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Artificial intelligence in the asset management

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Artificial intelligence, asset and wealth management
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Consob paper

Artificial intelligence in the asset and wealth management published in June 2022 in the Consob Fintech series

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The growing interest of regulators and supervisors

EUROPEAN COMMISSION

Brussels, 21.4.2021
COM(2021) 206 final

2021/0106 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

LAYING DOWN HARMONISED RULES ON ARTIFICIAL INTELLIGENCE (ARTIFICIAL INTELLIGENCE ACT) AND AMENDING CERTAIN UNION LEGISLATIVE ACTS

{SEC(2021) 167 final} - {SWD(2021) 84 final} - {SWD(2021) 85 final}

In 2021 EC proposed harmonized rules on AI

In 2021 IOSCO published guidance on the use of AI by market intermediaries and asset managers

The use of artificial intelligence and machine learning by market intermediaries and asset managers

Final Report

OICV-IOSCO

The Board
OF THE
INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS

FR06/2021	SEPTEMBER 2021

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CONSOB's survey in collaboration with Assogestioni

The objectives and…

The survey aims to gather evidence on:

(i) use of artificial intelligence (AI) systems in asset management in the domestic market, at all stages of the value chain, also considering the projects planned and/or in progress

(ii) opinions on expected benefits and potential risks related to the use of AI systems

The survey was carried out in July 2021 in collaboration with Assogestioni, and involved eight large asset management companies, belonging to groups representing more than 60% of the assets under management in Italy as of the first quarter of 2022

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CONSOB's survey in collaboration with Assogestioni

…the areas investigated

The survey consists in 5 sections on:

(i) strategic objectives related to the development and use of AI systems

(ii) areas of use and technologies adopted

(iii) ongoing projects/experiments/research

(iv) organization and governance

(v) expected benefits and perceived risks

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The development and use of AI systems: strategic goals

- The development of AI systems is already a strategic priority
- AI as part of a general technological innovation strategy

Why are AI systems a strategic priority (or will they be in the near future) for your Company?

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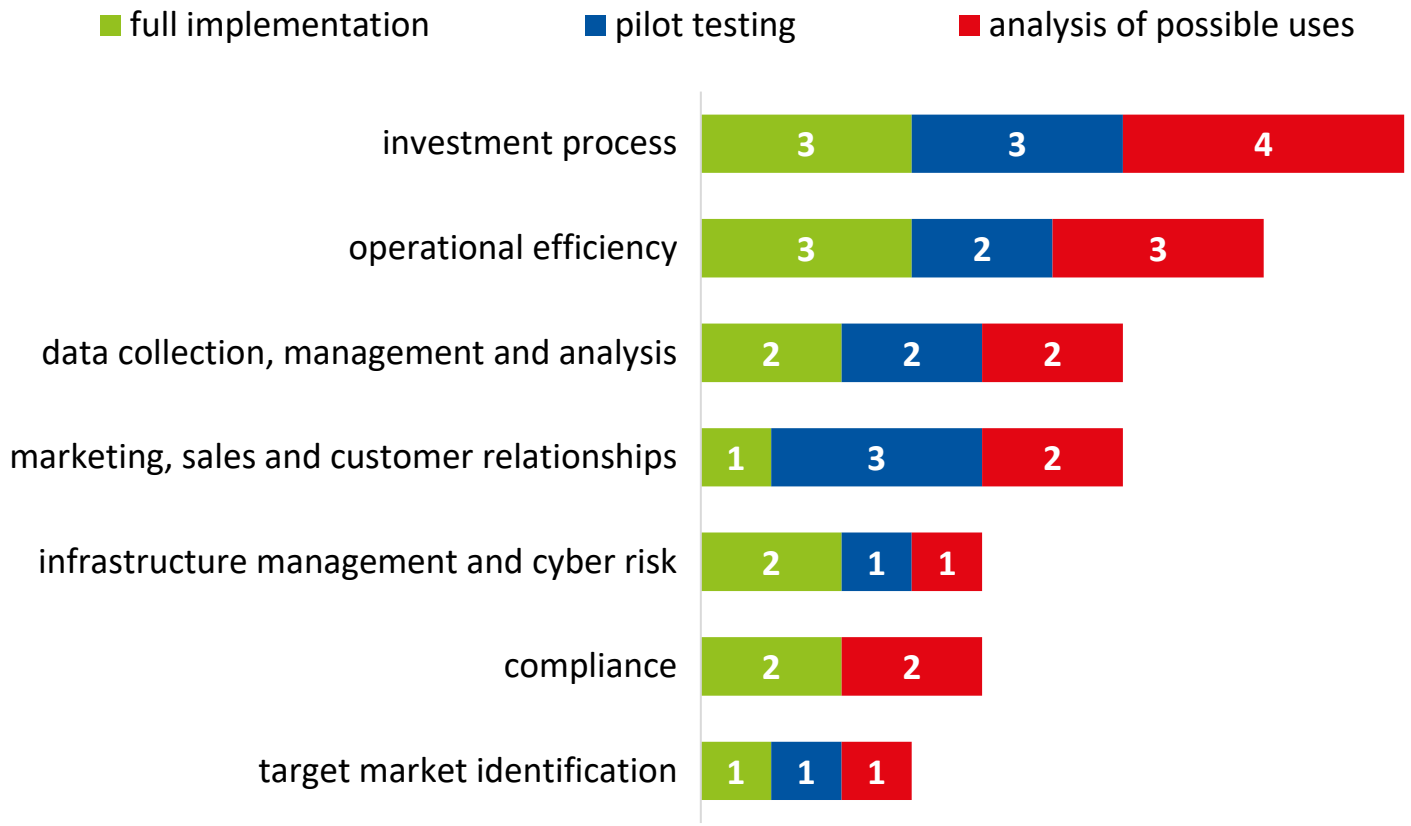
Areas involved in use or development of AI systems

