8th Private Banking Day
Speech by Mr Grégoire Bordier
Chairman
Association of Swiss Private Banks
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Your Excellencies,
The Dean of the Faculty of Law of the University of Geneva,
The President of the Swiss Bankers Association,
The Banking Ombudsperson,
Esteemed colleagues and friends,

Welcome to this eighth edition of the Private Banking Day, organized jointly by the Association of Swiss Private Banks, which I have the honour of chairing, and the Association of Swiss Asset and Wealth Management Banks. We are pleased that so many of you have joined us today at the Maison de la Paix in Geneva. We are especially thankful to our partners, the Swiss Bankers Association, the Geneva Financial Center Foundation, the Geneva Chamber of Commerce, Industry and Services, and the Fédération des Entreprises Romandes, for kindly forwarding our invitation to their respective members. I am delighted about our collaboration with the University of Geneva, and happy to see several students and professors in the audience today. I would like to acknowledge the presence of Professor Giovanna Di Marzo Serugendo, who helped promote this event and, especially, helped us select two students among the about 150 specialising in computer science and information systems in Geneva, who will present their work to us next.

As you could see in the short introductory video, artificial intelligence has already made huge progress. The robot's voice is inspired from Sam Altman's, CEO of Open AI, and one could think that the robot is able to understand, think and decide. However, I find this term of artificial intelligence, which was coined in 1956 by John McCarthy, somewhat misleading, as it does not refer to a form of creative intelligence. Even in its most recent, generative iteration, artificial intelligence is still no more than a computer program, a tool.

But what a tool it has become! Thanks to the exponential growth in computing power, the increased availability of data, and the efficiency of algorithms, a network of processors is now capable of processing more data – and do so much faster – than a human brain.

Generative artificial intelligence is based on the law of probabilities, among others. The output reflects the most frequent concatenations in the data used to train the model. This training phase requires extensive human intervention to correct and redirect the program. Though its “knowledge” may appear impressive, generative artificial intelligence is still devoid of "common sense”.

In other words, the quality of the data fed to the computer and the capabilities of the person using the artificial intelligence tool are as important as the programs that compose it.

While at first these AI programs needed a written prompt specifying what type of text, code, image, or video to produce, the most impressive recent development is that the latest version of ChatGPT, called "4o" – the o stands for "omni" – can react to voice or image prompts as well. This version has not yet been released, but OpenAI's demonstration videos suggest that it can support more natural and direct interactions with virtual assistants, via our connected devices.

The ease of use and capabilities of artificial intelligence will no doubt ensure it becomes increasingly present in our daily lives. The big question is what impact this will have on us. Will constant assistance make us happier? Or stupider, since we will no longer need to make any effort to memorize or analyze information? Will we able to trust the veracity of what we see or hear on our screens, if everything can be generated virtually? Paradoxically, that might enhance in-person interactions, unless we create reliable certification systems to authenticate and identify artificial intelligence. Another concern is the potential for an ever-widening gap between those who master and understand these new tools and those who do not, which may limit the prospects of a rising share of the population.

When faced with change, especially the rise of a new technology, people tend to focus on the risks. Today, no one would dream of questioning the merits of electricity, the telephone, television, or the Internet, yet at first all these inventions triggered an avalanche of criticism and outlandish claims. Artificial intelligence will undoubtedly relieve us of many tedious tasks. However, we must ensure that the angelic face of technology does not turn diabolical by imposing itself on all human activities.

Artificial intelligence is nothing new for financial institutions. They have been using it for several years to reinforce their cybersecurity, detect unusual and potentially fraudulent transfers, generate automatic responses to customer inquiries, or help human resource departments screen job applications.

Generative artificial intelligence, on the other hand, allows us to take the next step, by creating tailor-made responses, presentations, summaries, or computer code. The output will be even more accurate if the program is limited to using data that have been validated by the institution. The final product will still have to be checked by a person, but the time needed to create it will be massively reduced.

For bankers, the big question is whether this technology can help them make investment decisions, perhaps better ones… I don't have the answer, and the hypothesis will no doubt be thoroughly tested in the years ahead. For many years now, however, one of the most successful hedge funds of all time, the Medallion Fund, has been successfully using historical data, computers, and quantitative models to predict the future. Artificial intelligence will surely help us detect and monitor financial trends. But it will probably not be capable of generating original ideas.

To quote John Adams, the second president of the United States: "*I must study politics and war that my sons may have liberty to study mathematics and philosophy. My sons ought to study mathematics and philosophy, geography, natural history, naval architecture, navigation, commerce, and agriculture, in order to give their children a right to study painting, poetry, music, architecture, tapestry, and porcelain*."

Will generative artificial intelligence usher in a new stage in this evolution? It will certainly eliminate certain jobs, especially those that require limited creativity, social skills, and agility. But it will also create jobs that we cannot yet imagine. For example, the Internet did not eliminate mail carriers, it just replaced letters with a lot of parcels! In the cultural arena, one may well wonder at the space that generative artificial intelligence will occupy, if anyone can obtain an image, film, or song based on their preferences. But speed of execution does not equal expertise, and I sincerely hope that human sensibility will remain unrivalled.

