

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

Response to Consultation

ICI Global

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?

Overall, we agree with the benefits and risks of AI adoption described in the Consultation. Consistent with ICI member views of AI as an augmentative technology, current adoption among asset management firms remains concentrated in productivity-enhancing applications that support, rather than replace, human decision-makers. These experiences are broadly consistent with the Consultation's emphasis on governance, accountability, and risk management.

At the same time, ICI members have identified technical dependency as an emerging risk that warrants greater attention. As financial institutions embed AI capabilities more deeply into core business processes, they may become increasingly reliant on a limited number of foundation models, cloud providers, datasets, APIs, and other third-party technology providers. While the Consultation appropriately addresses third-party and concentration risks, technical dependency may create distinct operational-resilience challenges. Changes in service availability, model functionality, access terms, or technology architecture could disrupt critical business processes even where market concentration itself is not the primary concern. Firms may also face challenges related to portability, interoperability, vendor switching, AI supply-chain transparency, and continuity of critical operations. Increasingly adaptive AI systems may require enhanced monitoring and governance as models are updated, retrained, or integrated into changing business processes and operating environments, while firms may also need to maintain documentation, audit trails, and evidentiary support sufficient to facilitate governance, model validation, operational resilience, and regulatory examinations. Operational resilience should not be assessed solely through the number of providers or degree of market concentration; governance arrangements, contingency planning, portability, backup capabilities, transition readiness, and institution-specific operational dependencies may be equally important determinants of resilience.

In addition to operational considerations, financial institutions may also face economic dependencies associated with AI adoption. As firms increasingly rely on external models, cloud infrastructure, computing capacity, and specialized AI service providers, costs for these products and services, as well as licensing terms and commercial arrangements,

could evolve significantly in the coming years. Consideration of these economic dimensions, including anticipating potential pricing changes, may help firms better assess the durability and resilience of their AI strategies over time.

We therefore encourage the FSB to more explicitly address technical and economic dependencies as distinct risk categories and components of AI governance and operational resilience. Doing so would complement the Consultation's broader discussion of third-party risk, concentration risk, and emerging AI-related operational vulnerabilities, while helping firms evaluate institution-specific resilience and contingency planning and economic sustainability considerations.

We also note several additional risks highlighted in IOSCO's 2025 report *Artificial Intelligence in Capital Markets: Use Cases, Risks, and Challenges*. These include AI-enabled fraud, deepfakes, impersonation, synthetic content, and misinformation, as well as the possibility that widespread reliance on common models, datasets, or AI service providers could contribute to herding behavior, correlated decision-making, or amplified market dynamics during periods of stress. While many of these risks remain prospective and their significance will depend on the nature and scale of AI adoption, they warrant continued monitoring as AI capabilities become more sophisticated and more broadly deployed.

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

Overall, the Sound Practices strike an appropriate balance between managing risks associated with AI generally and addressing risks associated with emerging technologies such as generative (GenAI) and agentic AI. We support the Consultation's principles-based approach, as core governance, accountability, risk-management, and human-oversight considerations apply across a wide range of AI systems. Given the rapid pace of technological change, the FSB should continue to emphasize outcomes-based expectations that remain effective as technologies, use cases, and deployment models evolve.

Consistent with a technology-neutral approach, it would be helpful to clarify that firms should calibrate controls according to the capabilities, impact, and degree of autonomy associated with a particular use case rather than the specific AI technology employed. For example, systems that can access sensitive information, make consequential recommendations, initiate transactions, or take actions within production environments may warrant heightened governance, monitoring, and human oversight regardless of whether they are characterized as generative, agentic, or other forms of AI. Further, there may be definitional uncertainty around AI applications, such that guidance specific to a defined technology would not be helpful. As organizations increasingly deploy hybrid systems that combine traditional software, machine learning models, foundation models, and agentic components, firms may benefit from greater clarity regarding the practical application of AI governance frameworks across different types of systems and deployment models.

In addition, as discussed in response to Question 1, the Consultation would benefit from more explicit recognition of technical and economic dependencies as distinct AI-related risk categories. Beyond third-party and concentration risks, increasing reliance on foundation models, cloud infrastructure, datasets, APIs, and other components of the AI technology stack may create operational-resilience challenges affecting continuity of critical operations, provider transition, supply-chain transparency, and oversight of evolving AI systems. The financial implications of such increasing reliance could also affect the long-term sustainability of AI-enabled processes.

