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INTERNATIONAL
REGULATORY
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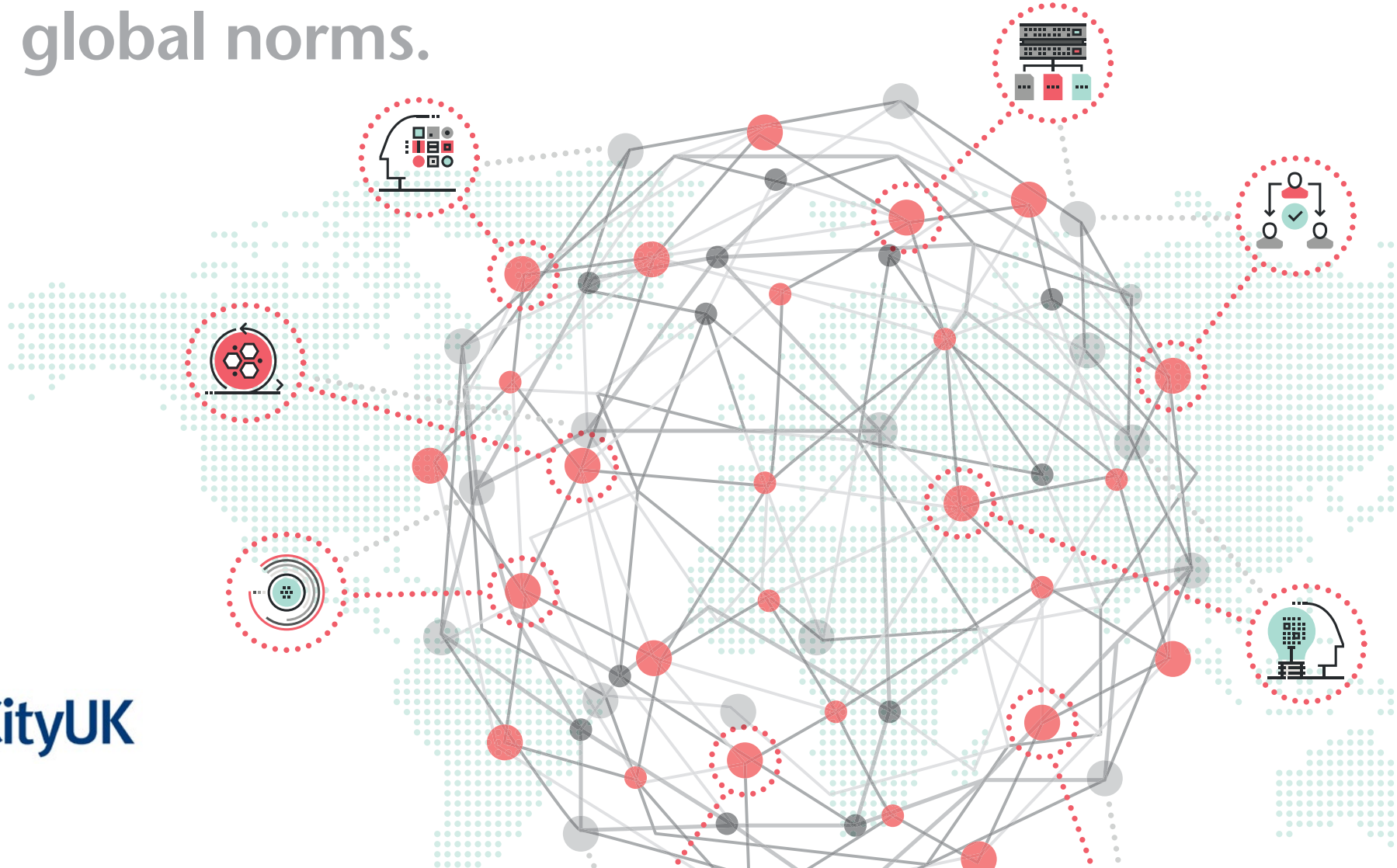
AI in financial services:
emerging global norms.

January 2026



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EXECUTIVE SUMMARY

This report maps how jurisdictions are approaching artificial intelligence (AI) in financial services, identifying where global coherence is emerging and setting out practical steps for policymakers, regulators, and international standard setters to promote the safe and responsible innovation of AI in financial services.

Across jurisdictions there is positive alignment on the high-level principles that should govern AI, where most frameworks draw on the OECD and G20/G7 endorsed principles of human-centricity, transparency and explainability, robustness and safety, and accountability. However, while this creates the right foundations for a shared global vocabulary, there is significant global divergence in how these principles are operationalised in national regulatory approaches. These vary from prescriptive, innovation first or principle-based approaches according to national interests and policy ethos. It is important that varying national approaches do not hinder cross-border operations, constrain innovation, or slow the broader adoption of AI.

AI is a general-purpose technology that could, under certain circumstances magnify existing financial sector risks (i.e. model risk, data governance, third-party concentration, prompt injection, hallucinations, and deep fake fraud associated with the use of generative AI) rather than introducing wholly new ones. That said, the financial sector is already subject to extensive regulation, which is already effective in addressing risks. It is important that regulatory initiatives not duplicate existing technology-neutral regulation. To mitigate the potential for such risks, while ensuring firms can benefit from the upside potential of AI, firms support collaboration with authorities to explore risk management good practice within technology-neutral rules as far as possible, rather than new regulation or guidance that risks going rapidly out of date. They would benefit from being able to scale AI usage.

AI's evolution makes hard global rules impractical. A coherent international approach should focus on interoperable expectations with shared principles, aligned taxonomies and indicators, and compatible supervisory tools, applied through existing regulatory frameworks.