Finally, some imagine that artificial intelligence will generate enough profit to fund some form of universal basic income, thus allowing people to opt out of working if they want to. Setting aside the utopianism of this proposition, I am reminded of the pyramid of human needs developed by the psychologist Abraham Maslow. While generative artificial intelligence may meet our need for belonging by keeping us informed and persuading us that it likes us, I doubt that it will be able to satisfy our need for esteem and self-realization.

In the face of these massive changes, the natural reaction for some is to call for new rules to protect us. I believe that artificial intelligence is merely a tool, albeit an impressive one; how this tool is used is the responsibility of the individuals or company using it. Hence, existing rules should, in principle, be sufficient to sanction the potential consequences of any misuse of artificial intelligence, since the decision to use it, or failure to control it, will have been made by an individual. At most one could consider an obligation to disclose the fact that a product was generated by artificial intelligence, if the disclosure is not spontaneous.

Of course, the European Union does not see it that way; three months ago, it passed an Artificial Intelligence Act. This new EU regulation defines 4 levels of risk: minimal (no obligation), limited (obligation to disclose), high (human oversight required), and unacceptable (biometric identification, social scoring, voice-activated toys). Like the General Data Protection Regulation, these rules will apply from the moment an artificial intelligence-generated product is used in the European Union and will impose heavy penalties in case of non-compliance.

At almost the same time, the Council of Europe's Committee on Artificial Intelligence, of which Switzerland is a member, adopted the first legally binding global convention on artificial intelligence, human rights, and the rule of law, after two years of intense negotiations. The convention covers both the private and the public sector and leaves considerable leeway to States as to how they intend to meet its objectives. This agreement should support a values- and rules-based approach to artificial intelligence worldwide.

Lastly, the United Nations has also adopted a resolution that aims to harness safe, secure, and trustworthy artificial intelligence systems to promote the Sustainable Development Goals. The resolution received broad support from all regions of the world.

In Switzerland, the Federal Council has tasked the Federal Department of the Environment, Transport, Energy, and Communications to draft a report on possible regulatory approaches by the end of this year. It will outline approaches based on existing Swiss law, especially copyright and data protection laws, that are compatible with the EU regulations and the Council of Europe convention mentioned earlier.

Moreover, in its most recent annual report, FINMA detailed its prudential expectations regarding artificial intelligence. These concern four main aspects: the robustness and reliability of applications, equal treatment of customers, governance and accountability, and transparency and explainability. FINMA also expects banks to adequately assess artificial intelligence-related risks.

I see one final issue that could lead to government regulation: generative artificial intelligence consumes a lot of energy. A single ChatGPT query uses 10-15 times more power than a traditional search. Earlier this year, the International Energy Agency predicted that data centres dedicated to artificial intelligence will consume more than 1,000 terawatt hours in 2026, twice the annual energy bill of a country like Germany. Beyond issues of electricity availability, it would be wise to promote less comprehensive, "good enough" artificial intelligence applications, and especially internal applications that rely on predefined data and are not connected to the internet.

Artificial intelligence is scary, wonderful, and exciting all at once. The challenges will be global and will impact the way we work, our daily habits, our lifestyles, our health, and the growth gap between countries and their citizens. Once again, the European Union will play a key role in defending our interests in this area.

Before concluding, therefore, I would like to reiterate our support for stable and orderly relations with our neighbouring countries. Since the first bilateral agreements with the EU were signed on 21 June 1999, Switzerland has proven the wisdom of the path to prosperity it has followed for the past 25 years. It now has more than 140 bilateral agreements with the European Union, all of which benefit not only the Swiss economy but also each of us. Does anyone want to revisit the long lines of cars waiting to cross the border? Is there anyone here today who doesn’t know a young person studying at a European university? And who would want to return to a system of quotas to hire professionals we can’t find in Switzerland?

The question is not whether we should join the EU: Switzerland withdrew its application eight years ago. This explains the European Union's increased demands, as Switzerland is and will remain a third country. The updating of some agreements, and the new agreements currently being negotiated, are essential if we wish to maintain our quality of life in Switzerland. The banks have nothing to gain directly from these negotiations, but they know that they can move ahead politically with demands for market access only when this package of agreements is approved.

The vociferous objections raised by some against the current negotiations must not be allowed to overshadow the widespread support for the bilateral agreement among the Swiss population. According to a survey in January this year, 71% are in favour of the new agreements with the European Union, based on exploratory discussions. Support is as high as 88% among Socialist Party supporters, proving that neither the party base nor the Swiss people agree with the position of the labour unions. Even within the ranks of the SVP, half

would vote for the new agreements! We therefore call on the Federal Council to negotiate a balanced solution and present it full of confidence to Parliament and the people.

In conclusion, to return to the main topic of today, artificial intelligence, I invite Mrs. Nathalie Randin, an independent journalist and producer of reports for the Television Suisse Romande, to join me to introduce the rest of the program. Thank you for your attention.