

Press release

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Advisory Scientific Committee publishes report on artificial intelligence and systemic risk

- The report assesses whether features of artificial intelligence create or amplify systemic risks in the financial system and, if so, how.
- To address such risks, the report calls for a thoughtful and measured policy approach, including potential adjustments to prudential regulation.

Advanced artificial intelligence (AI) tools, such as large language models, have become widely accessible to the public. With the corporate and financial sectors also quick to integrate AI into their processes, these tools are now in widespread use across our societies. AI has a hugely transformative potential and could benefit society, for example, by being able to process large amounts of unstructured data and improve risk management. It may, however, create risks in the financial system.

The Advisory Scientific Committee (ASC) has prepared a [report](#) that analyses 11 specific features of AI and examines the interplay between them and the main sources of systemic risk in the financial system (liquidity mismatches, common exposures, interconnectedness, lack of substitutability and leverage). Five of the features – concentration and entry barriers, model uniformity, monitoring challenges, overreliance and excessive trust, and speed – might significantly amplify systemic risks in the financial system.

To address potential risks, the report proposes a thoughtful and measured policy approach combining competition and consumer protection policies, complemented by specific adjustments to prudential regulation. These adjustments relate to (i) capital and liquidity regulation, (ii) “skin-in-the-game” and “level of sophistication” requirements, and (iii) enhanced supervision. If authorities are able to keep pace with the rapid development of AI, it may be possible to reduce the number of episodes of financial instability and the need for intervention. Furthermore, given that AI is not bound by geographical borders, it is essential that authorities across the globe cooperate closely.

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