- AI are currently used by the majority of respondents
- In almost all cases, AI systems have been in use for at least one year
- Several AI projects are ongoing

For each area, at what stage is the use or development of AI systems?



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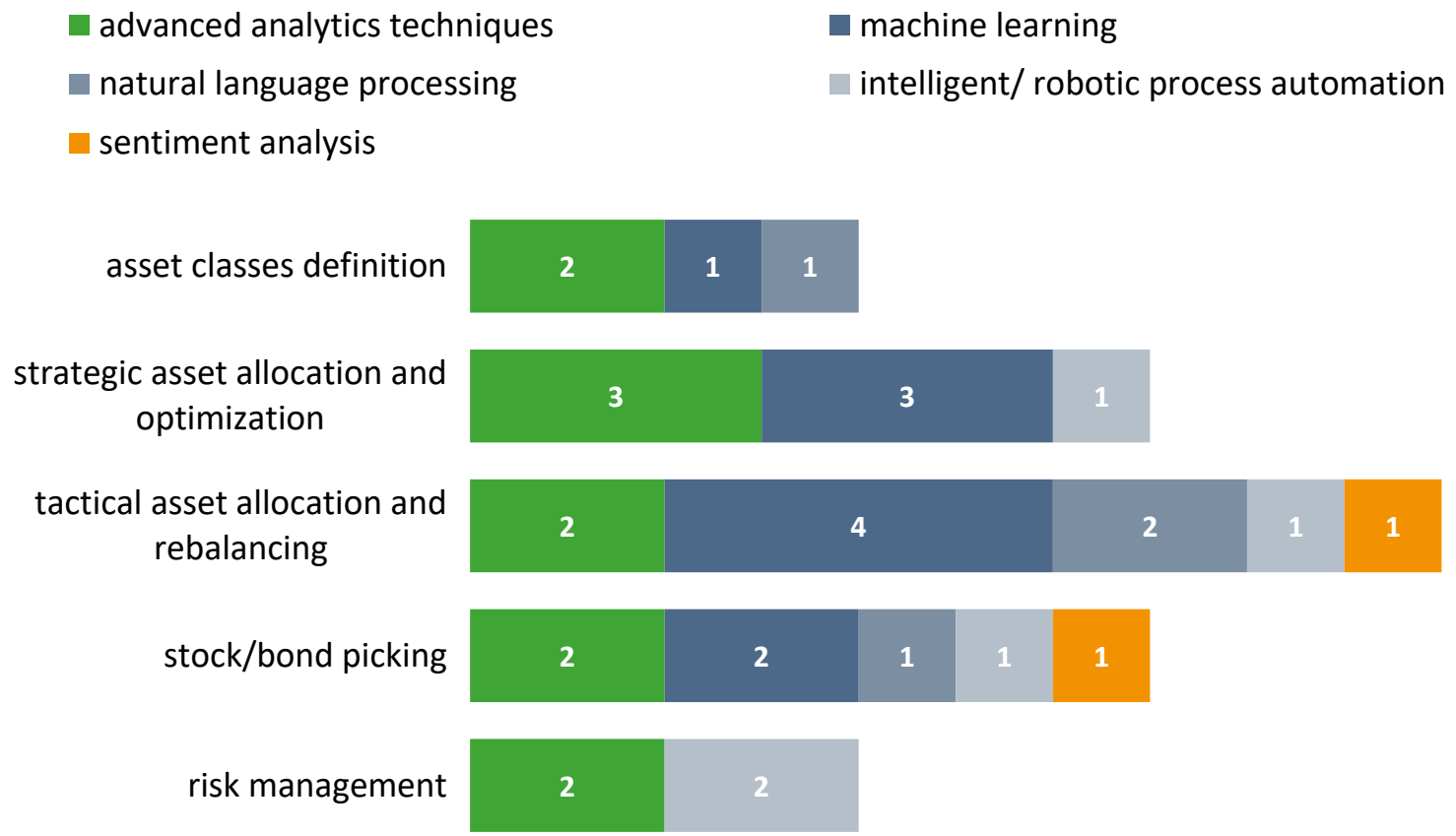
AI in the investment process: technologies and products

