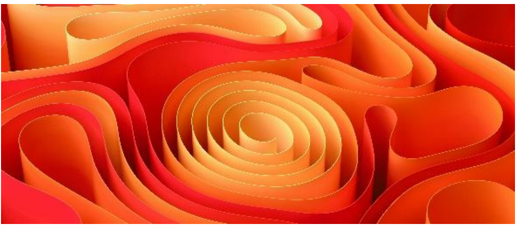
Pills

Regulatory/Supervisory Pills | N.156 October 2025



TOPICS:
Technology

SOURCE
Financial Stability Board

FSB Outlines Next Steps for Authorities on AI Monitoring

- The Financial Stability Board (FSB) report addresses **the increasing integration of artificial intelligence (AI) in the financial sector**, highlighting both opportunities and systemic vulnerabilities. The report builds on the FSB's 2024 AI analysis, focusing on how financial authorities can monitor AI adoption and identify emerging financial stability risks.
- AI offers **efficiency gains**, **improved compliance**, and **enhanced data analytics capabilities**. **However**, the rapid pace of adoption **raises concerns**, including third-party dependencies, market correlations, cybersecurity threats, and model governance issues. Monitoring efforts are still developing, with authorities encountering challenges such as inconsistent definitions of AI, data comparability across jurisdictions, and limited tools for evaluating AI's criticality to financial operations.
- The FSB identifies a dual framework of **direct** and **proxy indicators for monitoring AI adoption and related risks**. These indicators can be derived from supervisory engagement, surveys, public disclosures, vendor data, and operational risk reporting. Key vulnerabilities assessed include third-party dependencies, particularly concerning generative AI (GenAI), which poses unique challenges due to its reliance on large, concentrated service providers.
- A **case study on GenAI** outlines risks stemming from concentrated supply chains -covering hardware, infrastructure, training data, and foundational models. As GenAI adoption grows, financial institutions may face increased operational risk and reduced substitutability, making oversight of service provider concentration critical.
- The report also emphasizes the role of AI in **amplifying cyber risks and misinformation**. While AI can bolster fraud detection and cybersecurity, it also introduces new threat vectors, such as model poisoning and automated disinformation.
- To improve monitoring, the FSB recommends that national authorities **enhance data collection through simplified, standardised reporting, promote cross-authority data sharing, and leverage AI tools themselves**. International coordination is encouraged to align taxonomies, develop comparable indicators, and address persistent data gaps.

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