BANK OF ENGLAND

FCA FINANCIAL CONDUCT AUTHORITY

## Artificial Intelligence Public-Private Forum: Terms of Reference

### General context

1. Artificial intelligence (AI) and machine learning (ML) are increasingly important technologies in the financial services sector. In response to this, the Bank of England (the Bank) and Financial Conduct Authority (FCA) have committed to undertake work to better understand how these developments are driving change in financial markets, including business models, products, services and consumer engagement.

2. The Bank and FCA previously cooperated on a joint project to produce a snapshot of the application of AI/ML in UK financial services, which resulted in a report published in October 2019.[1][2] This report constituted a first step towards better understanding the impact of ML on UK financial services.

3. Building on this, the Bank and FCA are interested in further constructive dialogue with the private sector to better understand the use and impact of AI/ML, including the potential benefits and constraints to deployment, as well as the risks associated with the application of AI/ML.

4. As announced by Governor Carney in his Mansion House speech[3], the Bank and FCA are establishing a forum to facilitate this dialogue, as well as explore whether principles, guidance and/or industry good practice could support safe adoption of AI/ML.

### Introduction

5. These terms of reference (ToR) govern the work of the Artificial Intelligence Public-Private Forum (AIPPF). The nature and scope of the work of the AIPPF may evolve over time and these terms may be updated as appropriate.

6. The AIPPF will operate for twelve months, after which the co-chairs will take a decision regarding its continuation.

7. The Bank and FCA share practical duties relating to the governance and organisation of the AIPPF's activities. However, the AIPPF is independent of the Bank and FCA, it will not carry out responsibilities on behalf of either organisation, and does not seek to duplicate the work of trade associations or other industry fora.

### Purpose and scope

8. The AIPPF will provide a forum to further dialogue on AI/ML innovation, and explore means to support safe adoption of these technologies within financial services.

9. More specifically the AIPPF seeks to:

- Share information and understand the practical challenges of using AI and ML within financial services, as well as the barriers to deployment and potential risks.
- Gather views on potential areas where principles, guidance or good practice examples could be useful in supporting safe adoption of these technologies.

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[1] https://www.bankofengland.co.uk/report/2019/machine-learning-in-uk-financial-services
[2] https://www.fca.org.uk/publications/research/research-note-machine-learning-uk-financial-services
[3] https://www.bankofengland.co.uk/speech/2019/mark-carney-speech-at-the-mansion-house-bankers-and-merchants-dinner

- Consider whether ongoing industry input could be useful and what form this could take (e.g. considering an FMSB-type structure or industry codes of conduct).

10. The activities, discussions, and outputs of the AIPPF should not be taken as an indication of future policy by the Bank or FCA or considered binding for future policy work undertaken by either regulator.

## Activities and outputs

### Meetings and workshops

11. The AIPPF will meet at least four times (expected to be on a quarterly basis), with the Bank and FCA hosting alternate meetings.

12. The AIPPF may also choose to meet for additional workshops throughout the year to explore certain issues in more detail. In which case, and depending on availability, the co-chairs may nominate alternative senior colleagues from the Bank and FCA to chair these workshops.

13. Agenda and additional materials will be agreed by the co-chairs and will be shared by the Secretariat in advance of each meeting or workshop.

14. Summaries of meetings, including topics of discussion, will be published after each meeting by the Secretariat.

### Outputs

15. The AIPPF shall aim to advance understanding of the use of AI/ML in the financial sector, including potential benefits and risks arising from the application of these technologies. Therefore, the forum shall deliver a public document on its conclusion, which will summarise the key issues discussed, including:

- challenges that financial services firms face in the application of AI in financial services;

- examples of good practices in particular areas addressing some of the common challenges;

- possible/potential areas where principles, guidance or good practice examples might be beneficial to support AI innovation in financial services; and

- any areas where further clarity is required on how the regulatory framework applies to AI.

