



## Financial Services Artificial Intelligence Public-Private Forum: Terms of Reference

### General context

1. The pursuit of artificial intelligence (AI) and use of machine learning (ML) are increasingly important fields of innovation in the financial services sector. In response to this and the increasing data availability, the Bank of England (Bank) and the Financial Conduct Authority (FCA) have committed to undertake work to better understand how these developments are driving change in financial markets, including business models, products, services and consumer engagement.
2. The Bank and FCA previously cooperated on a joint project to produce a snapshot of the application of AI/ML in UK financial services, which resulted in a report published in October 2019.<sup>12</sup> This report constituted a step towards better understanding the impact of AI/ML on UK financial services.
3. Building on this, the Bank and FCA are interested in further constructive dialogue with the public and private sector to better understand the use and impact of AI/ML, including the potential benefits and constraints to deployment, as well as the risks associated with the application of AI/ML.
4. As announced by Governor Carney in his Mansion House speech<sup>3</sup>, the Bank and FCA are establishing a forum to facilitate this dialogue, as well as explore whether principles, guidance, regulation and/or industry good practice could support safe adoption of AI/ML.

### Purpose and scope

5. The AI Public-Private Forum (AIPPF) will seek to:
  - Share information and understand the practical challenges of using AI and ML within financial services, as well as the barriers to deployment and any potential risks or trade-offs.
  - Gather views on potential areas where principles, guidance, regulation or good practice examples could be useful in supporting safe adoption of these technologies.
  - Consider whether ongoing industry input could be useful and what form this could take (e.g. considering an FMSB<sup>4</sup>-type structure or industry codes of conduct).

### Membership

6. Participation in the AIPPF is at the invitation of the Bank and FCA following the selection process set out in Annex 1.
7. The AIPPF will comprise a group of members from the public and private sectors (the 'Members'). Membership will be as representative as possible of the UK financial sector, including firms of varying size, business model, and maturity of approach to the pursuit of AI and use of ML in financial services.
8. Members are expected to represent institutions from a range of sectors, including (but not limited to): (a) academia; (b) asset and investment management; (c) banking; (d) financial market infrastructure; (e) fintech; (f) insurance; (g) non-governmental organisations / think tanks; and (h) technology service providers.

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<sup>1</sup> <https://www.bankofengland.co.uk/report/2019/machine-learning-in-uk-financial-services>

<sup>2</sup> <https://www.fca.org.uk/publications/research/research-note-machine-learning-uk-financial-services>

<sup>3</sup> <https://www.bankofengland.co.uk/speech/2019/mark-carney-speech-at-the-mansion-house-bankers-and-merchants-dinner>

<sup>4</sup> Fixed Income, Currencies and Commodities Markets Standards Board



9. The AIPPF will comprise a diverse set of knowledgeable participants with relevant background and experience in the development of AI. Membership is on an individual basis and is dependent on individuals having relevant expertise to be able to contribute to the discussions and commit their own time to forum matters. A member who steps down cannot therefore automatically pass on their seat to a replacement within their organisation.
10. Members of the AIPPF may nominate colleagues with sufficient and relevant technical knowledge of AI/ML from their organisation to act as the regular, day-to-day points of contact for the Secretariat and to provide inputs for meeting agendas and papers.
11. The AIPPF will be co-chaired by Sir Dave Ramsden, Deputy Governor for Markets & Banking, Bank of England, and Christopher Woolard, Executive Director, Strategy and Competition, Financial Conduct Authority. Chairs for any additional workshops will be nominated at the discretion of the FCA and the Bank.
12. The AIPPF will be supported by a Secretariat provided by the Bank and FCA to provide administrative support.
13. Observers may also be invited to attend AIPPF meetings/workshops if and when it is considered helpful/necessary by the co-chairs. Bank and FCA representatives may participate in meetings as *ex-officio* Members.

