RBI Sets Up Committee for Ethical AI in Finance

- Recently, **RBI has established an eight-member committee** to develop a **Framework for Responsible and Ethical AI (FREE-AI)** adoption in the **financial sector**.
- The committee is chaired by **Professor Pushpak Bhattacharyya** from IIT Bombay and consists of **specialists from academia, government, and industry**.
- **Objectives** of the committee include:
  - Assessing the current **global and Indian adoption** of AI in financial services.
  - **Reviewing regulatory and supervisory approaches** to AI in the financial sector worldwide.
  - Identifying potential **risks of AI** in finance, recommending evaluation, mitigation, and monitoring frameworks.
- The committee will recommend a **governance framework** for the ethical adoption of AI in financial institutions such as **banks, Non-Banking Finance Companies (NBFCs), and FinTechs**.
- The initiative aligns with the **RBI's focus** on incorporating AI responsibly within India's financial ecosystem.
- The **FinTech Department** at the **Central Office** of the **Reserve Bank of India** will offer secretarial assistance to the Committee.

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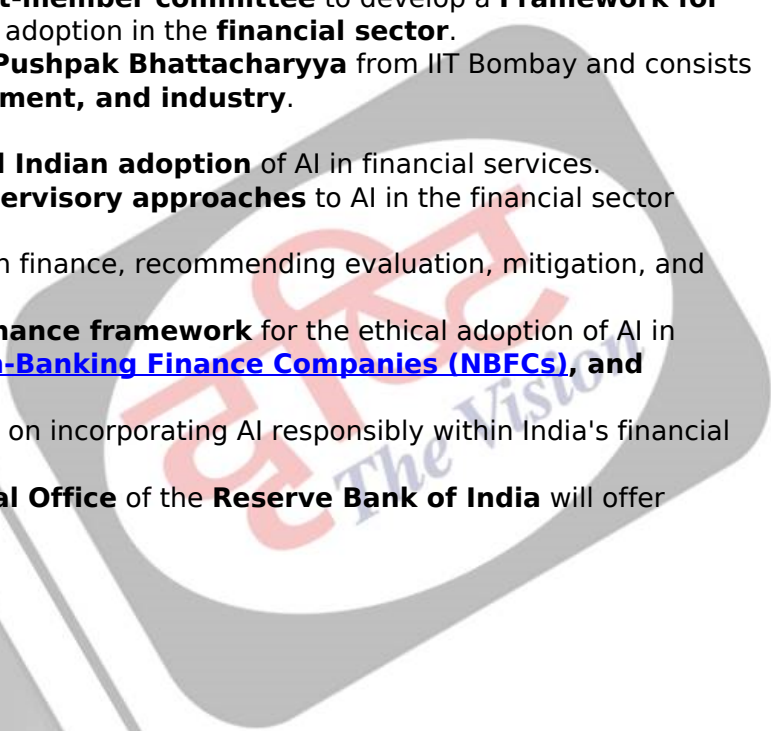
Artificial intelligence(AI)

AI is the simulation of human intelligence in machines programmed to think and learn like humans, capable of problem-solving, reasoning, and adapting to new information.

AI Timeline - Major Milestones

- **1950s** — Turing Test Proposed; First AI Programs Developed
- **1956** — Dartmouth Conference Coins "Artificial Intelligence"
- **1960s** — Eliza Chatbot Created; Early Neural Networks Emerge
- **1996** — Deep Blue - a Chess-Playing Program
- **2012** — Deep Learning Breakthrough in Image Recognition
- **2014** — Generative Adversarial Networks (GANs) Introduced
- **2020** — GPT-3 Demonstrates Advanced Language Generation
- **2022** — Chatgpt Launches, Bringing Conversational AI to Masses
- **2023** — Generative AI Boom; Major Tech Companies Release AI Models

KEY COMPONENTS OF AI

- Machine Learning
- Deep Learning
- Cognitive Computing
- Neural Network
- Computer Vision
- Natural Language Processing (NLP)
- AI

Drishti IAS

Applications of AI

- **Healthcare:** Personalised medicine
- **Finance:** Algorithmic trading
- **Transportation:** Autonomous vehicles
- **Marketing & Customer Service:** Targeted advertising, chatbots
- **Education:** Adaptive learning systems, personalised tutoring
- **Agriculture:** Crop monitoring
- **Cybersecurity:** Threat detection
- **Energy:** Smart grid management, consumption forecasting

Concerns

- Deepfakes & misinformation
- Privacy issues
- Algorithmic bias
- Data ownership & liability issue
- Automation & job displacement
- Ethical decision-making complexes

## Regulating AI

- **Global Partnership on AI (GPAI)** launched in 2020
- **Bletchley Declaration (2023):** Enhance Global Collaboration on AI
- **G20 New Delhi Leaders' Declaration (2023):** Harnessing AI responsibly for good and for all
- **Hiroshima AI Process (2023)** by G7

India and AI

- **National Strategy For AI 2018**
- **AI For All:** Self-learning online program
- **GPAI Summit 2023** hosted by India
- **IndiaAI Mission 2024**
- **US India Artificial Intelligence (USIAI) Initiative:** AI cooperation in critical areas
- **AIRAWAT** (AI Research, Analytics and Knowledge Assimilation Platform): Supercomputer
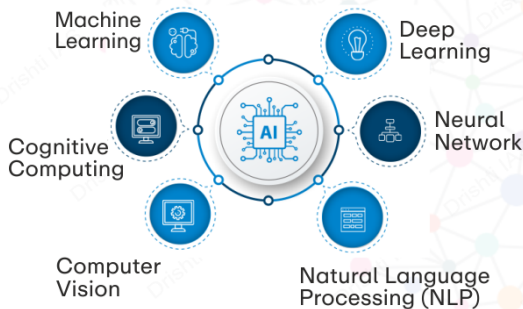
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