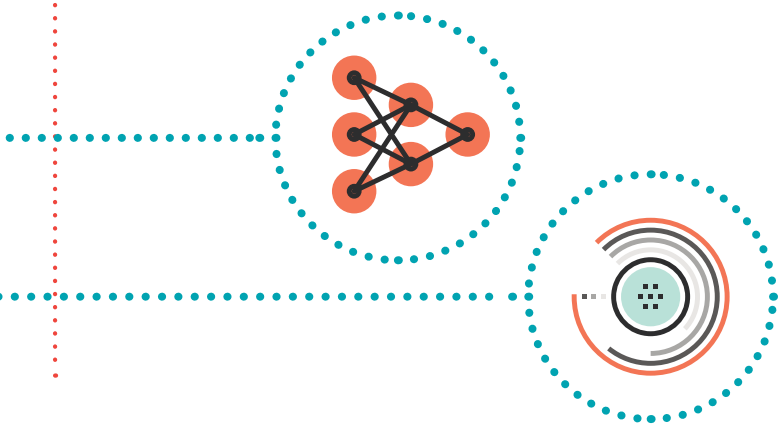
The report sets out recommendations on how to achieve coordinated, interoperable, and principle-based supervision anchored in existing regulatory frameworks that are reinforced through collaboration among national authorities and international standard setters:

- **International Standard Setters** – Facilitate cross-border cooperation by sharing information, experiences and good practices; work towards greater alignment in taxonomies and indicators to support interoperable supervision.
- **National Authorities** – Use the Financial Stability Board's (FSB) indicators as a base to monitor AI adoption in financial services, and continue to focus on applying existing regulatory frameworks (e.g., model risk, conduct, operational resilience, data privacy and cyber security) to AI use cases.
- **National Authorities** – Avoid extra-territorial impacts when contemplating any new AI measures; instead, design for interoperability and provide light-touch avenues for regulatory clarity (e.g., co-created principles, industry dialogues, sandboxes)

The most effective near-term path is to leverage and align existing frameworks, not to create AI-specific global rulebooks. Coherence can be promoted through shared principles and interoperable supervision, while the main drivers of fragmentation (data localisation, competition, security and extraterritorial reach) should be managed through collaborative, principle-based solutions.

Introduction

AI has become an increasingly important technology for financial services, but it is not new to industry. Financial services firms already use AI across a wide range of business activities such as enhanced risk assessment, fraud detection, and customer service. However, the rise of generative AI and rapid deployment of these technologies at scale raises concerns regarding transparency, accountability, ethical considerations, market concentration, third party dependencies, and AI enhanced cyber threats.



Regulators and legislators across the world are responding to the adoption of AI across industry in general and financial and professional services. There are a range of regulatory approaches, some jurisdictions are taking a prescriptive approach, some following a deregulatory ethos, and others taking a balanced approach.

To what extent should there be coherence or alignment between the approaches being taken by different jurisdictions? Typically, firms and economies benefit from global regulatory coherence as it reduces compliance costs and increases cross border activities. These benefits are passed on to users in the form of lower costs and more innovation. Discussions of regulatory coherence typically focus on rules governing specific financial services products or activities e.g. the Basel rules on banking. However, AI is a general-purpose technology which is evolving rapidly, and new use cases are being developed all the time.

AI use cases will be subject to the requirements of the domain they are deployed in, for example an AI system to make lending decisions will be subject to regulations covering credit decisioning. As such, it is not obvious that AI specific regulation is necessary in the first place, let alone that there needs to be global regulatory standards.

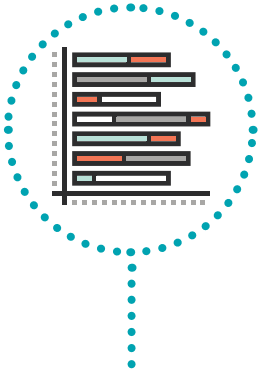
Any new regulation to address AI risks should be focused on addressing clearly identified gaps in regulation, not duplicating existing rules. In this context, international efforts to foster interoperability between different regimes, share best practice and promote alignment on definitions, principles and technical standards are vital to create a predictable and efficient business environment.

This paper explores the emerging landscape of global guidelines and norms on AI adoption in industry, with a focus on financial services. It describes the different approaches being taken by relevant jurisdictions. It makes recommendations for how international standard setters can support national bodies to learn from each other and, where possible, align approaches.

We hope this report is useful for international standard setters, regulators and legislators when considering how to manage AI risks and benefits, and financial services firms adopting AI.

1.
Varying approaches to the management of AI in financial services

AI is a general-purpose technology and different from sector-specific requirements i.e. prudential or capital markets rules. AI cuts across multiple sectors, each with distinct risk profiles, regulatory needs, ethical considerations, and evolves rapidly. It is neither practical nor advantageous to have a single cross-sectoral global AI regulation. Many jurisdictions are still considering how to best monitor and manage the risks and benefits of AI adoption in financial services and across the economy more broadly. However, what matters is that countries move towards broadly similar outcomes and create an environment where firms have sufficient regulatory clarity without being burdened by fragmented, costly, rigid or outdated rules.



SINGAPORE'S FEAT PRINCIPLES:
CO-CREATED GUIDANCE FOR RESPONSIBLE AI IN FINANCE

In 2018, The Monetary Authority of Singapore (MAS) co-created the principles of Fairness, Ethics, Accountability and Transparency (FEAT Principles) with the financial industry (banks, insurers and FinTech firms) to promote the deployment of AI and data analytics in a responsible manner.[1]

The FEAT Principles aim to guide firms through non-prescriptive and high-level principles. This light touch approach allows firms the flexibility to contextualise governance within their own business models while maintaining alignment with ethical standards.

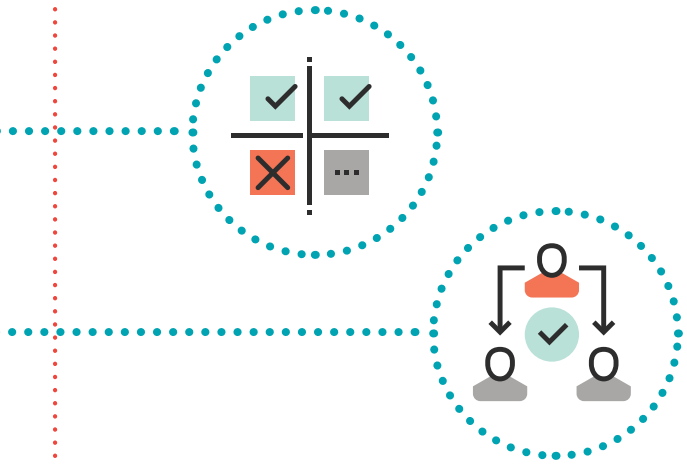
This participatory model allows the principles to be practical, relevant to industry needs and complimentary to Singapore's broader AI governance strategy, including MAS' Veritas Initiative which provides practical tools for operationalising FEAT Principles for firms.[2]

MAS recently issued a consultation (November 2025) on proposed Guidelines on AI Risk Management. The guidelines complement its FEAT principles and other national level initiatives. The guidelines will apply to all financial institutions and set out MAS' expectations on oversight of AI risk management, key AI risk management systems, policies and procedures, key AI life cycle controls, capabilities and capacity needed for AI use.[3]

1 information-paper-on-ai-risk-management-final.pdf
2 Veritas Initiative
3 Consultation Paper on Proposed Guidelines on Artificial Intelligence Risk Management for Financial Institutions

