



April 2022

The EU Artificial Intelligence Act

Policy Feedback & Recommendations by Altares-Dun&Bradstreet Benelux

Executive Overview

The below document holds the feedback of Altares-Dun&Bradstreet Benelux to the Proposal for a Regulation of the European Parliament and of the Council: Laying Down Harmonised Rules on Artificial Intelligence (Artificial Intelligence Act) and Amending Certain Union Legislative Acts.

References: SEC (2021) 167 final – SWD (2021) 84 final – SWD (2021) 85 final

The document lists 6 areas of the proposed legislation, to which Altares-Dun&Bradstreet details its feedback, opinion, and suggestions for amendments. These 6 areas are as follows:

1. General Feedback on the Regulation.
2. Feedback with regards to the articles relating to Data Quality.
3. Feedback with regards to the articles relating to record-keeping, administration and monitoring of AI systems (Chapter 3).
4. Feedback with regards to the articles on the creation of the European Artificial Intelligence Body.
5. Feedback with regards to articles on the Conformity Assessment Bodies and Notified Bodies.
6. Feedback with regards to exemptions for start-ups and smaller entities using credit scores for their own purposes.

Whilst the focus of Altares-Dun&Bradstreet is on credit data and credit scoring services relating to companies and businesses, and therefore falls outside of the perimeter of credit worthiness assessment of natural persons, Altares-Dun&Bradstreet is thankful for the opportunity to provide its feedback to the Proposal set forth by the European Commission and is always open to engage constructively in further discussions and meetings with the European Parliament.

Kind Regards,

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About Altares-Dun&Bradstreet

Altares Dun & Bradstreet is market leader Benelux in collecting, processing and delivery of business enterprise data. As a business data specialist and part of the Dun & Bradstreet (NYSE: DNB) global network, offering their clients access to data from more than 400 million companies in 220 countries. Altares Dun & Bradstreet's Data Cloud solutions deliver insights that enable clients to mitigate risk, increase revenue, reduce costs, and thus improve business performance.

More information can be found on the following web sites:

www.altares.nl/en

www.altares.be/en

www.dnb.com

Dun&Bradstreet has a long-standing experience of providing credit worthiness assessments to the markets, on a global scale. Traditionally, these credit worthiness assessments are provided in the form of Credit Ratings and Credit Scores.

Originally the result of a manual assessment effort, Dun&Bradstreet pioneered the development of statistically based credit scoring for businesses, since the early 1990's. These credit scores are available in 37 countries, covering over 80% of global GDP.

Dun&Bradstreet's credit scores are available for all types of companies and businesses alike, from micro companies, over SME's to globally active large corporates.

Since the start of the development of the B2B credit scoring, Dun&Bradstreet's credit scores globally meet the legal and regulatory requirements as laid out by the US Fair Credit Reporting Act. Whilst most of the regulatory acts in the US concerns consumers (natural persons), and hence would fall outside of the B2B remit, Dun&Bradstreet has always chosen to comply with these laws and regulations, for the following to principal reasons:

- For micro and small companies, and specifically for credit scoring systems developed for a single customer of D&B, B2c data is often combined with B2B data.
- D&B's customer highly value several key basic characteristics of any credit score, such as
 - but not limited to - the following:
 - Transparency
 - Explainability, fairness and innate logic
 - Non-discriminatory and equal opportunity
 - Ethical
 - Performance of prediction as high as possible, within all the above boundaries

Altares-Dun&Bradstreet has provided in the Benelux market credit scores on B2B – across all types of companies – since 1993. Next to the standard credit scores, which are calculated on the core D&B database and can be easily consulted by any and all customers of D&B, Altares-Dun&Bradstreet also

provides custom credit scoring systems. These systems are built to the specification of an individual customer of Altares-Dun&Bradstreet. Any and all systems provided as such to individual customers of D&B, comply to the same rules as outlined above.

For the remainder of the document, it is worth noting that the following terms are deemed interchangeable by Altares-Dun&Bradstreet:

- Credit scoring
- Credit model
- Algorithms and Statistical Algorithms
- Statistical models and statistical systems
- Data Science and Data Science Model
- Econometrics and econometrical analysis
- Machine Learning
- Artificial Intelligence systems

Feedback of Altares-Dun&Bradstreet to the Proposal for the Regulation on Artificial Intelligence

1. General Feedback from the perspective of a supplier of Credit Data and Credit Scoring services in the market.

Credit data services have been around for more than a century. The industry has been using electronic forms of collecting and processing credit data, since the advent of computing systems in the last century.

Originally the result of a manual operation, the industry has been providing, for several decades already, credit worthiness indicators on consumers and businesses, through statistically based systems. These systems are more generally known as “credit scoring”.

