FSB FINANCIAL STABILITY BOARD

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

Response to Consultation

Theta Lake

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?**

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?**

   The proposed sound practices provide a solid foundation but fall short of addressing critical visibility gaps impacting both existing and emerging AI capabilities like GenAI. While 99% of financial firms are actively expanding their AI usage, 88% already report significant governance and data security challenges.

   To illustrate, financial institutions currently face a lack of visibility into how employees use Generative AI applications. As employees increasingly interact with AI assistants, there are evolving compliance and governance risks from emerging behavioral patterns—such as policy evasion, inappropriate conduct, or accidental data leakage—which require continuous analysis to detect. Additionally, organizations lack the necessary oversight and data access required to perform reliable model validation and track ongoing AI performance.

   To achieve an appropriate balance, the framework needs explicit provisions for the ongoing oversight of generative and agentic AI tools. Specifically, compliance teams must have the technical capability to replay and reconstruct exact human-to-AI prompts and generated outputs. Firms require complete interaction records to detect, investigate, and analyze risky behaviors that dynamically evolve over time as users and AI systems interact.

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.**

While the current case studies successfully highlight productivity gains, they do not sufficiently address the broader compliance and security risks created by using AI tools. We recommend expanding the case studies to focus on how financial firms of all types and sizes, including non-banks, can deploy AI itself to solve these governance challenges and identify risky employee behaviors.

As workers adopt generative AI assistants, the tools create an entirely new class of workplace communication that requires continuous review and oversight. A relevant case study could illustrate compliance teams deploying specialized AI classifiers for the monitoring and forensic investigation of these human-to-AI interactions. These tools target specific threats like AI Manipulation & Unethical Summary Steering (where employees prompt AI to leave regulatory red flags out of meeting summaries), Attachments Shared with AI, and Indirect Prompt Injections. Mitigating AI risks with AI-driven detections fills the current visibility gap and gives firms the precise oversight they need to stay compliant.

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.**

As an AI-native, ISO42001 and CSA Star for AI Level 2 provider, focused on compliance and risk management, Theta Lake welcomes the Financial Stability Board's proactive approach to responsible AI adoption.

Effective governance requires a combination of both internal oversight controls with independent external standards. Internally, firms need robust explainability features—such as detailed classifier audit reports and automated risk summarizations—to verify why an AI model flagged a specific risk and to audit its ongoing decisions. Certifications like ISO/IEC 42001 for AI management systems and the CSA STAR for AI Level 2 framework provide the independent assurance financial institutions need to assess third-party vendors, ensuring strict data security and operational transparency before these technologies enter production.

True innovation relies on open regulatory dialogue, and we actively maintain extensive engagement with international authorities to help shape safe deployment frameworks. For example, our platform is featured in the UK Financial Conduct Authority's (FCA) AI Spotlight under the Compliance and Automation theme to showcase real-world solutions for digital communications governance.

We value the opportunity to collaborate on these critical issues and welcome further engagement with the FSB as these sound practices continue to evolve.