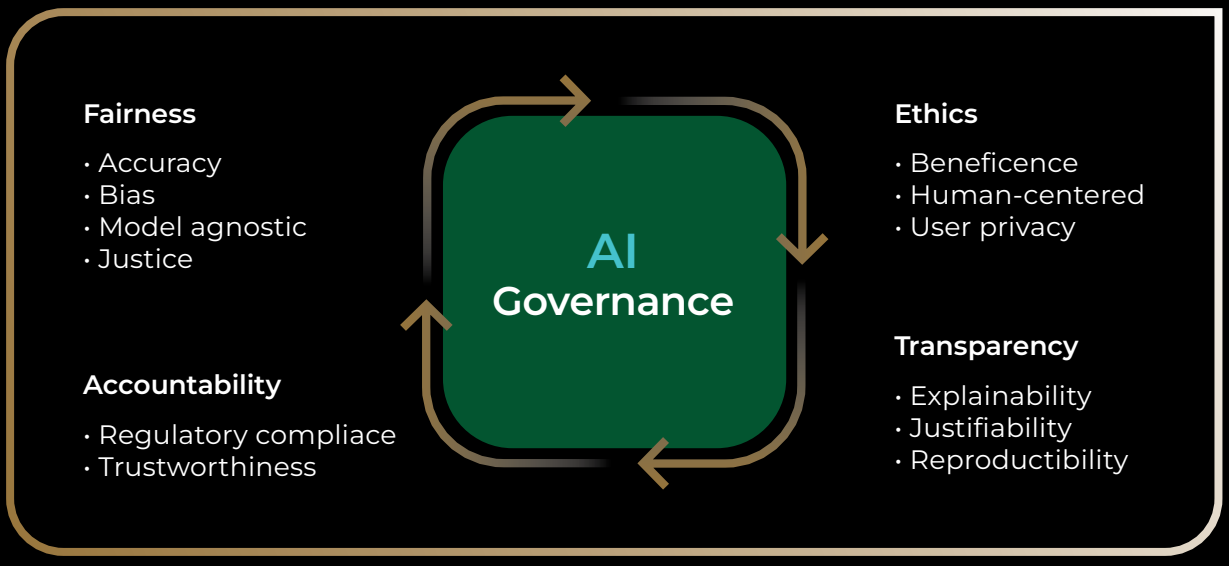

Figure 3: FEAT Principles, Monetary Authority of Singapore

Japan

Japan's AI governance focuses on managing continuously learning AI models, particularly in regulated sectors like finance. Model risk management is a key concern, as the evolving nature of AI makes validation challenging. The financial sector emphasises verifying AI models to ensure accuracy and fairness as they adapt to new data over time.

Commonalities and Differences in Regulatory Focus

Throughout the roundtable discussion, speakers identified several commonalities and differences in how AI is governed within financial services across various regions. While there was consensus on some key objectives, there were also significant points of divergence in regulatory approaches.

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AI Governance Across Regions: Key Objectives and Approaches

Common Objectives

Consumer Protection

One of the most universally shared goals across regions was consumer protection, especially in areas where AI is used to make decisions in sectors like lending, hiring, and credit scoring. A common theme among the speakers was ensuring fairness and transparency in AI-driven decision-making. **“AI must assess the impact on fundamental rights,”** emphasises the need to safeguard consumers from biased or opaque algorithms. This focus is especially strong in the EU and UK, where strict regulations and outcomes-based frameworks aim to mitigate risks to consumers.

Risk Management

Speakers agreed that these AI models, which evolve over time, pose unique challenges for risk management. The complexity lies in the fact that these models require constant revalidation as they learn from new data inputs. This continuous evolution introduces additional layers of oversight, making it difficult for regulators and financial institutions to ensure that the models remain compliant and accurate.

Managing continuously learning AI models is complex... If models evolve, they need constant revalidation, which adds significant complexity to the risk management process.

Data Security and Sovereignty

Data security, particularly data sovereignty, is a key focus with regional variations. In Saudi Arabia, data sovereignty is crucial due to concerns about cloud usage and localising data, with efforts to build local AI infrastructure. Meanwhile, the EU emphasises data protection through regulations like GDPR and the upcoming AI Act, ensuring careful handling of data in AI systems.

