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Frontier AI models could strain cyber resilience in the financial system, ESRB warns

- Frontier AI models are changing cyber threat landscape for EU financial system
- These models may increase speed, scale and sophistication of cyberattacks
- Relevant authorities should reflect these risks in supervisory and oversight work

The European Systemic Risk Board (ESRB) published today a [warning on systemic cyber risks stemming from frontier AI models](#). This warning comes after the ESRB General Board assessed systemic cyber risk as "severe" [in June](#), up from "elevated" [in March](#).

Frontier AI models are advanced AI models capable of materially affecting offensive or defensive cyber operations. The ESRB warning explains how these models are reshaping the cyber threat landscape, assesses the resulting systemic risks and outlines implications for public authorities and private financial institutions.

Frontier AI models are a paradigm shift for cybersecurity. Eventually, these models are likely to strengthen cyber resilience. In the short to medium term, however, they provide an advantage to threat actors, enabling them to discover vulnerabilities and execute cyberattacks with increased speed, scale and sophistication. In addition, the concentration of leading AI providers outside the European Union exposes the EU to strategic dependency and geopolitical risks.

In order to reinforce the warning's message, the General Board calls on the EU to scale up its capacity, expertise and strategic autonomy in this critical area. This requires a coordinated answer of all parties, including AI providers, software providers, security firms, open-source maintainers, financial institutions and authorities at both national and Union level.

Reflecting this, the ESRB welcomes the [letter to CEOs of significant euro area banks](#) from ECB Banking Supervision, also published today. The letter sets out supervisory expectations for addressing the evolving AI-related cyber threat landscape.

The ESRB will continue to monitor the use and development of frontier AI models with cyber capability and their impact on the financial sector from a systemic risk perspective. The ESRB General Board will

European Systemic Risk Board

Directorate General Communications

Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany

Tel.: +49 69 1344 7455, email: media@esrb.europa.eu, website: www.esrb.europa.eu

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reassess such developments in its quarterly risk assessments and consider further appropriate action in its remit when needed.

The ESRB General Board also approved the publication of a note entitled "[Addressing Frontier AI Models with cyber capabilities from a financial stability perspective](#)". This note provides further analysis of the risks identified.

For media queries, please contact [François Peyratout](#), tel.: +49 172 8632119.

Notes

- The ESRB is responsible for the macro-prudential oversight of the financial system within the European Union to contribute to the prevention or mitigation of systemic risks to financial stability. It brings together representatives from the ECB, national central banks, European and national supervisory authorities, the European Commission, and independent experts, working together to monitor and mitigate systemic risks to financial stability in the European Union.
- The ESRB issues [warnings](#) when it identifies significant systemic risks to financial stability.