## Governance

16. The co-chairs, together with the members, will determine the agenda and specific topics to be discussed at each workshop.

17. The topics to be discussed will fall within the following three areas:

- Model risk management and validation;

- Data (types, origination, collection, management, quality)[4]; and

- Governance.

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[4] Data privacy will not be covered by the AIPP, given the Information Commissioner's Office is responsible for data protection laws and regulations, not the Bank and FCA.

18. Members can request and/or suggest specific topics to be included in meeting or workshop agendas. Any such request should be communicated to the Bank and FCA before the relevant meeting or workshop to which the agenda relates. The final content of any agenda will be decided jointly by the co-chairs.

19. The Secretariat will share with Members drafts of summaries and minutes of the discussions held during the meetings after each meeting. Members may communicate any comments or edits on the content to the Secretariat within one week of receiving the summary. The final content of any meeting summary will be decided jointly by the co-chairs.

## Reporting and accountability

20. The AIPPF is committed to being transparent with the wider industry about its work. Summaries and minutes of discussions will be published after each meeting.

21. The key outputs of the AIPPF will be published in a manner designed to bring them to the attention, in so far as practicable, of financial services market participants and other relevant stakeholders. This may include (but is not limited to) on the Bank and FCA websites.

22. Any non-public information disclosed or opinions expressed during AIPPF workshops will be treated as confidential unless and until the Members collectively have authorised their public release according to the majority opinion. Where there is no clear majority, the co-chairs will make the final decision with a combined vote.

## Membership

23. Participation in the AIPPF is at the invitation of the Bank and FCA, and is drawn from a broad range of firms active in working with artificial intelligence, alongside public authorities and academics. The selection process is set out in the annex to this document.

24. The AIPPF will comprise a diverse set of knowledgeable participants with relevant background and experience in working with artificial intelligence. Membership is on an individual basis and is dependent on individuals having relevant expertise to be able to contribute to the discussions and commit their own time to forum matters. A member who steps down cannot therefore automatically pass on their seat to a replacement within their organisation.

25. The members of the AIPPF may nominate senior staff with technical knowledge of AI/ML from their organisations to act as the regular, day-to-day points of contact for the Secretariat and to provide inputs for workshop agendas and papers.

26. The AIPPF will be co-chaired by Sir Dave Ramsden, Deputy Governor for Markets & Banking, Bank of England, and Christopher Woolard, Executive Director, Strategy and Competition, Financial Conduct Authority.

27. The AIPPF will be supported by a Secretariat, provided by the Bank and the FCA.

28. Observers may also be invited to attend AIPPF meetings/ workshops if and when it is considered helpful/necessary by the co-chairs. Any requests by firms or organisations to attend meetings/ workshops should be communicated to the secretariat in order to be considered by the co-chairs. Any request must be approved by the co-chairs.

**Responsibilities of Members, Co-chairs, Secretariat and Observers**

29. Members of the AIPPF are expected to:
    - attend physical meetings, including workshops, unless otherwise agreed with the Chair;
    - provide technical, analytical, and business perspectives and inputs to the discussions; and
    - act in a personal capacity and to contribute to the AIPPF with a view to furthering the interests of the market as a whole, rather than representing the views or interests of their individual organisations.

30. The Co-chairs are responsible for:
    - guiding and moderating the discussions in meetings;
    - inviting Observers to attend meetings and/ or workshops, where appropriate; and
    - obtaining members' agreement on proposed outputs.

31. The Secretariat will be responsible for:
    - the day-to-day organisation and coordination of the AIPPF's activities, including timely circulation of minutes after meetings and publication of summary minutes on the Bank and the FCA's websites;
    - preparation of the agenda and materials for the meetings, which may incorporate input from members; and
    - co-ordinating any outreach to other market participants and stakeholders, if required.

32. Observers may include representatives from the Information Commissioner's Office and the Centre for Data, Ethics and Innovation.

