



# FinTech in Fund Governance - Towards a Technology-Oriented Risk Regulation (TORR)



FACULTY OF LAW,  
ECONOMICS  
AND FINANCE

20.05.2026 12:30-2:00 PM Knowledge Sharing Event



# Agenda

1. Welcome & Introduction by InFiNe
2. **University of Luxembourg** Presentation
3. Q & A
4. Feedback Survey
5. Upcoming Events Calendar

# Welcome & Introduction



Anne Bastin

Executive Director



# Today's Speaker



**Luisa-Sophie Künzel**

Postdoctoral Scientist in FinTech,  
Investment Funds and Law



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ECONOMICS  
AND FINANCE

# FinTech in Fund Governance

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## Towards a Technology-Oriented Risk Regulation

by Dr. Luisa-Sophie Kuenzel

## AI Adoption

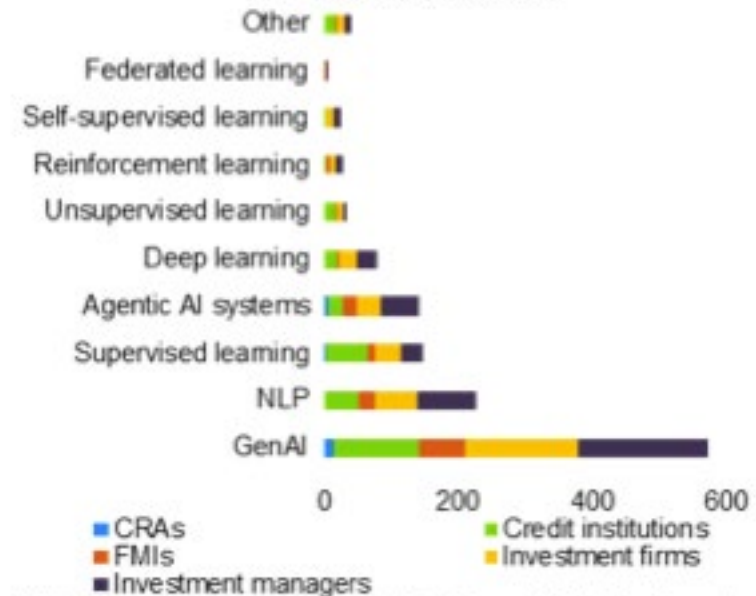
### AI use cases reported



Note: Answers to the question: "Which of the following categories best represents your use case?" for 836 use cases reported. Multiple choices possible. CRAs = credit rating agencies, FMIs = financial market infrastructures.

Sources: NCAs, ESMA

### AI models used



Note: Answers to the question "What type of AI technology is used in your solution?" for 810 use cases reported. Multiple choices possible. NLP = natural language processing, CRAs = credit rating agencies, FMIs = financial market infrastructures.

Sources: NCAs, ESMA

## Benefits from AI deployment

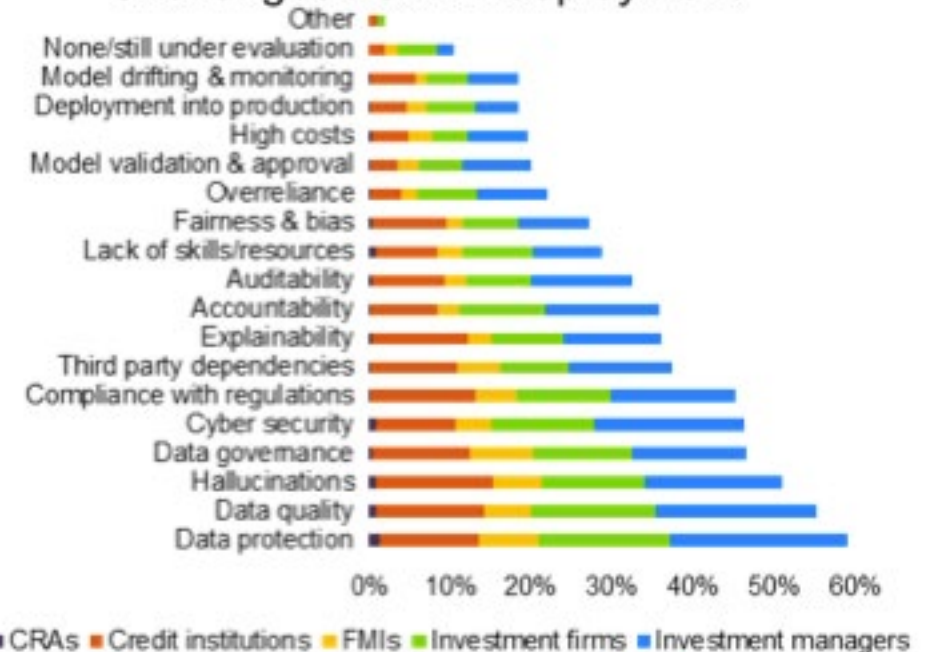


Note: Answers to the question: "What are the main benefits from the use of AI technologies?". Percentages out of total number of respondents, multiple choices possible. 349 entities did not answer. CRAs = credit rating agencies, FMIs = financial market infrastructures.

Sources: NCAs, ESMA

## AI Adoption

## Challenges from AI deployment



Note: Answers to the question: "What are the main challenges from the use of AI technologies?". Percentages out of total number of respondents, multiple choices possible. 349 entities did not answer.