APPLICATION OF AI FOR FINANCIAL SERVICES FIRMS

A full description of the adoption of AI in financial services is outside the scope of this report. What is notable is that this technology is evolving quickly and that firms can apply it to many parts of their business activity to make it more efficient. The Financial Stability Institute uses an activity-based framework to classify potential AI use cases within financial services:[4]



INDUSTRY

CUSTOMER-FOCUSED:	**Credit underwriting:**	Assess creditworthiness
	Marketing:	Analyse user response, assign advisers, create personalised content
	Insurance:	Assess underwritten risks, automate claims processing
	Chatbots:	Deploy LLM-based chatbots for robo-advisory
OPERATIONS-FOCUSSED	**Back office functions:**	Improve capital optimisation, model risk management, market impact analysis, code generation
	Risk management:	Assess stock market volatility
	Information processing:	Improve information search, content creation and voice transcription
TRADING AND PORTFOLIO MANAGEMENT:	**Market sentiment analysis:**	Assess sentiment from earning calls and disclosures
	Portfolio management:	Automate preparation of market insights
REGULATORY COMPLIANCE:	**Fraud and money laundering/ terrorism financing detection:**	Improve detection of sanctions evasion, trade fraud and tax evasion
	Financial crime reporting:	Automate report generation

REGULATORY/OFFICIAL SECTOR

Supervisory technology (suptech):	Enhance oversight of payment systems, information collection to support real-time analysis if economic activity
Supervisory analysis:	Use of LLMs to analyse textural data sources
Supervisory processes:	Use of LLMs to extract information from inspection documents and summaries/draft inspection reports
Stress testing:	Model social media interactions in bank runs

DIFFERING NATIONAL APPROACHES

Jurisdictions have adopted different approaches to managing AI use, often tailored to the specific characteristics of their domestic regulatory and operational environments. Within financial services, this divergence manifests in contrasting models ranging from detailed rulebooks to flexible, pro-innovation guidance. For example, the European Union's Artificial Intelligence Act (EU AI Act) sets out a prescriptive, rules-based approach for specific financial sector use cases, whereas the US favours a more innovation driven model with lighter oversight and without new Federal AI rules.

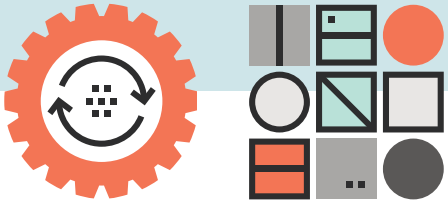
Appendix 1 describes the different approaches taken by major financial services jurisdictions. Broadly, we have characterised the approaches as:

- **Innovation first:** light touch, high-level guiding principles or frameworks that rely on trust and reputation.
- **Voluntary:** governance framework is encouraged through voluntary non-binding norms, guidelines and principles.
- **Prescriptive:** compliance is mandatory with detailed requirements enforced though legislation and includes penalties for non-compliance.
- **Principles-based and non-statutory:** relies on both innovation-first and voluntary approaches, focusing on values and outcomes.

THE UK'S AI REGULATORY APPROACH IN FINANCIAL SERVICES: LEVERAGING EXISTING FRAMEWORKS WHILE DRIVING INNOVATION

The UK has for now taken a non-statutory approach, tasking existing regulators to manage AI risks in their domains. In turn the UK's regulators (Financial Conduct Authority, Information Commissioner's Office, Prudential Regulatory Authority and Bank of England) have not created new AI rules for financial services, rather their approach relies on existing technology-neutral regulatory frameworks to manage any risks associated with AI .

Currently, financial sector regulations rely in particular on existing technology-neutral requirements such as Consumer Duty, Senior Managers & Certification Regime (SMCR)[5] and model risk management & operational resilience regimes.[6] (Although this is a non-exhaustive list as there are other rulebooks that impact AI regulation e.g. business conduct rules).



- **Consumer Duty:** requires firms to design products and services that deliver good outcomes for retail customers and for AI this means meeting fairness and transparency expectations.
- **SMCR:** emphasises accountability and governance, with senior managers responsible for AI-driven decisions and risk management. Firms must maintain clear lines of responsibility and oversight of AI systems.
- **Model risk management and operational resilience:** existing rules on model validation and resilience apply to AI models, requiring firms to manage bias, explainability, and robustness.

The application of existing frameworks through a technology neutral, outcomes focus allows firms flexibility, while ensuring regulatory objectives are met.

These different approaches reflect the different regulatory and sometimes political ethos' of the jurisdictions. While also reflecting the different levels of AI adoption in financial services, and the wider economy.

5 AI and the FCA: our approach | FCA

6 AI in Financial Services — UK's Financial Regulator Sets Out Its Approach | Publications | Insights | Faegre Drinker Biddle & Reath LLP

CROSS-BORDER ISSUES

AI relies on cross-border data flows. The uptake of AI is hampered by the rise of data localisation policies, which restrict where data can be stored and processed. Such measures limit the scalability and effectiveness of AI systems that depend on large, diverse data sets. For financial services firms in particular, these barriers hinder cross-border operations, constrain innovation, and slow the broader adoption of AI. Restricted cross-border data flows can also create blind spots in AI risk assessments. Furthermore, in some cases, AI-specific regulations create duplication as data-related risks such as privacy, data governance, cybersecurity, and operational resilience are already addressed under existing frameworks.

Some legislation has extra-territorial impacts that require careful consideration. For example, the EU AI Act's obligations and penalties also apply to non-EU providers if their systems are deployed within the EU. In financial services, this has had the effect of creating an additional layer of enterprise-wide AI regulation, due to the impracticality of deploying variations of AI systems between jurisdictions.

Furthering the EU's digital strategy is the Apply AI Strategy that encourages an 'AI first policy' where AI is considered as a potential solution whenever organisations make strategic or policy decisions.[7] While the Apply AI Strategy does not single out financial services as a flagship sector it does have cross-border implications where firms will have to navigate strict compliance for cross-border flows across:

- **Data localisation:** the Apply AI Strategy notes some critical data may need to remain within the EU, or be subject to additional controls when transferred abroad
- **Third-party partnerships:** the Apply AI Strategy notes financial institutions will need to assess the regulatory environment of partner jurisdictions, ensuring data flows do not expose them to compliance or security risks.