Key Differences

Regulatory Flexibility

Regions like the UK and Singapore favor flexible, principles-based approaches that adapt to evolving AI technology, promoting innovation with oversight. In contrast, the EU and Japan have stricter, more prescriptive regulations, especially for high-risk AI systems, offering greater protection in sectors like finance where AI’s impact is significant.

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AI Governance Across Regions: Key Objectives and Approaches

Sectoral Focus

Debate arose over the focus of AI regulation. Japan emphasises AI model risk management specifically within the financial sector, ensuring accuracy and fairness. In contrast, Saudi Arabia adopts a broader approach, focusing on cross-sectoral AI infrastructure development. Opinions differed on whether a focused or broad approach would deliver better long-term results for AI governance.

Sector-Specific AI Regulations

Financial Services

AI's growing role in areas like fraud detection, credit scoring, and algorithmic trading brings significant regulatory challenges. Several speakers highlighted concerns about model risk management, particularly with continuously learning AI models. The rapid pace of AI development complicates the validation and verification of these models, especially as they evolve beyond traditional rule-based systems, as seen in credit scoring.

Another speaker emphasised that, much like the statistical modeling techniques financial services have long relied on before AI, AI-driven creditworthiness assessments require strict oversight to ensure fairness and transparency. The speaker highlighted the importance of preventing discrimination or biased outcomes, particularly in lending practices.

> **"You can't leave AI deciding whether you are creditworthy or not"**

A speaker highlighted that AI is moving towards microservices and service-oriented models, emphasising the need for financial services to quickly adapt to these technological changes.

Data Privacy

The issue of data privacy sparked considerable debate among the speakers, with regional differences coming to the forefront. In the EU, laws like GDPR heavily influence how AI systems operate, enforcing strict data protection, especially across borders. While many praised GDPR's robust protections, some voiced concerns that its stringent rules could hinder innovation by limiting data usage.

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PART 3

Regulatory Objectives and Emerging Challenges

Regulatory Objectives and Emerging Challenges

Core Regulatory Objectives

During the roundtable discussion, speakers emphasised the core regulatory objectives driving AI governance in financial services. While these objectives are well-established, many speakers agreed that they need to be adapted to the unique complexities introduced by AI-driven systems.

Know Your Customer (KYC)

AI is becoming crucial for verifying customer identities in financial services, enhancing fraud protection and streamlining onboarding. While AI efficiently processes large data volumes, speakers stressed the need for explainability and transparency, especially when models flag or reject customers, ensuring security and accuracy without sacrificing customer experience.

Anti-Money Laundering (AML)

AI plays a key role in detecting suspicious activities by identifying patterns in vast datasets. While AI is powerful, speakers acknowledged its limitations in addressing emerging threats. Ensuring AI systems adapt to new forms of financial crime while maintaining accuracy remains a challenge.

> **"We know that there are some objectives which, especially in financial services, will be the same – consumer protection, financial stability, etc."**

Consumer Protection

Fairness, transparency, and non-discrimination in AI-driven financial services were central concerns. However, one voiced concerns that AI systems, if not carefully designed, could unintentionally perpetuate or even amplify existing biases, particularly in sensitive areas like lending and credit scoring. The Financial Conduct Authority (FCA) emphasised that AI systems must align with fairness and transparency principles. The UK's Consumer Duty policy further reinforces the need for accountability and ethical AI governance to prevent discrimination and ensure equitable access to financial services.

Regulatory Objectives and Emerging Challenges

Market Integrity

AI in algorithmic trading presents both opportunities and risks. While it can make markets more efficient, it also increases the potential for manipulation. One speaker emphasised the need for robust regulatory frameworks to monitor AI systems and prevent market destabilisation.

Financial Stability

The evolving nature of AI in financial decision-making poses risks to financial stability. Self-learning AI systems can behave unpredictably, complicating risk management. Speakers stressed the need for rigorous validation and oversight mechanisms to ensure AI models do not introduce unforeseen risks, especially in highly regulated sectors like banking.

> **"So from a financial stability perspective, this concentration risk and dependency on particular and very few providers for AI services is actually something concerning."**

Emerging Challenges with AI Governance

The roundtable discussion highlighted several challenges in AI governance, reflecting the complexities of AI's rapid evolution in financial services.

