

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

Response to Consultation

International Capital Market Association (ICMA)

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?

ICMA members broadly agree that the approach to AI adoption needs to be proportionate to the risk materiality of the AI use case. Indeed, the benefits and risks of AI adoption in financial services are highly dependent on the type of AI technology used, how it is developed and for what purpose. We also agree with the thematic benefits of AI adoption set out in the report, viewing operational efficiency and productivity gains as the main benefits to AI adoption. Likewise, ICMA supports full consideration of the risks that could directly or indirectly result from AI integration, and appreciates the extensive attention given to the risks in this report.

However, further detail regarding the use of AI in trading, asset management and portfolio construction (page 6) would be beneficial. ICMA members retain the view that the majority of workflows in these areas of the capital market are longstanding machine learning models. We encourage the FSB to share practical examples detailing the AI methodologies that have introduced new, significant, benefits or risks to these functions. This distinction is important to ensure that regulatory attention is focused on AI methodologies that introduce new or materially different risks for financial stability, and not longstanding capital market workflows.

In addition to the benefits identified in this report, AI can also support innovation of other forms across financial institutions. ICMA is currently exploring the potential cross-section of different technology types, including how AI can assist with the implementation and scaling of DLT-based securities and quantum computing.

In regard to risks, the report emphasises the controls for AI risks more than AI risks themselves. This may, in part, reflect the overlap between existing risks that could become more pronounced as AI adoption scales, and the comparatively narrower set of risks that are specific to the introduction of new AI applications. ICMA members highlight that many of the risks raised in this report, for example data breaches, third-party dependency risk and cyber security risk, are not specific to the adoption of AI applications, and have been long accounted for in existing governance frameworks. That being said, the integration of AI tools in a financial organisation increases the surface area in which vulnerabilities could be exploited, and so ICMA members encourage reflection on how these risks have been

addressed in the past, and where existing frameworks may need to be expanded upon to account for the broader adoption of AI.

Although third-party dependency considerations are addressed in Sound Practice 12, the report could go further to highlight some of the challenges financial institutions are facing in dealing with the economic impact of AI-infrastructure providers, such as the risk of spiralling costs and the potential difficulties in assessing long-term budgets. In particular, costs in relation to models, infrastructure and computing power could evolve significantly in the coming years, providing a challenge for financial institutions to anticipate pricing changes and assess the economic resilience of their AI architectures. Whilst most market concentration considerations are beyond the scope of financial services and overseen by broader, sector agnostic regulations, the difficulty to assess budgets used to maintain, supervise and govern AI implementations could have knock-on effects for the risk profile of AI adoption. In addition, geographic access restrictions to AI infrastructure providers and diverging regulatory approaches, may result in the emergence of an operational and competition-based gap forming between organisations and regions.

See ICMA's response to IOSCO Consultation Report "Artificial Intelligence in Capital Markets: Use Cases, Risks and Challenges", April 2025.

See ICMA's response to the European Commission's targeted consultation on artificial intelligence in the financial sector, 2024 (Question 12).

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

The sound practices set out in the report are sufficient given that the intended audience is senior and board level leadership. ICMA recognises the importance of ensuring senior employees have a solid understanding of the considerations essential to AI adoption, and the report provides a good starting point to provide them with the right questions to protect their organisations. However, they also have an important role to play in encouraging a culture of responsibility and understanding across the entire organisation. Given the rate of AI adoption, it may be worth considering a strategic workforce planning (SWP) strategy as a standalone sound practice, which could include the continuous training of employees, AI acculturation for all staff members, and anticipation of future skills and professions needed.

In capital markets specifically, each business line and desk should also properly understand the consequences of the AI applications they are using. In one global financial institution, the spectrum of AI applications, their different outputs, and risk levels will be unique to each business line, to the extent that it might necessitate a devolution of responsibility to the relevant experts in each field. ICMA recognises that high-level frameworks are not always sufficient to cover the practical realities of business lines such as the international capital market and so supports promoting a common understanding of AI responsibilities across departments to ensure its effective implementation.

In addition, a key point raised by ICMA members is that responsible AI adoption doesn't necessarily need to be treated separately within organisational risk-management or governance frameworks. Since many of the considerations involved for AI adoption equally apply to other technologies, guidance and principles should be integrated into firms' existing

governance, risk and control frameworks, accepting that there may need to be changes or additions in some areas. In general, ICMA members support a technology neutral approach to the frameworks that govern AI use within firms and encourage international organisations and standard-setting bodies to recognise that financial institutions may be able to address AI governance through existing controls, without necessarily establishing a separate AI governance structure.