As such, the credit data providers were amongst the early adopters of the use of statistical analysis techniques. These days, the term ‘statistical analysis’ is often replaced by the terms “machine learning” and “artificial intelligence”.

Overall, Altares-Dun&Bradstreet welcomes the proposed legislation of the European Union on Artificial Intelligence, because it highlights several best practices already in use in the industry for many years:

- Quality of data: over the past decades, the industry has established high quality data collection and processing flows. Most of these processes have been automated to the maximum extent possible.
- Ethical, fair, non-discriminatory, and transparent credit scoring algorithms: all established providers of credit data and scoring services, have a long-standing practice of ensuring that the scoring systems they deploy conform to the notion of being ethical, fair, and non-discriminatory, and conform the local and regional applicable laws and regulations.
- Innovation: the industry has continuously evolved the algorithms used, leading to higher predictive capacities from the underlying data.
- Transparency and openness: whilst each established incumbent in the industry protects the maximum extent possible the Intellectual Property of its credit scoring algorithms, customers and affected persons or legal entities, can obtain insight into the data held by the provider, as well as the rationale behind the generated credit score.

The enduring quality of the data and the credit scores provided, in all aspects, has been ensured and guaranteed by the demands placed upon the providers by their customers.

The industry in general, and Altares-Dun&Bradstreet in particular, has also proven that the use of credit scoring, via machine learning and AI, may ensure, drive and support financial inclusion ⁽¹⁾⁽²⁾.

Altares-Dun&Bradstreet is therefore open, based upon its decade-long experience with the use and deployment of artificial intelligence, to discuss actively with the European Institutions on the establishment and the content of the current proposed AI regulatory framework.

2. Feedback with regards to the articles on data quality (Title III, High Risk AI Systems, Chapter 1)

Article 10.3 under the section *Data and data governance* of the proposed regulation, stipulates that the data used in AI systems should be relevant, representative, free of errors and complete.

Whilst Altares-Dun&Bradstreet supports this view, it is of the opinion that this article is too strict and does not fully reflect the day-to-day reality of the data and databases which exist in the marketplace, nor the data which is collected by the industry incumbents. Neither does it reflect the reality of the official, government organized or supported databases to which access is granted for credit scoring purposes.

Other than what is for example often used and depicted in academic environments, the reality in the market is that data sets can never be seen as, and will almost ever be, either complete, or totally free of errors.

For the credit data and scoring companies, this has been a day-to-day reality, which they have successfully managed over the past decades. And this, to the satisfaction of their customers and other users of the data and the services they provide to the market.

The underlying premise Altares-Dun&Bradstreet and the credit industry in general works on, is that the data and databases should possess a certain number of inherent characteristics (or “qualities”), before they will either be included in the databases of the credit data and scoring companies, and/or used for credit scoring purposes.

These characteristics are as follows:

- The data should be relevant to the purpose or the objective for which it will be used
- The data should be timely, and frequency of update should be sufficient against the objective at hand
- The data should be accurate enough to help the users of the data to achieve the objective
- The data coverage should be sufficient to the objective for which it will be used. Missing data should also not always be seen as detrimental. Rather, the coverage achieved should be judged against the advancement towards the objective.

As such, Altares-Dun&Bradstreet advises the European Parliament to amend article 10.3, considering the above arguments.

Altaires-Dun&Bradstreet hereby stresses the importance, based on its extensive experience, that data quality and coverage are of utmost importance, but that these two dimensions need to be seen against the advancement towards the objective.

As for the representativeness of the data, Altaires-Dun&Bradstreet supports the point of view that (1) data samples drawn from the underlying databases for the purpose of the development of credit scoring algorithms should indeed be representative, and (2) that in case data should not be fully representative, the data scientist developing the credit scoring system must fully take this into account.

In addition to the above arguments, Altaires-Dun&Bradstreet wishes to express that whilst the data should be relevant, representative, free of errors and complete, the European Institutions must be mindful of regulation which is preventing access to certain data (for example, GDPR and the legislation around PSD2 being cases in point).

Such prevention, whilst often very understandable from governance and privacy considerations, may lead to suboptimal or in-se biased algorithms. Please see the section on ‘reject inferencing’, for an example of how limitations on access to data may cause credit scoring systems to be inherently biased ⁽³⁾.

Altaires-Dun&Bradstreet also further would like highlight that the data held in its databases, and the credit scoring or AI systems developed on this data, possess a high degree of power for predicting credit risks. Given the desire to protect its Intellectual Property, Altaires-Dun&Bradstreet does not always communicate on this to the market or government bodies at large. As such, these latter may not always be aware of the existence of certain innovative credit scoring or AI solutions, already in use by some or several parties in the market.