Bias and Fairness

Speakers emphasised the risk of AI amplifying societal biases, especially in areas like lending, hiring, and insurance. There was consensus on the need for strict regulatory safeguards to prevent biased algorithms from perpetuating inequalities. One speaker stressed that AI systems must have proper checks to avoid discriminatory practices.

Explainability

The increasing complexity of AI systems makes explainability a key challenge, especially in finance where transparency is essential. Speakers agreed that AI must not be treated as a **"black box"** and should be designed with mechanisms to explain decisions to regulators and consumers, ensuring clarity and accountability in decisions like credit approvals or fraud detection.

Continuous Learning Models

The oversight of continuously learning AI models, which adapt over time, was highlighted as a significant challenge. Unlike static models, these systems evolve, making them harder to validate and audit. A speaker noted the difficulty for regulators in ensuring these AI models remain compliant with standards while fostering innovation.

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Regulatory Objectives and Emerging Challenges

Cross-Border Data Flows

The issue of cross-border data flows and data sovereignty was a recurring theme in the discussion. AI systems often rely on large datasets, which can be sourced from multiple countries, each with its own privacy and data protection laws. Differences in regulations, such as the EU's GDPR and Saudi Arabia's data sovereignty laws, create barriers to the development of unified AI frameworks. Speakers acknowledged that addressing these disparities is critical for fostering international cooperation and enabling the safe and secure operation of AI systems across borders.

Adapting Regulations to Rapid Technological Advancements

Future-Proofing AI Regulations

One of the central points of agreement was that AI regulations must be flexible and adaptable. The speakers acknowledged that the AI of today will not be the AI of tomorrow, with advancements like generative AI and quantum computing on the horizon. While some advocated for a reactive approach, adjusting regulations alongside advancements, others stressed that regulation should not hinder innovation. The key takeaway was the importance of creating adaptable guidelines that balance innovation with the risks posed by emerging technologies like quantum computing, ensuring regulations remain relevant as AI evolves.

> **"The AI that we know today is not going to be the AI that we know tomorrow... I'm talking about the movement or transition from AI based on GPUs and special purpose CPUs to quantum computing and other emerging technologies."**

AI-Specific Regulatory Sandbox

The discussion highlighted the importance of AI-specific regulatory sandboxes, such as those in Saudi Arabia, allowing AI technologies to be developed and tested in a controlled environment. This approach helps balance innovation and regulation, enabling both companies and regulators to learn and assess risks. One speaker highlighted that regulatory sandboxes provide valuable insights into AI performance in real-world scenarios, aiding in shaping future regulations. However, challenges like limited data availability in Saudi Arabia's banking ecosystem were mentioned, with a suggestion to create shared synthetic data assets for training AI models.

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PART 4

Balancing Ethical Concerns with Innovation in AI

Balancing Ethical Concerns with Innovation in AI

Ethical Challenges in AI Development

During the roundtable, ethical concerns in AI development, particularly within financial services, were central to the discussion. These concerns highlight the complex trade-offs between innovation and the need to maintain fairness, transparency, and accountability in AI-driven systems.

Figure 4: Ethical challenges in AI development within financial services

Bias and Fairness

Speakers agreed that AI systems risk reinforcing societal biases, particularly in financial areas like lending and hiring. While AI can improve efficiency, it may perpetuate discrimination if not properly regulated. Safeguards are essential to ensure fairness and prevent biased algorithms from harming marginalised individuals.

> **"If you think about how these models reinforce bias in credit scoring or lending decisions, the issue isn't just about biased data but also how these systems create an unfair disadvantage for individuals who are already marginalised."**

Balancing Ethical Concerns with Innovation in AI

Transparency and Explainability

The lack of transparency in AI decision-making was another major concern. In areas like lending and credit scoring, AI often operates as a “black box,” making it difficult to understand how decisions are made. Speakers emphasised the need for regulatory frameworks that ensure AI systems provide clear, understandable explanations, particularly for adverse decisions.

Accountability

Assigning responsibility for harmful AI decisions was also debated, as AI’s complexity complicates accountability. Financial institutions must establish clear accountability lines to address errors or biases. Regulating accountability for evolving AI models is a significant challenge that must be addressed to protect consumers and maintain ethical standards.