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?

It is important to recognise the core themes that carry through all technology adoption, and the areas where AI implementation is introducing entirely new workflows. For example, ICMA members recognise that agentic AI could, in some cases, change the process in which business objectives are achieved, and that this warrants greater attention than the existing risks associated with traditional machine learning workflows.

In particular, sound practice 10 on human oversight provides a good approach to considering the different types of human validation that may be required for new and emerging AI models. In the case of agentic AI, the significant amount of output requiring validation may be too extensive for an individual to oversee, resulting in the necessary introduction of an AI supervision model. In such cases, ICMA would be interested in further insights from the FSB, as well as the inclusion of real-world case studies of agentic AI in capital market workflows, in the report. In the experience of ICMA members, there is currently low uptake of agentic AI workflows in front-office (issuance, trading, settlement) or “high stakes” workflows. However, as a recent survey of financial services firms conducted by the Cambridge Centre for Alternative Finance (CCAF) reports, nine out of ten respondents are expecting agentic deployment of some degree by 2030.

Cambridge Centre for Alternative Finance (CCAF), 2026 Global AI in Financial Services Report – Adoption, Impact and Risks, April 2026 (p. 128) <https://www.jbs.cam.ac.uk/wp-content/uploads/2026/05/ccaf-2026-04-28-global-ai-in-financial-services-report-2.pdf>

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

ICMA members broadly agree with the principles set out in the sound practices while advocating for flexibility and adaptability in the frameworks that are used to govern AI adoption in financial institutions, without compromising standards. Since 2024, ICMA has advocated for integrating AI considerations into existing frameworks and ensuring that they are responsive to unforeseen risks, account for explainability, frequent testing, staff education, and data controls.

See ICMA’s response to the European Commission’s consultation, 2024 (Question 29).

ICMA’s response to the FCA consultation on current and future uses of Artificial Intelligence (AI) in UK financial services, as well as the financial services regulatory framework, January 2025

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.

ICMA encourages the FSB to consider further examples from the capital market for inclusion in this report. ICMA members have adopted AI applications at different stages of the securities lifecycle. A prominent example is the World Bank Treasury's Astra and Shastra AI implementations, which are used in fixed income markets to enhance liquidity management. In this use case, AI is used to extract information from bond documentation, reconcile payment and redemption dates with third-party sources, using ICMA's Bond Data Taxonomy to create a golden source of trade data that can be shared with downstream market participants to prevent settlement fails and optimise liquidity management across a wide-ranging portfolio of debt securities. A webinar that ICMA held in collaboration with the World Bank Treasury on this topic can be found on our website.

Other use cases include using AI to improve the accuracy of bond rating assessments, pricing predictions, assessing investor appetite and to identify arbitrage opportunities in secondary markets. AI adoption could also change how both retail and institutional investors engage with financial institutions. As retail investors gain access to AI tools that analyse products, compare investment options or generate recommendations, existing reputations and resources provided by financial institutions may become less influential in the decision-making process. In wholesale markets, institutional investors may become increasingly dependent on data-driven recommendations as opposed to insights taken from existing sales to client relationships. Shifts in market practice such as this warrant further exploration in the use cases outlined in the report. Additional examples of AI use cases in fixed income markets can be seen on ICMA's tracker of fintech applications.

Further clarity on the term "nonbanks" would also be useful. From a capital market perspective, a nonbank could refer to nonbanking financial entities such as hedge funds and asset managers, or exchanges and central securities depositories (CSDs). ICMA members highlight that according to the survey conducted by the CCAF, fintechs (i.e. "nonbanks") are further ahead than traditional financial institutions in AI adoption, and especially in areas such as agentic AI adoption. Such institutions would be deemed nonbanks but have an instrumental role in the stability of the capital market ecosystem.

More information on ICMA's Bond Data Taxonomy working group can be found at <https://www.icmagroup.org/fintech-and-digitalisation/fintech-advisory-committee-and-related-groups/bond-data-taxonomy/>

See World Bank Treasury group and ICMA webinar on "Project Shastra and the Bond Data Taxonomy: Using Generative AI and the BDT to create digital copies of securities terms". <https://www.youtube.com/watch?v=HGCxT9IM3RY>

ICMA's tracker of fintech applications, ICMA website: <https://www.icmagroup.org/fintech-and-digitalisation/fintech-resources/tracker-of-new-fintech-applications-in-bond-markets/>

Cambridge Centre for Alternative Finance (CCAF), 2026 Global AI in Financial Services Report – Adoption, Impact and Risks, April 2026 (p. 128) <https://www.jbs.cam.ac.uk/wp-content/uploads/2026/05/ccaf-2026-04-28-global-ai-in-financial-services-report-2.pdf>

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

The case studies outlined in the report provide useful insights, yet their relevance varies depending on the specific business case, workflow and type of institution concerned. Their practical value could be enhanced by providing greater granularity on the specific risks that would arise if the relevant AI application failed to perform as intended, as well as the measures taken to mitigate those risks.