Sources: NCAs, ESMA

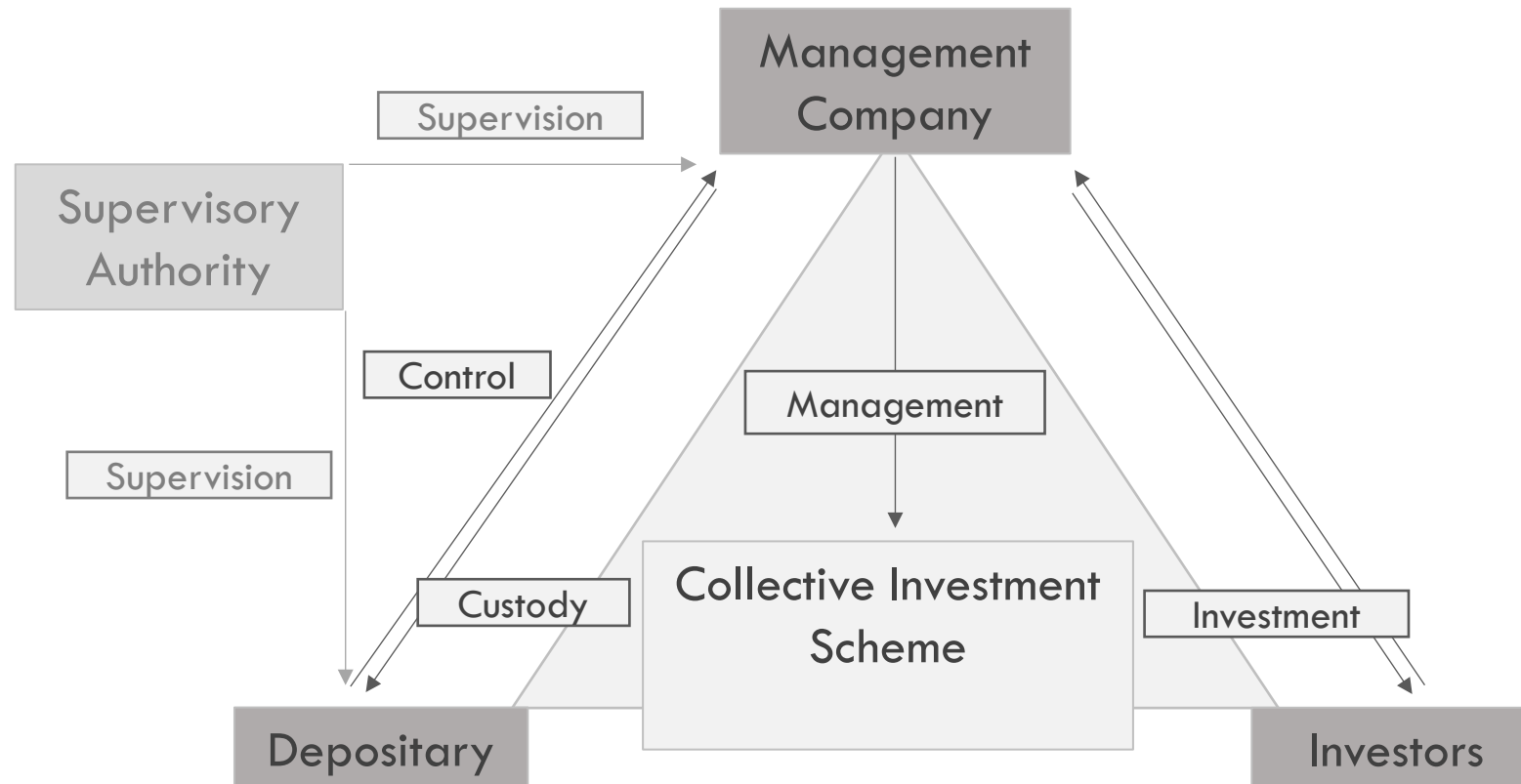
- I. ABCD Implementation in Fund Governance
- II. The Current Technology-Neutral Regulatory Approach
- III. My Argument for a Technology-Oriented Risk Regulation
- IV. The Idea of TORR
- V. Conclusion

