

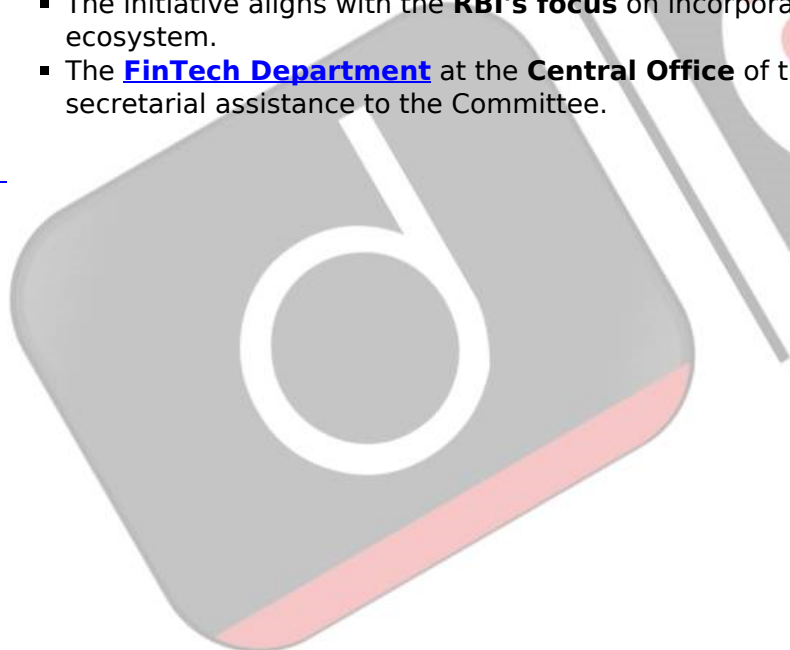


## RBI Sets Up Committee for Ethical AI in Finance

[Source: ET](#)

- 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



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

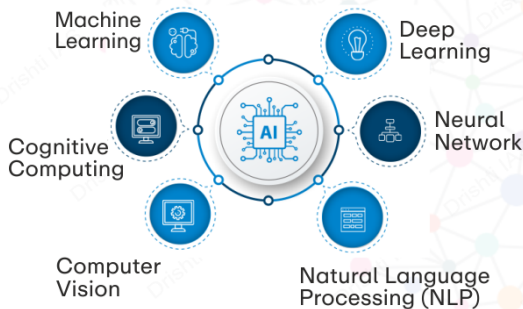
## Regulating AI

- ↳ **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

## KEY COMPONENTS OF AI



Read More: [RBI's Five Strategic Priorities for India's Financial Future](https://www.drishtias.com/printpdf/rbi-sets-up-committee-for-ethical-ai-in-finance)