Encouraging Responsible Innovation

Despite ethical challenges, the roundtable emphasised the importance of fostering responsible innovation in AI for financial services, provided ethical safeguards are in place.

Regulatory Sandboxes

Building on the earlier discussion of AI-specific regulatory sandboxes (page 19), speakers further emphasised their role as key tools for enabling AI innovation while maintaining oversight. These controlled environments allow AI technologies to be tested and developed under regulatory supervision, balancing innovation with consumer protection and financial stability. Sandboxes provide opportunities for regulators and developers to learn and adapt, ensuring regulations stay relevant. However, there was caution that sandboxes should not be overly restrictive, as this could hinder innovation.

Public-Private Partnerships

The importance of public-private partnerships was another key theme. Collaboration between regulators, academia, and AI developers was seen as essential for aligning innovation with ethical standards. These partnerships allow for knowledge exchange, ensuring regulators stay informed on technological advancements while developers gain clarity on compliance, fostering the development of adaptable, ethical frameworks.

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Balancing Ethical Concerns with Innovation in AI

New Challenges in AI Ethics

As AI technologies continue to evolve, new ethical challenges emerge that require ongoing attention and adaptation by regulators and industry stakeholders.

Model Risk and Bias

The complexity of monitoring AI models for bias, especially as they continuously learn, was a key concern. While AI can streamline decision-making, it risks reinforcing societal biases, particularly in areas like lending and credit scoring. Speakers emphasised the need for ongoing monitoring and retraining to ensure fairness, as failure to address biases could lead to discriminatory practices in financial services.

Ethical Enforcement

Ensuring ethical compliance was another challenge. While regulations exist, speakers stressed the importance of enforceable guidelines. Developing effective mechanisms for auditing AI systems and holding parties accountable for ethical breaches is crucial, especially given the autonomous nature of AI. Robust frameworks for audits and oversight are needed to ensure compliance with ethical standards.

Building an AI-Ready Workforce

The discussion also underscored the importance of building a workforce capable of navigating the ethical and regulatory challenges posed by AI technologies.

Upskilling Regulators

The discussion stressed the need for regulators to gain AI-specific expertise, particularly in areas like machine learning and continuous learning models. Without this knowledge, regulators may struggle to oversee rapidly evolving AI systems, risking unchecked use in financial sectors.

> **“Very quickly. It’s a talent development so it’s a sure challenge for regulators like FSA...we are working together with academia or some industry expert as a kind of advisor.”**

One of the speakers highlighted the challenge of ensuring that regulators not only understand the technical aspects of AI but are also equipped to apply this knowledge in real-world oversight scenarios. Several speakers emphasised the importance of training and development programmes that allow regulators to keep up with the evolving nature of AI technologies. It was broadly agreed that ongoing education is critical for effective governance, with a focus on bridging the knowledge gap between technologists and policymakers.

Collaborations with Industry and Academia

Collaboration between industry, academia, and regulators is crucial for building an AI-ready workforce. Initiatives like Saudi Arabia’s AI education programmes serve as models for training professionals to develop and regulate AI systems responsibly, aligning with ethical standards and regulatory requirements.

