Pills

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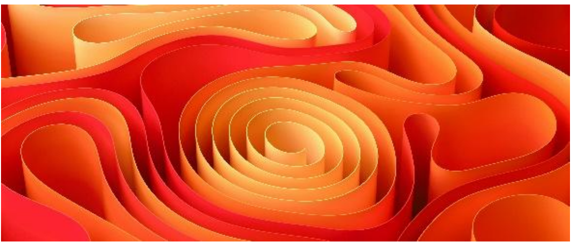

TOPICS:

Technology

SOURCE:

European Stability Mechanism

ESM: International Organisations Leading the Way in Artificial Intelligence – The Next Frontier for Capital Markets

- This paper examines how **Artificial Intelligence (AI) is transforming capital markets**, focusing on experiences from the European Stability Mechanism (ESM) and the World Bank Group (WBG) Treasury. AI is increasingly used in trading, portfolio management, investor relations, reporting and operational processes, enabling **faster data analysis, greater efficiency, lower costs and improved market liquidity**.
- The paper highlights that AI adoption has moved beyond experimentation and is **becoming integrated into core market activities**. However, it also identifies **important risks**, including increased market volatility from algorithmic trading, reduced transparency in decision-making, cybersecurity threats and operational vulnerabilities linked to complex digital systems.
- A central theme is the need for **robust governance and regulatory oversight**. The authors note that emerging frameworks, such as the EU AI Act, are encouraging financial institutions to strengthen controls around data quality, model risk management, explainability and accountability. AI systems are expected to operate within clear governance structures and remain subject to human supervision.
- The ESM and WBG Treasury advocate a **"human-in-the-loop" approach**, where AI supports rather than replaces professional judgment. AI offers significant opportunities to enhance capital market operations, but its long-term success depends on responsible implementation, effective risk management, regulatory compliance and maintaining human accountability in decision-making.