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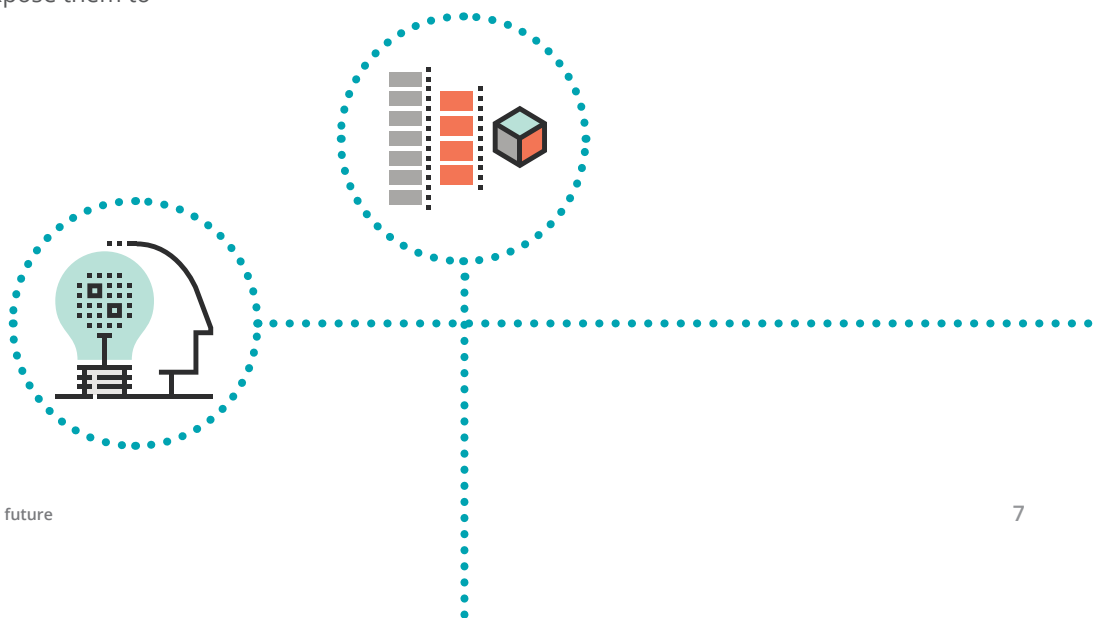


7 Apply AI Strategy | Shaping Europe's digital future

EXTRA-TERRITORIAL REACH OF THE EU ARTIFICIAL INTELLIGENCE ACT

The EU AI Act has an explicit extra-territorial scope like the General Data Protection Regulation (GDPR), under Article 2(1), the AI Act applies to:

1. Providers placing AI systems on the market or putting them into service in the EU, regardless of where they are established.
2. Users of AI systems located within the EU.
3. Providers or users outside the EU, where the output of the AI system is used within the EU.[8]

Non-EU financial firms can fall under the EU AI Act if their AI-driven services or decisions affect people or markets within the EU. Examples where a firm using AI models whose outputs affect EU clients include:

- US bank providing automated lending to EU residents with AI
- UK asset manager offering AI-driven investment advice to EU investors
- Singapore-based insurer using AI underwriting for policies sold in the EU
- Exporting/integrating AI systems that are then used in the EU by affiliates, fintechs, or third parties.

The EU AI Act classifies activities (high-risk AI, general-purpose AI and third party vendors) and combined with its extraterritorial reach creates global compliance obligations across a range of financial services:

- High-risk AI: Services classified as high-risk AI such as credit scoring and insurance pricing are subject to compliance. While life and health insurance are subject to "heightened compliance requirements" under the EU AI Act, rather than compliance.
- Non-EU firms must comply with all high-risk obligations including: risk management systems, data governance and bias controls, technical documentation, human oversight, transparency and explainability, if the service impacts the EU as per Article 2(1).
- General-purpose AI – If a financial institution outside the EU uses or provides general-purpose AI (such as a large language model) that generates outputs consumed in the EU, compliance obligations apply to the provider of that system, including: transparency on training data, systemic risk assessments, and cybersecurity measures.
- Third-party vendors: Banks using third-party AI tools for fraud detection, AML, or robo-advice must ensure those vendors meet EU AI Act standards (even if the vendor is outside the EU).

A FLEXIBLE APPROACH BEST FITS THE NATURE OF AI

The rise of generative AI and its integration into financial services represents a developmental shift in the industry, presenting several opportunities and challenges. The key point is that, alongside presenting transformative opportunities, AI can exacerbate existing risks such as model risk and data privacy. However, it does not introduce fundamentally new risks though generative AI, can introduce challenges such as hallucinations. This is critical because it means that AI related risks should be mitigated through existing risk management systems, rather than new AI specific rules.

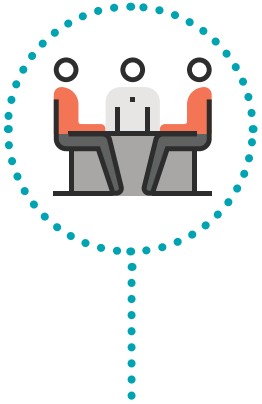
Furthermore, as AI technology and use cases evolve quickly, prescriptive regulations run the risk of being out of date by the time they are written. A more flexible, principles-based approach stands a better chance of managing rapid change and enable safe innovation of AI with effective risk management. While it is true that this regulatory approach can mean that exact expectations for a given use case are not explicit, there are ways to build a common understanding of good practice without introducing prescriptive rules or guidance.

The fast-moving nature of AI also leads to a skills gap amongst policy makers. AI skills are in demand and regulators must compete with firms for these skills. It is in firms' interests for regulators and policy makers to have a rounded and up to date understanding of AI use. The ecosystem as a whole would benefit from information flow between the regulated and the regulators in the forms of secondments or teach-ins.

2.
Global approaches to managing AI adoption

International efforts around managing AI adoption consist of non-binding, voluntary frameworks that guide participating jurisdictions to ensure AI is developed and used in certain ways. These approaches or principles are designed to be flexible, adapting to the needs of evolving use-cases and cross-border data flows.

Active participation from countries in multilateral forums, bilateral agreements, and global standard-setting initiatives influence the evolving landscape of international AI governance. With over 600 AI-related policy developments since 2021 globally[9], this is an area that presents both opportunities and challenges.



