FSB FINANCIAL STABILITY BOARD

Sound Practices for Responsible Adoption of Artificial Intelligence (AI): Consultation report

Response to Consultation

Friendship State Bank

1. **Do you agree with the benefits and risks of AI adoption by financial institutions described in this report? Are there any substantive benefits or risks not covered?**

   Yes, I agree with the benefits and risks described in this report. More risks around AI embedded into vendor products and how smaller institutions can get the transparency bigger banks have would be beneficial.

2. **Are the sound practices sufficiently comprehensive and clear to enable financial institutions' responsible AI adoption?**

   Yes, the twelve sound practices are clear and comprehensive. Additional non-tech/AI language or a checklist may be beneficial to smaller institutions to translate practices into action.

3. **Do the sound practices strike an appropriate balance between managing risks relating to all forms of AI, and addressing some of the risks relating to emerging and new complex forms of AI, such as GenAI and agentic AI?**

   Yes. A tiering model based on risk and AI classification would help implement AI based on risk appetite. This would also allow institutions to implement AI in phases to start small then work their way into more complex models.

4. **Are the sound practices sufficiently flexible to accommodate and address newer types of AI and responsible adoption over time?**

   Yes, ongoing monitoring, testing with a defined review cycle will help guidance and governance keep pace with AI developments.

5. **Do the case studies in this report sufficiently highlight how different types of financial institutions can benefit from responsible AI adoption? Are there additional case studies for inclusion in the report? If so, please provide such case studies, particularly for nonbanks.**

   The case studies provide better insight towards large, international, or GSIBS.

6. **Do the case studies in this report provide actionable insights for financial institutions in their responsible AI adoption?**

   Yes, if they're large, international, or a GSIB.

7. **Are the definitions in the glossary clear and aligned with industry sound practices, including recent developments in AI?**

   Yes, the glossary makes a good reference.

8. **Are there any comments you would like to make on this report? Please fill in.**

   I found it difficult to relate the case studies to a smaller bank, however, the sound practices very valuable and easy to follow.