



FINANCIAL
STABILITY
BOARD

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

Response to Consultation

United Overseas Bank Limited

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?

Broadly agree with the benefits and risks outlined in the report. It accurately reflects current AI adoption trends in financial institutions, highlighting benefits such as improved productivity, operational efficiency, risk management, fraud detection, customer service, compliance, and cyber resilience, while identifying key risks related to governance, data quality, explainability, model performance, cyber threats, third-party dependencies, concentration risk, and agentic AI.

Beyond these, AI can further strengthen risk and control functions through continuous monitoring, automated control testing, enhanced anomaly detection, policy compliance reviews, and regulatory compliance support, improving both efficiency and consistency. On the risk side, greater attention may be needed on governance fragmentation from decentralized AI adoption, the growing demand for AI expertise across the three lines of defense, and the increasing complexity of AI supply chains, including dependencies on foundation model providers, hosting platforms, embedded AI services, open-source components, and interconnected AI ecosystems.

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

The sound practices are considered comprehensive, clear, and well aligned with existing industry and regulatory expectations. Key strengths include strong governance accountability, risk-based implementation, lifecycle controls, materiality assessments, and integration with cyber and third-party risk management. A suggested enhancement is providing guidance on embedding AI governance within existing enterprise risk, model risk, operational resilience, and third-party risk frameworks to avoid siloed oversight.

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 framework strikes an appropriate balance by maintaining technology neutral governance principles while recognizing the unique risks posed by GenAI and agentic AI. It addresses emerging concerns such as explainability limitations, hallucinations, autonomous decision making, agentic behavior, human oversight challenges, and expanded cyber-attack surfaces without creating separate governance regimes for new AI technologies.

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

The sound practices are sufficiently flexible to remain relevant as AI technology evolves. Their principles based and proportional approach, combined with continuous risk reassessment and organizational adaptability, allows institutions to address future developments, including increasingly autonomous and multi agent AI systems, while maintaining accountability, governance, and human oversight.

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 existing case studies demonstrate responsible AI adoption across several financial sectors and functions. Can consider expanding the examples to include wealth and asset management, financial market infrastructures and AI governance implementation. Additional governance focused examples would provide more practical insights into how institutions operationalize AI risk management frameworks.

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

The case studies provide useful and practical examples of how organizations implement governance controls, human oversight, monitoring, explainability measures, and AI-related risk management. To further increase their value, future versions could include more detailed examples of materiality assessments, risk classification frameworks, appropriate guardrails and measure of effectiveness, governance structures, AI inventories, and oversight models for agentic AI systems.

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

The glossary is clear, comprehensive, and well aligned with current industry terminology and supervisory expectations. Definitions covering AI, GenAI, agentic AI, explainability, model risk, RAG, operational resilience, and data drift are particularly useful. As AI governance continues to mature, the glossary could be enhanced with additional definitions covering AI agent identity, AI resource access permissions, human-in-command oversight, and AI inventory management. Overall, the glossary is fit for purpose and supports responsible AI governance and risk management practices.

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