FSB Chair warns of risks arising from frontier Artificial Intelligence (AI) models

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- ***In his letter to G20 Finance Ministers and Central Bank Governors, FSB Chair, Andrew Bailey, warns of the risks posed by frontier AI models, highlighting in particular their potential impact on cyber risk.***
- ***Mr Bailey calls on authorities to take appropriate steps to support safe and responsible model release and deployment, and for financial institutions to ensure robust response and recovery capabilities and resilience amongst critical third-party providers.***
- ***The letter also notes concerns over the increased use of leverage in bond and equity markets, which is interacting with high valuations, market concentration and AI-related optimism in a way that could amplify a future market correction.***

The Financial Stability Board (FSB) today published a letter from its Chair, Andrew Bailey, to G20 Finance Ministers and Central Bank Governors ahead of their meeting in Asheville, North Carolina.

Mr Bailey notes that the Middle East conflict has exacerbated energy-driven inflationary pressures. Markets remain vulnerable to a potentially disorderly correction that could spread across borders, particularly given fragilities in sovereign debt markets; vulnerabilities in private credit and stretched asset valuations (particularly AI-related investments). He warns that the recent increase in the use of leverage in equity markets is interacting with high valuations, market concentration and AI-related optimism in a way that could amplify a future market correction.

The risk landscape has been further complicated by the emergence of frontier AI models, which are showing increasingly sophisticated autonomy and problem-solving abilities, as well as threat capabilities. The most immediate concern is the potential impact of frontier AI on cyber risk. Mr Bailey calls on jurisdictions to take appropriate steps to support safe and responsible model release and deployment as a priority. For financial firms, Mr Bailey underlines the importance of robust response and recovery capabilities and resilience amongst critical third-party technology providers and other common service providers.

The FSB is looking at what steps it can take, within its mandate and expertise, to address these challenges.

Notes to editors

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes the implementation of effective regulatory, supervisory, and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Andrew Bailey, Governor of the Bank of England. The FSB Secretariat is located in Basel, Switzerland and hosted by the Bank for International Settlements.