



***PensionsEurope answer to the European  
Commission's targeted consultation on artificial  
intelligence in the financial sector***

September 2024

[www.pensionseurope.eu](http://www.pensionseurope.eu)

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## **1 General questions on AI Applications in financial services**

### **1.1 Use of AI**

**Question 1:** Are you using or planning to use AI systems?

- Yes, we are already using AI systems.
- Not yet, but we plan to use AI systems within the next 2 years.
- No, we are not using AI systems and we don't plan to use it within the next 2 years.
- Don't know / no opinion / not applicable

**Question 2:** What are the positive things you encounter when using AI? Please explain and give examples when possible. **(5000 character(s) maximum)**

PensionsEurope acknowledges the fast development of AI applications in the financial sector and its transformative impact on the different sectors of the financial industry. However, the deployment of artificial intelligence in the pensions sector is rather limited at this stage because of the differences between IORPs and the rest of the financial sector. The IORPs landscape is very heterogeneous, with many small entities but also very big in some cases, dealing first and foremost with members and beneficiaries as well as customers. Due to the collective nature of many occupational pension systems, a higher degree of standardisation of terms and conditions data structures and processes are generally less complex compared to other financial institutions.

Nevertheless, using AI within the pensions sector brings several opportunities such as reducing costs and smoothing processes. For instance, it allows pension funds to better communicate with their members and beneficiaries, using chatbots, and facilitates the asset management of pension funds. Please see our answer to question 8 for further details. |

**Question 3:** What are the negative things you encounter when using AI? Please explain and give examples when possible. **(5000 character(s) maximum)**

| Due to the limited use of AI by pension funds, we are not facing a large number of negative things when using AI. Thus, there are no pension use cases that would be categorised as unacceptable and high-risk as outlined in the AI Act. However, to address the potential negative things that can arise when using AI, in the Netherlands, the Dutch Federation of Pension Funds has prepared in July 2024 a draft [Code of Conduct on AI and Ethics for the Pension Sector](#). The draft guideline has 21 principles for the ethical use of AI, categorized by the following seven requirements: (i) accountability; (ii) human autonomy and control; (iii) technical robustness and security; (iv) privacy and data governance; (v) transparency; (vi) diversity, non-discrimination, and fairness; and (vii) social well-being. |

**Question 4:** Will you be deploying AI for new or additional processes within your organisation? **(5000 character(s) maximum)**

- Yes
- No

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Don't know / no opinion / not applicable

- If yes **Question 4.1** "Please explain for which new or additional processes you will be deploying AI within your organisation:" **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE]

**Question 5:** Are you developing or planning to develop in-house AI applications? **(5000 character(s) maximum)**

Yes

No

Don't know / no opinion / not applicable

- If yes "Please explain your answer to question 5" **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE]

- If no Question 5.1 "Please explain broadly whom you plan to collaborate with for the development of your AI applications (fintech, bigtech, etc.) or whether you plan to buy off the shelf fully developed solutions:" **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE]

**Question 6:** Which tools are you using to develop your AI applications? Examples: machine learning, neural networks, natural language processing, large language models, etc. **Please explain and give examples when possible: (5000 character(s) maximum)**

[As indicated in our answer to question 2, the development of AI applications within the pensions sector is relatively modest. Therefore, pension funds and their service providers are using traditional artificial intelligence which allows different types of optimisation processes. The use of generative artificial intelligence is still in its infancy. ]

**1.2 Benefits of using AI applications in financial services**

**Question 7:** Please score the following benefits from most significant (10) to least significant (1) (5000 character(s) maximum)

