The Promise and Perils of Technology: Artificial Intelligence, Big Data, Cybercrime and FinTech

SESSION BROCHURE
Session 599

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Schloss Leopoldskron, Salzburg, Austria

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The “Fourth Industrial Revolution” opens up uncharted frontiers. Advances in big data, artificial intelligence, robotics, etc. drive change across all industries, offering new prospects for growth but also carrying both known and unknown risks. The 2018 Forum will consider how radical technology-driven changes may impact societies, economies and financial markets around the world, what this means for policy, regulation and practitioners in the short and longer term and how we can channel the powerful forces of technology in a positive way.

The technological landscape is changing fast with innovations spilling over into new areas and industries. We do not yet know how this new revolution will unfold and what will be the system impact of artificial intelligence (AI) and other technologies such as distributed ledgers, big data, cloud computing, etc. While it may produce significant benefits for societies, adjustments might cause great divides. There is a need for comprehensive public policy responses to help structure a future in which technologies improve the world for all – while monitoring and containing the inevitable attendant risks.

The financial services industry has been one of the sectors early affected by technological disruptions. FinTech companies have established themselves in various parts of the industry value chain transforming the way financial services are designed, delivered and challenging the established players while the RegTech has emerged to tackle the burden of regulatory compliance.

The rise of “big data,” coupled with the organizing and analytic power of AI, has opened up opportunities for real-time analysis and commercial use of information. Dramatic advances in AI and robotics are expected to further accelerate changes across all sectors. Ongoing technological innovations related to payments, lending, asset management and insurance as well as the potential for “open banking,” if widely adopted, offer powerful tools for expanding the access and usage of financial services. With these vast opportunities come new threats that may disrupt the functioning of financial markets and the smooth delivery of financial services. As financial institutions become ever more data-driven, concerns arise about cyber-security risks, privacy and data protection, data theft, and financial crime.

The explosion and ubiquity of data, coupled with the increasing use of AI to exploit it, moves the issues of data exchange as well as privacy and security regulations into the spotlight, raising a fundamental question as to how the data ecosystem should evolve. Continued overleaf
Financial organizations that have structures encompassing multiple legal entities and relying on cross-border operations, outsourcing, and cloud computing, must navigate an increasingly complicated maze of data privacy and protection laws throughout the world. The rise of open banking in which a bank’s Application Programming Interfaces (APIs) can be shared with third party developers, subject to customer consent, is likely to increase concerns about security and data privacy issues. There is a need to continue working on maintaining the right balance between privacy and sharing information and to comprehensively address international regulations in this area.

Cyber-security will remain one of the top concerns forcing financial institutions and policy-makers to make better assessments of cyber threats and ramp up the defenses. Financial crimes are another substantial risk resulting in growing compliance and security regulations. Traditional financial institutions have significantly greater responsibilities and accountabilities placed on them in terms of addressing public policy mandates on crime, in comparison to platforms that intermediate traditional commerce or provide social networks and search facilities. There is a need to discuss how compliance effectiveness can be achieved in response to evolving regulatory expectations in a way that delivers commensurate results in terms of keeping malign actors out the system and delivering prosecutions that are visible deterrents.

As FinTech continues to expand and transform financial services into platforms for intermediation by third parties, regulators are recognizing the need to actively pursue greater regulatory oversight in this area, without overly stifling competition by new entrants. Regulators and supervisors need to keep pace with cutting-edge technologies and have a clear understanding of how these could reshape specific sectors and whole economies. They need to be vigilant about emerging risks but also open up the financial sector to new entrants and expand the use of technology to improve compliance oversight and the functioning of the financial system.
KEY QUESTIONS

Participants will examine several key questions, including:

**Overall Impact of the Technological Transformation**
- How will the “Fourth Industrial Revolution” reshape societies, economies and industries?
- How much technology change can societies absorb without unwanted social disruption? What kind of divides can such change create? Can it help achieve specific public policy objectives (prosperity, greater competition, financial inclusion, etc.)?
- Should policymakers shape and channel technological forces? How could a broader policy agenda prepare societies and citizens for the changes ahead?

