

The power of AI: Insights from the CSSF and BCL thematic review

The Luxembourg Central Bank (BCL) and the Commission for the Supervision of the Financial Sector (CSSF) conducted a survey to understand the level of adoption of artificial intelligence (AI) and machine learning (ML) technologies in the Luxembourg financial sector.

With a fairly broad reach of the survey - in which 138 institutions supervised by the CSSF have taken part - the CSSF and the BCL intended to gather and then evaluate information on the digital strategy of the participating institutions, their investments (or lack thereof) in innovative technologies, and the adoption and specific use cases of AI and ML technologies.

Cognizant of a rather conservative nature of the financial sector's participants (firstly, banks), unsurprisingly, the survey revealed that AI and other innovative technologies are still at an early stage of adoption by the actors of the Luxembourg financial sector. APIs were the most adopted technology, followed by digital onboarding and then AI. However, there is an overall increase in investments across all categories of innovative technologies compared to previous years, with the highest investment increase allocated to ML technologies.

Another part of the survey focused on the adoption of AI and ML technologies, data science team organization, data governance, security, and robustness, among others. It was found that 30% of all respondents use AI technology, while 25% use ML. Interestingly, 83% of entities using AI also use ML, confirming that ML is the most used AI technology. The majority of data science teams in Luxembourg are small, and the skills required include data analysis, statistics, and IT programming.

Regarding the specific use cases of AI/ML technologies, AML/fraud detection, process automation and marketing/product recommendation were among the top areas reported.

Importantly, the survey also highlighted that the majority of respondents do not have specific AI related governance mechanisms such as an AI ethical policy or an ethic committee, while those having in place some arrangements from a traditional risk governance perspective (e.g. involvement of a data protection officer, the information security function and the risk function in the development process), would as well require improvements to address the AI-specific matters.

Overall, the survey provides valuable insights into the current state of AI and ML technology adoption in the Luxembourg financial sector and provides hope that the relevant actors will become more savvy in adopting and using such new innovative technologies. As AI and ML continue to develop and mature, we look forward to seeing how institutions continue to innovate and leverage these technologies to enhance their products and services.

Those interested in details of the results of the CSSF and BCL thematic survey may find it at the CSSF webpage at https://www.cssf.lu/wp-content/uploads/Thematic_report_AI.pdf

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