	1	2	3	4	5	6	7	8	9	10	Don't know - No opinion- NA
	-									+	
Fraud detection: AI algorithms can analyse large amounts of data to detect patterns and anomalies that may indicate fraudulent activity, helping to reduce financial losses for businesses and customers.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Risk management: AI can analyse and predict market trends, assess credit risks, and identify potential investment opportunities, helping financial institutions make more informed decisions and manage risks more effectively.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Automation of routine tasks: AI can automate repetitive tasks such as data entry, transaction processing, and document verification, freeing up time for employees to focus on more complex and strategic activities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cost savings: by automating processes and improving efficiency, AI can help financial institutions reduce operational costs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Personalised financial advice: AI can analyse customer data to provide personalised financial advice and recommendations, helping customers make better financial decisions and improve their financial well-being.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Compliance and regulatory support: AI can help financial institutions stay compliant with regulations by analysing and interpreting complex regulatory requirements and monitoring transactions for suspicious activities.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Enhanced decision-making: AI can analyse large amounts of data and provide insights that can help financial institutions make better investment decisions, assess credit risks, and optimise their operations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Improved security: AI can enhance security measures by identifying potential security threats, detecting unusual patterns of behaviour, and providing real-time alerts to prevent security breaches.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Streamlined processes: AI can streamline various financial processes, such as loan underwriting, account opening, and claims processing, leading to faster and more efficient services for customers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Improved customer service: AI can be used to provide personalised and efficient customer service, such as chatbots that can answer customer queries and provide assistance 24/7.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**Question 8:** What are the main benefits/advantages you see in the development of your AI applications? Please explain and give examples when possible. **(5000 character(s) maximum)**

PensionsEurope sees three main areas of AI applications in the pensions sector allowing pension funds to benefit from: 1) better engagement with members and beneficiaries and smooth communication, 2) better communication with employers, and 3) maximising returns for service providers and easing the regulatory compliance.

**For AI applications in customer service,** AI makes pension communication easier with members and beneficiaries. Indeed, AI chatbots are used for customer service and automatically respond to emails, adapting to the level of understanding of members and beneficiaries. Combined with audio recognition, AI can also answer frequently asked questions by phone. AI automates phone call registration. The related data is uploaded to a cloud environment, audio is transcribed into text, and a summary of it is added to the CRM system. Additionally, AI is employed for customer interactions. Digital applications powered by AI can also guide possible choices within the pension scheme. However, when it comes to choices and choice guiding, a human takes over. Furthermore, AI applications can translate or rewrite website text into less sophisticated language, making pension communications more accessible for members and beneficiaries.

**For AI applications in communication with employers,** AI helps predict job profiles, providing information that can be used for employees to address labor market issues. It also forecasts employee turnover, helping employers manage workforce planning. Moreover, an AI model can proactively send reminders when employers are not providing necessary data on time, enhancing communication efficiency. Of course, such AI applications are used under the GDPR and a framework for controlled and responsible use.

AI is therefore mostly used to facilitate pension administration, where there are applications in communication with members and beneficiaries, contact with employer's pension administration, where it has applications in communication with members and beneficiaries, contact with employers enrolled in the pension scheme, and automation of administrative processes. It is used under policy frameworks for controlled and responsible application.

In these two domains of pension administration mentioned above, AI functions are very similar to functions in other sectors within and beyond the financial sector. For the most part, pension providers observe AI developments elsewhere and use them as building blocks to deploy their own AI applications, only developing internally what is needed to complete a functionality.

**For AI applications in Asset Management,** AI applications are being developed to use large amounts of data to provide insights that are relevant to investment decisions. Generative AI introduces the possibility of learning from unstructured data. Results include insights into risks, returns, and ESG impact of investments. It is relevant to note that such systems are not fully autonomous, and humans will still make the investment decisions. With regards to algorithmic trading, the introduction of AI makes risk identification, monitoring and control of model drift and data drift are extra important. Asset managers test models extensively and build in controls to act upon potential drift. Of course, algorithmic trading is already regulated under MiFID2.