Global organisations like International Organization for Standardization (ISO), International Electrotechnical Commission (IEC), Institute of Electrical and Electronic Engineers (IEEE), International Telecommunication Union (ITU), European Committee for Standardization/European Committee for Electrotechnical Standardization (CEN/CENELEC), European Telecommunications Standards Institute (ETSI) and industry-led consortia such as CP2A, are developing standards for responsible AI development and deployment. Intergovernmental initiatives via the OECD, UNESCO and the Council of Europe are establishing terminology and principles for technical and regulatory standards. For example, ISO/IEC 42001 specifies requirements for establishing, implementing, maintaining and continually improving AI Management Systems (AIMS) within organisations. While these bodies are supporting the development of best practice technical guidelines, they also serve to inform the work of governments and regulators to assess and align domestic regulations with global standards.

Organisations like the OECD, G20 and G7 have established AI principles to guide the development and implementation of AI technologies.10 These principles are high level and relate to the adoption of AI across all sectors of an economy.

OECD AI Principles

The OECD AI Principles (Principles) represent a landmark achievement in establishing international standards for AI governance, serving as the first intergovernmental framework to promote AI systems and manage risks.

Originally adopted in May 2019 and comprehensively updated in May 2024, these Principles have garnered support from 47 adherents worldwide, including all OECD member countries and the EU, demonstrating unprecedented global consensus on AI governance.[11]

The OECD Principles promote use of AI that is innovative and trustworthy and that respects human rights and democratic values:

1. Inclusive growth, sustainable development and well-being.
2. Human rights and democratic values, including fairness and privacy.
3. Transparency and explainability.
4. Robustness, security and safety.
5. Accountability.

Implementing values-based principles presents both opportunities and challenges, particularly when governments prioritise different Principles and regulatory approaches. While the OECD Principles are prioritised across OECD member countries, differences arise in how individual jurisdictions prioritise and implement them. The OECD's own analysis explores how countries implement its Principles[12]. Most national AI strategies draw from the OECD's Principles for growth, fairness and privacy, but countries draw on their own guidelines and principles for guidance related to transparency and security.

9 Activity Tracker – Digital Policy Alert

10 The paper notes this is not an exhaustive list of all global frameworks on AI regulation. The paper focuses the OECD, G20 and G7 as common blueprint (particular the OECD) for policymakers and jurisdictions to address AI regulation.

11 OECD updates AI Principles to stay abreast of rapid technological developments | OECD

12 How countries are implementing the OECD Principles for Trustworthy AI – OECD.AI

The Principles are quite broad and non-binding, it provides a framework for jurisdictions to build their own national approaches towards AI. The Principles only provide a foundational framework for national approaches but, the OECD also has five recommendations on implementation of its Principles:

1. Invest in AI research and development.
2. Foster a digital ecosystem for AI.
3. Ensure a policy environment that supports AI.
4. Build human capacity and prepare for labour market transformation.
5. International cooperation for trustworthy AI.

On implementing recommendation five for international cooperation for trustworthy AI, the OECD notes that countries are engaging international cooperation to promote the beneficial use of AI and address its challenges through international research collaborations, trade agreements and cooperation for AI capacity building in developing countries.[13] Outside of implementation the OECD has updated its Principles to address emerging issues and now includes generative AI and more directly addresses AI-associated challenges involving privacy, intellectual property rights, safety and information integrity.[14]

G20 AI Principles

The G20 Principles, adopted in 2019 give political affirmation and visibility to the OECD AI Principles and emphasis a 'human-centric, trustworthy, and inclusive approach to AI governance'.[15]

G7 Code of Conduct on Advanced AI Development

Under the "Hiroshima AI Process" in October 2023, the G7 unveiled their AI Principles and Code of Conduct on Advanced AI Development (Code of Conduct). Its primary goal is to promote the safe, secure, and trustworthy development, deployment, and use of advanced AI systems, including generative AI. The Code of Conduct is voluntary and intended as interim guidance for organisations while more permanent regulatory frameworks are developed.

OECD Alignment with G20 and G7 AI Principles

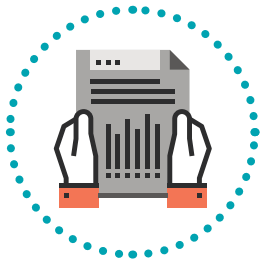
The G20 AI Principles, endorsed in 2019, are largely based on the OECD AI Principles.[16] They emphasise human-centred AI and promote international cooperation to ensure AI technologies are trustworthy and beneficial.

Aligning the G20 AI Principles with the OECD Principles signals from G20 member countries their endorsement of a common framework. This endorsement is further strengthened given member countries represent leading financial services centres.

However, the broad and voluntary nature of the OECD Principles, jurisdictions can interpret and apply them as they see fit, but, it still leads to a high level of alignment and coherence between differing approaches.

The G7 Code of Conduct shares core values with the OECD AI Principles with both aiming to promote trustworthy and responsible AI, risk-based approach, privacy and interoperable policy standards. However, the G7 Code of Conduct, perhaps because it is newer (2023), is targeted towards advanced AI/generative AI models. With 11 granular principles focused on advanced AI systems it provides practical steps for organisations implementing governance and risk policies compared with the broad principles-based approach of the OECD.

The original OECD Principles are applicable to all AI, not only "advanced" AI. While the G7 Code of Conduct is more focussed on advanced AI systems, with some actions focused on specific types of models i.e. generative and foundational. So, there seems to be a trend with newer guidelines becoming more granular and more targeted towards generative AI.



13 How countries are implementing the OECD Principles for Trustworthy AI – OECD.AI

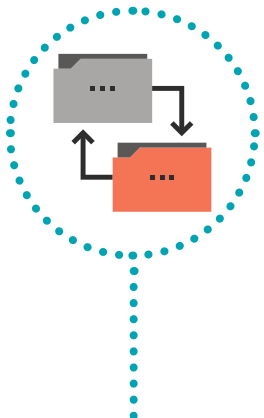
14 OECD updates AI Principles to stay abreast of rapid technological developments | OECD

15 20190609 Ministerial Statement on Trade and Digital Economy (annex)

16 20190609 Ministerial Statement on Trade and Digital Economy (full)

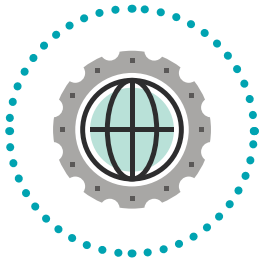
3.
International standard setters on AI

The global financial system relies on a network of standard setting bodies (IOSCO, BCBS, FSB, BIS and IAIS), that develop principles and guidance to promote stability, integrity and interoperability across jurisdictions. These bodies do not issue binding AI-specific regulations but embed AI considerations within existing technology neutral frameworks. Their overall approach is to avoid prescriptive global AI rules, instead promoting interoperability and risk-based oversight. International standard setters have started to examine the adoption of AI in their sectors.



