



The following provides a collection of relevant publications regarding Artificial Intelligence (AI) in capital markets and financial services at both the global and jurisdictional level. This is the inaugural version of this update. This version and future versions will be posted to the newsletter's page on the GFMA website.

September 2024

GFMA, AFME, ASIFMA, and SIFMA

[GFMA Publishes Letter on Key Considerations for AI in Capital Markets \(May 28, 2024\)](#)

GFMA submitted a letter to the leadership of the Financial Stability Board (“FSB”), Basel Committee on Banking Supervision (“BCBS”), International Organization of Securities Commissions (“IOSCO”), Committee on Payments and Markets Infrastructures (“CPMI”), and Organisation for Economic Co-operation and Development (“OECD”) regarding key considerations for artificial intelligence (“AI”) in capital markets. The letter includes a set of industry views concerning key considerations regarding the use of, and the regulatory approach to, AI in capital markets. The letter also includes two appendices to support the global standard setters in their analysis on this topic.

[SIFMA Publishes White Paper on Promoting Investor Success, Industry Innovation and Efficiency with AI \(September 10, 2024\)](#)

The development and adoption of AI in the financial services industry has garnered significant attention in recent years. As federal and state policymakers and regulators continue to assess the potential impact of AI in the financial services industry, the Securities Industry and Financial Markets Association and its Asset Management Group (collectively, “**SIFMA**”) have developed a [white paper](#) to highlight key points that it believes will be useful to consider as part of the ongoing discussions related to the use of AI in the industry.

[AFME Submits Response to European Commission AI Consultation \(September 17, 2024\)](#)

AFME submitted a response to the European Commission’s “[Targeted Consultation on Artificial Intelligence in the Financial Sector](#).” For more details on this consultation, please see the EU section of this newsletter.

[ASIFMA Publishes Practical Considerations for GenAI \(January 2024\)](#)

ASIFMA published a paper on “Practical Considerations for Generative AI” (GenAI). This paper includes recommended principles for regulators regarding GenAI and builds upon an initial 2021 [paper](#) on “Enabling an Efficient Regulatory Environment for AI.” The initial paper also includes principles to promote a coordinated, risk-based, technology-neutral approach to AI regulation.

GLOBAL

[OECD Publishes Paper on Regulatory Approaches to AI in Finance \(September 5, 2024\)](#)

The Organization for Economic Cooperation and Development (OECD) published a report on “Regulatory Approaches to Artificial Intelligence in Finance.” This report analyses different regulatory approaches to the use of AI in finance in 49 OECD and non-OECD jurisdictions based on a Survey on Regulatory Approaches to AI in Finance.

[FSB Chair Delivers Speech on How AI May Shape the Economy and Financial System \(July 11, 2024\)](#)

Klaas Knot, Chair of the Financial Stability Board (FSB), delivered a [speech on the impacts of AI on the economy](#). The speech noted that the FSB is expected to publish an update to their 2017 report on [AI/ML in financial services](#). In this new report, he expects the most important risks to be concentration risk, third-party risks, possible increases in herding behavior, and model risk, including challenges with regard to explainability. He notes that many of these risks are fortunately already covered by the existing regulatory framework; however, there also may be some new risks, such as model interaction leading to collusion-related behavior.

[BIS 2024 Annual Economic Report Includes Special Chapter on AI \(June 25, 2024\)](#)

The Bank for International Settlements (BIS) Annual Economic Report for 2024 includes a special chapter on “Artificial Intelligence and the Economy: Implications for Central Banks.” The report finds that central banks should embrace AI and anticipate its impact on the economy and financial system, that the financial sector is among the most exposed to the benefits and risks of AI, and that the increased importance of data for AI hastens the need for central bank cooperation. Additional details can be found in the related [press release](#).

[BCBS Publication on Digitalization of Finance Includes Section on AI \(May 16, 2024\)](#)

The Basel Committee on Banking Supervision (BCBS) published a [report](#) on the “Digitalisation of Finance.” The report includes a section summarizing use of AI in financial services to date with examples, as well as an overview of GenAI use cases. The paper also outlines potential risks relating to AI.

[IOSCO Updated Work Programme Includes New Workstream on AI \(March 2024\)](#)

The International Organization of Securities Commissions (IOSCO) published an update to its 2023-24 Work Programme. This update announced that the IOSCO Fintech Task Force will focus attention on the use of AI as part of a new workstream. The objective of the new workstream “is to develop a shared understanding among IOSCO members of the issues, risks, and challenges presented by emerging artificial intelligence technology through the lens of market integrity, investor protection and financial stability, as well as assist members in their policy responses.”

NORTH AMERICA

United States

[UST Releases RFI on AI in Financial Services \(June 6, 2024\)](#)

The US Department of the Treasury (UST) released a request for information (RFI) on the “Uses, Opportunities, and Risks of Artificial Intelligence (AI) in the Financial Services Sector.” In the related announcement, the UST noted that it “seeks to increase its understanding of how AI is being used within the financial services sector and the opportunities and risks presented by developments and applications of AI within the sector, including potential obstacles for facilitating responsible use of AI within financial institutions, the extent of impact on consumers, investors, financial institutions, businesses, regulators, end-users, and any other entity impacted by financial institutions’ use of AI, and recommendations for enhancements to legislative, regulatory, and supervisory frameworks applicable to AI in financial services.” Please note that **SIFMA** [submitted response](#) to the consultation in August.