### 1.3 Challenges and risks when using AI applications in financial services

**Question 9:** Please score the following challenges and risks from most significant (10) to least significant (1)

	1	2	3	4	5	6	7	8	9	10	Don't know - No opinion- NA
	-									+	
Lack of access to the required data, in general.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Lack of access to the data in an appropriate digital format.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Lack of access to appropriate data processing technology, e.g. cloud computing.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Data privacy: it is crucial to ensure that sensitive financial information remains confidential.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Lack of trust in relation to performance levels/ security aspects/ certified solutions/ reliability of the technology.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Regulatory compliance with financial regulation: financial services are heavily regulated and not all types of AI applications are in line with requirements under these regulations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Innovation: the ability to leverage on combining AI with other technologies to enhance its potential and generate new services?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Transparency and explainability: AI algorithms can be complex and opaque. It can be difficult for humans to understand how AI arrives at certain conclusions, which can create issues of trust and accountability.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Bias and discrimination: AI models are trained using data, and if the data is biased, the AI model can also be biased, leading to unfair outcomes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reputational risk from undesirable AI behavior or output.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Liability risks: legal uncertainty on who bears the liability in case of damages generated by the malfunctioning of the AI applications.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Skills gap: the development of AI requires specific tech skills, and there is a shortage of such skills.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

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Dependability: as financial institutions rely more and more on AI; the dependability of these systems becomes paramount. Any malfunction or error (e.g. in risk management) can lead to significant financial losses.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Job displacement: the use of AI can potentially automate certain roles in the financial sector leading to job displacement.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Cybersecurity: AI systems could be targeted by cybercriminals, leading to potential data breaches or manipulation of AI systems.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Integration challenges: integrating AI technologies with existing systems and processes can be complex and expensive.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Additional cost: the deployment and use of AI requires up-front investment and ongoing resources (acquiring or developing applications, keeping them up to date, training/skills).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Question 10:** What are the main difficulties/obstacles you are facing in the development of your AI applications? Please explain and give examples when possible. **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE]



**Question 11:** Please rank the potential negative impact that widespread use of AI can have on the following risks. 8 being the highest risk. **(5000 character(s) maximum)**

	1	2	3	4	5	6	7	8
Operational risks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Market risks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Liquidity risks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial stability risks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Market integrity risks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Investor protection risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Consumer protection risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reputational risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please explain your answer to question 11 and give examples when possible (5000 character(s) maximum)**

[TYPE YOUR TEXT HERE]

**Question 12:** AI may affect the type and degree of dependencies in financial markets in certain circumstances, especially where a high number of financial entities rely on a relatively small number of third-party providers of AI systems. Do you see a risk of market concentration and/or herding behavior in AI used for financial services?

- Yes
- No
- Don't know / no opinion / not applicable

- If yes "Please explain in which areas of AI you see a risk of concentration" or no "Please explain your answer to question 12:" **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE]

#### **1.4 AI and compliance burden**

**Question 13:** Can AI help to reduce the reporting burden? **(5000 character(s) maximum)**

- Yes
- No
- Don't know / no opinion / not applicable

- If yes "Please explain in which areas you see AI reducing reporting burden" or no "Please explain why according to you AI cannot help to reduce the reporting burden:" **(5000 character(s) maximum)**

AI can possibly provide opportunities for supervisors because it could offer new solutions for streamlining reporting requirements and information requests. However, new options for supervisors to assess data using AI models could also incite them to make more data requests. This would mean increasing supervisory costs for pension providers and ultimately members and beneficiaries. Therefore, well-defined tasks and powers for supervisors become more relevant to reduce administrative costs.

**Question 14:** Do you think AI can facilitate compliance with multiple regulatory standards across the EU and thus facilitate market integration or regulatory compliance? For example, would you consider it feasible to use AI for converting accounting and financial statements developed under one standard (e.g. local GAAP) to another standard (e.g. IFRS)? Please elaborate. Please explain and give examples when possible. **(5000 character(s) maximum)**

- Yes
- No
- Don't know / no opinion / not applicable

As indicated in our answer to question 8, AI can facilitate regulatory compliance for pension funds service providers involved in asset management activities. It can help them to identify market participants doing greenwashing.

## 1.5 Data access

**Question 15:** In order to develop AI applications, do you need access to external datasets that you currently don't have access to? **(5000 character(s) maximum)**

- Yes
- No
- Don't know / no opinion / not applicable

[TYPE YOUR TEXT HERE]

**Question 16:** Which datasets would you need to develop meaningful AI applications and for which purpose / use case? **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE]

**Question 17:** Do you face hurdles in getting access to the data you need to develop AI applications in financial services?

