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**Joint announcement: A new inter-ministerial team is exploring the use of artificial intelligence in the financial sector**

Topic Department of Economic Law

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**The team, which is comprised of representatives of the Ministries of Finance, Justice, financial regulators and the Competition Authority, will deal with the regulatory and legal implications of the use of artificial intelligence on financial activities and services and formulate recommendations concerning, among other matters, the promotion of innovation, the removal of barriers, the need for regulation and the manner of its design**

A new inter-ministerial team, consisting of representatives of the Ministries of Finance, Justice, the Securities Authority, the Supervision of Banks, the Capital Market Authority and the Competition Authority, has begun to examine the issue of the uses of artificial intelligence in the financial sector. The team will examine in depth the potential of the activity, the barriers and risks, and formulate recommendations regarding the limits of the use of artificial intelligence in the financial sector. In recent years, the use of artificial intelligence technologies and automated systems has expanded in the financial sector, and it currently encompasses a variety of activities. Data-based computer systems are increasingly used for forecasting processes, making recommendations or making automatic decisions. In doing so, these systems perform, or help to perform, tasks that were previously done by humans, while exercising judgment, such as the maintenance of interfaces with customers and making decisions regarding the very provision of the service to the customer, the nature of the service and its conditions.

The use of artificial intelligence and computerized processes that assist in decision-making in the financial sector may embody many benefits, including offering better products and services to customers, encouraging competition, saving costs, and improving the business activity and risk management of financial entities. On the other hand, it may pose considerable regulatory and legal challenges, some of which have unique characteristics, in aspects such as dealing with concerns regarding privacy and information security, biases in decision-making, consumer protection and harm to competition. Naturally, the development of the uses of artificial intelligence in the financial sector raised various issues that the financial regulators began to examine in the last year. Since these are cross-cutting issues, there is room to hold a joint discussion and thinking between the regulators and coordinate positions regarding these issues.

Last July, a team of researchers from Tel Aviv University published an academic report that reviewed the common uses of artificial intelligence in the financial sector, following a call published by the Ministry of Justice on the subject. The report presented the common uses of the technology, analyzed the opportunities and challenges involved and reviewed how countries and international organizations were preparing for the challenges and opportunities inherent in the use of artificial intelligence in financial activities.

The establishment of the team will be an alignment with other advanced countries of the world, where similar teams have been established, some of which have even begun to advance in the areas of legislation and regulation. The team's work is also integrated into the Government's work on the issue of artificial intelligence, including the ethical and regulatory aspects.

The team will engage in knowledge sharing between the regulators, will seek a position from a wide range of parties in Israel and the world dealing with artificial intelligence as well as from the general public, will consult with other relevant parties in the Government dealing with the issue, and will examine in depth the regulatory issues that arise in this matter.

At the first phase of its activity, the team intends to focus on uses and models related to credit underwriting and insurance, management of investment portfolios and consulting operations.

**The team is due to submit its recommendations by October 2023.**

The team is headed by Adv. **Amir Wasserman**, the legal counsel of the Securities Authority, and Adv. **Sarit Pelver**, coordinator at Consultation and Legislation (Economic Law), Ministry of Justice. In addition, the team members include Mrs. **Ilanit Madmoni**, Director of the Financial Technology Innovation Unit at the Supervisor of Banks, Mrs. **Yael Regev**, Senior Advisor to the Capital Market Commissioner and Director of the Information and Cyber Technologies Department at the Capital Markets, Insurance and Savings Authority, Adv. **David Kopel**, Deputy Legal Counsel at the Ministry of Finance (acting), and Adv. **Tuvi Harris**, Head of Finances Team, Markets Department of the Competition Authority. Adv. **Tom Goldreich** from the International Department of the Securities Authority coordinates the team's work.

Files for downloading:

Artificial intelligence in the financial sector: Common uses, challenges and comparative survey of regulatory management.

File type: pdf. Size: 2.18 Mb