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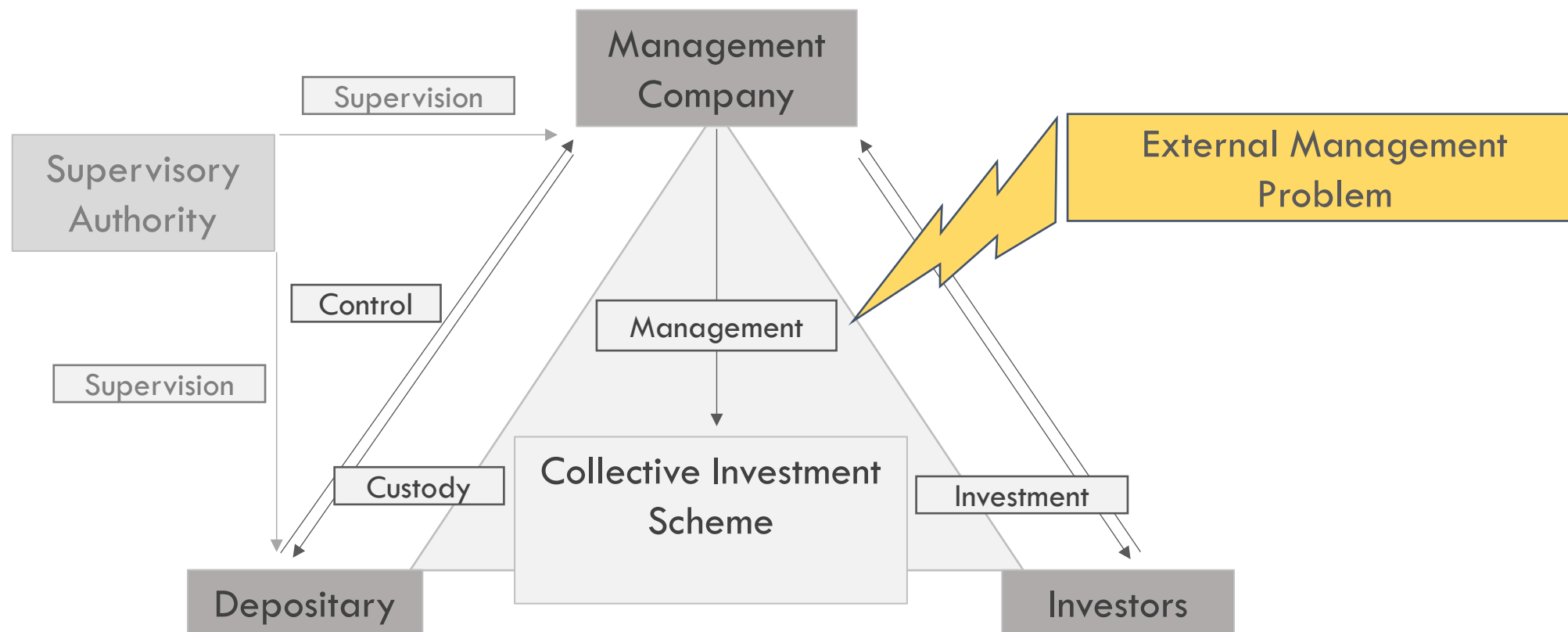
# I. ABCD Implementation in Fund Governance

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## Fund Governance: Investment Triangle



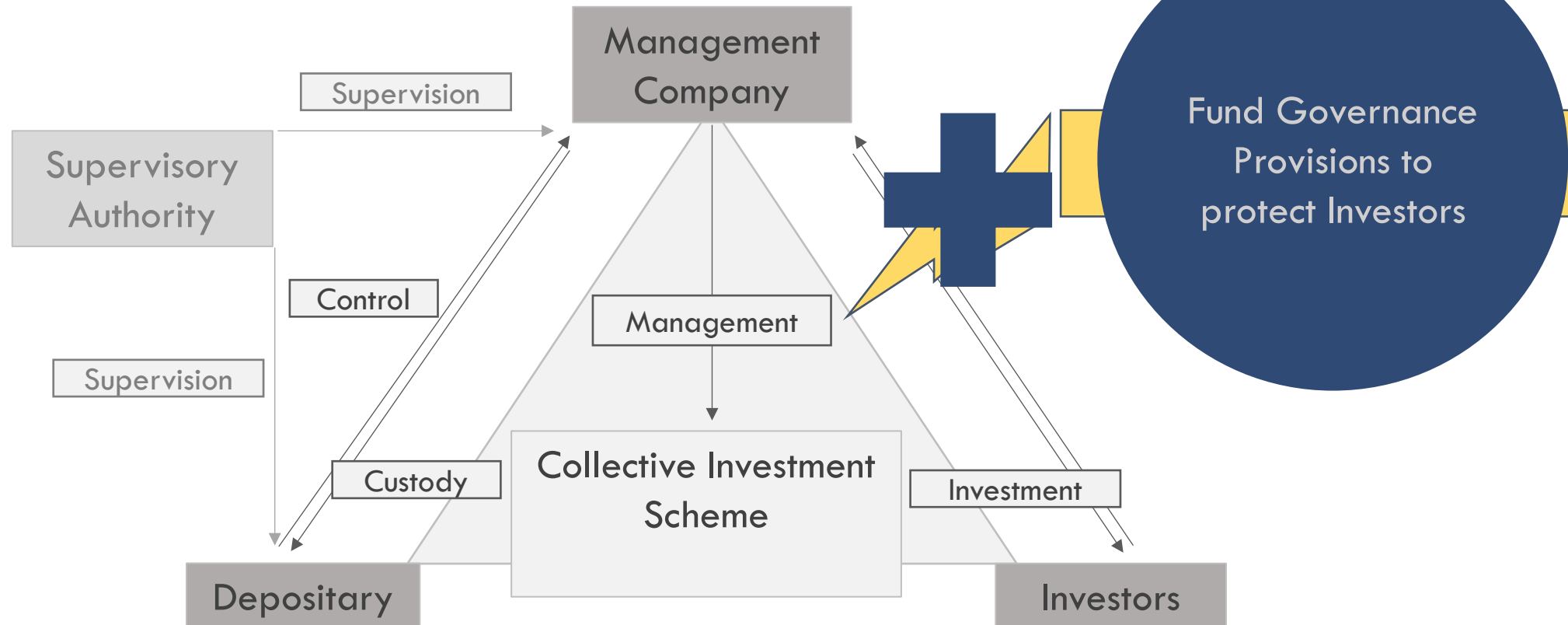
## Fund Governance: External Management Problem