#### **Responsibilities of Members, Co-chairs, Secretariat and Observers**

14. Members of the AIPPF are expected to:
  - attend physical meetings, including workshops, unless otherwise agreed with the Co-chairs;
  - provide technical, analytical, and business perspectives and inputs to the discussions; and
  - act in a personal capacity and to contribute to the AIPPF with a view to furthering the interests of the market as a whole, rather than representing the views or interests of their individual organisations.
15. The Co-chairs are responsible for:
  - guiding and moderating the discussions in meetings;
  - inviting Observers to attend meetings and/ or workshops, where appropriate; and
  - obtaining Members' agreement on proposed outputs.
16. The Secretariat will be responsible for:
  - the day-to-day organisation and coordination of the AIPPF's activities, including timely circulation of minutes after meetings and publication of summary minutes on the Bank and the FCA's websites;
  - preparation of the agenda and materials for the meetings, which may incorporate input from Members; and
  - co-ordinating any outreach to other market participants and stakeholders, if required.
17. Observers may be invited, by the co-chairs, to attend meetings, observe discussions and contribute to the extent they are willing. Observers will not take part in setting the agenda for workshops. Observers may include representatives from the Information Commissioner's Office and the Centre for Data, Ethics and Innovation.
18. The Members, Secretariat and Observers – collectively referred to as 'participants' – are responsible, individually and collectively, for making a good faith contribution to the effective achievement of the AIPPF's aims.



## Meetings

19. The AIPPF will meet at least four times over a twelve month period (expected to be on a quarterly basis), with the Bank and FCA hosting alternate meetings. The AIPPF may also choose to meet for additional workshops.
20. The topics to be discussed at meetings will fall within the following four areas:
  - model risk management and validation
  - data (types, origination, collection, management, quality)<sup>5</sup>;
  - governance; and
  - trade-offs arising from the use of AI in financial services (e.g. but not limited to, explainability vs performance).
21. As the AIPPF is member-driven, Members can request and/or suggest specific topics to be included in meeting or workshop agendas. Any such request should be communicated to the Bank and FCA before the relevant meeting or workshop to which the agenda relates. The final content of any agenda will be decided jointly by the co-chairs.
22. Agenda and additional materials will be agreed by the co-chairs and will be shared by the Secretariat in advance of each meeting or workshop.
23. Any requests by firms or organisations to attend meetings/workshops should be communicated to the Secretariat in order to be considered by the co-chairs. Any request must be approved by the co-chairs.
24. The co-chairs will keep under review attendance at forum meetings and seek to ensure appropriate diverse representation.

## Outputs and Transparency

25. The Secretariat will share with Members drafts of summaries and minutes of the discussions held during the meetings after each meeting. Members may communicate any comments or edits on the content to the Secretariat within one week of receiving the summary.
26. The AIPPF is committed to being transparent with the wider industry about its work. The final content of any meeting summary will be decided jointly by the co-chairs and published after each meeting.
27. The AIPPF shall aim to deliver a public document on its conclusion, which will summarise the key issues discussed, including:
  - challenges that financial services firms face in the application of AI in financial services;
  - examples of good practices in particular areas addressing some of the common challenges;
  - possible/potential areas where principles, guidance or good practice examples might be beneficial to support AI innovation in financial services; and
  - any areas where further clarity is required on how the regulatory framework applies to AI/ML.

Any views and findings will be unattributed.

28. The outputs of the AIPPF should not be taken as an indication of future policy by the Bank or FCA or considered binding for future policy work undertaken by either regulator. Views expressed by the AIPPF

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<sup>5</sup> Data privacy will not be covered by the AIPPF. We would expect any active AI/ML measure to be subject to evaluation from a data protection perspective by the party using that AI/ML



in its outputs may not reflect the views of the Bank or FCA. The AIPPF is independent of the Bank and FCA, it will not carry out responsibilities on behalf of either organisation, and does not seek to duplicate the work of trade associations or other industry fora.

29. The key outputs of the AIPPF will be published in a manner designed to bring them to the attention, in so far as practicable, of financial services market participants and other relevant stakeholders. This may include (but is not limited to) publication on the Bank and FCA's websites.

### **Confidentiality, competition law and conflicts of interest**

30. Each participant is responsible for complying with their legal obligations and respecting the legitimate interests of participants' organisations.

### **Confidentiality**

31. AIPPF participants are subject to a duty of confidentiality. Any non-public information disclosed or opinions expressed during AIPPF meetings and/or workshops will be treated as confidential unless and until the AIPPF has authorised their public release via the AIPPF minutes or other publications.
32. It is the responsibility of any participant to ensure that they are confident in the level of protection for any information shared. If they are not satisfied then it is the participants' responsibility to not share any such information.
33. Participants may be exposed to sensitive information and, potentially, to non-public information in the course of their work. It is understood that some staff at the Members' firms (other than the AIPPF Members themselves) may see some documents relating to the AIPPF, but unnecessary involvement of third parties in handling this material is strongly discouraged. Participants are reminded of their legal obligations in relation to material non-public information, including under the Market Abuse Regulation.
34. In all cases where third parties see AIPPF documentation, individual Members are expected to accept responsibility for ensuring that those third parties are aware of and respect the confidentiality and sensitivity which attaches to the AIPPF and the documents in question.

