FSB FINANCIAL STABILITY BOARD

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

Response to Consultation

World Council of Credit Unions

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?**

While the 12 sound practices are comprehensive in scope, there is a clear need to explicitly address the challenges for small, non-complex financial institutions, such as credit unions. We appreciate the references and commitment to proportionality. However, it is vital that the final report transition from acknowledging proportionality to building it into every sound practice. For example, the FSB should clarify that for smaller, non-complex institutions, "board oversight" means ensuring senior management has verified vendor compliance, rather than the board independently audit AI model architectures.

We encourage the FSB to position its Sound Practices in the broader context of the Organisation for Economic Co-operation and Development's (OECD) principles for trustworthy AI. These principles include; inclusive growth, sustainable development and well-being, human-centered values and fairness, transparency, robustness, security and safety, and accountability. (OECD AI Principles, available at: https://oecd.ai/en/ai-principles.) WOCCU utilizes these principles in our discussions and written work within the financial cooperative movement to support an ethical approach to the use of AI.

As smaller, community-based organization's will have unique considerations to responsibly adopt AI, we encourage the FSB to reference WOCCU's "Model Implementation Plan" from its whitepaper, Navigating the Ethical Landscape of Artificial Intelligence in Credit Unions (available at https://www.woccu.org/international_advocacy/resource_center/ethical_ai). Including suggestions for boards that can be better tailored to the size, complexity, and operating model of a financial institution will also support a better understanding of proportionality in the context of responsible AI management. For example, this could include sound practices for boards to establish dedicated committees or policies on responsible AI. In this way, boards and board committees are charged with oversight, and not the technical responsibilities, for ensuring 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?**

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.**

   WOCCU appreciates FSB's inclusion of case studies. However, the current draft focuses heavily on large institutions with massive data engineering teams. The final report should include case studies specifically tailored to credit unions and small cooperatives. Overall, the case studies are focused on large, internationally active banks and G-SIBs. These institutions and their Boards have capacities and resources not available to smaller sized financial institutions, such as in-house AI development teams or departments.

   Notwithstanding the above, we do find some of the case studies to offer broad actionable insights. For example, case studies illustrating the trade-offs between performance, stability and explainability are instructive – especially for financial institutions like credit unions that may be evaluating the potential risks and resources needed for an AI-enabled solution. However, it would be helpful to have more information, such as the institution's approach to budgeting resources for early stages of design, development and testing.

   WOCCU included usable examples in its whitepaper on the ethical use of AI mentioned above and are also available to share additional information and specific case studies.

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.**