AI in Capital Markets: Top 5 Ethical Risks

As artificial intelligence (AI) becomes more embedded in financial decision-making, how can we ensure it’s bringing real value to clients? These 5 key concerns must be addressed:

1. Explainability
   - AI is often a black box – opaque and complex to explain and understand.
   - But explainability is critical for trust, end-users must feel confident engaging with predictions.

2. Bias
   - Data, and people, can be unintentionally biased and that can adversely influence AI models.
   - There are documented cases where racial bias has been detected in AI systems, for example.
   - Discriminatory bias can significantly erode trust.

3. Competitive market dynamics
   - Automation and using AI to generate deeper trading insights is opening up new competitive dynamics in markets.
   - Greater competition could lead to issues stemming from collusion, market dominance, or mergers.

4. Robustness
   - Robustness, or reliability, is essential for AI used in capital markets.
   - Robustness refers to the AI model’s sensitivity to any inputs that might result in incorrect predictions or results.

5. Data security and privacy
   - AI is heavily reliant on large quantities of data, and without proper controls, data can be corrupted.
   - Addressing privacy concerns while leveraging large datasets is also a challenge – risks include the exposure of personal identifiable information.

Building the future

RBC Capital Markets is committed to building better AI. Discover more about our approach to responsible and explainable algorithms in our article: Responsible and Explainable AI: Exploring the Future of Trading.

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4. https://www.schreuders.com/blog/2016/02/10/the-eu-and-us-are-starting-to-align-on-ai-regulations/