International standards setters have generally taken a steady and pragmatic approach to understanding the adoption of AI in their sectors and sharing a common position of not rushing to create new AI-specific regulation, emphasising monitoring and data collection, applying existing risk-based frameworks, and signal future adjustments if gaps persist. The overall trend for international standard setters can be seen in three broad ways:

1. Incremental approach: there is no rush for international standard setters to create standalone AI regulations, preference for applying existing frameworks (conduct, prudential, outsourcing, operational resilience, data privacy) to AI risks, and the use of guidance, monitoring, and consultations rather than binding rules.
2. Risk-based focus: emphasis on governance, accountability, and proportionality, with firms to integrate AI controls into existing risk management processes.
3. Global coordination: international standard setters aim for common indicators, and interoperability to avoid fragmentation, monitoring adoption and vulnerabilities before deciding on new policy tools.



To align with international standard setters, the regulatory philosophy should be incremental, coordinated, and proportionate and mitigate fragmentation while supporting innovation.

Importantly, international standard setters emphasise how existing expectations around governance and conduct remain essential considerations for regulators and firms. They do not tend to advocate for new sets of regulation. For example, the International Association of Insurance Supervisors Application Paper on the supervision of artificial intelligence states:

"The practices outlined in this paper could be integrated into existing governance, risk management and control frameworks, avoiding the creation of new structures unless needed."

And

*"The objective of this Application Paper, therefore, is to support supervisors when **applying the existing ICPs** to promote appropriate and globally consistent oversight of the use of AI within the insurance sector."*

3.
Promoting international coherence on AI adoption in financial services

International cooperation on AI governance through voluntary mechanisms like the OECD, G20 and G7 is necessarily light touch and will allow divergence between national approaches. AI policy evolves rapidly through technological advancements, political and economic priorities. While many jurisdictions have introduced AI strategies or governance frameworks these are often economy wide and not tailored to specific sectors- like financial services. The challenge is to apply appropriate governance across diverse subsectors without creating duplication, or unnecessary complexity.

Each sector within financial services has its own unique set of challenges. Crafting regulation or guidance that is flexible enough to be applicable across various sectors from banking, capital markets, insurance and asset management and specific enough to Each sector within financial services has its own unique set of challenges. Crafting regulation or guidance that is flexible enough to be applicable across various sectors from banking, capital markets, insurance and asset management and specific enough to address the unique challenges of each, would be a very difficult task.

Fortunately, financial services already operates under mature, technology-neutral frameworks covering areas such as model risk management, conduct, and operational resilience. These provide a strong foundation for addressing the risks associated with AI. Regulatory clarity does not necessarily require new, prescriptive AI regulation. Indeed, AI regulation could be counter-productive as it is very likely to become out of date quickly, as evidenced by the EU AI Act with the continued development of generative AI. Instead, a mix of approaches including, voluntary codes of conduct, adaptations of existing supervisory frameworks, highlighting best practice through dialogue with the industry, regulatory 'sprints' and sandboxes can provide firms with the necessary regulatory clarity to innovate safely while managing risks.

Given this state of affairs, instead of trying to develop regulations on guidance on AI, standard setters such as the Basel Committee or IOSCO should foster alignment in the treatment of AI by encouraging governments and regulators to share experiences, monitor how AI is being deployed, and identify where existing frameworks suffice or where targeted adjustments may be needed. This paper's analysis indicates that this is indeed in the direction they are travelling in. For example, the October 2025 FSB paper 'Monitoring Adoption of Artificial Intelligence and Related Vulnerabilities in the Financial Sector' does not suggest new rules and regulations. Instead, it encourages national authorities to enhance their monitoring approaches and shares indicators for them to use. It also suggests that:

"The FSB and relevant SSBs should continue to support these efforts by facilitating cross-border cooperation, including through sharing information, experiences, and good practices, and by working towards greater alignment in taxonomies and indicators where feasible."

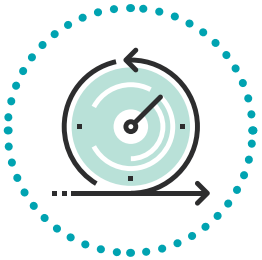
Facilitating cross-border cooperation on the treatment of AI is the right approach at this point in time.

INTERNATIONAL REGULATORY COLLABORATION: THE UK AND SINGAPORE PARTNERING ON AI INNOVATION

The Financial Conduct Authority and the Monetary Authority of Singapore recently announced a new partnership to support safe and responsible AI innovation across UK and Singapore markets.[17]

This partnership will see both regulators collaborating, gauging new cross-border opportunities and shape the future of responsible AI innovation in finance. A key element of the partnership will be the joint testing of AI solutions, exchange of regulatory insights and collaborative events to share best-in-class approaches. The partnership between the FCA and MAS is an example of how to build global regulatory relationships and cooperating to share best practice.

The most effective way to support global coherence at this time is for international standard setters and governments to share experiences, monitor how AI is being deployed, and identify where existing frameworks suffice or where targeted adjustments may be needed. Existing regulation should be used as much as possible, and the development of technical standards can also play a role. This flexible approach will facilitate cross-border AI applications, and help address over time global challenges that may emerge in relation to topics like privacy, security and equitable access effectively.



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CONCLUSIONS AND RECOMMENDATIONS

Hard global rules for AI in financial services would be inflexible and are not necessary. A jurisdiction-led approach works better given the pace of change and the ability of existing regulatory frameworks to manage risks. Coordination across borders is important and international standard setters should encourage regulators to share experiences, monitor how AI is deployed and identify where adjustments can be made to encourage interoperability of AI.

ORGANISATION TYPE	RECOMMENDATIONS
International Standard Setters	1. Facilitate cross-border cooperation, including through sharing information, experiences, and good practices. 2. Align national taxonomies and indicators and promote greater alignment, and work towards a shared definition for AI in financial services. 3. Continue monitoring AI developments and addressing data gaps as appropriate. 4. Provide advice to national authorities on how existing international standards can be used to mitigate AI related risks. 5. Place data governance at the heart of international AI discussions to secure the availability of trustworthy, high-quality, and free-flowing data that underpins responsible AI innovation. 6. Support capacity building in jurisdictions that are earlier in developing their regulatory approaches to AI in financial services.
National Authorities	1. Use FSB indicators as a base for monitoring AI adoption in financial services. 2. Share best practice in international fora and with international standard setters. 3. Avoid extra territorial impacts on any new AI regulation. Instead, focus on how any new regulation can be interoperable with other jurisdictions. 4. Focus on using existing regulatory frameworks to monitor and manage AI risks. 5. Promote safe innovation in their jurisdiction 6. Cooperate with other jurisdictions to help innovative firms navigate between countries as they look to scale new ideas. 7. Pursue bilateral and multilateral agreements that support cross-border data flows 8. Consider how to improve AI skills in firms and in national authorities. 9. Consider light touch ways to provide regulatory clarity if requested by firms e.g. dialogues with firms or sandboxes. 10. Invest in ongoing training and professional development for supervisors and regulators to deepen their understanding of AI and its implications.