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PART 5

Future of AI Governance – Preparing for Advanced AI

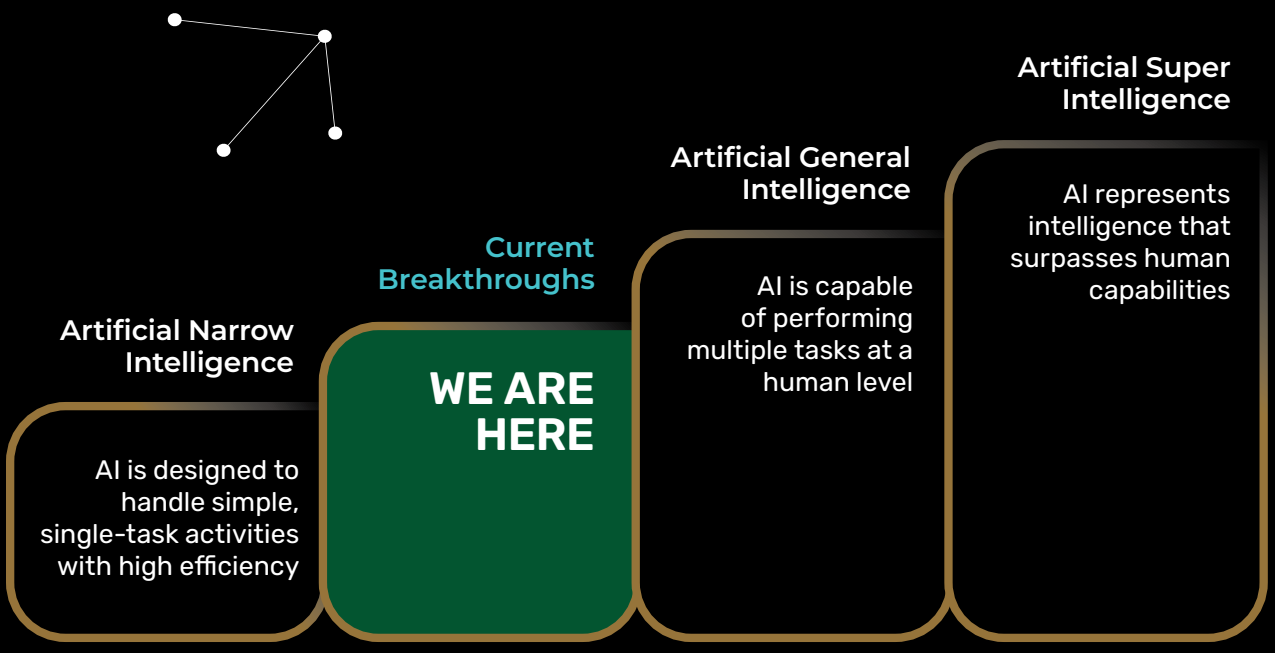
Future of AI Governance – Preparing for Advanced AI

Expectations for AI Advancements

The roundtable continued with Ray Kurzweil's concept of the Law of Accelerating Returns, as presented in his book The Singularity Is Near: When Humans Transcend Biology. Kurzweil predicts that the 21st century will see 1,000 times the progress achieved in the 20th century due to the exponential growth of technology.

Uncertainty Around AGI

The discussion began with differing views on whether superintelligence could emerge within the speakers' lifetimes. While many felt artificial general intelligence (AGI) was becoming more plausible, driven by advances in AI like large language models (LLMs), uncertainty remained about future developments. One speaker suggested that traditional regulation might be inadequate for AGI, proposing a constitution for AI as a legal framework to guide governance. However, skepticism was voiced about current AI capabilities, with concerns about the influence of large corporations over AI's development, making effective governance challenging despite regulatory efforts.



Source: IDB Invest

Ethical Considerations and Long-Term AI Risks

As AI becomes more advanced and integrated into critical sectors such as finance, its ethical implications become increasingly pressing. The roundtable also highlighted several long-term ethical risks that will need to be addressed as AI technology continues to evolve.

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Future of AI Governance – Preparing for Advanced AI

Autonomy and Accountability

The discussion emphasised the growing autonomy of AI systems and the need for human oversight, especially in sectors like finance and healthcare. As AI takes on more decision-making, speakers highlighted the increasing risk of ethical decisions being left to machines. The need for clear accountability frameworks was stressed, ensuring humans remain responsible for AI-driven decisions. Without such frameworks, assigning liability for errors or unethical outcomes from autonomous AI will be difficult.

> **"The number of machine-to-machine financial transactions will increase significantly if we have something like AGI and AI."**

Global Ethical Standards

Speakers emphasised the critical need for international cooperation to establish consistent ethical standards for AI governance. While much of the current regulatory activity occurs at the national government and regulator level, there is significant global momentum to harmonise these efforts. Initiatives like the Bletchley Declaration, the World Bank's AI governance programme, and standards from organisation such as the National Institute of Standards and Technology (NIST), with its AI 100-5, A Plan for Global Engagement on AI Standards, and the International Organisation for Standardisation (ISO), through its AI management system standard ISO/IEC 42001, are shaping the global dialogue on AI ethics. These global guidelines and initiatives are essential for promoting fairness, transparency, and accountability, particularly in industries like financial services, where AI's impact crosses borders.