33. Observers will not take part in setting the agenda for workshops.

34. The AIPPF Members, Secretariats, Observers – collectively referred to as 'participants' – are responsible, individually and collectively, for making a good faith contribution to the effective achievement of the AIPPF's aims.

35. Each participant is responsible for complying with their legal obligations and respecting the legitimate interests of  participants' organisations.

36. It is the responsibility of all participants to ensure they understand and comply with their obligations under all applicable competition law. These include not disclosing any commercially sensitive information to competitors such as pricing or price planning, customer or market information or company strategy. The disclosure of commercially sensitive information may amount to a breach of competition law and could lead to prosecution not only of the firm disclosing the information but of other firms in the room, even if they remain silent.  To the extent that any participant is unclear about these, they should seek legal advice and if appropriate arrange to undertake competition law compliance training/seek further guidance at their respective organisations.

37. It is the responsibility of each participant to take its own legal advice on competition law, and of any organisation appointing a participant to ensure the participant receives appropriate training and guidance, in particular with a view to identifying commercially sensitive information and understanding what is and is not lawful.

38. Participants may request further protections for any data and information shared with the AIPPF. Participants may make requests either by communicating the request (i) directly to the Bank and FCA or (ii) to the Members and co-chairs for discussion at the next AIPP workshop.

39. It is the responsibility of any participant to ensure that they are confident in the level of protection for any information shared. If they are not satisfied then it is the participants' responsibility to not share any such information.

**Intellectual Property**

40. AIPPF Participants should be willing to be pragmatic around issues of intellectual property with regard to possible outputs.

41. The Participants agree in the first instance that the output of the AIPPF will be made publicly available. If full openness is not found to be viable by the Participants, further options may be explored.

42. Participants accept that by participating in the AIPPF they will not gain any ownership rights to any intellectual property in the output of the AIPPF.

43. Nothing in these terms is intended to affect any pre-existing intellectual property rights in material brought into the AIPPF by Participants. It is the responsibility of the relevant Participant to draw attention to intellectual property rights subsisting in information shared within the AIPPF.

**Data protection**

44. The Bank and the FCA are likely to be joint 'controllers' in respect of the personal data they process for the selection of members and the running of meetings for the AIPPF. In other respects the Bank and FCA is each likely to be a separate 'controller' with respect to their own processing of personal data in connection with the AIPPF.

45. The Bank and the FCA will collect the name, work email address, job title, name of organisation, and summary of role and experience, from individuals who submit an Expression of Interest in relation to the AIPPF. The Bank and FCA will also collect views, opinions and further personal data where this is shared either verbally or in writing (eg by using a 'chat' function) by individuals participating in online meetings for the AIPPF.

46. The information will be used by the Bank and FCA for the purpose of reviewing and assessing applications to become a member of the AIPPF, to communicate with members of the AIPPF and to advance the purposes of the AIPPF as set out more fully in these Terms of Reference.

47. The Bank and the FCA will process personal data where necessary for the performance of our tasks carried out in the public interest being the establishment of a forum to facilitate dialogue and to explore regulatory measures that may be taken to support the safe adoption of AI/ML. We may share your personal data with other members and with observers of the AIPPF where necessary for this purpose.

48. Safeguarding your personal data is important to the Bank and the FCA.  Your personal data will be stored on secure Bank and FCA systems with controlled access. The Bank and the FCA are committed to information security and we each use a range of layered information security measures to protect the data we hold. We will keep your personal data for so long as is necessary to facilitate the AIPPF or otherwise in accordance with the Bank's or FCA's applicable document retention policies, which are available [here](#) and [here](#). Information provided during an online meeting such as a 'chat' function may be recorded by the Bank and/or FCA and stored for up to two days.

49. You can request that we no longer use your personal data, by writing to us at the address below.

50. Further information about how the Bank processes personal data is set out in the Bank's Privacy Notice at: https://www.bankofengland.co.uk/legal/privacy.

