

## Recap of the panel session:

# *"Big Data meets artificial intelligence: a perfect storm for financial markets, supervisors and sustainable development"* – TC's Executive Panel at the 2019 IMF/WB Annual Meetings

Friday, October 18, 2019 | **Video**

Another well-received panel session by TC! Senior officials from around the world, including governors and deputy governors of central banks, financial sector supervisors/regulators, the IMF, the WBG, NGOs, and international development agencies attended Toronto Centre's Executive Panel at the IMF-World Bank Annual Meetings on Friday, October 18, 2019 in Washington, DC.



From left to right: **TOBIAS ADRIAN**, Financial Counsellor and Director, Monetary and Capital Markets Department, IMF; **ADITYA NARAIN**, Deputy Director, Monetary and Capital Markets Department, IMF and Board Member, Toronto Centre; **CURTIS RAVENEL** Global Head, Sustainable Business and Finance, Bloomberg and Member, Secretariat for the FSB Task Force on Climate-Related Financial Disclosures; **CECILIA SCHARP**, Assistant Director-General, Swedish International Development Agency (SIDA); **SOCORRO HEYSEN**, Superintendent, Peru's Banking, Insurance & Private Pension Funds; **GREG MEDCRAFT**, Director, the Directorate for Financial and Enterprise Affairs OECD; **LISA DAVIS**, Managing Director, Treasury and Trade Solutions, Citigroup; **BABAK ABBASZADEH**, President & CEO, Toronto Centre.

**Cecilia Scharp**, Assistant Director-General, Swedish International Development Agency (SIDA) delivered brief opening remarks, followed by a brief keynote address by **Tobias Adrian**, Financial Counsellor and Director, Monetary and Capital Markets Department, IMF. Focusing on the priorities of their respective institutions, their remarks were stimulating and set the stage for the panel discussion that followed.



**CECILIA SCHARP**, Assistant Director-General, Sida



**TOBIAS ADRIAN**, Financial Counsellor and Director, MCM, IMF

The discussion was once again skillfully moderated by **Aditya Narain**, Deputy Director, Monetary and Capital Markets Department at the IMF, and Board Member at Toronto Centre.



Four distinguished senior panelists examined the opportunities and risks that big data and artificial intelligence bring to the financial system and sustainable development.

**Key highlights included:**

**Greg Medcraft**, Director, the Directorate for Financial and Enterprise Affairs OECD, and former Chair of IOSCO, noted that some new technological innovations will transform the economy and the financial sector. The scale of transformation is increasing, and as we have more data, we will have more potential for application of AI. He listed robo-advisors as an example that is benefiting retail investors, and their importance in increasing accessibility and efficiency in the system. AI helps analyze the data by looking at the patterns in order to promote efficient and sustainable markets through better understanding. He also discussed how AI is being used by governments around the world to fight corruption, standardize operations, and decrease costs and risks. Greg stated that *“AI and big data analytics are set to transform the digital economy and the financial sector.”*

**Socorro Heysen**, Superintendent or Head of Peru’s Banking, Insurance & Private Pension Funds highlighted the concerns of financial sector regulators and supervisors regarding financial stability risks that could be derived from Big Data and AI. It is critical for supervisors to keep up with developments, maintain a favourable environment for innovation, and at the same time be focused on their main role, which is to protect the citizens who use financial services. She summarized those concerns under five categories: (i) concentration risk (ii) data and model risk (iii) cyber risk (iv) consumer protection, and (v) the obstacles for effective supervision. She also elaborated on how credit risk modelling shifted from the traditional approach to a new approach which also raises more concerns. She agreed that Big Data and AI improve modelling accuracy and reduce costs, thus increasing financial inclusion, however, regulators should establish criteria for proper governance and oversight. Socorro stated, *“we as supervisors should develop skills to cope for new challenges as big data and AI models supervision.”*

**Lisa Davis**, Managing Director, Treasury and Trade Solutions, Citigroup mentioned that there is a lot of hype around Big Data and AI; it is a long journey of deep understanding, governance, and digitalizing data. Understanding the data is the first step, and financial institutions must address these hurdles. She highlighted the existing data quality issues that occur daily and described the Big Data and AI development as an augmenting process rather than replacement. Most organizations have set up very strong data governance and own the data. Currently AI’s usage is very narrow, mostly for specific actions like advising. It is a challenge for financial institutions to incorporate these new developments into the existing processes, and she emphasized that it is important to know what to do with developments in Big Data and AI, what to ask the experts to better harness the potentials, and to incorporate it to the everyday process. Lisa stated that *“if data is truly the new oil, it must first be properly extracted, refined, digitized and governed, in order for it to reach its full potential.”*

**Curtis Ravenel**, Global Head, Sustainable Business and Finance at Bloomberg, and Member of the Secretariat for the FSB Task Force on Climate-Related Financial Disclosures (TCFD), briefly talked about the history of TCFD including its purpose and how it has elevated the conversation outside of the sustainability world and into the CFO and CIO’s office. He underscored that there will be a change in analysis and improvement in our ability to measure risks due to the rise of Big Data, AI, machine learning, and natural language processing; satellites that pinpoint asset-level data; and climate modeling for ‘Value at Risk’. He also explained that scenario analysis is basically testing for resilience of companies’ business strategy. Curtis stated that *“in an age of hyper transparency, the question for companies is whether they want to own their narrative. If they chose not to disclose, big data and AI will construct one for them.”*

**WATCH THE ENTIRE DISCUSSION:** <https://vimeo.com/torontocentre/review/368295386/266c939e2d>