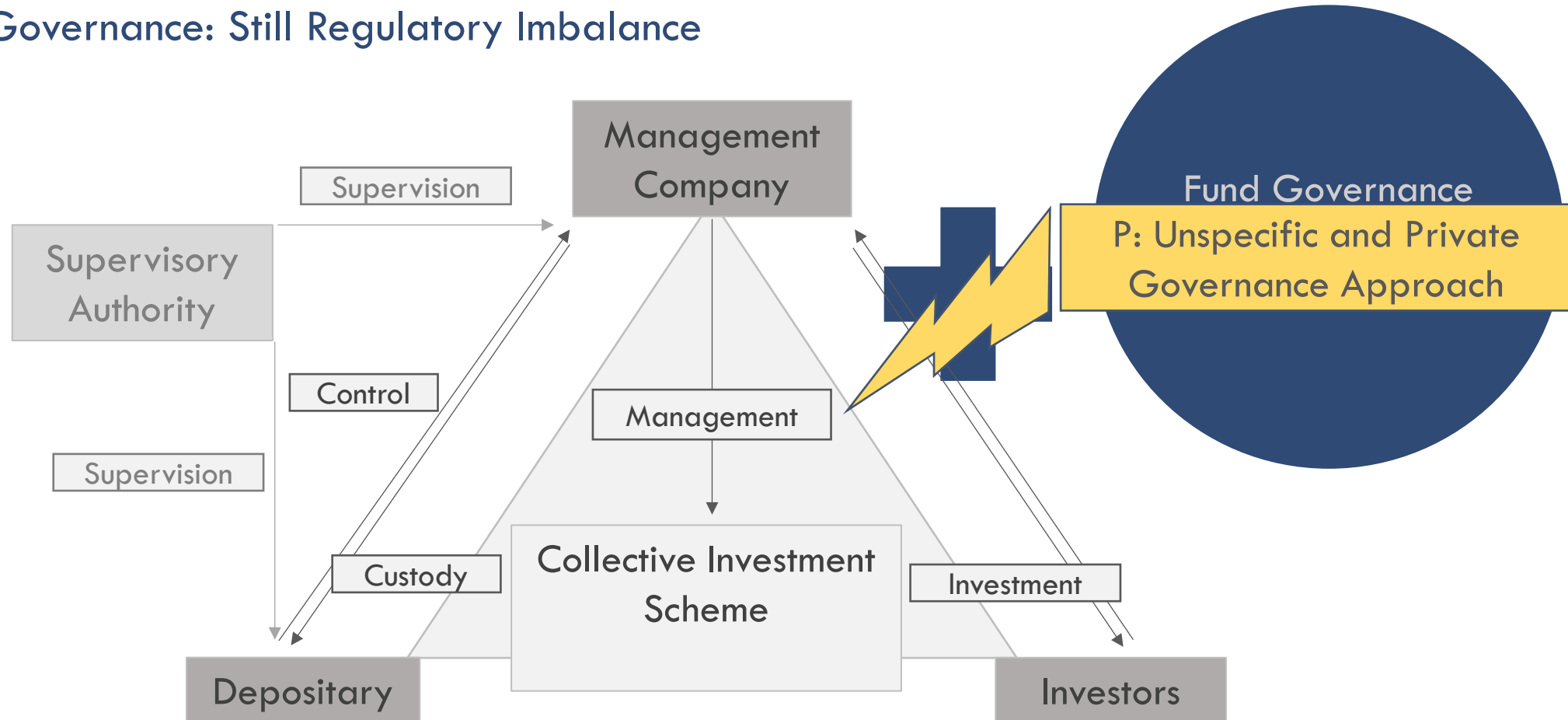
# I. ABCD Implementation in Fund Governance

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## Fund Governance: Fund Governance Principles (AIFMD+ UCITSD)



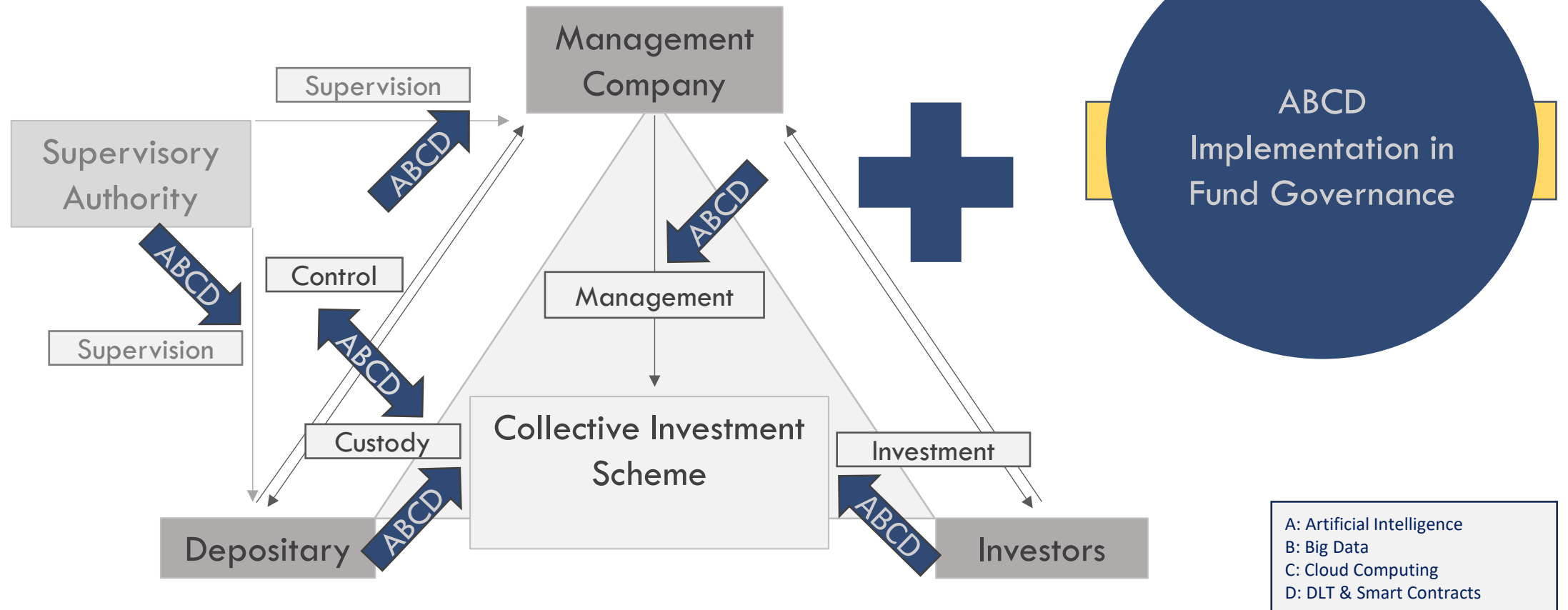
## Fund Governance: Still Regulatory Imbalance