We therefore encourage the FSB to explicitly address technical and economic dependencies as separate components of AI governance and operational resilience, particularly as GenAI, agentic AI, and other increasingly adaptive AI systems become more deeply embedded in business processes.

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

Industry surveys and reports and ICI member input indicate that asset managers employ AI across a wide range of functions, including core investment activities, risk management, compliance and surveillance, and enterprise-support functions. (See IOSCO, *Artificial Intelligence in Capital Markets: Use Cases, Risks, and Challenges* (2025), available at IOSCO AI Report; Mercer, *How Artificial Intelligence is Shaping Asset Management* (2026), available at <https://www.mercer.com/insights/investments/market-outlook-and-trends/asset-managers-use-of-ai>.)

In general, asset managers are currently using AI most extensively in productivity-enhancing and information-processing applications, while adoption remains more cautious in core investment decision-making functions where fiduciary, model-risk, and regulatory considerations are more significant. This reflects ICI member views that AI is principally an augmentative technology that enhances human judgment and oversight rather than replacing human expertise. At the same time, as AI capabilities become more deeply integrated into business operations, firms are increasingly focused on maintaining appropriate governance, operational resilience, and risk-management frameworks, including managing dependencies on external AI models, data sources, cloud infrastructure, and other third-party technology providers.

Expanding the Consultation's discussion of these activities would help illustrate how asset managers and other nonbank financial institutions can benefit from AI adoption. Including examples of the governance, oversight, testing, monitoring, escalation, and risk-management practices relevant to these use cases would also provide practical implementation insights.

The use cases described below are drawn from publicly available surveys and industry reports, as well as ICI member feedback, and are intended to supplement the Consultation's

existing use cases and case studies. (See IOSCO, Artificial Intelligence in Capital Markets: Use Cases, Risks, and Challenges (2025), available at IOSCO AI Report; CFA Institute Research Foundation, AI in Asset Management: Tools, Applications and Frontiers (2025), available at CFA Institute Report; Mercer, How Artificial Intelligence is Shaping Asset Management (2026), available at <https://www.mercer.com/insights/investments/market-outlook-and-trends/asset-managers-use-of-ai>; McKinsey & Company, How AI Could Reshape the Economics of the Asset Management Industry (2025), available at McKinsey Asset Management AI; Grant Thornton, Global Survey: AI is Transforming Asset Management (2025), available at Grant Thornton AI Survey; and Boston Consulting Group, AI and the Next Wave of Transformation (2024), available at BCG Global Asset Management Report.)

AI adoption in asset management currently spans three broad stages: (1) common operational and productivity uses, (2) established but not yet universal applications, and (3) emerging investment-related applications.

Common Operational and Productivity Uses

Operations. Many firms have adopted AI primarily for operational efficiency, using it to automate routine tasks, process documents, manage workflows, and streamline business processes across front-, middle-, and back-office functions.

Investment research. AI is increasingly used to review and summarize large volumes of company filings, earnings transcripts, news articles, and other unstructured data, helping analysts identify relevant information more quickly and generate research insights. Firms also use natural language processing and sentiment analysis to assess market sentiment and support investment research processes.

Internal Knowledge Management. Firms increasingly use GenAI as an internal assistant for portfolio managers, analysts, and other employees, helping retrieve information, summarize complex materials, prepare presentations, and answer internal questions. One industry source specifically identifies portfolio-manager copilots and knowledge-management tools as promising applications that can generate significant productivity gains. GenAI is also being used to improve access to internal policies, procedures, regulatory guidance, and institutional knowledge, helping employees locate information more efficiently while maintaining appropriate access controls and governance.

Established but Not Universal Use Cases

Compliance and surveillance. Firms increasingly deploy AI to support surveillance activities, compliance monitoring, regulatory change management, obligation mapping, policy review, control testing, and anti-money laundering (AML) and counter-terrorist financing (CFT) programs. These applications can improve the efficiency and effectiveness of compliance processes while maintaining appropriate human oversight and accountability.

Risk management. Firms use AI to enhance risk monitoring, identify anomalies, conduct scenario analysis, and support assessments of portfolio exposures. AI can also help risk teams aggregate and analyze large datasets more efficiently, improving the speed and quality of risk insights. While AI-enabled risk management is increasingly common, the

reports generally portray it as an augmentation tool rather than a fully embedded decision-making system.

