African AI and Blockchain Policy Forum

Welcome Address by
Mr Dhanesswurnath Thakoor,
Chief Executive,
Financial Services Commission

15 November 2023

Le Meridien, Pointe aux Piments, Mauritius

Hon. Mahen Kumar SEERUTTUN, Minister of Financial Services and Good Governance;

Mr Mardayah KONA YERUKUNONDU, Chairperson of the Financial Services Commission and First Deputy Governor of the Bank of Mauritius**;**

Mr Rajeshsharma RAMLOLL, Senior Counsel, Solicitor General and Vice Chairperson of the Financial Services Commission;

Mrs Hemlata Sadhna Sewraj-Gopal, Second Deputy Governor of the Bank of Mauritius

Members of the Diplomatic Corps

Dr Carmine Di Noia, Director for Finance and Enterprise Affairs of the OECD;

Mr Yoshiki TAKEUCHI, Deputy Secretary General of the OECD;

Board Members of the Financial Services Commission and the Bank of Mauritius;

Members of the RCE Governing Board;

Representatives from the OECD;

Distinguished Panel Speakers;

Captains of the Industry;

Members of the Press;

Distinguished Guests, including those following us virtually;

Ladies and Gentlemen;

All protocols observed;

Warm greetings to you all.

It is with immense pleasure and honour that I welcome you to this hybrid African AI and Blockchain Policy Forum today. As you are aware, this Forum is being organised by the FSC's Regional Centre of Excellence in collaboration with the Organisation for Economic

Co-operation and Development ("OECD") which is testimony of the robust partnership that our two organisations have nurtured since the launch of the RCE in 2019. I am pleased to share that so far, the RCE has organised 12 capacity building programmes. We have exceeded the commendable number of 4,300 participants, more importantly, spanning over 115 countries, with on average 300 'repeat' participants. Repeat participants are those who have attended the workshops more than once, and therefore indicates the fidelity base of the RCE. It means that on average 300 participants look forward to these capacity building programmes, indicating the relevance of the themes discussed in the activities of the participants. These statistics further serve as a key performance indicator of the RCE, which are, inter-alia, to provide capacity building programmes in the region.

Today's forum, from the perspective of its subject matter, it a much awaited and looked forward one, and it will count as one among the many fora where policy around AI and Blockchain are being discussed. Why this subject is being reflected upon and why do we see a number of governments interested in this matter? What is the mystery behind AI and blockchain that is mobilising the thinkers and policymakers worldwide? We will attempt to provide answers to these questions.

To set the scene, let me recall, another much talked about concept which is closely associated with Blockchain and AI, and this concept is the 4th Industrial Revolution or 4IR in short. This term, coined by the founder of World Economic Forum, Mr Klaus Schwab, describes the "fusion of physical, digital and biological worlds through emerging technologies, biotech, IOT and 3D printing". AI and blockchain also count among the underlying technologies that have made the 4IR. Collectively, these have the potential to transform every aspect of our lives, from health and education to governance, and create both challenges and opportunities on the way. The ethical and social consequences might be beyond what we can imagine.

Let me here, share with you, ladies and gentlemen, an interesting insight from a podcast by McKinsey entitled "*McKinsey on AI*" published in May 2020 where Ms Kay Firth-Butterfield, the Head of AI and Machine Learning at the WEF was interviewed and [I quote] "*The work being done out of the four centres for 4IR in San Francisco, Beijing, Mumbai and Tokyo is around governance and policy for artificial intelligence*" [End of quote]. She further added that governance is not necessarily regulation, but rather agile ways in which the technology will benefit humanity and the planet while making sure that the negativities, particularly around AI is mitigated.

The key word is agility, and therefore adaptability with the local environment and local needs. We need not lose focus to the fundamental rhetoric "*What is the problem we are trying so solve*". Among the projects mentioned in the podcast that are underway in different countries, we learn that:

- Japan, which has an aging population problem is working how to grow the robotics and AI industry so that they can keep more people in their homes or come up with autonomous vehicles
- The national AI strategy of India is to simulate AI economy in healthcare, agriculture and education. But since India has a large number of SMEs, the government is creating a democratised database for AI so that more people can have access to data in order to create applications in AI;
- Africa, on the other hand, has a problem definition opposite to that of Japan, with a large group of young people, and therefore the strategy to use AI has to be very different.

Dear Audience

I mentioned at the beginning of my intervention, that the 4IR will bring along its lot of ethical and social issues. Let me take two examples of everyday use of technologies that might create problems we not thought about. We are approaching end of the year and many parents will look for smart toys that have the capability to educate children. This looks to be a smart choice in itself. But do we know whether these are based on some approved curriculum? On what morale grounds are the children being "educated"? What is the amount of data being collected, stored or stolen or monetised? Children can be very easily made direct targets of advertising which would go against the ethics of advertising in most countries. The second example is about face recognition technology. This has been successfully applied and approved for digital on boarding systems. The police have also made use of such technologies in tracking and convicting criminals. Then, on the ethical side, how do we ensure that the technology is not used to undermine our civil liberty?

This is where it is important, in my opinion, to dispel a number of negativities surrounding AI. First, it should not be used as a term to sway people away from questions. I have, many times heard people commercialising their products using terms like "*we use AI - don't ask more questions*". You are made to believe that AI is reserved for those who have the ability to master rocket science. You might have heard about the folktale where two swindlers arrive in a city where an emperor known to be spending lavishly on clothing at the expense of state matters. Posing as weavers, they proposed to the Emperor, a magnificent suit made of a special loom that is invisible to those who are stupid or incompetent. And the of the story, you know it. While the Emperor was walking in the streets with his magnificent suit, nobody dared to tell that the Emperor was actually not wearing anything for fear to appear stupid or inept because it was made public that only intelligent people would see the garment. This is the way many people approach AI. But AI is no mystery. It is made up of algorithms that are written by people, and in the words of Einstein, "*if you are not able to*

explain in layman's terms, then you have yourself not understood it". In my opinion, this should be the first step towards effective policy in AI – the requirement for service providers to disclose the algorithm behind the codes.

