

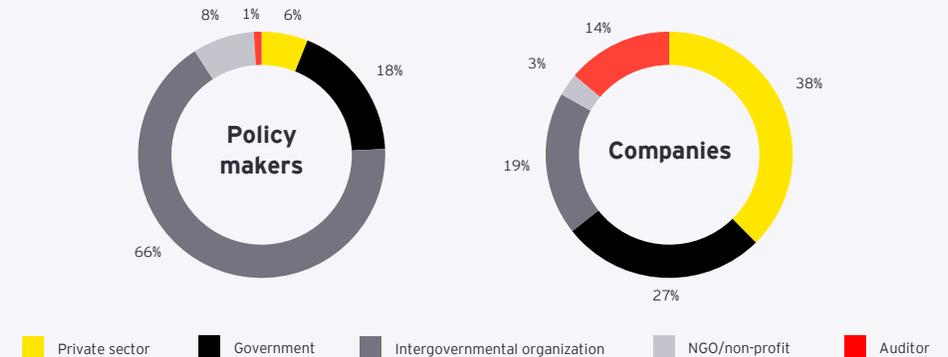
AI regulation is taking shape -

acting now to identify risks, co-shape regulation, and comply while embarking on transformation journey



1 Who will lead and shape AI regulation*?

A multi-stakeholder approach seems obvious given AI's complexity. Public and private sector have different views on role distribution.



2 The trust gap between private and public sector

Policymakers understand 'big picture' ethical concerns raised by AI, but less technical and business details.

They also see a set of universal standards for AI regulation, but expect different implementation across countries.

As opposite, companies show greater depth on business and technical issues, but less on ethical principles and expect one set of guiding principles for AI to reduce complexity.

Mitigation measures for this gap could include:

- ▶ Closer collaboration of public and private sector
- ▶ Hard regulation: Traditional top-down regulation
- ▶ Soft regulation: Standards and best practices developed and shared by e.g. trade associations
- ▶ Self-regulation: Principles and codes of conduct

* Link to full report: https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/ai/ey-bridging-ais-trust-gaps-report-2020.pdf

3 This gap creates risks for the private sector



Market or competitive risk: Firms whose products or services don't address concerns raised by consumers risk losing market share



Reputational risk: AI products and services that harm a consumer can quickly erode the brand



Compliance risk: If companies are not actively involved in shaping emerging regulation, they risk developing non-compliant products and services



Legal risk: The inability to comply with regulations could open companies to litigation and financial penalties

4 Bridging the gap and igniting collaboration

Collaboration of public and private sector will be challenging:

- ▶ 59% of companies state that self-regulation is better than government regulation of AI
- ▶ 63% of policymakers do not favor self-regulation

And the perception of AI's upside potential are misaligned:

- ▶ 72% of companies claim AI benefits consumers
- ▶ 66% of policymakers do not share that view

Why act now?

- ▶ AI's potential applications are triggering public unease and receive heightened scrutiny from policymakers
- ▶ These concerns are emerging against the backdrop of a 'tech-lash' fueled by growing anxiety about privacy breaches, data rights, polarization and disinformation
- ▶ Policymakers have been responding to these concerns with ethical guidelines and use cases - however, for these efforts to be fruitful, companies and policy makers have to be aligned

Key implications for Swiss Financial Services market

Focus on AI's emerging ethical issues

- ▶ How will ethical principles affect your business?
- ▶ How should your strategy respond?

Engage with policymakers

- ▶ What real-world issues are critical to understand your business?

Be proactive with soft and self-regulation

- ▶ How aligned is your ethical code of conduct with the ethical principles prioritized by policy makers?
- ▶ How are you working with your peers (e.g. through trade organizations) on these issues?

Understand and mitigate risks

- ▶ AI governance creates new challenges and risks
- ▶ Misalignment with policymakers increases those risks

How EY can help

- ▶ Assess your **status quo** and identify **gaps**
- ▶ Support you to develop **your AI strategy**
- ▶ Establish an **implementation roadmap**, ensuring **compliance with the policymakers and embedding your own ambition on technology enabled transformation**
- ▶ Apply **EY's NextWave methodology and assets to Transformation Realized**
- ▶ **Transformation Realized** is a unique approach to **activate the new core of value creation** for clients and orchestrate the functions around it

