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BY EMAIL -

CPA Australia's submission on the Consultation Paper on Guidelines on Artificial Intelligence Risk Management

CPA Australia represents the diverse interests of more than 175,000 members in over 100 countries and regions, including over 8500 members in Singapore. We believe that the [proposed guidelines for managing artificial intelligence \(AI\) risks in financial services](#) should, overall, strengthen governance, promote responsible innovation and promote further AI adoption within Singapore's financial sector.

Given the growing use of AI across the economy, together with Singapore's National AI Strategy and Digital Economy Framework, and ASEAN's Responsible AI Roadmap and Guide on AI Governance and Ethics, MAS's consultation is therefore both timely and important.

Based on the themes and priorities outlined in the consultation, CPA Australia offers the following suggestions for consideration:

- adopting a risk-based, proportionate regulatory approach, focused on high-risk AI applications
- leveraging existing MAS frameworks rather than creating standalone regimes
- strengthening institutional governance and accountability, with clear board oversight and human review of high-impact decisions
- requiring robust lifecycle controls, including rigorous validation, ongoing monitoring and independent assurance of AI models
- enhancing industry capability through specialist training, regulatory sandboxes and coordination with national initiatives
- reinforcing consumer trust through transparency, explainability and contestability.

These suggestions draw on our research, international experience and lessons from AI policy developments in other jurisdictions. For further details, please refer to the attached.

If you have any queries, please contact Mr Azfar Asa'ad at CPA Australia on azfar.asaad@cpaaustralia.com.au.

Yours sincerely

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Risk-based oversight and proportional regulation

Singapore's financial sector benefits from a strong technology foundation, supported by high quality regulatory frameworks and industry standards. As a result, it is already well positioned to manage many of the operational and governance challenges associated with AI adoption. CPA Australia therefore does not consider significant regulatory changes necessary.

Any regulatory changes should remain both proportional and risk based. For example, high-risk AI systems such as those involved in lending decisions, insurance underwriting or fraud detection should attract more stringent requirements, while lower-risk applications, such as customer service chatbots or internal productivity tools, should be subject to lighter oversight.

[CPA Australia's Business Technology Survey 2025](#) found that while AI adoption is widespread in Singapore, with 92 per cent of businesses reporting using it, most use it on an irregular basis rather than deeply embedding it into their core operations. Most businesses use AI to enhance productivity and support decision-making, rather than to automate critical financial processes. To encourage businesses to make greater use of AI, regulatory approaches should avoid unnecessary compliance costs and target AI risks with the greatest potential for harm.

Including SME considerations is essential. Small businesses often lack the resources to implement complex governance and assurance frameworks. Imposing uniform requirements across all institutions risks creating excessive compliance cost for SMEs, potentially discouraging AI adoption without materially reducing systemic risk. A proportionate approach ensures that obligations are calibrated to the size, risk profile and operational complexity of each organisation, enabling SMEs to innovate responsibly while supporting financial inclusion. We therefore support MAS's proposed 12-month transition period, supplemented by phased milestones to assist SMEs.

Regional alignment also strengthens proportionality. [ASEAN's Responsible AI Roadmap \(2025–2030\)](#) and the updated [ASEAN Guide on AI Governance and Ethics](#) advocate a risk-based, principles-driven regulatory approach across member states. Aligning MAS's approach with these frameworks will enhance interoperability, reduce compliance fragmentation for cross-border financial services and reinforce Singapore's leadership in responsible AI adoption within the region.

International harmonisation remains important, but global regimes are still evolving. Singapore should pursue interoperability pragmatically, balancing global consistency with regional priorities and local needs.

Leveraging existing supervisory frameworks for AI

MAS does not need to reinvent the wheel to regulate AI effectively. Several existing frameworks already provide a strong foundation for managing technology and operational risks, and these can be enhanced to address AI-specific challenges.

- [Technology Risk Management \(TRM\) Guidelines](#): These guidelines set out comprehensive expectations for governance, resilience and incident response. Extending TRM to include AI-specific risk assessments and lifecycle controls would ensure continuity while addressing emerging risks.
- [Outsourcing Guidelines](#): These can be adapted to cover AI vendors, including contractual obligations for transparency, bias testing and data governance. Outsourcing arrangements should include clauses for provider transparency, bias testing, and contingency plans including fallback mechanisms or kill switches for high-risk services.