# I. ABCD Implementation in Fund Governance

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## ABCD Implementation: Solution to Fund Governance Problem?



# I. ABCD Implementation in Fund Governance

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## ABCD Implementation:

Use Cases for:

1. Management Company
2. Depository
3. Investors



## ABCD Implementation: Chances

- Efficiency
- Cost Saving
- Transparency
- Security



## ABCD Implementation: Risks

### ➤ Technological Risks

- Hallucinations
- Black box
- Computing Risk

### ➤ Implementing Risks

- Personnel Risk
- Liability/Compliance
- Cost Risk
- Ethical Risks



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### The Technology-Neutral Regulatory Approach:

Law Should Neither Discriminate nor Favour a Technology

## II. The Current Technology-Neutral Regulatory Approach

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The Technology-Neutral Regulatory Approach:



## II. The Current Technology-Neutral Regulatory Approach

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### Current Regulatory Practise:

Fund Regulation	General Financial Law	Tech Law
IOSCO CON Rep with measures on AI/ML	OECD GenAI in Finance Principles	DSA
Amendments to AIFMD/UCITSD on ICT	FSB AIML Report	DMA
DORA on ICT	Articles 4(39), (40), 17 MiFID II on algo trading	OECD Principles on AI
NIS2 on ICT (lex generalis)	PilotR (DLT/ SCs)	AI Act
Cybersecurity Act on ICT	MiCA on crypto assets	(AI Liability Directive)
Prop. Cyber Resilience Act	ESMA AI for retail investments guidelines	GDPR
§ 28(1) KAGB, § 80(2), (3) WpHG on algo trading	EBA Guidelines on ICT	E-Privacy Directive
[BaFin KAIT (ICT)]	EBA ML in IRB Models	Data Governance Act
Luxembourg NIS Law (ICT)	EBA guidelines incl. advanced stat. models	Open Data Directive
BSI Grundsatzkatalog für Cloud	EIOPA AI governance principles	Data Act
BaFin Rundschreiben für Cloud Computing	BaFin BADAI recommendations	The Cloud Rulebook
	BaFin ML in risk models	Cybersecurity Act
	CSSF White Paper on AI	Cloud and AI Development Act
	JC/2018/04 on Big Data	Free Flor of Non-personal data Regulation
	PSD II (BD)	
	BaFin Auslagerung an Cloud	
	CSSF on IT Outsourcing	
	CSSF White Paper on DIT and Blockchain	

### Findings in Current Regulatory Practise:

1. Patchwork of Provisions
2. Technologies are Specifically Addressed
3. Provisions Follow a Private Governance Approach

## II. The Current Technology-Neutral Regulatory Approach

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### Consequences:

1. Unclear and Confusing
2. Provisions are Not Really Technology Neutral
3. Power of Interpretation on Regulatory Addressee

## II. The Current Technology-Neutral Regulatory Approach

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### Effects on ABCD Implementation in Fund Governance:

1. Legal Uncertainty
2. Overburdening with Compliance Obligations
3. Reintroduction of Factor Human

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### III. My Argument for a Technology-Oriented Risk Regulation

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#### The Needs for ABCD Regulation:



- I. ABCD Implementation in Fund Governance
- II. The Current Technology-Neutral Regulatory Approach
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## IV. The Idea of TORR