[UST Publishes Report on AI-Specific Cybersecurity Risks in Financial Services \(March 2024\)](#)

Following the [Biden Executive Order](#) on AI from October 2023, the US Department of the Treasury (UST) issued a [report](#) on “Managing Artificial Intelligence-Specific Cybersecurity Risks in the Financial Services Sector.” A [press release with summary details](#) was also published to accompany the report.

[CFTC Issues RFC on AI in Financial Markets \(January 25, 2024\)](#)

Staff of the Commodity Futures Trading Commission (CFTC) Divisions of Market Oversight, Clearing and Risk, Market Participants, and Data, and the Office of Technology Innovation issued a request for comment (RFC) to better inform them on the current and potential uses and risks of artificial intelligence (AI) in the derivatives markets the CFTC regulates. Following publication, Commissioner Kristin N. Johnson [issued remarks](#) on the RFC and building a regulatory framework for AI in financial markets. **SIFMA** submitted a [response](#) in April 2024.

EUROPE

European Union

[Council of Europe Framework Convention on AI Opens for Signing \(September 5, 2024\)](#)

The Council of Europe Framework Convention on Artificial Intelligence and Human Rights, Democracy and the Rule of Law is the first-ever international legally binding treaty in its field. It aims to ensure that activities within the lifecycle of AI systems are fully consistent with human rights, democracy and the rule of law, while being conducive to technological progress and innovation. It was opened for signing on 5 September 2024 and the US, UK, and EU were all reported to sign on the initial date. Additional details on the treaty can be found [here](#) and a full list of signees is available [here](#).

[The European Commission Publishes Targeted Consultation on AI in Financial Services \(June 18, 2024\)](#)

The European Commission published a “Targeted Consultation on Artificial Intelligence in the Financial Sector.” The consultation consists of three parts. The first includes general questions on the development of AI, the second includes questions related to specific use cases of AI in finance, and the third part focuses on how the EU AI Act is related to the financial sector. Please note **AFME** submitted [response](#) in September.

[The EU AI Act is Formally Adopted by the European Parliament \(March 13, 2024\)](#)

The EU Parliament formally approved the Artificial Intelligence Act (EU AI Act) which aims to ensure safety and compliance with fundamental rights while boosting innovation. It also utilizes a risk-based approach with four different risk categories for AI use cases.

France

Denis Beau Delivers Speeches on AI (July 2024)

Denis Beau, First Deputy Governor of the Banque de France, delivered a speech on “[The financial supervisor in the age of AI](#)” and a speech on “[Artificial intelligence evolution and outcomes – digital trust, data and cloud](#).” The speeches outlined the opportunities and risks from AI and urged the need to build effective regulation and supervisory application of the technology.

United Kingdom

BoE/PRA and FCA Publish Updates on AI (April 2024)

Following the UK Government’s publication of “[A Pro-Innovation Approach to AI Regulation](#)” white paper, the Bank of England (BoE) with the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) published updates on their respective approaches to AI. The BoE/PRA update is available [here](#) and the FCA update is available [here](#). The UK Government Department of Science Innovation & Technology (DSIT) also published a [response](#).

[UK and US Announce Partnership on AI Safety \(April 2024\)](#)

The UK and US announced a new partnership on the science of AI safety. The deal was signed by UK Science Minister Michelle Donelan and US Commerce Secretary Gina Raimondo. The partnership intends to perform at least one joint testing exercise on a publicly accessible model, as well as tap into a collective pool of expertise by exploring personnel exchanges.

APAC

Hong Kong

HKMA Issues Circular on Consumer Protection in Respect of Use of GenAI (August 19, 2024)

The Hong Kong Monetary Authority (HKMA) issued a circular on “[Consumer Protection in respect of Use of Generative Artificial Intelligence](#)”, which builds on the HKMA 2019 Circular on “[Consumer Protection in respect of Use of Big Data Analytics and Artificial Intelligence \(BDAI\) by Authorized Institutions](#)”. The new Circular aims to ensure appropriate safeguards for consumer protection are in place when GenAI is adopted for customer-facing applications. Whilst the HKMA states that the adoption of GenAI in the banking sector is still at an early stage, since GenAI uses complex models, potential risks such as lack of explainability and hallucination could cause even more significant impact on customers. HKMA has therefore set out additional principles under each of the four major areas of the 2019 Circular (namely governance and accountability, fairness, transparency and disclosure, and data privacy and protection) aiming to ensure appropriate safeguards for consumer protection are in place when GenAI is adopted for customer-facing applications.

Singapore

[MAS Publishes Report on Cyber Risks Associated with GenAI \(July 30, 2024\)](#)

The Monetary Authority of Singapore (MAS) published an information paper on “[Cyber Risks Associated with Generative Artificial Intelligence \(GenAI\)](#)”. The paper aims to raise financial institutions’ (FIs) awareness by providing an overview of key cyber threats arising from GenAI, the risk implications, and some of the mitigation measures that FIs could take to address the risks. The announcement for the paper notes that the information paper will be followed by another information paper on AI model risk management by 4Q 2024/1Q 2025.

[Singapore Launches Model AI Governance Framework for GenAI \(May 30, 2024\)](#)

Following a [consultation](#) from the Infocomm Media Development Authority (IMDA), Singapore published a Model AI Governance Framework for Generative AI (MGF-Gen AI). This builds upon a previous Model AI Governance Framework (MGF) which was updated in 2020 to promote responsible use of Traditional AI. The full MGF-Gen AI details can be accessed [here](#).

*All information collected and provided for this report is publicly available.