### **Competition law**

35. It is the responsibility of AIPPF participants to ensure they understand their obligations under, and fully comply with, all applicable competition laws, including UK and EU competition laws.
36. Particular care will need to be exercised in order to make sure that AIPPF participants familiarise themselves with the concept of competitively sensitive information and do not unilaterally disclose or exchange it under any circumstance.
37. To the extent that any participant is unclear of these responsibilities, they should consult the legal and/or compliance teams at their respective institution for further guidance.
38. In addition, if, for instance, during an AIPPF meeting or workshop, a participant has concerns about the discussion from a competition law compliance perspective – for example, due to sharing competitively sensitive information – the participants should make their concerns known to the meeting as a whole, and the discussion giving rise to such concerns should cease. If such discussion does not cease, the participants concerned should leave the relevant meeting, pending the receipt of legal advice.
39. In line with the above, Members of the AIPPF may not use their position for commercial advantage by citing participation in client promotional materials.



### **Conflicts of interest**

40. Any actual or potential conflicts of interest by participants (or their representatives) shall be noted by the relevant Member and passed back to the co-chairs/Secretariat of the AIPPF. The co-chairs of the AIPPF will assess any raised conflict of interest in conjunction with the impacted Members' assignments and responsibilities, and engage with the Bank of England and the FCA to consider possible actions, including the replacement of the conflicted Members.



## ANNEX 1: SELECTION PROCESS AND CRITERIA

### Selection process

1. The Bank and FCA will put out a call for Expressions of Interest on 23rd January 2020 with a closing date of the 21st February 2020.
2. The Bank and FCA will aim to hold a launch event and the first meeting of the AIPPF on the 30th March 2020.
3. Applicants will be asked to provide a brief summary (no more than 1 page of A4) of their role and experience in AI, as well as the use or potential use of AI within their organisation. Applicants will also be asked to provide a specific example (no more than ½ page of A4) of a challenge related to the use or potential use of AI in their organisation, as well as one suggested topic for a potential workshop.
4. All applications should be sent to the following email addresses: [fintech@bankofengland.co.uk](mailto:fintech@bankofengland.co.uk) and [aiforum@fca.org.uk](mailto:aiforum@fca.org.uk), with the subject line: AIPPF Application – [Name], [Organisation].
5. The Bank and FCA will review all applications using the criteria in this Annex 1.

### Selection criteria

As a guide, the Bank and FCA will consider the selection criteria set out below in evaluating applicants. In addition to these criteria the Bank and FCA will consider the overall balance of the forum in terms of representation of sectors, areas of expertise and individual characteristics.

- Knowledge and experience. The member should be a knowledgeable and experienced individual from a financial services firm, a technology firm active in financial services, a university, a registered charity or non-government organisation. They should have first-hand professional experience working in AI and utilising ML, including a grasp of the technical aspects.
- Organisation's use of AI. AI is being researched and associated technologies are being used or developed at scale or in a significant way within their organisation. The AIPPF will focus on identifying and sharing insights on the practical challenges, of developing AI and using ML within financial services, as well as the barriers to deployment and potential risks. This requires bringing together individuals who face these issues directly as a core aspect of their role or indirectly as part of their research and/or academic work.
- Understanding of regulatory perspective. It is preferable if the member can demonstrate understanding of regulatory perspectives and policy making issues related to the development of AI and use of AI in financial services.
- Resources. It is important that the member is able to commit sufficient time and resources to the project. The required commitment will include attendance at four 2-3 hour meetings, as well as additional workshops, and preparatory work. Members will also need to provide input into meeting and workshop agendas and papers (potentially at working level from within their organisations).
- Diversity. They should contribute to the overall diversity of Members and the institutions they come from. The AIPPF will reflect diversity in all its forms both in terms of individuals and also of organisations and interests represented. With the latter, this means that a variety of individuals from financial services firms based on size, geography, nature of business, etc. may be selected. To ensure diversity, applicants should provide the following information as part of their application:
  - o Name of the organisation;



BANK OF ENGLAND



- Number of people employed by the organisation;
- Annual turnover;
- Primary sector(s) of activity of the organisation.