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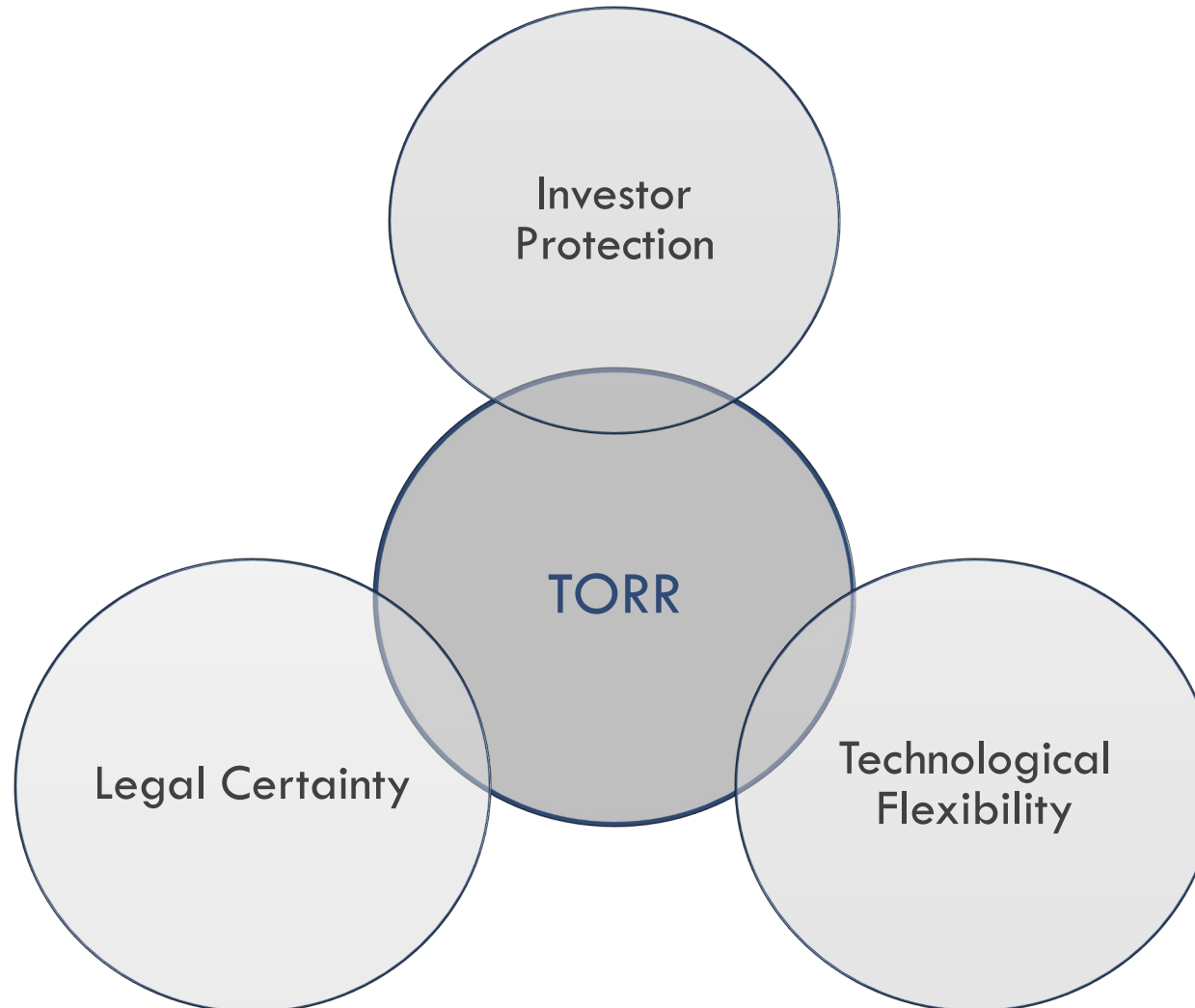
### Approach:



