

FESE High-level principles on Artificial Intelligence

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Artificial Intelligence (AI) has a strong potential to transform the day-to-day operations of financial services, offering unprecedented opportunities to enhance operational efficiency, compliance and internal processes. FESE welcomes the European Commission's innovation-friendly approach and the recently published **AI Continent Action Plan** ([here](#)), an initiative aimed at positioning Europe as a global leader in AI innovation. Financial market infrastructures (FMIs) are actively exploring AI to enhance its internal workflows, strengthen risk management, and improve market surveillance, ensuring more resilient and adaptive financial ecosystems.

AI rules continue to be a central topic of discussion, as demonstrated by recent reports from international institutions such as the International Organisation of Securities Commissions (IOSCO), the Financial Stability Board (FSB), and the Organisation for Economic Cooperation and Development (OECD),¹ as well as the introduction of regional regulatory frameworks like the AI Act in the European Union (EU). With this document, we would like to provide key principles that we believe should shape AI regulation and governance.

1. Principle-based approach

- AI governance should adhere to a principle-based approach. The "same business, same risks, same rules" principle is fundamental to construct AI rules and should be applied consistently. This principle reinforces the idea that AI-driven services should be subject to the same level of regulatory requirements as traditional activities when they present comparable risks.
- In our view, existing regulatory frameworks in the EU – such as the AI Act and Digital Operational Resilience Act (DORA) – are sufficient to mitigate any potential AI risks and regulate most AI-driven activities within the European financial sector. Introducing additional regulations on rapidly evolving technology may hinder innovation within the EU, potentially to the disadvantage of European businesses and citizens.
- AI carries risks similar to those of other innovative technologies, notably in terms of cybersecurity and data privacy. There is a need to adopt a risk-based approach looking at different AI models for the implementation of tools or products based on AI solutions.
- In this respect, the application of AI to critical functions supporting core regulated activities is an area to be explored in the mid-term, following a risk-based assessment. Given the sensitive nature of trading venue data and processes, the use of AI, especially generative AI, requires further studying and testing to preserve resilience and integrity of core regulated activities. Reputational risks could be material due to unpredictability of AI-generated outputs, making auditability and predictability of AI solutions key considerations for financial market infrastructures.

¹ IOSCO, "Artificial Intelligence in Capital Markets: Use Cases, Risks, and Challenges", March 2025, click [here](#); FSB, "The Financial Stability Implications of Artificial Intelligence", November 2024, click [here](#); OECD, "Regulatory approaches to Artificial Intelligence in finance", September 2024, click [here](#).

2. Solid data governance & Cloud policies

- As a prerequisite to developing AI models, financial industry participants need to establish a robust data governance that clearly defines what data is fed in, who holds ownership rights, the permissions required for modifying data throughout its lifecycle, as well as data quality analysis and related Key Performance Indicators (KPIs). It is essential to enhance data quality and safeguard privacy – not only to comply with existing data protection laws like the GDPR but also to build a foundation of trust among market participants. For instance, copyrighted data should not be used for training AI.
- Moreover, AI specific KPI should be defined and tracked to ensure measurable impact, foster accountability, drive continuous improvement, and align AI initiatives with strategic goals and ethical, sustainable outcomes.
- Additionally, AI models increasingly rely on cloud infrastructure for data storage, processing power, and deployment. The cloud safeguards put in place to regulate cloud usage can have indirect but significant consequences on AI systems. Policymakers should approach cloud regulation in a balanced manner realising potential impacts on AI advancements rather than unintentionally restricting them. We further recommend streamlining permitting processes, harmonising EU regulations, and introducing incentives for EU-based cloud infrastructures to enhance digital sovereignty.

3. Simplification & clarification of the AI Act requirements

- Simplification of the AI Act is encouraged, with the aim of reducing administrative burdens and reporting obligations, thereby fostering innovation and enhancing the global competitiveness of the European Union. We would like to emphasise that any new regulation, if deemed necessary, should be underpinned by a thorough cost-impact assessment and a robust cost-benefit analysis. A well-grounded approach is essential to maintain market integrity and support sustainable growth. The upcoming Digital Simplification Omnibus, expected in Q4 2025, which will review digital laws, presents a good opportunity to examine the requirements of the AI Act.
- We recommend that EU implementation efforts actively align with globally recognised frameworks – particularly those developed by the OECD and the emerging ISO/IEC 42001 standard for AI management systems, as well as NIST Incident Response Framework. To ensure consistent compliance, we suggest developing a comprehensive set of standardised documentation templates and clarify the requirements for human oversight to eliminate ambiguities. It could further clarify the design and implementation of regulatory sandboxes under the AI Act, providing clear guidance on their institutional form, governance structures, and data use.

4. “Human in the loop” approach

- As an exchange industry, we realise potential risks of AI. If not monitored appropriately, AI models can perpetuate existing biases present in the data, or produce false statements, so called “hallucination” problem. Additionally, AI models often exhibit high complexity, making their decision-making processes challenging to understand – commonly referred to as the “black box” problem.
- To mitigate potential financial risks, such as those related to credit allocation or trading strategies, it would be important to maintain human oversight, or “human in the loop” approach, to preserve autonomy in final decision-making.

5. Innovation-friendly approach

- Regulatory frameworks should follow an innovation-friendly approach and enable responsible AI development and deployment without excessive barriers. Sandbox initiatives and pilot programs can provide controlled spaces for innovation while ensuring compliance with regulatory standards.
- Importantly, we recognise high entry barriers to the AI application, largely due to the substantial upfront investments required for in-house development. It could lead to overreliance on a limited number of third-party AI providers, potentially resulting in market concentration. While we do not currently observe high concentration among a small group of providers, should that change, it will be essential to address concentration and herding risks effectively. Failure to do so could give rise to suboptimal business practices and reduced transparency.
- As technology rapidly evolves, the regulatory environment should be designed with built-in flexibility, allowing for regular reassessment and adaptation of rules in response to new challenges and emerging risks.

6. Ethical & ESG considerations

- FESE believes that it is crucial to integrate a comprehensive ethical framework into AI regulation. This framework should explicitly address transparency, fairness, accountability, and the protection of fundamental rights. Regulators must ensure that AI-driven solutions are developed and deployed with clear mechanisms for oversight and auditability, enabling both internal and external stakeholders to understand and verify the decision-making processes.
- It is also important to enhance collaboration between stakeholders to tackle AI environmental footprint, in terms of energy consumption, water consumption and carbon footprint, in order to ensure that AI development aligns with environmental, social, and governance (ESG) objectives.

7. International cooperation

- FESE would like to emphasise the need for structured cooperation between policymakers, regulators, and market participants to ensure responsible integration of AI technologies in securities markets as well as the common understanding of its potential risks.
- FESE also believes that the EU current regulatory framework on AI such as the AI Act could provide an excellent example for international AI governance. It could encourage other jurisdictions to uphold similar high standards and safe application of AI across various sectors, while providing a level-playing field for businesses operating globally.
- Fostering international cooperation to harmonise standards and best practices can help in aligning global efforts toward responsible AI innovation, thereby preventing market fragmentation and supporting a level playing field worldwide.