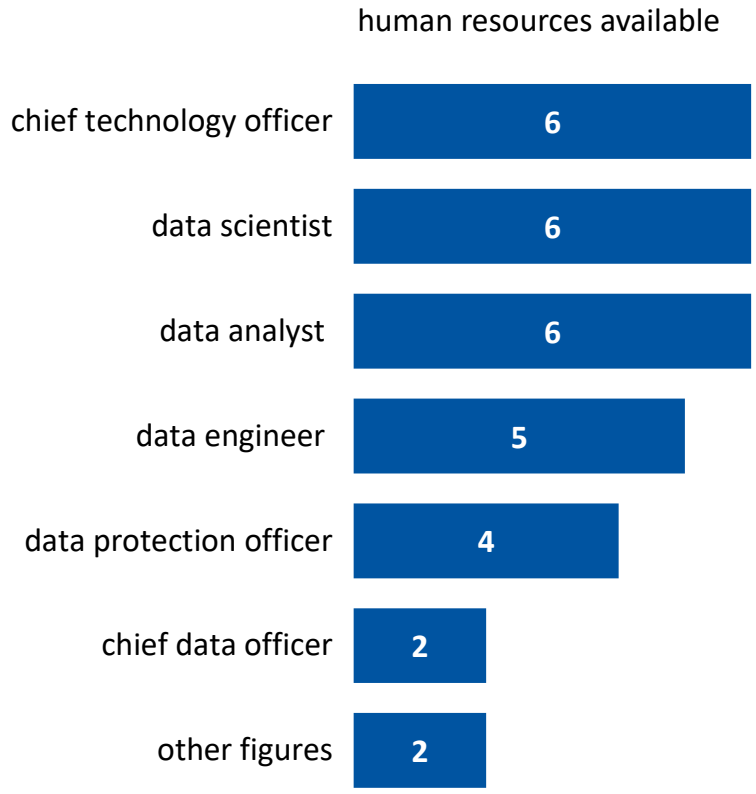
- AI technologies are used mainly for UCITs
- The use for AIFs is less widespread
- In some cases, AI is also used for ESG funds

Which AI technology does your company use at each stage of the investment process?



Organization and human resources

Which functional areas are involved? Are there adequate skills in the company?



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Data and algo governance

procedures are still evolving

- data-governance in 5 companies
- algo-governance in 3 companies

the need for strong human oversight and control

- none of the respondents mentioned AI systems acting autonomously
- in 4 companies there is no direct use of AI systems in relevant decisions

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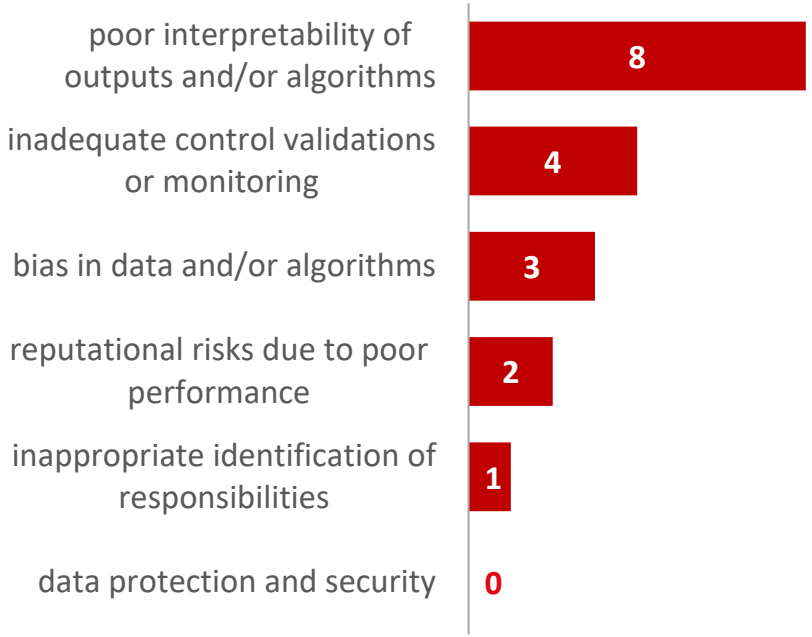
Expected benefits and perceived risks

The expected benefits cover several areas



Main risks are related to explainability of outputs/ algorithms

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Looking ahead

- AI technologies will become more and more used in the next five years
- Several projects planned for the future, mainly in the area of investment process
- Technological and regulatory developments are the most important factors that will drive the intensity of AI use in the future

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In conclusion

- AI technologies are a strategic priority for asset management companies as they are considered an important tools to enhance performances in several areas

- AI systems are already used in a variety of processes and many other processes will be interested in the future

- A good governance is crucial, and this issue is on the agenda of asset management companies

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Thank you!

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