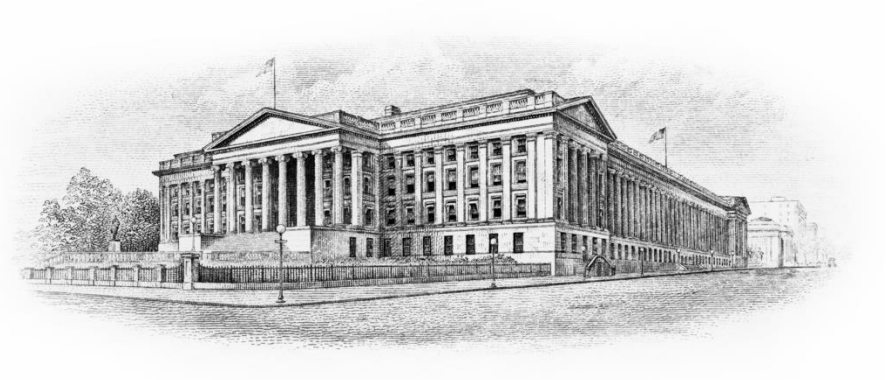

U.S. Department of the Treasury
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READOUT: AI Innovation Series - Roundtable on Cybersecurity and Risk Management

WASHINGTON – On Monday, April 27, the U.S. Department of the Treasury hosted the third roundtable of the Artificial Intelligence (AI) Innovation Series — a forum for public-private engagement to support the strength and resilience of the U.S. financial system as AI adoption accelerates across financial services. The roundtable convened senior leaders from banks, asset managers, insurers, financial market utilities, technology firms, and regulators for cross-sector conversations.

Federal Reserve Vice Chair for Supervision Michelle Bowman delivered a keynote address highlighting the importance of balancing the risks and benefits of AI adoption. She described the Federal Reserve's efforts to ensure that regulatory frameworks remain fit for rapidly evolving technologies. She noted recent revisions to model risk management guidance and ongoing work at the Financial Stability Board to identify sound practices for AI adoption. The roundtable also featured industry presentations and moderated discussions on cybersecurity, fraud, and economic security.

During the roundtable, participants discussed AI's potential to support financial stability by enabling new insights from large volumes of data to model and manage risks. These insights can be used to assess insured losses after a catastrophic event or test investment theses under a variety of market conditions. They also stressed the importance of being able to leverage AI tools to defend against increasingly sophisticated AI-enabled cyber attacks by transnational threat actors.

Participants recommended more harmonization with respect to AI regulation. For example, they requested more consistent incident reporting expectations across agencies, including pursuant to the Cyber Incident Reporting for Critical Infrastructure Act. They also asked for more clarity on the types of incidents to report and suggested non-punitive approaches to support timely reporting. Several firms noted challenges with managing third-party AI risks, as vendors may

adopt AI tools without notifying financial institutions. Participants also identified opportunities to clarify expectations on managing fourth- and fifth-party AI risks that are largely outside their control. They highlighted cross-border challenges with aggregating data and operating AI models across jurisdictions, particularly to combat fraud. They mentioned the need for federal standards and more support for liability protections related to sharing personally identifiable information to combat fraud and financial crimes.

Participants identified opportunities for public-private collaboration to develop solutions to complex challenges facing the industry. For example, they asked regulators to facilitate more information sharing in areas such as check fraud; the development of a common taxonomy for agentic AI; and industry standards, certification frameworks, and validation practices across complex AI supply chains. Others noted the benefits of sandboxes for smaller firms to experiment with AI usage as well as cross-sector consortia to share data on AI-related cyber risks. They were interested in more feedback on insights derived from SAR filings to improve the effectiveness of their AI models. Participants noted that the cyber insurance market, while growing, remained small.

These conversations will inform the development of policy recommendations by the Financial Stability Oversight Council (Council) and Treasury's AI Transformation Office to address barriers to innovation in support of broader Administration priorities. The dialogue will also support the Council's Artificial Intelligence Working Group in exploring opportunities for AI to promote financial stability while monitoring potential risks. The next roundtable in the Innovation Series will explore the financial stability implications of AI.

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