Client servicing and distribution. AI supports more personalized client engagement through tailored communications, customized portfolio recommendations, and digital advisory tools. Asset managers are also exploring AI-enabled client-service and advisor-support tools that can respond to inquiries and deliver targeted information at scale. Such tools can support investor education, retirement servicing, complaint-management processes, and review of customer communications, while maintaining appropriate boundaries between informational support and regulated advice. Industry sources describe this as an important growth area.

Software development and technology functions. Many asset managers use GenAI as a copilot for software developers, assisting with code generation, testing, debugging, and documentation. One source identifies code copilots as one of the higher-impact and more readily implementable AI applications within asset management firms.

Emerging Investment-Related Applications

Portfolio management. Asset managers use machine learning and other AI techniques to identify patterns in large datasets, support forecasting, optimize portfolio construction, and generate investment signals. In practice, asset managers most commonly use AI as a decision-support tool that augments portfolio managers' judgment rather than making autonomous investment decisions.

Trading. AI applications in trading include algorithmic trading, signal generation, execution optimization, and analysis of market conditions. Advanced models can process large amounts of market and alternative data in real time to support trading decisions and improve execution outcomes. Algorithmic trading and execution support have existed for years, but the use of newer GenAI and advanced machine learning techniques in trading remains less widespread than operational and research applications.

- 6. Do the case studies in this report provide actionable insights for financial institutions in their responsible AI adoption?**
- 7. Are the definitions in the glossary clear and aligned with industry sound practices, including recent developments in AI?**
- 8. Are there any comments you would like to make on this report? Please fill in.**

22 July 2026

Secretariat to the Financial Stability Board

Bank for International Settlements

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Submitted via online response form at <https://form.gov.sg/690b2a3b024ee5eebbfcf7f1>

Re: Consultation Report on Sound Practices for Responsible Adoption of Artificial Intelligence (AI)

To the Financial Stability Board Secretariat:

The Investment Company Institute (ICI) (<https://www.ici.org/>) is the leading association representing the global asset management industry in service of individual investors. ICI members are located in Europe, North America and Asia and manage fund assets of \$58.5 trillion, including UCITS, mutual funds, exchange-traded funds (ETFs), closed-end funds, unit investment trusts (UITs) and similar funds in these different jurisdictions. ICI has offices in Brussels, London, and Washington, DC.) ICI appreciates the opportunity to provide feedback on the Financial Stability Board (FSB) consultation on Sound Practices for Responsible Adoption of AI (the Consultation). (Financial Stability Board, Sound Practices for Responsible Adoption of Artificial Intelligence (AI): Consultation report (10 June 2026) <https://www.fsb.org/uploads/P100626.pdf>)

Introduction

ICI's members manage mutual funds, ETFs, closed-end funds, UCITS, and related fund structures, which are integral to supporting economic growth, fostering capital formation, and providing the benefits of collective investment to a wide range of investors, particularly long-term individual investors. ICI has a strong interest in ensuring that regulatory frameworks encourage innovation while preserving effective standards of liquidity, transparency, and investor protection. We believe that technology has tremendous potential to benefit investors, and that it is critical for global regulators to proceed deliberatively, with the goal of preserving existing policies that foster liquid and efficient capital markets while facilitating further innovation.

ICI members broadly view AI as an augmentative technology that can enhance human expertise, improve operational efficiency, strengthen compliance and risk-management functions, and improve investor and client experiences. Asset management firms currently concentrate their AI adoption in research, information processing, compliance, client servicing, and other productivity-enhancing applications, while human judgment, oversight, and accountability remain central to investment and risk-management decisions. (ICI members' views of AI as an augmentative technology are consistent with findings from a survey of French investors conducted by the Autorité des Marchés Financiers (AMF), which concluded that "at this stage, artificial intelligence appears to be a support tool rather than a decision-making tool in the field of savings and investment," and found that investors generally held a balanced view of both the benefits and risks associated with the use of AI by financial professionals. See Autorité des Marchés Financiers, Special edition of the AMF Barometer: while artificial intelligence is still not widely used for investment decisions, French investors generally perceive both benefits and risks, available at <https://www.amf-france.org/en/news-publications/news-releases/amf-news-releases/special-edition-amf-barometer-while-artificial-intelligence-still-not-widely-used-investment>) As AI adoption expands, members support risk-based governance frameworks that address data quality, explainability, operational resilience, and the growing risk of technical dependency on external AI models, providers, and infrastructure.