ICMA welcomes, in particular, opportunities for public-private collaboration to support responsible AI adoption and encourages the inclusion of examples such as the BIS' Project Noor and the UK Cross-Market Operational Resilience Group (CMORG). Engagement of this nature is essential to developing a broad understanding of the stability implications AI adoption could have, particularly in relation to the recent developments in frontier AI models.

ICMA members support the reports' recommendation that financial institutions incorporate AI-related cyber and ICT risks into their existing testing scenarios but would go a step further to encourage a broader integration of AI-related cybersecurity considerations into existing operational resilience, cybersecurity and risk management frameworks and practices. This would support a consistent and proportionate approach and avoid the need for separate AI-specific controls where established frameworks can effectively address AI-related risks.

In a recent letter to CEOs of significant institutions, the European Central Bank (ECB) encouraged firms to enhance their AI-enabled defensive capabilities against frontier AI models, without delay. This comes after a warning from the European Systemic Risk Board (ESRB) regarding systemic cyber risks stemming from frontier AI models. Whilst sound practice 11 does highlight the role AI-powered tools could play in managing AI cyber and ICT risks, the implications of this could be further explored. It is important to recognise, for example, that whilst adoption of AI in financial institutions presents risks in itself, there is also a pressing risk that not adopting AI in a cyber-resilience context could weaken a firm's ability to defend against cyber-attacks. It may be worth including additional case studies, therefore, to show how insufficient adoption of AI tools may itself become a source of systemic risk to the industry.

ECB letter to the CEO of the significant institution, addressing AI-enabled cybersecurity threats, July 2026:
https://www.bankingsupervision.europa.eu/press/letterstobanks/shared/pdf/2026/ssm.2026_letter_on_AI_enabled_cybersecurity_threats.en.pdf

ESRB warning on "systemic cyber risks stemming from frontier artificial intelligence models", June 2026:
https://www.esrb.europa.eu/pub/pdf/warnings/esrb.warning260625_on_systemic_cyber_risks_stemming_from_frontier_ai_models~ef424708cf.en.pdf

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

ICMA members welcome efforts to clarify AI-related terminology, particularly in the context of financial services. ICMA has observed that AI terminology is not always used consistently across policy, regulatory and industry contexts, which can lead to misunderstandings and unintended consequences from a regulatory perspective.

ICMA remains available to assist with efforts to address these challenges and work towards a common nomenclature and consistent global dialogue on the topic.

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

The International Capital Market Association (ICMA) welcomes the opportunity to respond to the Financial Stability Board's (FSB) consultation report on "Sound Practices for Responsible Adoption of Artificial Intelligence (AI)". ICMA is the trade association for the international capital market with over 630 members located in 71 jurisdictions globally, including private and public sector issuers, banks and securities dealers, asset and fund managers, insurance companies, law firms, capital market infrastructure providers and central banks. ICMA provides industry-driven standards and recommendations, prioritising three core fixed income market areas: primary, secondary and repo and collateral, with cross-cutting themes of sustainable finance and FinTech and digitalisation. ICMA works with regulatory and governmental authorities, helping to ensure that financial regulation supports stable and efficient capital markets.

ICMA members welcome the opportunity to respond to the FSB's consultation on Sound Practices for Responsible Adoption of Artificial Intelligence (AI). In principle, we support the FSB's commitment to encourage responsible adoption of AI in financial services. This response reflects the views of ICMA's AI in Capital Markets (AICM) working group, which convenes over 200 market participants from 90 firms that operate globally across debt capital markets. The composition of the AICM working group reflects ICMA's diverse membership, including issuers, investors, banks, market infrastructures and law firms. They are of different sizes and scale, and each is at various stages of AI integration across their business. This is reflected in the response, which we hope expands the breadth and depth of information at the FSB's disposal.

For full references, including hyperlinks, please see PDF version on the ICMA Website: <https://www.icmagroup.org/fintech-and-digitalisation/fintech-advisory-committee-and-related-groups/artificial-intelligence-in-capital-markets-aicm-working-group/>