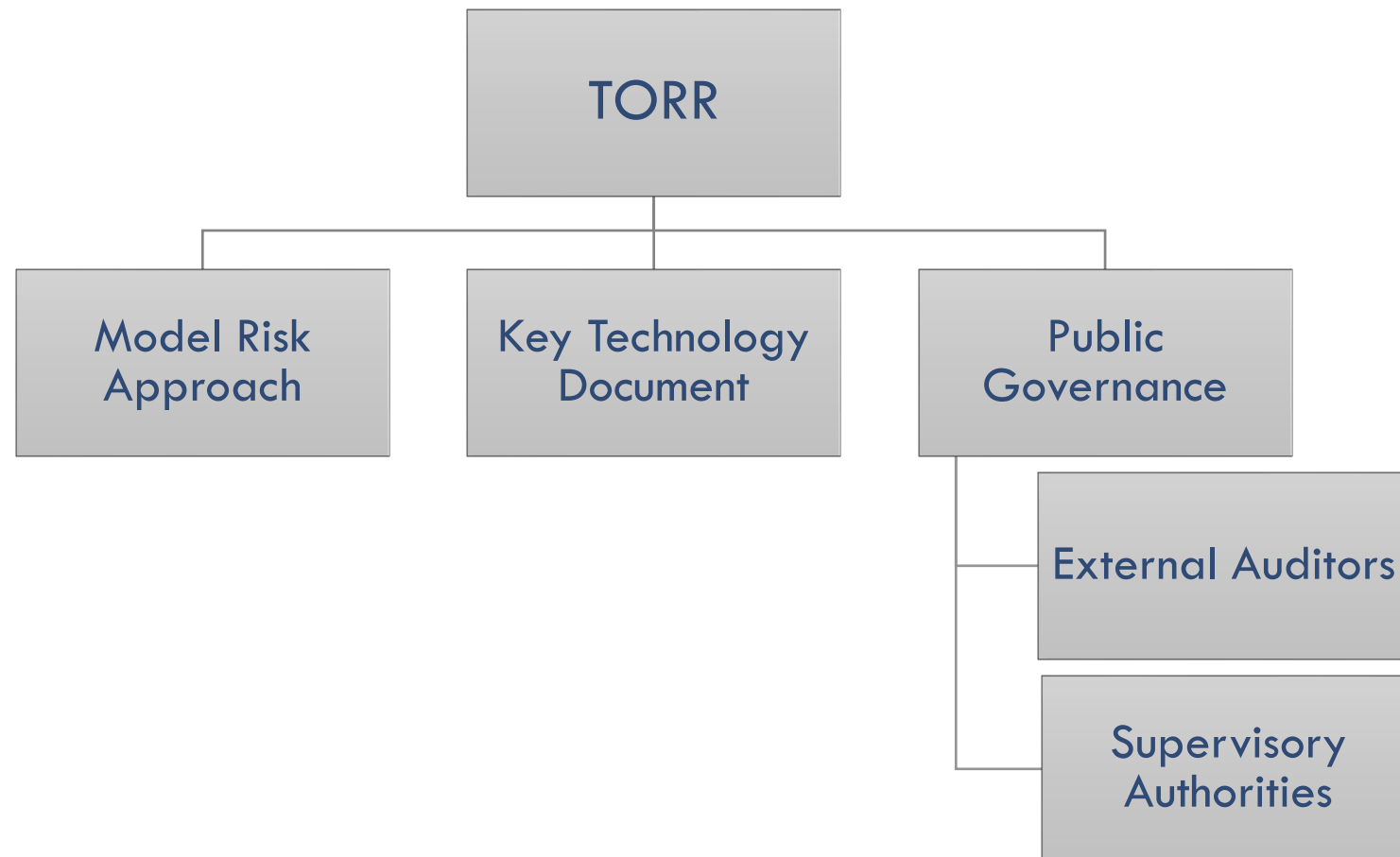
## IV. The Idea of TORR

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### Objectives:



### Concepts Behind TORR:



## IV. The Idea of TORR

### Example:

#### MRA:

Model Category	Risk Category	Risk Level	Use Case	Risk Relevance	Overall Risk	Regulatory Measures
Neural Network	Transparency	5	<b>Investment Decision</b>	<b>No</b>	1	No Specific Regulatory Measures Necessary
Neural Network	Hallucination	5	<b>Investment Decision</b>	<b>Yes</b>	5	Monitor, Regular Assessment...

#### KTD:

Use Case	Model	Risk Category	Provision	Measures	Individuals Involved	Responsible Individual	Last Update
Investment Decision	Neural Network	5 (Hallucination)	Art. XY	Monitoring	[Names]	[Names]	[Date]