The blockchain, when used primarily as distributed network, might not need rigorous policy, however, when the programming triggers, such as smart contracts, and in-built token features are activated, we might need to ponder, like with the case of IA, on the policies to avoid ethical as well as security risks.

Ladies and Gentlemen,

Then this leads to the next point of reflexion: what is the role of regulators and what challenges do they face in the emergence of the technologies and related use cases?

First, it is important to note that the activities that are a consequence of the digital revolution sit on the overlap of several regulatory domains, namely, banking, financial, telecommunications, data protection etc. A regulator alone might only be able to address those areas which fall directly under its purview, and it is extremely important to have effective coordination and collaboration in order to place the safety net wide enough to capture all activities. And this requires national level coordination and monitoring.

Second, regulators need to clear the mist around the technology hype and concentrate exclusively on the use case activities that arise from the use of blockchain and AI. A lending activity for instance, whether carried out thought blockchain or traditional technology remains a lending activity.

Now, ladies and gentlemen, let me briefly share some of the actions and initiatives that we have taken at the level of the Commission in this area. For the FSC to be abreast of the latest developments in this area, I am pleased to share that the FSC is member of the IOSCO

Board as well as IOSCO Fintech Task Force which is tasked with developing, overseeing, delivering and implementing IOSCO's regulatory agenda with respect to Fintech and crypto-assets. The Commission is also a member of the Global Financial Innovation Network since 2019, which aims to create a new framework for co-operation between financial services regulators on innovation-related topics. From a regulatory perspective, we have adopted an approach where we believe that some form of regulation in emerging activities is better than no regulation at all. We have, in the domain of fintech and emerging technologies, issued rules and regulations to allow these activities to develop without stifling innovation.

1. *In the development of enabling legislations, we have:*

   i. Recognised virtual assets as an investible asset class by sophisticated and expert investors and also provided guidance on the regulatory treatment of Security Token Offerings and Security Token Trading Platforms.

   ii. Introduced rules for peer-to-peer lending, investment-based crowdfunding and robotic and AI-enabled advisory services. This specifically regulates the provision of digital and personalised advisory services through computer programs or AI-enabled algorithms with limited human intervention.

   iii. Implemented the Virtual Asset and Initial Token Offerings Services (VAITOS) Act, which empowers the FSC to licence and supervise Virtual Asset Service Providers and Issuers of Initial Token Offerings. This act provides for 5 licensible activities in the field of virtual assets and also comprises 8 rules.

   iv. Introduced a Regulatory Sandbox to provide a controlled environment for fintech companies (including those operating in the blockchain and cryptocurrency spaces) to foster innovation and accordingly test their products and services under the regulatory monitoring of the FSC.

2. *Next, the FSC conducts supervision of the fintech activities on a risk-based approach. These activities are classified as high risk and we have conducted 19 on-site inspections since 2020 out of 33 licencees and referred 7 companies for enforcement where the activities were found not compliant with the rules.*

3. *As part of our on-going monitoring of activities under virtual assets, we have issued 41 letters including directions to individuals allegedly operating as VASPs, issued 9 investigation orders and referred 30 IP addresses of entities allegedly operating as VASPs to Mauritius Police Force.*

4. *We have also ensured that a proper sensitisation campaign was conducted following the enactment of the VAITOS Act to ensure that the public at large is aware of the risks and volatility of investments in this space. I can share that we have issued 13 alerts on our website.*

5. *As an adjacent tool to ensure targeted sensitisation of the public, especially among the young ones, we have launched a Young Talent Competition focussed on AI and its impact on financial services sector.*

6. *Lastly, we have added a dedicated page on our website for Fintech and Innovation related resources and general literacy.*

Ladies and Gentlemen,

AI is therefore a tool that can be used for the betterment of the society or against the moral and ethics of the society. It is not the AI per se which has to be changed, but the governance and policies surrounding the use of AI in any tool that we use. As I mentioned earlier, whether it is AI or other emerging technologies, they all rest on the premise that there is ample exchange of data, whether between machines, between institutions, between people, and that exchange of data needs to be very carefully harnessed. As I also stated earlier, India is building an AI database for operators to tap inn and make meaningful use cases.

We need to develop a similar concerted approach where we define our problem and develop strategies to solve them. We also need to ensure that we have adequate laws that allow the sharing of data between institutions in order to create more opportunities of AI driven initiatives.

On a concluding note, ladies and gentlemen, we are undoubtedly in the midst of an unprecedented revolution based on the convergence of a number of technologies and accompanying systems that are allowing us to witness the rapid change in systems, disruption of existing processes as well as relegation to obsolescence of what used to be popular technologies a few years ago. And according to experts, it is just the beginning. More things are yet to come. And we cannot not embrace them, otherwise we would have missed the bandwagon. This is the reason why such policy forums are very important because unlike precedent revolutions, these technologies that surround the use of AI cannot directly be replicated. They need to be adapted from one country to another, because the data driven society calls for highly customized services. And with the interventions of such learned panel speakers, I hope we will be able to write our own chapter for policy, chapters that are compatible with our needs, requirements, environment and region.

With these words, ladies and gentlemen, I thank you for your kind attention and wish you a very fruitful workshop ahead.

Mr Dhanesswurnath Thakoor
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