

Disruptive Technology, Part 2: Where's the Risk?

JULY 12, 2019

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The financial services industry is embracing disruptive technology, but executives are also aware of the potential risks it can bring, according to a study conducted by ALM's *Corporate Counsel* on behalf of Winston & Strawn.

The survey found that the level of perceived legal risk depends on the specific technology in question. AI is the area of greatest concern, with 51% of companies seeing it as a significant source of risk. Slightly fewer (50%) cited social banking and P2P lending, which bring the potential for shifting business models, while 42% cited blockchain, where there is still a lot to learn. On the other end of the spectrum, only 34% see significant risk in facial recognition and biosecurity technologies, and 18% see no risk at all in that area.

Concerns about AI risk may stem from the fact that AI is a high-profile technology but one that still holds a number of unknowns—which may be troubling for companies that see it having an increasingly significant role throughout the business. In particular, bias in AI-enabled loan underwriting was cited by 45% of respondents as a risk—presumably because financial services companies are aware of studies that have shown that bias can creep into AI loan underwriting, highlighting the potential for unintended consequences with powerful technology. They also know that it can be difficult to explain how AI systems—which are often opaque, “black box” technologies—produce their recommendations, which is likely to gain the attention of regulators.

Read the full article [here](#). This article is the second in a three-part series exploring executives' perspectives on disruptive technologies in the financial services industry. The [first installment](#) looked at how the industry is using these technologies.

In February 2019, ALM's *Corporate Counsel*—in conjunction with Winston & Strawn—conducted a survey to capture the thoughts and opinions of legal and IT professionals regarding the legal and regulatory impact of disruptive technologies in the financial services industry. As a result of that survey, Winston & Strawn partners Basil Godellas, Amanda Groves, Susannah Torpey, and Danielle Williams co-authored [a white paper entitled Disruptive Technology: Understanding the Risks and Rewards](#).

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