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Artificial Intellgence and Systemic Risk
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Zetzsche/Arner/Buckley/Tang, Artificial Intelligence in Finance: Putting the Human in the Loop,
https://ssrn.com/abstract=3531711

Systemic Risks

- AI risks = Big Data risks

- Capital misallocation: steering of cash-flows in suboptimal investments

- Concealed coordination of multiple actors' financial services activities

- Collusion of algorithms

- Size effects due to data plus liquidity control ("super-apps")

- AI approach: explainability, ultimate switch etc.

- FS approach: risk management, "Human in the loop", fitness, properness, organization, liability

- Data approach: transparency on data use, open data, public data repository

- Antitrust / Competition Approach: Digital Data Act etc.

- Foreign Direct Investment approach: limiting acquisitions and conglomerate bullding by foreign actors

- AI does not matter as long as it is "too small too care"

- AI poses Systemic Risks once it is "too large to fail"

- The "super apps"

    ⇒ Tipping point? Trigger factors?

    ⇒ ESAs' monitoring of size and dimension of AI- and data-driven activities

    ⇒ DG Fisma inquires into mixed FS and data activities

MAG Study on behalf of EC is forthcoming 2024.

Thank you!
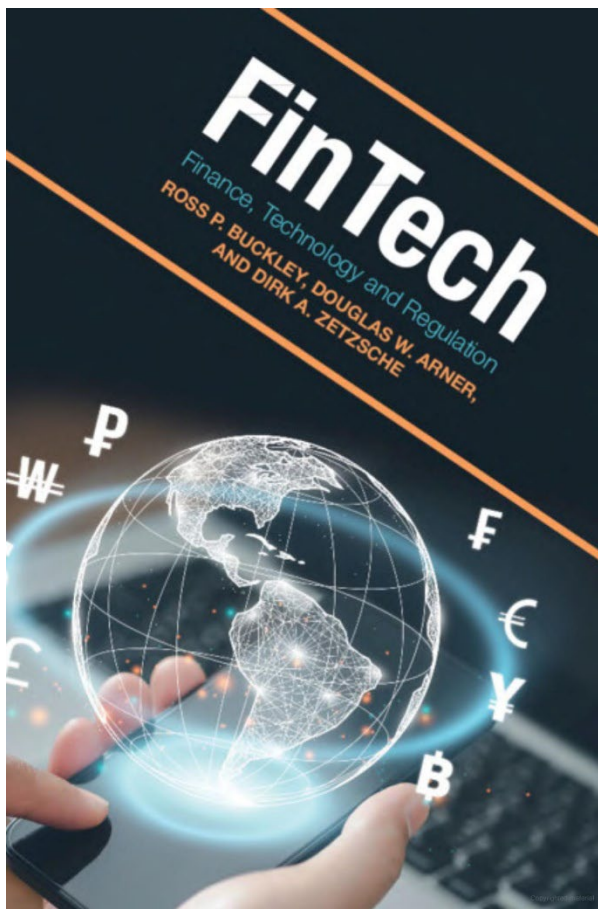
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www.ssrn.com/author=357808