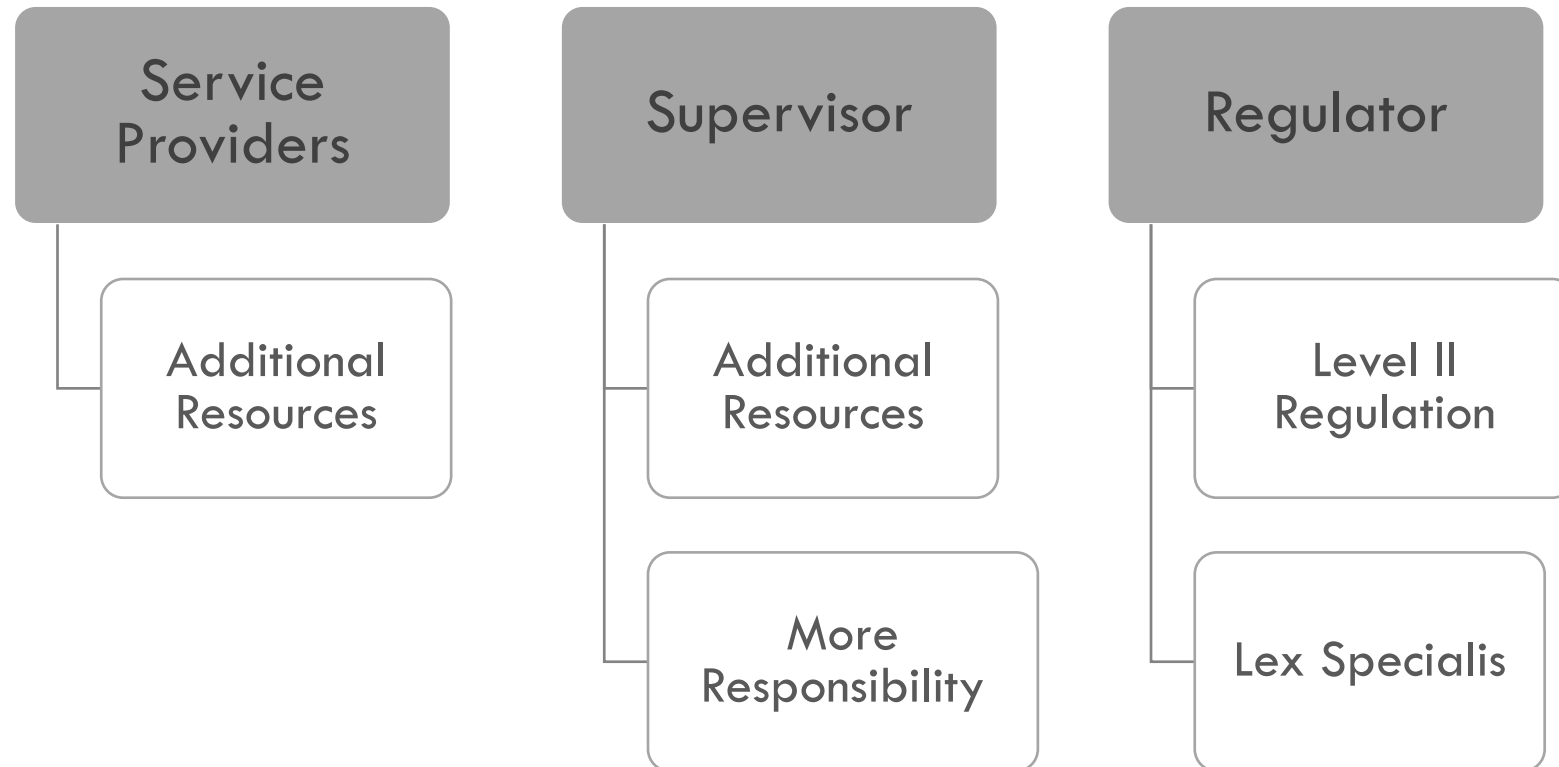
## IV. The Idea of TORR

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### Expected Impact of TORR:



### Preconditions:

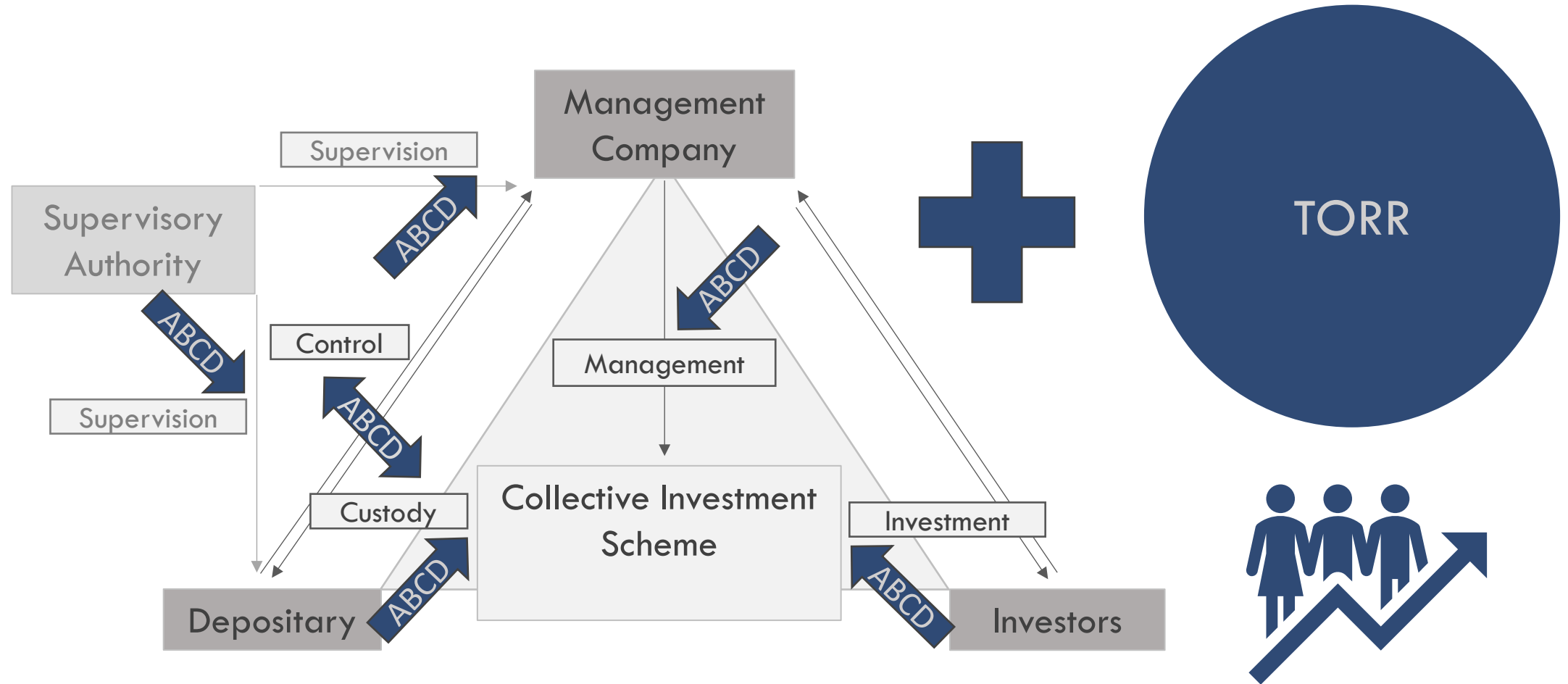


### Limitations:

1. Too Complex?
2. Another Regulation?
3. Laissez-Faire?

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# V. Conclusion



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ADA Chair in Financial Law  
(Inclusive Finance)  
Department of Law



# Save the Date for these gatherings

## Events

**12.06.2026** 2026 Executive Programme: A Strategic Bank Management Review

**17.06.2026** Knowledge Sharing Event • LuxFlag

**26.06.2026** General Assembly

**07.07.2026** Knowledge Sharing Event • e-MFP



Villmools Merci!



LET'S CONNECT

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