- Yes
- No
- Don't know / no opinion / not applicable

- If yes "Please explain which type of data you would need to have access to:" **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE]

**Question 18:** Are you familiar with the [EU Data Hub](#), a data sharing tool for supervisors and financial companies? **(5000 character(s) maximum)**

- Yes
- No
- Don't know / no opinion / not applicable

[TYPE YOUR TEXT HERE]

**Question 19:** Should public policy measures (e.g. legislative or non-legislative) encourage the exchange of data between market participants, which can be used to train AI systems for use cases in finance? **(5000 character(s) maximum)**

- Yes
- No
- Don't know / no opinion / not applicable

- If yes “Please explain which type of measures you would propose:” **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE ]

## **1.6 Business model**

**Question 20:** Has AI changed your business model? **(5000 character(s) maximum)**

- Yes  
 No  
 Don't know / no opinion / not applicable

[No. There are rather limited AI use cases in the pension sector for the reasons explained in our answer to question 2 as pension funds are not dealing with customer choices but rather with members and beneficiaries. Thus, at this stage, while the transformative dimension of AI is also impacting our sector, it is only changing slightly our model, especially as regards the dialogue between pension funds and members and beneficiaries. ]

**Question 21:** Which parts of the value chain are being improved with AI? Please explain and give examples when possible. **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE ]

**Question 22:** Are there functions that cannot/would not be improved by AI? Please explain and give examples when possible. **(5000 character(s) maximum)**

- Yes  
 No  
 Don't know / no opinion / not applicable

[TYPE YOUR TEXT HERE ]

## **1.7 General purpose AI**

For this targeted consultation, respondents should consider general purpose AI as defined in the AI Act (Article 3(63)), i.e. meaning any “AI model, including where such an AI model is trained with a large amount of data using self-supervision at scale, that displays significant generality and is capable of competently performing a wide range of distinct tasks regardless of the way the model is placed on the market and that can be integrated into a variety of downstream systems or applications, except AI models that are used for research, development or prototyping activities before they placed on the market”.

**Question 23:** Do you use general purpose AI models, including generative AI, and their respective reference architectures? **(5000 character(s) maximum)**

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- Yes
- Not yet, but we plan to use general purpose IA models within the next 2 years
- No
- Don't know/no opinion/not applicable

- If yes or not yet, but we plan to use general purpose IA models within the next 2 years "Please explain why you want to opt for these AI models in your organisation:" **(5000 character(s) maximum)**

[At this stage, pension funds and their service providers only have conducted preliminary work about using generative IA. As explained in our answer to question 6, the pensions sector has not put generative IA into operation. ]

- If no,"Please explain which other AI reference architectures (e.g. more traditional ones) you plan to use to develop your AI applications and why." **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE ]

**Question 24:** How do you plan to operationalise and adopt general purpose AI at scale? Please explain and give examples when possible **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE ]

**Question 25:** How does the increasing availability of general purpose AI models, including generative AI applications, impact the need to access new datasets? Please explain and give examples when possible. **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE ]

**Question 26:** Compared to traditional AI systems such as supervised machine learning systems, what additional opportunities and risks are brought by general purpose AI models? Please explain and give examples when possible. **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE ]

**Question 27:** In which areas of the financial services value chain do you think general purpose AI could have a greater potential in the short, medium, and long term? Please explain and give examples when possible. **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE ]

**1.8 AI Governance in relation to non-high risk use cases, and which are not subject to specific requirements under the AI Act**

**Question 28:** Have you developed, or are you planning to develop an AI strategy or other relevant guidelines within your organisation for the use of AI systems? **(5000 character(s) maximum)**

- Yes
- No
- Don't know / no opinion / not applicable

- If yes "Please explain which AI strategy or other relevant guidelines you have developed, or are planning to develop:" **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE]

**Question 29:** Have you put in place or are you planning to put in place governance and risk management measures to ensure a responsible and trustworthy use of AI within your organisation? **(5000 character(s) maximum)**

- Yes
- No
- Don't know / no opinion / not applicable

- If yes "Please explain which governance and risk management measures you have put in place or you are planning to put in place:" **(5000 character(s) maximum)**

[The AI Act strikes the right balance between fostering innovation and ensuring safety and ethics with AI use cases thanks to an appropriate risk-based approach. Indeed, it provides a solid ground for developing policy frameworks for AI applications.

