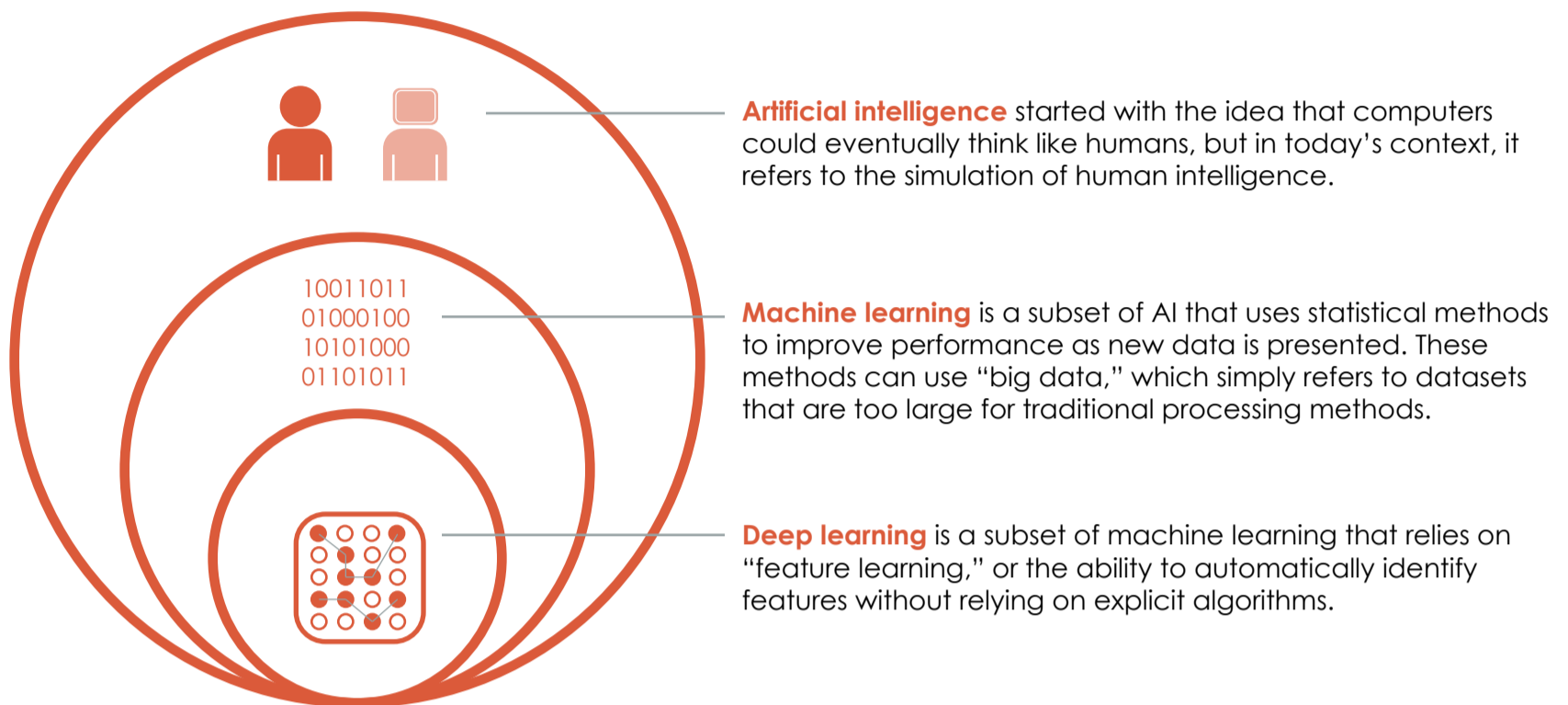


# AI in Financial Services: Tips for Risk Management

Artificial intelligence (AI) solutions are increasingly popular among asset managers, because they accelerate decision-making through automation and create efficiencies. However, increased use of AI and advanced data analytics may change how risks are assessed for compliance purposes, and could pose other risks to funds.

