

Note : Below are extracts from significant technology articles with an AI theme, published by The Financial Times ( 6<sup>th</sup> December 2023) and The Irish Times ( 9<sup>th</sup> December 2023) as referenced below.

## **BlackRock to roll out first generative AI tools to clients next month while EU agrees ‘historic’ deal with world’s first laws to regulate AI.**



## **BlackRock to roll out first generative AI tools to clients next month.**

In a recent Financial Times report, Masters, B (2023) reveals that Blackrock, the world’s largest asset manager, plans to gain an edge over its competitors by adopting new AI technology and capabilities, initially using it to draft material that will require quality checks:

BlackRock plans to roll out generative artificial intelligence tools to clients in January as part of a larger drive to use the technology to boost productivity, the \$9.1tn asset manager told employees on Wednesday. The world’s largest money manager said in a memo to staff that it has used generative AI to construct a “co-pilot” for its Aladdin and eFront risk management systems. Clients will be able to use BlackRock’s large language model technology to help them extract information from Aladdin. Companies around the world are racing to use generative AI to create new products and mine proprietary data for financial advantage. BlackRock, which already draws more than 8 per cent of revenue from technology services, is aiming to get ahead of its asset management peers. “GenAI will change how people interact with technology. It will improve our productivity and enhance the great work we are already doing. GenAI will also likely change our clients’ expectations around the frequency, timeliness, and simplicity of our interactions,” according to the memo from Rob Goldstein, chief operating officer; Kfir Godrich, chief innovation officer; and Lance Braunstein, head of Aladdin Engineering.

BlackRock is also building tools to help its investment professionals gather financial and other data for research reports and investment proposals, as well as a language translator, according to the memo. Additionally, in January, it will start deploying Microsoft's AI add-on to Office 365 productivity software across the company. In all cases, the AI would be producing "first drafts" that must go through normal quality control, and all data would remain inside BlackRock's "walled garden" rather than being shared with users of open access generative AI programmes, the memo said. The firm also aims to use the technology to democratise coding more broadly. BlackRock executives believe that using AI this way will help the money manager cut fixed costs and boost margins. "Large language models and automation allow us to really scale the time and energy of our people, such that we can drive more productivity gains into 2024 and beyond," Martin Small, chief financial officer, said at the Goldman Sachs US Financial Services Conference on Tuesday.

Masters, B (2023)

According to Masters, B (2023), Blackrock are not alone in this quest to adopt artificial intelligence for its business operations and client interface, but there are recognized limitations currently, such as credit scoring and customer access to financial products:

Other financial services companies are also experimenting with AI tools both internally and for clients. Several banks, including Bank of America and Wells Fargo, offer AI-powered chatbots to help retail customers manage their finances. Citigroup is using large language models to improve developer productivity and test for software vulnerabilities — but not for credit scoring or other applications that affect customer access to financial products, chief executive Jane Fraser said Tuesday in prepared testimony for a congressional hearing.

Masters, B (2023)



Meanwhile the EU has stolen a march on the rest of the world in relation to a legal framework designed to protect and regulate Artificial Intelligence across the bloc. In her report, O'Carroll, L. (2023) explains how this landmark 'AI Act' puts the European Union ahead of China and the US in the race to regulate AI:

The world's first comprehensive laws to regulate artificial intelligence have been agreed in a landmark deal after a marathon 37-hour negotiation between the European Parliament and EU member states. The agreement was described as "historic" by Thierry Breton, the European Commissioner responsible for a suite of laws in Europe that will also govern social media and search engines, covering giants such as X, TikTok and Google.

Mr Breton said 100 people had been in a room for almost three days to seal the deal. He said it was "worth the few hours of sleep" to make the "historic" deal. Carme Artigas, Spain's secretary of state for AI, who facilitated the negotiations, said France and Germany supported the text, amid reports that tech companies in those countries were fighting for a lighter touch approach to foster innovation among small companies.

The agreement puts the EU ahead of the United States, China and the UK in the race to regulate artificial intelligence and protect the public from risks that include potential threat to life that many fear the rapidly developing technology carries. Officials provided few details on what exactly will make it into the eventual law, which would not take effect until 2025 at the earliest.

O'Carroll, L. (2023)

The point made by O'Carroll, L. (2023) is that this EU AI Act is more than just a set of rules on how to adopt and regulate the AI environment, in that it can become the launch pad for business start-ups and various research organisations as well. However, O'Carroll does stress that certain areas of note, namely surveillance and biometric technologies, warranted long negotiation to get to this point:

The political agreement between the European Parliament and EU member states on new laws to regulate AI was a hard-fought battle, with clashes over foundation models designed for general rather than specific purposes. But there were also a protracted negotiations over AI-driven surveillance, which could be used by the police, employers or retailers to film members of the public in real time and recognise emotional stress.

The European Parliament secured a ban on use of real-time surveillance and biometric technologies including emotional recognition but with three exceptions, according to Mr Breton.

It would mean police would be able to use the invasive technologies only in the event of an unexpected threat of a terrorist attack, the need to search for victims and in the prosecution of serious crime. MEP Brando Benifei, who co-led the parliament's negotiating team with Dragoş Tudorache, the Romanian MEP who has led the European Parliament's four-year battle to regulate AI, said they also secured a guarantee that "independent authorities" would have to give permission to "predictive policing" to guard against abuse by police and the presumption of innocence in crime.

"We had one objective to deliver a legislation that would ensure that the ecosystem of AI in Europe will develop with a human-centric approach respecting fundamental rights, human values, building trust, building consciousness of how we can get the best out of this AI revolution that is happening before our eyes," he told reporters at a press conference held after midnight in Brussels. Mr Tudorache said: "We never sought to deny law enforcement of the tools they [the police] need to fight crime, the tools they need to fight fraud, the tools they need to provide and secure the safe life for citizens. But we did want – and what we did achieve – is a ban on AI technology that will determine or predetermine who might commit a crime."

O'Carroll, L. (2023)

O'Carroll, L. (2023) attempts to describe the levels of EU AI regulation and how that will play out, but in simple terms, stresses that the EU is determined not to make the mistakes of the past, where there was an absence of regulation and clear legal boundaries for published content on tech giants' social media platforms:

The foundation of the agreement is a risk-based tiered system where the highest level of regulation applies to those machines that pose the highest risk to health, safety and human rights. In the original text it was envisaged this would include all systems with more than 10,000 business users. The highest risk category is now defined by the number of computer transactions needed to train the machine, known as "floating point operations per second" (Flops).

Sources say there is only one model, GPT4, that exists that would fall into this new definition.

The law tier of regulation still places major obligations on AI services including basic rules about disclosure of data it uses to teach the machine to do anything from write a newspaper article to diagnose cancer. Mr Tudorache said: "We are the first in the world to set in place real regulation for AI, and for the future digital world driven by AI, guiding the development and evolution of this technology in a human-centric direction."

Previously he has said that the EU was determined not to make the mistakes of the past, when tech giants such as Facebook were allowed to grow into multibillion dollar corporations with no obligation to regulate content on their platforms including interference in elections, child sex abuse and hate speech.

O'Carroll, L. (2023)

## References

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EON- 13-12-23