Furthermore, the AI Act does not include high-risk applications specific to the pension sector. Nevertheless, pension providers must assess and mitigate the risks of their AI applications bearing in mind the provisions of the IA Act, for limited and minimal-risk AI systems.

We also support the AI Act's approach of giving enough flexibility to sectors to establish guidelines for the responsible application of AI. This stakeholder-driven approach is essential given the swift market developments and diversity in AI applications across sectors, even within the financial sector. We note that because of divergent labor, social, and tax laws among EU Member States, the pension fund sector is very much organized at the national level. Thus, national pension fund sector guidelines for the application of AI can play an important role in creating a framework for the controlled and responsible use of AI in pension provision and fit the diversity of pension funds sector across EU Member States. ]

## 1.9 Forecasts

**Question 30:** What are the main evolutions to be expected in AI in finance?  
Please explain and give examples when possible. **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE]

**Question 31:** Which financial services do you expect to be the most impacted by AI? Please explain and give examples when possible. **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE]

**Question 32:** Do you have any additional information to share? Please explain and give examples when possible. **(5000 character(s) maximum)**

Based on our experience with the responsible and controlled application of AI in pension provision, we provide the following points of interest for possible further European initiatives on the application of AI in the financial sector:

- AI applications in the pension sector predominantly pertain to functions similar to those of other sectors, such as contact with members, beneficiaries, and employers, and automation of administrative processes. Any legislative initiative on the application of AI in the financial sector should focus on sector-specific functions, such as individual risk assessment, pricing, and asset management;
- In recent years, EU financial regulation has often taken a horizontal approach. Such an approach does not sufficiently consider the specificities of pension administration. It also risks the introduction of controls for the entire financial sector that might only be relevant for a subsection of the financial sector, creating unnecessary legislative burdens. The risks of AI systems are best assessed in their specific context. To tailor obligations as much as possible to pension providers, any legislation of AI in the financial sector should take the form of a sectoral approach for IORPs rather than a horizontal one;
- A principle-based, risk-based, and stakeholder-driven approach is the best way to get to effective controls that are relevant for pension provision;
- AI can possibly provide opportunities for supervisors because it could offer new solutions for streamlining reporting requirements and information requests. However, new options for supervisors to assess data using AI models could also incite them to make more data requests. This would mean increasing supervisory costs for pension providers and ultimately members and beneficiaries. Therefore, well-defined tasks and powers for supervisors become more relevant to reduce administrative costs;
- Data quality and availability pose challenges to the effective use of AI applications. The European Commission could help remove barriers.

## **2 General questions on AI Applications in financial services**

**Question 33:** In which sector are you using AI?

- Banking and payments
- Market infrastructure

- Securities markets
- Insurance and pensions
- Asset management
- Other

### **Insurance and pensions (if selected)**

In insurance, possible AI use cases range from insurance pricing and underwriting to advice, compliance, fraud detection/AML and customer service. Depending on the specific use cases, relevant legislation would include

- the AI Act (for the identified high risk use-cases such as life and health insurance risk assessment and pricing in relation to natural persons)
- the Insurance Intermediation Directive (IDD) (for example robo-advice),
- Solvency II and institutions for occupational retirement provisions (IORPs) (for example provisions on risk management in relation to insurance risk assessment),
- and the Anti-Money Laundering Directive (AMLD) (for example AML use cases).

**Question INSURANCE 1.** For which use case(s) are you using/considering using AI?: Examples: risk management, insurance pricing and underwriting, setting capital requirements/technical provisions, robo-advice, regulatory compliance, sustainable finance, fraud detection, AML, customer service, sales and distribution, claims management, etc. Please explain and give examples when possible: **(5000 character(s) maximum)**

As mentioned in our answers to questions 2 and 6, the pension sector is not a frontrunner when it comes to developing AI applications. Applications in use mostly use traditional AI, while applications using generative AI to analyze unstructured data such as video and audio are mostly still under development.

