FTC FinTech Forum: Artificial Intelligence and Blockchain
March 9, 2017
Opening Remarks
Transcript

DUANE POZZA: Welcome to our FinTech Forum on Artificial Intelligence and Blockchain Technology. And many thanks to the University of California at Berkeley for hosting us. Before we get started, I have a couple of administrative details to go over.

First, make sure any mobile phones and other electronic devices are set to silent. If you use them during the Forum, for example to discuss the Forum on social media, please try to be respectful of others around you. And if you're inspired to comment on social media, feel free to use the hashtag FinTechFTC.

Second, please be advised that this event may be photographed, webcast, or recorded, and indeed is being webcast. By participating today, you are agreeing that your image and anything you say or submit may be posted indefinitely at FTC.gov or on one of the Commission's publicly available social media sites. And now, to start off our day, I'd like to introduce Daniel Kaufman, who is the Deputy Director of the Bureau of Consumer Protection at the FTC.

DANIEL KAUFMAN: Thank you, Duane. Good morning and welcome to the Federal Trade Commission's third installment of the FinTech Forum Series, focusing on the consumer implications of emerging financial technologies. For this event, we have managed to get outside of DC and into the Bay Area, one of the many centers of innovation in FinTech across the country. And so we are very thankful to the University of California, Berkeley for hosting us here today.

As we have all heard, emerging financial technologies have the potential dramatically reshape many of our financial transactions, the ways in which we borrow, spend, share, and manage money. Our first two forums discussed emerging FinTech platforms, the first marketplace lending, already a multibillion dollar sector that promotes the potential to expand access to credit through innovative lending practices. And the second forum examined peer-to-peer payments in crowdfunding platforms, which aimed to greatly simplify and improve payments and project funding.

Today, we take a slightly wider look at two kinds of emerging technologies themselves, artificial intelligence and blockchain that are being used to innovate in financial services. And as I expect we will hear today, far beyond the financial realm. Our first panel will discuss the potential benefits and challenges for consumers of artificial intelligence. Artificial intelligence, or AI, has the potential to transform many kinds of industries, including financial services.

Although there is no one universally accepted definition of AI, it generally refers to efforts to develop intelligent machines, which can engage in learning and problem solving. The development of AI promises to bring sweeping changes across industries. A recent report from the 100 year study on artificial intelligence identifies 8 different domains being altered by AI, including transportation, home service robots, health care, and education.

Today, we're going to focus on the implications for consumers as AI continues to be integrated into products and services that consumers use or that directly affect their lives. We want to hear about the opportunities that AI may present to benefit consumers, whether that be cheaper and easier access to financial services, better decision-making tools, personalized assistance, or other benefits. AI also presents some consumer protection challenges.

Is there a risk that AI tools can produce biased or incomplete results and how transparent is the decision making? What kind of data is being collected? Is it being shared and what do consumers understand about that?

How do consumers understand when they are handing over decision-making authority, which could impact their finances or even their safety to an AI-enabled service? Today's panel will discuss these and other potential consumer protection issues that companies should keep in mind as they innovate for consumers. The second panel will be covering blockchain technology. Blockchain technology became popularized with the emergence of the bitcoin digital currency. But cryptocurrency is only one of many applications of blockchain technology.

The distributed digital ledger behind blockchain promises to cut out the middleman in a number of industries and streamline a range of different transactions. It has the potential to impact an array of sectors that affect consumer's everyday lives, from payments to cross-border remittances to real estate and much more, with the promise of making transactions more efficient and secure. According to one recent report, over $1 billion was invested in blockchain related startups by 2016, with much more predicted in the near future.

Here too, there are potential consumer protection challenges. How do we ensure that data is secure? By removing the middleman, are we creating vulnerabilities or losing oversight? How concerned should we be about fraudsters who attempt to target vulnerabilities in the blockchain to rip consumers off?

Our panel will discuss these and other key questions about the development of blockchain. At the FTC, we are big fans of innovation for the benefit of consumers. And innovation and consumer protection should go hand-in-hand.

In today's forum, we want to make sure to understand the potentially significant benefits of both of these technologies. And we also want to explore potential consumer protection concerns that can cause harm to consumers if not addressed. As these technologies continue to develop and be integrated into consumer's day-to-day lives, stakeholders have a great opportunity to address consumer protection challenges as products are designed, launched, and revised.

We hope that today's forum can help advance the discussion. I'm looking forward to hearing what our distinguished panelists have to say on these topics. And I want to thank all of them for participating.

For the first panel Deirdre Mulligan of UC-Berkeley's School of Information will give a brief introductory presentation to frame the issues in our discussion. And Peter Van Valkenburgh of Coin Center will do the same for blockchain. Thank you to both of them.

I also want to thank the University of California-Berkeley for providing this great space for today's forum and, in particular, James Dempsey and Richard Fisk. And thank you to the FTC staff who put this together, including Elizabeth Kwok, Colin Hector, Amanda [INAUDIBLE], Duane Pozza, and Nathan [INAUDIBLE]. I now turn it over to Deirdre Mulligan for her presentation on AI.

[APPLAUSE]