High-Level Feedback

ICI welcomes the approach the FSB has taken, recognizing that AI has the potential to deliver significant benefits across financial services, while also addressing emerging risks through a menu of 12 sound practices (the Sound Practices) that financial institutions could apply in their organization-wide AI governance and AI lifecycle management. ICI particularly welcomes the Consultation's technology-neutral, principles-based, and non-prescriptive approach, which appropriately recognizes that AI governance should be proportionate to the materiality, complexity, and risk profile of specific use cases and institutions. Consistent with views expressed during the FSB's virtual outreach and by ICI members, the Sound Practices appropriately focus on outcomes and accountability while allowing firms to leverage existing governance frameworks and tailor controls to the nature and significance of individual AI applications.

ICI further appreciates that the Consultation builds on and is broadly compatible with existing and ongoing work by the FSB and other standard-setting bodies (SSBs), as well as by national/regional financial authorities. ICI supports taking a phased approach, building upon prior work, and considering existing regulatory frameworks and risk management practices before determining whether it is appropriate to develop additional tools, recommendations, or considerations. (In that regard, the FSB could consider adding to the Consultation a reference to the Financial Services AI Risk Management Framework, an industry led, sector specific AI risk management framework developed through public private collaboration with more than 100 financial institutions and input from U.S. and international agencies, including NIST. This type of collaborative work with industry can provide fund managers with useful references and good practices as they adopt AI and other emerging technologies in a manner consistent with existing regulatory obligations and to benefit the retail investors that they serve. See Cyber Risk Institute, Financial Services Artificial Intelligence Risk Management Framework, available at <https://cyberriskinstitute.org/artificial-intelligence-risk-management/>)

The Consultation also helpfully includes use cases drawn from real-world AI implementation practices by financial institutions. We welcome the FSB call for additional examples to better reflect the diversity of the financial services ecosystem, including asset managers and other nonbank financial institutions. Additional use cases (discussed in greater detail below) could illustrate AI applications across asset management functions, including operations; investment research and internal knowledge management; compliance, surveillance, and risk management; client servicing and distribution; software development and technology functions; and, as emerging but growing applications, portfolio management and trading.

In addition, while the Consultation references IOSCO's work on AI, we encourage a more prominent discussion of the 2025 IOSCO report Artificial Intelligence in Capital Markets: Use Cases, Risks, and Challenges, which provides capital-markets-specific use cases that could help readers understand how AI is being applied across financial markets. The IOSCO report complements the Consultation by providing deeper analysis of AI use cases and risks that are relevant to securities markets, asset managers, and long-term investors. It examines AI applications in investment research, market analysis, sentiment analysis, robo-advice, portfolio construction, trading, and investor communications. It also addresses investor-protection and market-integrity concerns such as conflicts of interest, suitability, AI-

enabled fraud and deepfakes, market manipulation, herding behavior, correlated trading strategies, and autonomous-agent risks. Expanding the discussion of the IOSCO report would enhance the Consultation's relevance to capital-markets participants and provide additional insight into AI use cases, investor-protection considerations, and market-structure risks that are particularly relevant to securities markets.

Select Consultation Questions

We provide additional detailed feedback below, focused on the general topics of risks related to AI (consultation questions 1 and 3) and AI use cases in asset management (consultation question 5).

Risks

Question 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?

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including anticipating potential pricing changes, may help firms better assess the durability and resilience of their AI strategies over time.

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Question 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?

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Use Cases

Question 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.

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Expanding the Consultation's discussion of these activities would help illustrate how asset managers and other nonbank financial institutions can benefit from AI adoption. Including examples of the governance, oversight, testing, monitoring, escalation, and risk-management practices relevant to these use cases would also provide practical implementation insights.

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Thank you again for the opportunity to provide feedback on the Consultation. As AI continues to evolve, we look forward to continued engagement with the FSB to support the responsible adoption of AI across the asset management industry. If you have any questions or would like to further discuss our comments, please do not hesitate to contact me at tracey.wingate@ici.org or Katrina Wilson at katrina.wilson@ici.org.

Sincerely,

/s/ Tracey Wingate

Tracey Wingate

Chief Global Affairs Officer