While global standards often align with national efforts, there can be discrepancies where international guidelines do not immediately match specific national views or priorities. However, initiatives such as the G7 Hiroshima Process and the Transatlantic Trade and Technology Council underscore the importance of cross-border collaboration to develop a unified framework. These collective efforts are crucial for preventing regulatory arbitrage, ensuring responsible innovation, and fostering a globally consistent approach to the ethical use of AI.

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Future of AI Governance – Preparing for Advanced AI

Practical Challenges of Future AI Governance

Scaling AI Infrastructure

As AI systems advance, scaling infrastructure, particularly in sectors like finance and healthcare, is crucial. Speakers agreed that the growing complexity of AI models requires significant investments in computational resources, data storage, and network capabilities. Smaller markets, like Saudi Arabia, face unique challenges in keeping pace with global developments. Regulators will need the capacity to oversee these complex systems, with some speakers raising concerns about local capabilities compared to larger markets.

Concentration of Power

The growing reliance on a few major tech companies for AI services, such as cloud computing, was another key concern. This concentration of power could pose systemic risks, especially in smaller markets where dependence on external providers increases vulnerability. One speaker noted, "Big tech companies offer AI capabilities that SMEs can't access," highlighting the financial stability risks if these providers face disruptions. To mitigate this, some emphasised the need to build local AI capabilities and reduce reliance on multinational firms.

> **"Big tech companies offer AI capabilities that SMEs can't access... There's a dependency on very few providers for AI services, which poses a financial stability risk."**

AI Opinion Shaping and Monopolies

A significant concern was the potential for AI, particularly generative AI, to shape opinions in sectors like finance and insurance, driven by monopolistic organisations. This manipulation of decision-making processes could become a major challenge as AI's influence grows.

Web 3.0, Data Nationalism, and AI Integration

Speakers discussed the potential for Web 3.0 technologies to decentralise financial systems, adding complexity and risk. However, the rise of data nationalism – countries enforcing stricter data boundaries – could counterbalance these changes. Privacy-preserving technologies could allow secure cross-border data sharing, though this is still developing. Concerns were also raised about the significant energy consumption of AI technologies, with data centers expected to account for two-thirds of energy resources by 2030 if unchecked.

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Conclusion

The roundtable discussions highlighted the undeniable need for transformation in workforce development as AI, automation, and digital technologies reshape industries at an unprecedented rate. To remain competitive and innovative, organisations must act now to bridge the skills gap and foster a workforce that is not only proficient in technical skills but also adaptable and emotionally intelligent.

Key themes that emerged throughout the discussions underline the importance of cross-sector collaboration, continuous learning, and diversity in building the workforce of the future. The rise of hybrid skills, where technical proficiency is complemented by soft skills like critical thinking, adaptability, and leadership, is paramount to ensuring employees are equipped to navigate complex challenges in an AI-driven world.

Moreover, the role of leadership in steering this transformation cannot be overstated. Adaptive leadership, rooted in transparency, empathy, and support, is essential for creating an environment that encourages experimentation, learning from failure, and resilience in the face of rapid technological change. Leaders must lead by example, fostering a culture of innovation and lifelong learning.

In conclusion, building the workforce of tomorrow requires a proactive and holistic approach. Organisations that invest in reskilling and upskilling, embrace diversity, and cultivate strong leadership will not only thrive in the evolving digital landscape but will also ensure that their workforce remains agile, resilient, and prepared for the future. This report lays the foundation for ongoing dialogue and action, urging leaders and stakeholders to prioritise workforce transformation as a strategic imperative.