This may mean that legislation may be passed which – even if well-intended – may adversely influence the use of such innovative solutions by the market ⁽⁴⁾⁽⁵⁾, which would not only impact the commercial opportunities for Altaires-Dun&Bradstreet but would also adversely impact the digital agenda of governments and companies alike.

Please note that the same principle applies to all providers of credit data and credit services in the market.

3. With regards to the articles relating to record-keeping, administration and monitoring of AI systems (Title III, Hight Risk Systems, Chapter 3)

Altaires-Dun&Bradstreet fully support the articles related to the records-keeping, administration and monitoring of AI systems. Altaires-Dun&Bradstreet would however like to point out that as part of its current operations, record-keeping, administration and monitoring of its credit scoring and AI systems, are an integral part of the current, daily operations. These best practices have proven their worth over time.

Altaires-Dun&Bradstreet however would like to stress to the European Union, that excessive demands for administration and record-keeping may impact the cost basis for their operation.

Excessive demands will lead to increased costs, which inevitably will have to be passed on to the user.

To that end, Altares-Dun&Bradstreet is of the opinion that record-keeping and administration should be kept in a good balance, similar to what Altares-Dun&Bradstreet and the other providers of credit data and scores, perform as part of their current operational practices.

As for the monitoring of the AI systems placed on the market, Altares-Dun&Bradstreet strongly supports this point. Already, it performs monitoring on existing AI systems, on a frequent and on-going basis. This is covered by internal operational procedures, as well as driven by active demands from the customers of the credit data and scoring services.

4. With regards to the articles on the creation of the European Artificial Intelligence Body (Title VI, Governance, Chapter I and Chapter 2)

Altares-Dun&Bradstreet understands from the Proposal, that the European Artificial Intelligence Board (hereafter referred to as “EAIB”) will primarily consist of representatives of the national regulatory bodies.

Given that the credit management area in general, and in particular the various companies active in it (each with their own orientation on a sub-field of the credit management arena), is not a very well-known sector to the public at large, Altares-Dun&Bradstreet welcomes any interaction with the EAIB, either:

- (1) in order to enhance the EAIB’s understanding of the credit management industry in general, and the data and credit scoring AI companies, and their experience with AI solutions in particular, or
- (2) in order to consult on a pro-active basis on discussion topics where the industry can provide useful and relevant feedback and input, given the long-standing experience with AI related matters, both in theory and in practice.

5. With regards to articles on the Conformity Assessment Bodies and Notified Bodies (Title III, High Risk Systems, Chapter 4)

Altares-Dun&Bradstreet understands from the Proposal that the EU Member States will appoint a Conformity Assessment Body, which will serve as the prime vehicle that will perform conformity assessments on the providers of AI system to the market.

Whilst Altares-Dun&Bradstreet assumes that such assessment bodies will be primarily government owned and operated, the legislation does allow room for conformity assessment tasks to be performed by entities appointed which are external to the government body.

The proposed legislation specifies that in case any external bodies are employed, then strict adherence to a code of operation is to be maintained. Most notably, avoidance of conflict of interest and theft of Intellectual Property are explicitly mentioned.

Altares-Dun&Bradstreet would like to stress that this notion avoidance of conflict of interest and theft of Intellectual Property are explicitly mentioned, is of the utmost importance. Given the innovative character of the R&D performed around AI systems, given the increased attention to the know-how around AI, and considering the increased cyber-espionage against companies, any and all conflict of interests, or potential theft of IP, should be avoided at all costs.

Altares-Dun&Bradstreet understands that it may not always be easy to assess a conflict of interest, or to foresee a theft of Intellectual Property, prior to appointing an external body in light of conformity assessments. Altares-Dun&Bradstreet also understands that the official government assessment bodies, may not always have in-house the necessary expertise and experience around each and every AI related topic, and that therefore, the official assessment bodies may seek external support.

There is no doubt in the mind of Altares-Dun&Bradstreet that the official assessment bodies will perform a thorough due diligence prior to appointing an external party. However, Altares-Dun&Bradstreet would like for the legislation to specify that:

- The company on which the assessment is to take place performed by such an external assessment party, has the right to inform the official assessment body if in their opinion, a conflict of interest or a risk of theft of Intellectual Property, is present.
- Similarly, in case an external assessment body may, in the view of the assessed company, have too little experience with their specific fields of AI, then the assessed company has the right to inform the official assessment body of this.
- That the official assessment body will investigate this in an independent manner. Both parties involved should provide the necessary proof: the assessed company on the grounds for invoking a conflict of interest or potential theft of Intellectual Property. The external assessment company on the grounds as to why there may be no conflict of interest, or potential theft of Intellectual Property.
- In terms of the lack of expertise, a similar modus operandi would apply.
- In case conflict of interest would be present, then the government assessment body will seek an alternative for the assessment to take place (either performing the assessment themselves or appoint an external body where no conflict of interest or a theft of Intellectual Property is present).
- In terms of the lack of expertise, a similar modus operandi should apply.

