

Deutsche Börse Group (DBG) welcomes the opportunity to comment on the IOSCO consultation report on “*Artificial intelligence in Capital Markets: Use Cases, Risks, and Challenges*”. As a financial market infrastructure provider, we see the work of IOSCO as extremely valuable in ensuring the application of innovative technological solutions in a gradual and tested manner guaranteeing transparency, stability, and investor protection at all times.

We see the advantages of artificial intelligence in capital markets in improving internal processes, increasing operational productivity, strengthening resilience/compliance, or anticipating future trends. From our point of view, most of activities/services performed by the AI applications in the European financial sector would be regulated by already existing rules and legislation (e.g., the AI Act, DORA). It is now quintessential to uphold the same or approximately the same high standards on the international level that would ensure a level playing field between jurisdictions and incentivize safe and responsible application of AI tools across the financial industry.

Therefore, we are of the view that the “*same business, same risk, same rules*” principle should apply to the use of AI tools in capital markets. As a prerequisite to developing AI models, financial industry participants need to have a solid data governance detailing what data is fed in, who owns the data (copyrighted data ought not to be used in training AI models), and permission to make changes during the data lifecycle.

With that being said, DBG has identified several aspects of AI use that warrant retaining a “*human in the loop*” and autonomy over final decision making to avoid outcomes with *negative* financial consequences (e.g., credit allocation, trading strategies, etc.).

Lastly, we recognize high entry barriers to the AI application, due to the large upfront investments needed to develop AI systems internally, that might lead to over reliance on a few third-party AI providers and a market concentration. However, at the moment we do not observe high concentration amongst a small number of market participants but in case that changes, concentration and herding risks would need to properly be addressed to avoid suboptimal business practices and lack of transparency as a byproduct of concentrated market power.