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Appendix

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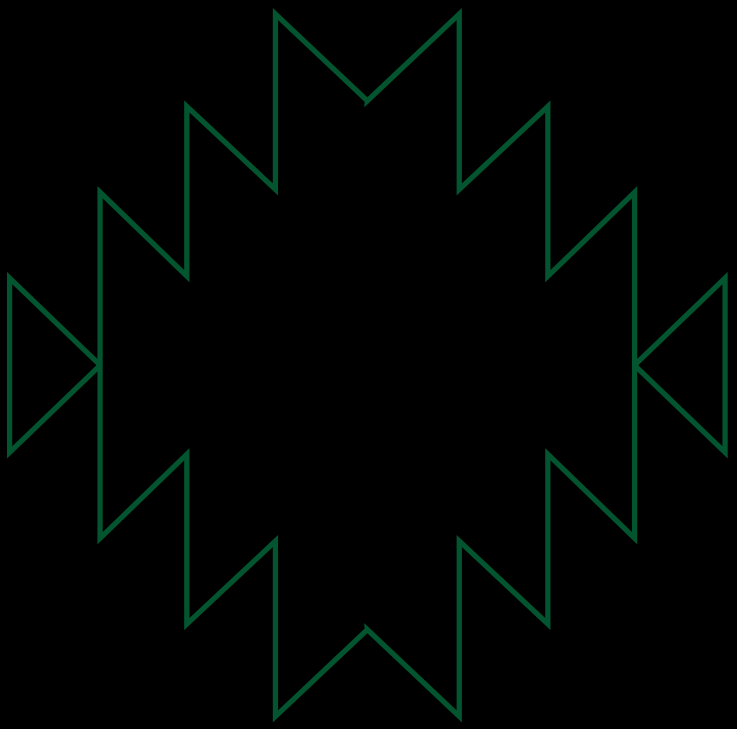

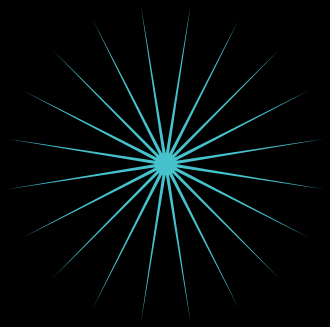

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Centre for Finance, Technology and Entrepreneurship

Founded in 2017 in London, CFTE is a global platform for education in Fintech and the future of Financial

More than 100,000 professionals from 100+ countries have participated in CFTE programmes to accelerate their careers in Fintech and new finance. In addition to London, CFTE is present in Singapore (accredited by Institute of Banking and Finance), Abu Dhabi (Abu Dhabi Global Market Academy), Hong Kong (Cyberport), Malaysia (Asian Banking School), Luxembourg (Luxembourg Academy of Digital Finance with LHOFT) and Budapest (Budapest Institute of Banking).

CFTE's objective is to equip professionals and students with the **skills to thrive in the new world of finance.** This includes online courses and specialisations, leadership training and hands-on extrapreneurship experiences in topics such as Fintech, Open Banking, Digital Payments and Artificial Intelligence.

CFTE courses are designed with the principle of **For the industry, By the Industry.** Our courses are taught by senior leaders from fast-growing Fintech companies such as Revolut, Plaid, and Starling Bank, innovative financial institutions such as Citi, DBS and Ping An, tech companies such as Google, IBM and Uber and regulators from MAS, ECB and MNB.

In total, more than 200 CFTE experts provide a global view of what's really happening in this new world of finance.

"In a tech world, we bet on people" is CFTE's motto. Our global community is the core of CFTE. Thanks to an innovative and open mindset, CFTE alumni progress in their careers and help others do the same, with notable alumni leading transformation in their organisations. They also attend events and share advice, tips and job opportunities. CFTE alumni have also made an impact through the world's largest Global Fintech Internship by mentoring over 1,000 students from all over the world.

CFTE believes that the new world of finance will be inclusive, diverse, innovative and will have a positive impact on society and people. This starts with people having the right knowledge and mindset so that no one is left behind. Whether you want to learn, contribute or more generally be part of the new world of Financial Services, we are looking forward to welcoming you.

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About
Fintech Saudi

Fintech Saudi is an initiative launched by the Saudi Central Bank (SAMA) in collaboration with the Capital Markets Authority (CMA) under the Financial Sector Development Programme to support the development of the Fintech Industry in Saudi Arabia. Fintech Saudi's ambition is to transform Saudi Arabia into an innovative fintech hub with a thriving and responsible fintech Ecosystem.

Fintech Saudi seeks to achieve this by supporting the development of the infrastructure required for the growth of the fintech industry, building capabilities and talent required by fintech companies and supporting fintech entrepreneurs at every stage of their

فنتك السعودية FintechSaudi

البنك المركزي السعودي SAMA Saudi Central Bank

هيئة السوق المالية Capital Market Authority

We Develop

Supporting the development of the infrastructure required by the fintech industry

We Build Capabilities

Building the skills and knowledge required for the growth of the fintech activity

We Support

Supporting fintech entrepreneurs at every stage of their development

Signature Activities

Initiatives

Content

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Blockchain job Report

SHIME Skills Framework

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