FINANCIAL STABILITY BOARD

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

Response to Consultation

KeyBank, N.A.

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?**

   Response: Yes. The report appropriately captures the major benefits and risks of AI adoption in financial services.

   We suggest the FSB consider supplementing the risk discussion with:

   • Workforce transition risk — effective human oversight depends on AI-literate personnel; workforce reskilling is a parallel challenge to AI deployment

   • Shadow AI risk — decentralized adoption across business units can undermine enterprise governance

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

   Response: Yes, the sound practices are comprehensive as a principles-based framework. We recognize that this is intended as a framework rather than prescriptive regulation.

   Institutions will need to develop internal standards or adopt other industry standards to operationalize these practices. Case studies that illustrate how institutions have approached this operationalization would help bridge the gap without requiring the FSB to prescribe specific methodologies.

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?**

   Response: The framework addresses traditional ML and GenAI well. Agentic AI—given its autonomous decision-making capabilities—would benefit from additional attention.

   Suggested case study topics:

   • Human-in-command intervention mechanisms for autonomous systems

- Governance of agent-to-agent interactions

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

   Response: Yes. The principles-based approach appears to provide flexibility to accommodate technological evolution. We support this design choice.

   We encourage the FSB to consider a stated review cadence (e.g., biennial) to signal ongoing attention to emerging AI developments while maintaining core framework stability.

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.**

   Response: The case studies are useful but skew toward large, internationally active banks with well-known use cases.

   Suggested additions:

   - Regional and community bank AI adoption examples
   - GenAI and agentic AI implementations beyond common use cases
   - Ongoing monitoring and operating model structures

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

   Response: The case studies effectively illustrate outcomes. More implementation-oriented examples would increase their practical value.

   High-value case study topics:

   - Agentic AI governance — practical approaches for defining agent permissions, inventories, escalation hierarchies, and human intervention points.
   - IP leakage into third-party models — controls to prevent confidential data, proprietary code, or business information from being exposed through external AI tools.
   - Data foundations — examples of how data quality, lineage, access controls, and retention practices support responsible AI development and deployment.
   - Cyber resilience — scenarios showing how AI-specific threats are integrated into cybersecurity, incident response, and operational resilience programs.
   - Implementation challenges — lessons learned on governance capacity, stakeholder alignment, tooling, and change management when moving from policy to practice.

• Business context and ontologies — methods for linking AI use cases to business processes, risk taxonomies, controls, and accountability structures.

• AI inventory schemas — sample fields and governance workflows for cataloging AI use cases, ownership, materiality, risk ratings, and lifecycle status.

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

Response: Yes, the glossary is clear and well-aligned with current industry usage.

Minor suggestions: additional precision around agentic AI autonomy levels and distinction between "AI use case" and "AI system."

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

Introduction

KeyBank appreciates the opportunity to comment on the Financial Stability Board's consultation on Sound Practices for Responsible Adoption of Artificial Intelligence. We commend the FSB for developing a principles-based framework that appropriately balances risk management with the flexibility financial institutions need to adopt AI responsibly.

Our comments reflect input from across our enterprise, including Model Risk Management, Technology, Compliance, Machine Learning and GenAI Programs, and AI Risk Management functions. We are broadly supportive of the framework and offer targeted suggestions—primarily through enhanced case studies—that would help institutions bridge from principle to practice.

KeyBank views this framework as a valuable contribution to international coordination on responsible AI adoption.

Key observations:

1. Case studies are the opportunity — Enhanced case studies can demonstrate practical application without prescribing specific approaches

2. Third-party AI warrants attention — Case studies addressing governance of AI embedded in vendor products would reflect current adoption realities

3. Post-deployment monitoring — Additional examples illustrating ongoing monitoring approaches would strengthen lifecycle management guidance

Conclusion

KeyBank supports the FSB's principles-based framework for responsible AI adoption. Our primary suggestion is to enhance case studies to demonstrate practical application—particularly for agentic AI governance, materiality classification, and ongoing monitoring—without requiring the FSB to prescribe specific methodologies.