51. Further information about how the FCA processes personal data is set out in the FCA's Privacy Notice.

52. Where the Bank or the FCA uses an online services provider to run meetings then the following further privacy information will apply:

- where Microsoft Teams is used: https://privacy.microsoft.com/en-gb/privacystatement;

- where Zoom is used: https://zoom.us/privacy.

Your rights

53. You have a number of rights under data protection laws. To contact an organisation about those rights, including making a request for the personal data the organisations hold about you, please see the relevant website above. You can also report concerns to the Information Commissioner's Office, the regulatory authority for data protection in the UK. Contact details can be found on their website.

More information

54. Each organisation's Data Protection Officer can be contacted via the details above.


**Disclaimer**

55. Neither the Bank nor FCA, or any of their staff, officials, or representatives, including but not limited to the AIPPF co-chairs, are responsible for any views or statements expressed by other Participants.

56. Views expressed by the AIPPF in its outputs may not reflect the views of the Bank or FCA.

57. The activities, discussions, and outputs of the AIPPF should not be taken as an indication of future policy by the Bank or FCA. Bank and FCA policy positions will continue to be developed and communicated in accordance with the usual governance and public consultation procedures of the two organisations.

**ANNEX 1: SELECTION PROCESS AND CRITERIA**

**Selection process**

1. The Bank and FCA will put out a call for Expressions of Interest on [6 January] 2020 with a closing date of [7 February] 2020.

2. Applicants will be asked to provide a brief summary (no more than 1 page of A4) of their role and experience in working with artificial intelligence, as well as the use of artificial intelligence within their organisation. Applicants will also be asked to provide a specific example (no more than ½ page of A4) of a challenge related to the use of artificial intelligence in their organisation, as well as one suggested topic for a potential workshop.

3. The Bank and FCA will review all applications and, using the criteria in Annex 1, select c.15 Members to form the AIPPF.

**Selection criteria**

As a guide, the Bank and FCA will consider the selection criteria set out below in evaluating applicants. In addition to these criteria the Bank and FCA will consider the overall balance of the forum in terms of representation of sectors, areas of expertise and individual characteristics.

4. Knowledge and experience. The member should be a knowledgeable and experienced professional from a financial services firm, a technology firm active in financial services, a university, a registered charity or non-government organisation. They should have first-hand professional experience working with artificial intelligence (AI) and machine learning (ML), including a grasp of the technical aspects.

5. Organisation's use of AI. AI is being used or developed at scale or in a significant way within their organisation. The AIPPF will focus on identifying and sharing insights on the practical challenges, of using artificial intelligence and machine learning within financial services, as well as the potential risks and barriers to deployment. This requires bringing together individuals who face these issues directly as a core aspect of their role or indirectly as part of their research and/or academic work.

6. Understanding of regulatory perspective. It is preferable if the member can demonstrate understanding of regulatory perspective and policy making issues related to the use of artificial intelligence in financial services.

7. Resources. It is important that the member is able to commit sufficient time and resources to the project. The required commitment will include attendance at four meetings, as well as additional workshops, and preparatory work. Members will also need to provide input into meeting and workshop agendas and papers (potentially at working level from within their organisations).

8. Diversity. They should contribute to the overall diversity of members and the institutions they come from. The AIPPF will reflect diversity in all its forms both in terms of individuals and also of firms represented. With the latter, this means that a variety firms based on size, geography, nature of business, etc. may be selected.

**Composition and participation**

Members

9. The AIPPF will consist of a group of Members from the public and private sector. Membership will be as representative as possible of the UK financial sector, including firms of varying size, business model, and maturity of approach to the use AI/ML in financial services.

10. Members are expected represent instituions from a range of sectors, including (but not limited to):

- Academia

- Asset and investment management

- Banking

- Financial Market Infrastructure

- Fintechs

- Insurance

- Non-Governmental Organisations / Think Tanks

- Third-party providers / technology service providers