Appendices

Appendix 1:
Comparison of AI approaches across jurisdictions

GENERAL APPROACH	DEFINITION
PRINCIPLES-BASED AND NON-STATUTORY	Technology neutral approaches where regulation is typically embedded within existing frameworks, not through new AI-specific rules.
INNOVATION-FIRST	Light-touch, high-level guiding principles/frameworks that prioritise innovation and growth. Minimal regulatory intervention and is often decentralised or deregulated.
PRESCRIPTIVE	Mandatory compliance with detailed requirements enforced through legislation, including penalties for non-compliance.
VOLUNTARY	Participation is voluntary where governance is encouraged through non-binding norms, guidelines, and principles.

Comparison of AI regulations & AI regulations for financial services across jurisdictions

CATEGORY	UK	USA	EU	SINGAPORE	JAPAN	CHINA	HONG KONG	AUSTRALIA	UAE
GENERAL APPROACH	Principles-based and non-statutory	Innovation-first	Prescriptive	Voluntary	Voluntary	Prescriptive	Principles-based and non-statutory	Voluntary	Innovation-first
AI REGULATION	Cross-sector and outcomes-based framework. Approach balances innovation and safety through technology neutral framework.	Decentralised, deregulated and innovation first strategy (2025 executive orders). Fragmented regulation at state level with different rules across AI landscape.	The EU Artificial Intelligence Act. Introduced by the European Commission (November 2025) the Digital Omnibus on AI Regulation proposal is designed to reduce the regulatory burden brought by the EU AI Act and make it more innovation friendly.	AI Governance Framework. Voluntary framework focusing on internal governance, operations and human involvement in AI decision making. MAS is consulting on proposed guidelines on AI risk management for financial institutions (November 2025).	Several non-binding guidelines, including national strategies and international frameworks (G7 and OECD).	State-led approach. Aims to harness AI's potential for the country's international competitiveness, economic growth and social governance.	Generative Artificial Intelligence Technical & Application Guideline. Provide governance principles.	Eight AI Ethics Principles Principles designed to ensure AI is safe, secure, reliable and for organisations to consider the impact of using AI enabled systems.	No comprehensive AI-specific regulation at the federal level. Guiding AI principles largely focused on fostering innovation and enabling growth, not restricting AI.

CATEGORY	UK	USA	EU	SINGAPORE	JAPAN	CHINA	HONG KONG	AUSTRALIA	UAE
FINANCIAL SERVICES AI REGULATION	No specific regulation. But the FCA's SCMR and Consumer Duty regulations and ICO standards provide guidance of AI in financial services.	Some state-level regulation with California and Colorado AI legislation but no national regulation for AI. Colorado, New York and California have issued state-level guidance and regulation on AI and insurance.	The EU AI Act sets requirements for financial services on AI applications, general purpose AI systems such as large language models.	Monetary Authority of Singapore established principles to guide financial institutions in responsible use of AI (FEAT Principles)	No specific regulation.	National Financial Regulatory Administration responsible for the central management of AI and digital technologies in finance. Financial AI models require regulatory approval.	Hong Kong Monetary Authority and the Securities and Futures Commission set rules for financial institutions to adopt a risk-based approach at every stage of an AI system's lifecycle.	Australian Securities an Investment Commission guidance for governance arrangements on the use and adoption of AI across financial services and credit licensees.	Supervisory authorities issued guidance for financial institutions adopting enabling technologies.
OTHER RELATED REGULATION	FCA emphasises safe and responsible use of AI in UK financial markets and manages the use of AI through existing frameworks – Consumer Duty and SMCR. BoE considering macroprudential implications of AI within the financial system.	US House of Representatives taskforce on AI suggested future legislation will take a principle-based approach with increased scrutiny of financial institutions' AI systems.	Uses of AI in financial services need to be developed in accordance with existing legislation.		Seeks to introduce AI specific laws to balance risk management and innovation to further align with the G7 and OECD	Proposed plans for AI governance, including creating a global cooperation organisation to address AI governance fragmentation.			

Appendix 2.1: OECD Principles

1. **INCLUSIVE GROWTH, SUSTAINABLE DEVELOPMENT AND WELL-BEING**
   Establishes AI's fundamental purpose as 'serving humanity and the planet through inclusive growth and sustainable development'.

2. **HUMAN RIGHTS AND DEMOCRATIC VALUES, INCLUDING FAIRNESS AND PRIVACY**
   Requires AI actors to respect the rule of law, human rights and democratic values throughout the entire AI system lifecycle.

   In 2024 this principle was updated to include addressing misinformation and disinformation, while maintaining respect for freedom of expression and other right protected by international law.

3. **TRANSPARENCY AND EXPLAINABILITY**
   Calls for transparency and responsible disclosure regarding AI systems to foster understanding and enable stakeholder engagement, this includes information about system capabilities/limitations, data sources and processes.

4. **ROBUSTNESS, SECURITY AND SAFETY**
   Requires AI systems to maintain robust, secure and safe operation throughout their entire lifecycle under normal use, foreseeable use or misuse, and other adverse conditions.

5. **ACCOUNTABILITY**
   Establishes comprehensive accountability frameworks for AI actors based on their roles, context and technological capabilities.

Appendix 2.2: OECD recommendations to policy makers and AI actors

1. **INVEST IN AI RESEARCH AND DEVELOPMENT**
   Recommends governments pursue long-term public investment while encouraging private investment in AI research and development.

2. **FOSTER A DIGITAL ECOSYSTEM FOR AI**
   Governments should foster development of and access to inclusive, dynamic, sustainable and interoperable digital ecosystems for trustworthy AI.

3. **ENSURE A POLICY ENVIRONMENT THAT SUPPORTS AI**
   Calls for agile policy environments supporting transitions from research and development to deployment and operation of trustworthy AI systems.

4. **BUILD HUMAN CAPACITY AND PREPARE FOR LABOR MARKET TRANSFORMATION**
   Governments must prepare for AI-driven transformation of work and society by empowering people to effectively use and interact with AI systems across applications.