The pensions sector is mostly using AI for customer service use cases and asset management optimisation. For customer service, AI chatbots can support the dialogue between pension funds with their members and beneficiaries. AI can also be used to register phone calls automatically and transcribe them with a summary. Pension communication can also be improved with AI by rephrasing texts on pension provider websites.

In the domain of pension administration, AI functions are very similar to functions in other sectors within and beyond the financial sector. For the most part, pension providers observe AI developments elsewhere and use them as building blocks to deploy their own AI applications, only developing internally what is needed to complete a functionality.

As regards asset management, pension fund service providers can use AI to identify investment opportunities, mitigate volatility and optimise returns in the foreign exchange market as well as detecting



different cases of greenwashing. Our answer to question 8 goes further in details as regards pension AI uses cases. |

**Question INSURANCE 2:** What are the opportunities that AI brings to your use case? Please explain and give examples when possible **(5000 character(s) maximum)**

| AI has the potential to better address the needs of members and beneficiaries of pension funds by facilitating communication channels. Furthermore, by optimising financial returns in the asset management of pension funds, it can also facilitate pension funds to achieve their fiduciary duty.

Furthermore, compared to other parts financial industry, the AI Act does not contain high-risk applications that are specific to the pension sector. Pension providers must of course nevertheless assess and mitigate the risks of their AI applications. |

**Question INSURANCE 3:** What are the main challenges and risks that AI brings to your use case (e.g. discrimination, opacity of the AI application developed, difficult to control/supervise it, etc.)? Please explain and give examples when possible. **(5000 character(s) maximum)**

| As the pensions sector is relying on traditional AI for its use case, the challenges and risks associated to them are relatively minor compared to challenges related to generative AI. For instance, there are no pension use cases that would be categorised as unacceptable and high-risk as outlined in the AI Act. Therefore, potential cases of discrimination are low as pension funds are not dealing with customers but rather with members and beneficiaries.

In recent years, EU financial services regulation has often taken a horizontal approach such as for digital and sustainable finance topics. Such an approach does not sufficiently consider the specificities of pension administration. It also risks the introduction of controls for the entire financial sector that might only be relevant for a subsection of the financial sector, creating unnecessary legislative burdens. The risks of AI systems are best assessed in their specific context. To tailor obligations as much as possible to pension providers, any legislation of AI in the financial sector should take the form of a sectoral approach for IORPs rather than a horizontal one. |

**Question INSURANCE 4:** What is the main barrier to developing AI in your use case (e.g. lack of skills and resources, readiness of the technology, high regulatory costs for compliance with the relevant frameworks, etc.)? Please explain and give examples when possible. **(5000 character(s) maximum)**

| The lack of resources is an important barrier for pension funds to develop AI in our use cases. Indeed, the landscape of pension funds is very heterogeneous, with many small entities that are not equipped to develop applications powered by AI. Furthermore, due to the nature of the pensions sector which gives fewer choices to be made by members and beneficiaries compared to typical customers which are dealt with by other financial entities such as banks and insurance undertakings. |

**Question INSURANCE 5:** Does AI reduce or rather increase bias and discrimination in your use case? Please explain and give examples when possible.

Yes

No

Don't know / no opinion / not applicable

Please explain your answer to question INSURANCE 5 and give examples when possible: (5000 character(s) maximum) **(5000 character(s) maximum)**

[As mentioned in question INSURANCE 3, risks of bias and discrimination are low in pensions AI use cases. Indeed, for instance, there are no pricing models that are being used by pension funds as they are not selling financial products but rather providing pension solutions to members and beneficiaries within a specific framework, often negotiated between employers and employees. ]

**Question INSURANCE 6:** How can insurers ensure that the outcomes of AI systems are not biased? Please explain and give examples when possible. **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE ]

**Question INSURANCE 7:** Has general purpose AI opened new possibilities or risks in your use case?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question INSURANCE 7 and give examples when possible: **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE ]

**Question INSURANCE 8:** On whom do you rely for the development of your AI solutions?

- External providers
- In-house applications
- Partial collaboration with external providers
- Don't know / no opinion / not applicable

Please explain your answer to question INSURANCE 8 and give examples when possible: **(5000 character(s) maximum)**

[As mentioned in our answer to question 2, the uptake of AI applications is rather limited in the pensions sector. For the most part, pension providers are monitoring AI developments elsewhere and use them as building blocks to deploy their own AI applications, only developing in-house what is needed to complete a functionality.]