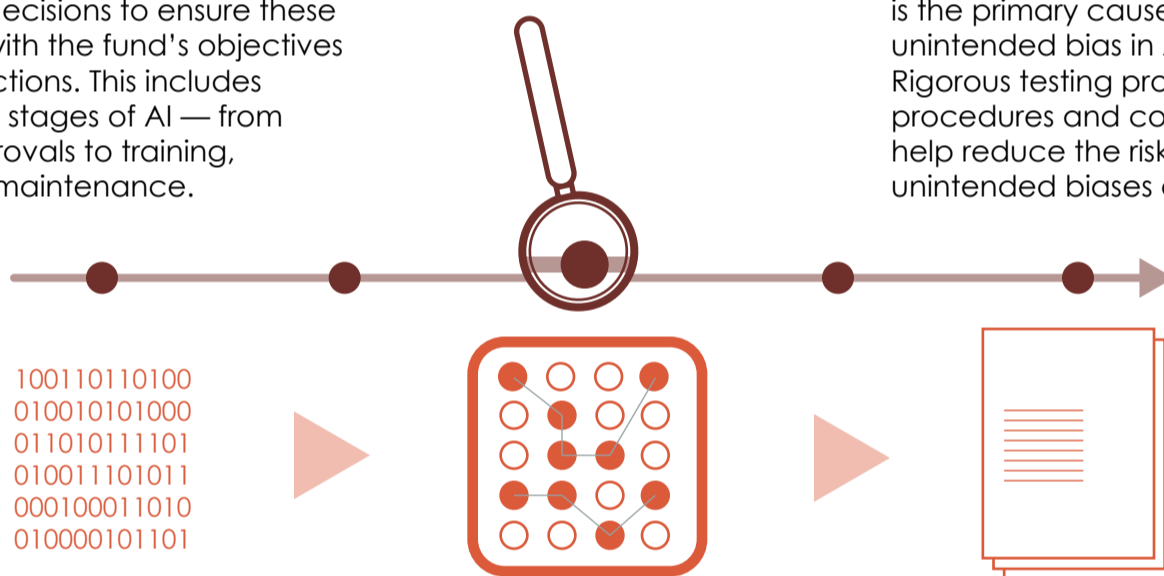
## Key Terms



## Building a Responsible AI Framework

**Accountability:** Funds must be able to maintain and demonstrate sufficient control over AI decisions to ensure these decisions align with the fund's objectives and client instructions. This includes documenting all stages of AI — from testing and approvals to training, monitoring and maintenance.

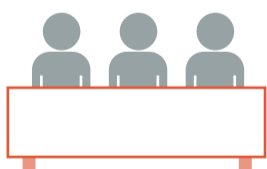
**Bias:** Feeding algorithms with incomplete or incorrect data is the primary cause of unintended bias in AI outputs. Rigorous testing processes, procedures and controls can help reduce the risk of unintended biases and errors.



**Transparency:** With AI, the connection between inputs and outputs is not always clear. To avoid loss of trust by users, adding transparency and explainability to the modelling process is key.

**Data Integrity:** AI refines decisions over time, and decisions are only as good as the inputs. AI's effectiveness depends on the availability of sufficient, high-quality data.

**Errors:** Since AI programs are designed to "learn" from inputs, any error that occurs can quickly turn into a large-scale problem. Procedures should exist to document and identify faulty logic or reasoning, along with remediation protocols.



**Governance:** Rapid technology evolution requires corporate governance to stay abreast. Regulators will expect funds to have in place robust and effective governance and controls, including a risk management framework.



**Security:** Increased dependency on AI may introduce additional security vulnerabilities. Funds should have in place appropriate procedures for rigorous validation, continuous monitoring, verification and "adversarial" testing — as well as limiting access to AI systems.



**Insurance:** AI-related risks are increasingly managed with appropriate insurance coverage, yet insurers can perceive AI as a risk multiplier. AI changes how insurers and funds alike analyze risks they have already identified.

**Cost:** AI might not always be the most cost-efficient solution once other risks have been assessed. AI solutions may also require skilled technical staff to design, maintain and run the systems.

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