5. **INTERNATIONAL COOPERATION FOR TRUSTWORTHY AI**
   Emphasises active cooperation among governments, including developing countries and stakeholders to advance these principles and progress responsible stewardship of trustworthy AI.

Appendix 3: G20 AI Principles

1. **INCLUSIVE GROWTH, SUSTAINABLE DEVELOPMENT AND WELL-BEING**
   AI should be developed and used to benefit people and the planet, sporting human capabilities.

2. **HUMAN-CENTRED VALUES AND FAIRNESS**
   AI actors must respect the rule of law, human rights, and democratic values throughout the AI system lifecycle.

3. **TRANSPARENCY AND EXPLAINABILITY**
   Developers and users of AI should ensure transparency and responsible disclosure about AI systems.

4. **ROBUSTNESS, SECURITY AND SAFETY**
   AI systems should be robust, secure and safe throughout their lifecycle.

5. **ACCOUNTABILITY**
   Stakeholders should be accountable for the proper functioning of AI systems.

Appendix 4: G7 Code of Conduct on Advanced AI Development

ACTION 1: take appropriate measures throughout the development of advanced AI systems, including prior to and throughout their deployment and placement on the market, to identify, evaluate and mitigate risks across the AI lifecycle.

ACTION 2: identify and mitigate vulnerabilities and where appropriate incidents and patterns of misuses after deployment including placement in the market.

ACTION 3: Publicly report advanced AI systems capabilities, limitations and domains of appropriate and inappropriate use to support ensuring sufficient transparency, thereby contributing to increase accountability.

ACTION 4: work towards responsible information sharing and reporting of incidents among organisations developing advanced AI systems including with industry, governments, civil society and academia.

ACTION 5: develop, implement and disclose AI governance and risk management policies, grounded in a risk-based approach – including privacy policies and mitigation measures.

ACTION 6: invest in and implement robust security controls, including physical security, cybersecurity and insider threat safeguards across the AI lifecycle.

ACTION 7: develop and deploy reliable content authentication and provenance mechanisms, where technically feasible such as watermarking or other techniques to enable users to identify AI generated content.

ACTION 8: prioritise research to mitigate societal, safety and security risks and prioritise investment in effective mitigation measures.

ACTION 9: prioritise the development of advanced AI systems to address the world's greatest challenges i.e. climate crisis, global health and education.

ACTION 10: advance the development of and where appropriate adoption of international technical standards.

ACTION 11: implement appropriate data input measures and protections for personal data and intellectual property.

Appendix 5: International Standard Setters on AI

INTERNATIONAL STANDARD SETTER	AI FOCUS AREA	GENERAL APPROACH	POLICY PAPERS ON AI
INTERNATIONAL ORGANISATION OF SECURITIES COMMISSIONS (IOSCO)	Standards for securities and capital markets, including AI in trading and asset management.	**IOSCO not proposing new binding rules**, taking a phased approach starting with building a common understanding and assessing risks. Signals that future steps may include additional tools or recommendations, but for now **coordination and proportionality is needed rather than immediate new regulation**.	Artificial Intelligence in Capital Markets: Use Cases, Risks, and Challenges (March 2025) The use of artificial intelligence and machine learning by market intermediaries and asset managers (September 2021)
BASEL COMMITTEE ON BANKING SUPERVISION (BCBS)	Focuses on prudential supervision, model risk management, operational resilience and ICT risk in banking.	BCBS does **not advocate new AI-specific regulation**. It focuses on reinforcing **existing risk management and governance principles** and treated as part of broader digitalisation risks, with emphasis on data quality, governance, and supervisory expectations under current prudential frameworks.	Digitalisation of finance (May 2024)
FINANCIAL STABILITY BOARD (FSB)	Overseas systemic risk, data gaps, governance and third-party concentration risks across sectors.	FSB does **not call for new AI-specific regulation immediately**. It stresses **enhanced monitoring**, closing data gaps, and assessing whether existing frameworks remain adequate. But does note areas of third-party risk and model governance may need future regulatory attention.	Monitoring Adoption of Artificial Intelligence and Related Vulnerabilities in the Financial Sector (October 2025) The Financial Stability Implications of Artificial Intelligence (November 2024)
BANK FOR INTERNATIONAL SETTLEMENTS – FINANCIAL STABILITY INSTITUTE (BIS)	Explainability, consumer protection, governance, documentation, applying existing standards to AI.	BIS notes **most authorities have not issued AI-specific regulations**, as existing frameworks cover many risks. But identifies gaps in governance, model risk, and third-party dependencies, suggesting risk-based enhancements rather than new standalone regimes. It **advocates proportionality and harmonisation across jurisdictions**.	Managing explanations: how regulators can address AI explainability (September 2025) Financial stability implications of artificial intelligence – Executive Summary (June 2025) Regulating AI in the financial sector: recent developments and main challenges (December 2024)

INTERNATIONAL STANDARD SETTER	AI FOCUS AREA	GENERAL APPROACH	POLICY PAPERS ON AI
INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS (IAIS)	Provides supervisory guidance on AI governance, fairness, and operational resilience in insurance.	IAIS issues guidance rather than new binding rules to avoid creating new prescriptive requirements and promotes **risk-based supervision** and proportionality, leveraging existing Insurance Core Principles.	Global Insurance Market Report (GIMAR) (December 2023)
COMMITTEE ON PAYMENTS AND MARKET INFRASTRUCTURES (CPMI)	Addresses operational resilience and cyber risk in payment and settlement settlements.	**No dedicated AI regulation**. CPMI references AI in the context of operational risk and resilience under **existing PFMI principles**. No indication of new AI-specific rules.	Principles for Financial Market Infrastructures (PFMI) (April 2012 – *no dedicated AI report CPMI references AI mainly in broader BIS publications and PFMI guidance*)

IRSG

INTERNATIONAL
REGULATORY
STRATEGY GROUP

The International Regulatory Strategy Group (IRSG) is a practitioner-led group comprising senior leaders from across the UK-based financial and related professional services industry. It is one of the leading cross-sectoral groups in Europe for the industry to discuss and act upon regulatory developments.

With an overall goal of promoting sustainable economic growth, the IRSG seeks to identify opportunities for engagement with governments, regulators and European and international institutions to advocate an international framework that will facilitate open and competitive capital markets globally. Its role includes identifying strategic level issues where a cross-sectoral position can add value to existing views.

TheCityUK and the City of London Corporation co-sponsor the IRSG.

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