- [Cyber Hygiene Notices](#): These mandatory controls strengthen cybersecurity resilience. Expanding them to include AI vulnerabilities, such as adversarial attacks and model manipulation, would close critical gaps.
- [Fairness, Ethics, Accountability, and Transparency \(FEAT\) Principles](#): MAS has already established a strong foundation for responsible AI use in financial services. While compliance with the FEAT principles is currently voluntary and varies in practice, embedding FEAT into supervisory processes would help translate its intent into consistently applied standards. Introducing explicit FEAT compliance checks, particularly for fairness and explainability, as part of formal supervisory expectations would strengthen transparency, contestability and ensure that AI-driven decisions are ethically aligned

By enhancing these frameworks rather than creating standalone regimes, MAS can deliver proportionate, principles-based regulation that leverages existing compliance structures and minimises duplication.

Institutional governance and board accountability

Trust in AI depends on robust governance and clear accountability within financial institutions. Senior management and boards must understand AI's role, risks and ethical implications, embedding AI oversight within existing risk frameworks rather than treating it as purely technical. Institutions should maintain comprehensive documentation of training data, model design and decision logic to support supervisory review and consumer transparency.

Human accountability remains critical. High-impact decisions must retain meaningful human oversight to ensure that technology-enabled processes do not erode consumer protections. This principle, highlighted in our [submission to IOSCO](#), ensures that responsibility for AI-driven processes sits with people, not systems. We support MAS's proposal for cross-functional governance committees where AI risk is material and suggest clarifying indicators, such as thresholds for high-risk uses, to standardise when such oversight is required.

AI lifecycle controls: Testing, validation and independent assurance

AI systems should undergo rigorous testing before deployment. Given that AI models evolve with new data, ongoing monitoring and validation is equally important to assess accuracy, fairness, resilience and security.

Independent assurance can strengthen confidence in AI systems. Institutions should be encouraged to engage external assurance providers and seek certifications. High-risk AI systems should incorporate kill switches and manual fallback mechanisms to complement ongoing monitoring. This approach not only supports supervisory objectives but also enhances market and consumer trust in responsible AI use.

Capability development for regulators and industry

The effectiveness of regulation depends on the regulator's ability to keep pace with AI's complexity. As AI becomes more embedded in Singapore's financial system, regulators will need specialist expertise in machine learning, data science and risk management.

MAS should invest in targeted training, recruitment and tools such as regulatory sandboxes and model validation frameworks. Capacity building must also extend to financial institutions, particularly smaller firms that risk being left behind. Templates, workshops and phased implementation milestones can help reduce the risk of competitive imbalances.

MAS could also consider aligning its guidelines with other AI initiatives being run by other government agencies. Existing programmes such as IMDA's AI adoption grants, Enterprise Singapore's productivity schemes and the Enterprise Compute Initiative provide financial support, technical training and advisory services for SMEs. Coordinating with these efforts would position MAS's guidelines within a whole-of-government approach to responsible AI adoption, reducing duplication and reinforcing Singapore's leadership in digital innovation.

Transparency, contestability and consumer trust

Public confidence is the foundation of successful AI integration in financial services. Consumers must trust that AI-driven decisions are fair, explainable, and contestable. Institutions should clearly disclose when and how AI influences decisions, the factors considered and provide accessible pathways for human review and appeal.

Further, institutions should implement clear dispute resolution processes, including escalation channels for AI-related decisions, and ensure these are well-communicated to customers. Complaint handling should be supported by trained personnel who can explain AI outcomes and intervene effectively when errors or biases are detected.

Moreover, financial literacy programs should expand to include AI literacy, covering what AI is, how it is used in financial services, its benefits, risks and consumer protections. These initiatives should complement existing digital literacy.

Finally, MAS could consider minimum transparency standards for high-risk AI applications, such as credit scoring or fraud detection, including:

- plain-language explanations of AI's role in decision-making
- disclosure of key factors influencing outcomes
- clear instructions for contesting decisions and accessing human review.