Impact of artificial intelligence on the financial sector

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The European Parliament adopted by 426 votes to 182, with 39 abstentions, a resolution on the impact of artificial intelligence on the financial sector.

Members noted that AI has been **widely adopted** in the financial services sector across the EU for a variety of applications, and that financial institutions are now gradually beginning to experiment with generative AI. The use of AI to assess the creditworthiness of individuals or to establish their credit score, currently defined as high-risk under AI legislation, is widespread and expanding. The resolution stressed that the deployment of fully autonomous AI systems in the financial sector should be subject to **human oversight**.

AI offers **numerous opportunities**: developing innovative products, increasing efficiency, combating fraud and money laundering, providing customer support, monitoring transactions, offering personalised financial advice, and collecting environmental, social, and governance data. However, its use must balance innovation, risk management, consumer protection, and financial stability.

The use of AI in financial services also carries **risks**: insufficient data quality, discriminatory outcomes, mis-selling and systemic biases, opaque and complex models, cybersecurity vulnerabilities, and even model hallucinations.

Members therefore emphasised the need to ensure **robust data governance**, rigorous testing and documentation of AI models, alongside maintaining a human in the loop and upholding a high standard for employing AI-systems in consumer-facing applications.

Members noted that the rise of AI also creates difficulties for **supervisory authorities**, particularly given the lack of AI expertise. They pointed out that the majority of financial companies rely on only a few service providers, which leads to a risk of concentration and reduces the bargaining power of financial institutions.

Parliament supports initiatives to **boost the development of AI and cloud development in the EU**, especially with a view to developing AI services that are fully compliant with EU data protection and fundamental rights frameworks, while also strengthening strategic autonomy and resilience. It advocated exploring ways to enhance **the compatibility and interoperability of AI models** and compliance frameworks with those of like-minded international partners.

Members emphasised that the financial services sector is heavily regulated and subject to numerous sector-specific laws, both at national and EU level. However, it is crucial to **continuously monitor regulatory gaps** and the evolving use cases of AI in the financial sector, particularly with a view to protecting consumer rights and the right to privacy.

Recommendations to ensure the responsible use of AI in financial services

Regretting that the EU's is lagging behind in terms of AI innovation and investment (EUR 33 billion in venture funding received by EU companies developing foundational models between 2018 and 2023, compared to over EUR 120 billion received by their US counterparts), Members believe that the financial services sector has the potential to **act as a catalyst in mobilising private investment in AI**. They called for an ambitious proposal to jump-start the European venture capital scene as part of the savings and investments union.

Parliament made the following recommendations:

- the Commission must formulate **clear and practical guidelines** on the application of existing financial services legislation with regard to the use of AI;

- the Commission is called on to explore how AI-driven tools can be used in financial markets to **contribute to the objectives of the savings and investments union**, including by supporting retail investors in making informed investment decisions, enhancing financial education, fostering innovation among companies, reducing market fragmentation and ensuring a safe environment for consumers;

- sectoral legislation regulating the use of AI in financial services is mainly sufficient to cover AI deployment in its current form. The Commission and the Member States are advised to coordinate to **avoid gold-plating** relevant legislation and to prevent the creation of new barriers in cross-border markets;

- the European and national supervisory authorities must support the responsible uptake of AI by promoting consistent interpretations and proportionate application of current regulations. It is recommended that supervisory efforts prioritise tangible, operational risks, while maintaining an active and proportionate approach to supervision, by balancing innovation and consumer protection, to manage unforeseen risks arising from the widening uptake of AI technologies;

- the Commission and the Member States must **remove entry barriers within the EU** for AI-driven innovative financial undertakings, including through streamlined licensing, cross border scale-ups and inclusion in supervisory innovation hubs;

- **research** into the environmental impact of AI use, with a focus on resource intensity and long-term sustainability must be supported;

- the increasing use of AI requires strong AI literacy, **digital skills**, and talent involvement, supported by both public-sector upskilling initiatives and market-based solutions. It supports industry efforts and targeted initiatives, including public-private partnerships and reskilling programmes, to build technical and ethical AI competencies, especially regarding rights and risks, in the financial workforce;

- the Commission and the European and national supervisory authorities should assess the added value of **AI-specific regulatory sandboxes**, innovation hubs and cross-border testing environments for financial services. This would provide the structured, supervised testing environment necessary to facilitate innovation and responsible AI deployment within the financial services sector.