**Future of the Financial Industry and Regulatory Responses**
- What will the financial system look like five to 10 years from now? What kind of opportunities will be created by new technologies and how will it affect the competitive landscape?
- What are the implications for the banking sector and the regulatory framework within which it operates? Should new entrants benefit from a lighter touch regulatory framework? Do we need “safe harbor” regulation by amount and product type to make simple financial services more accessible at low cost?
- Is there any risk of the “Uber effect” where a disruptive platform gets too large and popular to be able to reign it in retrospectively? How do various elements of industry transformation interact and impact the market risk and liquidity of the financial system? Is a fragmenting international policy landscape able to face up to the risks?

**Technology, Data, Security and Privacy**
- How can we make digital commerce, in particular financial transactions, safer and more trusted? What are the necessary steps needed from governments on digital identities, beneficial ownership registers and modernization of bank secrecy laws, among other issues?
- How can better information sharing – intra sector, cross border and with public sector bodies – be delivered? What is the right balance between collecting enough information to keep the financial system safe without causing financial exclusion?
- Can better outcomes be achieved through refocussing the resources committed by the industry to tackling financial crime? What cybersecurity frameworks are needed to address issues across the variety of jurisdictions and players? How can regulators and industry cooperate better in this area? Should financial sector regulators and law enforcement better align their objectives? Where should accountabilities lie on algorithmic and AI designed and executed financial services? Is concentration in cloud computing the next “too big to fail” cyber risk?
PARTICIPANT PROFILE

Our sessions bring together senior leaders and rising specialists as a community of peers.

Participants from financial services and technology firms, policymakers, banking and securities regulators and supervisors, cybersecurity and data experts will capture the real world implications of current and future technological advances on the financial services industry, regulators and supervisors, and – of course – customers.

SESSION FORMAT

The intensive two-day session will include panel-led discussions, in-depth working groups, and an Oxford-style evening debate.

This highly-interactive session will bring together 60 senior and rising leaders to explore the interconnected opportunities, risks and implications that technological transformation is likely to bring to societies, economies and the financial industry. The session will take place in a retreat-like setting of Schloss Leopoldskron, which facilitates trust, networking and in-depth conversations. Small group discussions will allow intense explorations of specific aspects of the general themes before returning to the plenary to refine conclusions.
OUTCOMES AND IMPACT

Through Salzburg Global’s convening power, the session will connect financial industry leaders with the best tech minds, policymakers and regulators.

Together they will need to lead and shape the responses to the Fourth Industrial Revolution, including the adaptation agenda for societies that spans education, public services and investment within the framework of sustainable development, as well as an agenda for the financial industry and regulatory responses in a global financial services marketplace.

The session will provide unique peer-to-peer exchange across regions, institutions and generations, and increase impact through sharing ideas, data, and lessons learned in a synthesis report which will be produced shortly after the program and disseminated with a broader community of Finance Forum Fellows and other stakeholders.

TESTIMONIAL

“One of the benefits of the Forum is having the ability and an offsite environment to have a broader look and think about a subject matter on the agenda beyond the standard approach, keeping in mind a question about where we want to be and where the next crisis may come from.”

DOUGLAS FLINT
Group Chairman, HSBC Bank Plc, UK
ABOUT SALZBURG GLOBAL SEMINAR

Salzburg Global Seminar is an independent non-profit organization founded in 1947 to challenge present and future leaders to solve issues of global concern. Our multi-year programs aim to bridge divides, transform systems and expand collaboration.

We convene outstanding talent across generations, cultures and sectors, and have brought over 30,000 people from 170 countries together through our work. Salzburg Global inspires new thinking and action on critical issues, connecting local innovators and global resources. We foster lasting networks and partnerships for creative, just and sustainable change.

Our secluded home at Schloss Leopoldskron in Salzburg, Austria – built in 1736 by the Archbishop of Salzburg, restored by the Salzburg Festival’s co-founder Max Reinhardt, used by Hollywood for sets in The Sound of Music, and now an award-winning hotel – allows us to welcome all participants in conditions of trust and openness.

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