### **3 AI ACT**

In December 2023 the European Parliament and the Council reached a provisional political agreement on the [first comprehensive AI framework, put forward by the Commission on 21 April 2021](#). The regulation was adopted by the European Parliament on 13 March 2024 and will enter into force later

this spring once it has been published in the Official Journal of the EU. This horizontal *acquis* is applicable across all economic sectors.

The [AI Act](#) defines an AI system as “a machine-based system designed to operate with varying levels of autonomy, that may exhibit adaptiveness after deployment and that, for explicit or implicit objectives, infers, from the input it receives, how to generate outputs such as predictions, content, recommendations, or decisions that can influence physical or virtual environments”. Recital 11 further sets out the reasons for this definition, notably setting out that it is based on key characteristics that distinguish it from simpler traditional software systems of programming approaches.

The AI Act will establish two high risk use cases for the financial sector:

1. AI systems intended to be used to evaluate the creditworthiness of natural persons or establish their credit score, with the exception of those AI systems used for the purpose of detecting financial fraud;
2. AI systems intended to be used for risk assessment and pricing in relation to natural persons in the case of life and health insurance

The aim of this section is to identify which are your specific needs in order for the Commission to be able to adequately assist you with appropriate guidance for the implementation of the upcoming AI framework in your specific market areas, especially in particular to the high-risk use cases identified.

### 3.1 Scope and AI definition

**Question 34:** Which of the following use cases that could fall into the categorisation of high-risk are potentially relevant to your activity?

- AI systems intended to be used to evaluate the creditworthiness of natural persons or establish their credit score
- AI systems intended to be used for risk assessment and pricing in relation to natural persons in the case of life and health insurance
- Both
- None
- Don't know / no opinion / not applicable

**Question 35:** Please explain the overall business and/or risk management process in which the high-risk use case would be integrated and what function exactly the AI would carry out. **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE]

**Question 36:** Are there any related functions AI would carry out which you would suggest distinguishing from the intended purpose of the high-risk AI systems in particular to the use cases

identified in question 34? Please explain your answer to question 36 and give examples when possible: **(5000 character(s) maximum)**

- Yes
- No
- Don't know / no opinion / not applicable

➤ Please explain your answer to question 36 and give examples when possible: **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE ]

**Question 37:** Please explain why these functions would/should in your view not be covered by the high-risk use cases set out in the AI act either because they would not be covered by the definition of the use case or by relying on one of the conditions under article 6(3) of the AI Act and explaining your assessment accordingly that the AI system would not pose a significant risk of harm if:

a) the AI system is intended to perform a narrow procedural task: **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE ]

b) the AI system is intended to improve the result of a previously completed human activity: **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE ]

c) the AI system is intended to detect decision-making patterns or deviations from prior decision-making patterns and is not meant to replace or influence the previously completed human assessment, without proper human review: **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE ]

d) the AI system is intended to perform a preparatory task to an assessment relevant for the purpose of the use cases listed in Annex III of the AI Act: **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE ]

**Question 38:** At this stage, do you have examples of specific AI applications/use cases you believe may fall under any of the conditions from article 6(3) listed above? Please describe the use case(s) in cause and the conditions you believe they may fall under: **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE ]

**Question 39:** Based on the definition of the AI system, as explained above (and in article 3(1) and accompanying recitals), do you find it clear if your system would fall within the scope of the AI Act?