6. With regards to exemptions for small-scale providers (paragraph 37, page 27)

Altares-Dun&Bradstreet supports the point that start-ups and small companies may be exempt from certain obligations as detailed in this legislation.

Altares-Dun&Bradstreet however would like to point out that such exemption should not lead to the creation of an un-levelled playing field in the market, whereby start-ups or small companies would be allowed to provide AI based services to the market with a less stringent set of rules and regulations applied to them.

This applies specifically with regards to the data used to develop AI systems, as well as demands on the ethical, fair, non-discriminatory, and transparent nature of the AI system they bring to the market. In addition, also the rules for record keeping, administration and monitoring should apply.

To support start-ups and SME's Altares-Dun&Bradstreet would suggest the use of government subsidies to alleviate certain R&D costs, organizational investments, and costs related to the conformity assessments.

Appendix

- (1) OECD report: Credit Scoring Approaches Guidelines, World Bank Group, 2019
- (2) Altares-Dun&Bradstreet can provide references from the Benelux market, demonstrating how credit scores can be used to drive financial inclusion.
- (3) On Reject Inferencing and inherent bias:

For customers who a company (bank, corporate or otherwise) accepts to do business with on credit terms, the company will have a clear view on payment morale.

For customers who have been rejected by the company on credit terms, there are either only cash-based upfront payment transactions, or no payment transactions at all.

Any AI systems uses at the basis historical data for its construction. Credit scoring systems are no exception to this.

For developing a credit scoring system to pro-actively and digitally identify which existing customers may pose a credit risk (a.k.a. default or delinquency), this payment data offers a wealth of insights and will be a fundamental part of the data used to build such a system.

Many companies (banks, financial institutions, and corporates alike) will however also want to develop a scoring system to assess digitally the credit worthiness of a new or prospective customer.

To that end, it may also use the payment morale data as witnesses on its existing customers. However, it must be noted that this set of records is inherently biased, as the population of accepted customers is a filtered portion of all credit applications which were reviewed (a.k.a. the 'trough-the-door' population).

Unless the company can obtain payment performance data in the market on the applicants it rejected applicants, any scoring system the company and its data scientists will build, will suffer from an implicit bias which is almost impossible to avoid.

In the market, several – sometimes government related – data bureaux exists where such data is stored, but legal constraints make it impossible to leverage the data held by these agencies by the credit data and scoring industry, and the users (companies) of this data.

Whilst the Altares-Dun&Bradstreet acknowledges the privacy issues related to sensitive personal data, it would like to stress that access to such data, even if strictly governed, is essential to avoid inherent bias in any model being developed.

- (4) An example is the recent EBA Guidelines on Loan Origination. This legislation specifies to a high degree of detail, the data which banks and financial institutions would need to source and hold when granting and monitoring a loan.

Whilst Altares-Dun&Bradstreet does not dispute the objective of the legislation – i.e., ensuring high quality creditworthiness assessments -, the data demands in the EBA Guidelines seem to contradict digital advances, as following the guidelines would entail a high degree of manual data collection and processing.

From their extensive experience with data and credit scoring, the credit data and scoring companies, have helped their customers over the past decades implement electronic data driven credit scoring solutions, using the data they hold in their databases. As such, the credit data and scoring industry, has helped companies advance their digital transformations. In this light, being forced by legislation to go revert to manual data collection and processing, would seriously hamper the digital advances made by the market.

- (5) A second example concerns PSD2. For this, Altares-Dun&Bradstreet would like to draw the attention of the European Institutions that the legislation around the storage and use of PSD2 data, hampers the true value developments out of this data. This is particularly so for fin techs and start-ups, as opposed to bigger and established banks.

This legislation also impacts the ability of the credit data and scoring industry, to develop new real innovative solutions on this data. Given the strictness of the use of the data, no real innovation can be performed by the industry.

Instead, the industry has seen that larger financial institutions have leveraged their resources to build new products and services around the PSD2 data and are now entering the market as new competitors.

Whilst Altares-Dun&Bradstreet does welcome competition, it would like to point out that such competition should be based on a level playing field, certainly w.r.t. the access to the data.

The industry has a long tradition of innovative AI solutions on their databases. It would be to the detriment of society at large if this innovative power could no longer be capitalized upon.