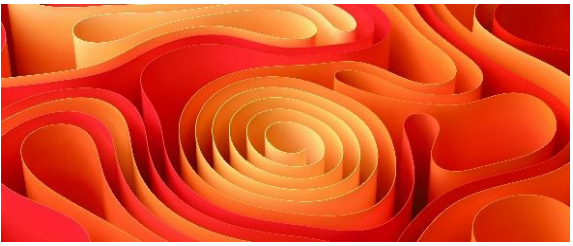
Pills

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TOPICS:

AI

SOURCE:

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FSB Finalises Sound Practices for the Responsible Adoption of AI

- The FSB has published **12 sound practices for responsible AI adoption** across financial institutions. These guidelines address the opportunities and risks associated with traditional **AI**, generative AI (**GenAI**), and increasingly autonomous **agentic AI**.
- **Key regulatory expectations**. 1) **Organisation-wide AI governance** (Practices 1–4): Strategic oversight - Boards and senior management should align AI adoption with business strategy, risk appetite and institutional capabilities; Accountability - Institutions should establish clearly defined responsibilities, appropriate governance structures and independent control functions; Risk management -AI-related risks should be integrated into existing enterprise risk frameworks, supported by effective documentation, inventories and auditability; Organisational adaptability - Institutions should maintain adequate expertise, training and resources while adapting governance arrangements to technological developments. 2) **AI lifecycle management** (Practices 5–12): Institutions should implement risk-based controls covering Assessment of AI use-case materiality and associated risks; Appropriate technology and model selection; Data quality, governance and protection; Explainability, transparency and compensating controls; Performance testing, validation and continuous monitoring; Effective human oversight and intervention mechanisms; Cybersecurity and information and communication technology (ICT) resilience; Third-party AI dependencies, outsourcing and concentration risks.
- **Principal risks and supervisory implications**. The FSB identifies significant vulnerabilities involving model opacity, inaccurate outputs, algorithmic bias, cyberattacks, third-party concentration and correlated market behavior. Attention is given to agentic AI, whose autonomous actions may generate unauthorised transactions, data breaches or operational disruptions. Effective safeguards include access restrictions, human intervention capabilities, monitoring and escalation procedures.
- **Implications for financial institutions**. The report encourages institutions to assess existing AI governance arrangements against the 12 practices, prioritising critical functions and higher-risk applications. Controls should be proportionate to institutional size, complexity and systemic importance.