- Yes

- No, it is not clear/ easy to understand if it falls within the scope of the AI Act
- Don't know / no opinion / not applicable
- If No "Please specify in relation to what aspects and/or which algorithmic/mathematical models you do not find it clear/easy to understand if they fall within the scope of the AI Act": **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE ]

### 3.2 AI Act requirements

**Question 40:** Bearing in mind there will be harmonised standards for the requirements for high-risk AI (Mandates sent to CEN-CENELEC can be monitored here), would you consider helpful further guidance tailored to the financial services sector on specific AI Act requirements, in particular regarding the two high-risk AI use cases? **(5000 character(s) maximum)**

- Yes
- No
- Don't know / no opinion / not applicable
- If yes "please explain on which specific provisions or requirements and on what aspects concretely you would consider helpful further guidance tailored to the financial services sector": **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE ]

### 3.3 Financial legislation requirements

**Question 41:** Future AI high-risk use cases would also need to comply with existing requirements from the financial legislation. Would you consider helpful further guidance meant to clarify the supervisory expectations for these use cases?

- Yes
- No, the supervisory expectations are clear
- Don't know / no opinion / not applicable
- If yes "please explain why you would consider helpful further guidance and indicate if it should be high-level and principles based or tailored to specific use cases:": **(5000 character(s) maximum)**

[TYPE YOUR TEXT HERE ]

**Question 42:** There are other use cases in relation to the use of AI by the financial services sector which are not considered of high-risk by the AI Act, but which need to comply with the existing requirements from the financial legislation. Would you consider helpful further guidance meant to clarify the supervisory expectations for these use cases?

- Yes
- No, the supervisory expectations are clear
- Don't know / no opinion / not applicable

- If yes “please explain why you would consider helpful further guidance and indicate if it should be high-level and principles based or tailored to specific use cases”: **(5000 character(s) maximum)**

|TYPE YOUR TEXT HERE|

**Question 43:** Are you aware of any provisions from the financial acquis that could impede the development of AI applications (e.g. provisions that prohibit the use of risk management models which are not fully explainable or the use of fully automated services for the interaction with consumers)? **(5000 character(s) maximum)**

- Yes
- No, I am not aware of any provision(s) of this kind
- Don't know / no opinion / not applicable

- If yes “please indicate the acquis/provision in cause”: **(5000 character(s) maximum)**

|TYPE YOUR TEXT HERE|

## **About PensionsEurope**

**PensionsEurope** represents national associations of pension funds and similar institutions for workplace and other funded pensions. Some members operate purely individual pension schemes. PensionsEurope has **25 member associations** in 18 EU Member States and 3 other European countries<sup>1</sup>.

PensionsEurope member organisations cover different types of workplace pensions for approximately over **90 million people**. Through its Member Associations PensionsEurope represents approximately **€ 5 trillion of assets** managed for future pension payments. In addition, many members of PensionsEurope also cover personal pensions, which are connected with an employment relation.

PensionsEurope also has **18 Corporate and Supporter Members** which are various service providers and stakeholders that work with IORPs.

PensionsEurope has established a **Central & Eastern European Countries Forum (CEEC Forum)** to discuss issues common to pension systems in that region.

PensionsEurope has established a **Multinational Advisory Group (MAG)** which delivers advice on pension issues to PensionsEurope. It provides a collective voice and information sharing for the expertise and opinions of multinationals.

## **What PensionsEurope stands for**

- A regulatory environment encouraging workplace pension membership;
- Ensure that more and more Europeans can benefit from an adequate income in retirement;
- Policies which will enable sufficient contributions and good returns.

## **Our members offer**

- Economies of scale in governance, administration and asset management;
- Risk pooling and often intergenerational risk-sharing;
- Often “not-for-profit” and some/all of the costs are borne by the employer;
- Members of workplace pension schemes often benefit from a contribution paid by the employer;
- Wide-scale coverage due to mandatory participation, sector-wide participation based on collective agreements and soft-compulsion elements such as auto-enrolment;
- Good governance and alignment of interest due to participation of the main stakeholders.

*Contact:*

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<sup>1</sup> EU Member States: Austria, Belgium, Bulgaria, Croatia, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Portugal, Romania, Spain, Sweden. Non-EU Member States: Iceland, Norway, Switzerland.