

Key Trends in Core Banking This Week

S28-2026-BNK · Reporting Period: July 7-13, 2026

AI Agents Move from Assistance to Execution. Wall Street banks this week disclosed operational deployments that mark a structural shift in how AI is embedded in financial services. Morgan Stanley is testing client-facing digital assistants that interact with customers around the clock under adviser oversight. At UBS, agents aggregate data from meetings, accounts, and communications and, once an adviser authorizes a transaction, execute trades and money transfers directly. BNY treats AI systems as digital teammates with defined tasks and human managers. Goldman Sachs is developing agents with Anthropic to handle trading, client onboarding, and transaction accounting. A Cambridge Centre for Alternative Finance survey cited this week found 52% of financial services firms are actively adopting agentic AI. The distinction from prior automation is material: agentic systems interpret objectives and select actions independently, expanding both productivity potential and the governance surface on which authority, access rights, and operational accountability must be defined.

Agentic Payments Enter the Financial Stability Agenda. Bank of England Deputy Governor Sarah Breeden stated at the ECB Forum on Central Banking that existing supervisory frameworks were not designed for autonomous agents in payments, trading, and operations, and that human oversight of every agent action is unlikely to be practical at scale. The BoE July 2026 Financial Stability Report reinforces this, identifying frontier AI advances as an increasing risk to financial stability, particularly around cybersecurity and operational resilience. The structural tension is clear: AI systems are probabilistic; payment infrastructures require deterministic and legally certain outcomes. A payment initiated by an agent must be traceable to a legally sufficient authorizing act, with documented scope of authority, applied controls, and a clear path to reversal or challenge. This shifts agent governance from an innovation question into a core-banking control requirement.

Europe Hardens Its AI Cyber Posture. On 7 July 2026, ECB Supervisory Board Chair Claudia Buch wrote to the CEOs of all significant institutions under the Single Supervisory Mechanism, requiring submission of a comprehensive action plan on AI-enabled cybersecurity threats to each institution's Joint Supervisory Team by 31 October 2026. The letter was published simultaneously with an ESRB warning classifying frontier AI models as a source of systemic risk to the EU financial system, citing their capacity to discover vulnerabilities and execute cyberattacks at speed and scale far exceeding prior tools. DORA remains the binding framework; the ECB letter is an accelerated implementation demand under sharpened threat assumptions. The ECB will extend the annual IT Risk Questionnaire deadline to February 2027 to free resources for compliance.

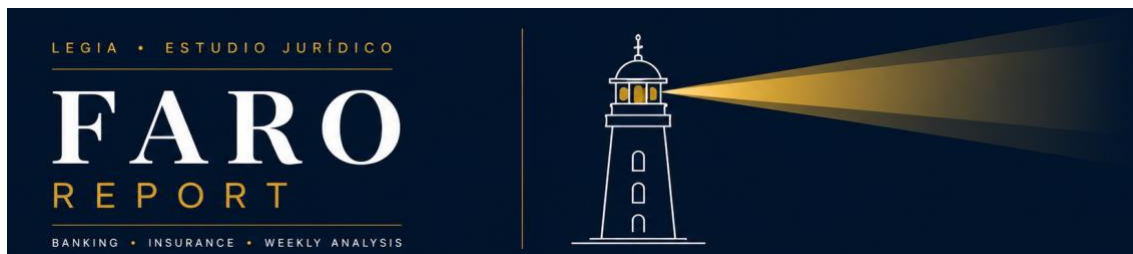
"Banks may automate execution. They cannot automate away accountability."

MY TAKE

It is not a matter of whether banks will deploy AI agents (they already are). The next competitive divide will be between institutions that treat agents as enhanced software and those that govern them as controlled operational actors, with machine-specific identity, restricted credentials, transaction limits, escalation rules, and a legally intelligible chain of delegated authority.

TECH TERM OF THE WEEK: "Agentic Payments"

Payments initiated, evaluated, or executed by AI systems capable of selecting actions with limited contemporaneous human direction differ from standing orders and conventional automation because the system may determine whether, when, how, or through which channel a payment should be made. The key risk is not erroneous execution but the possibility that a payment is technically valid yet cannot be traced to a legally sufficient authorizing act.



Key Trends in the Insurance Sector This Week

S28-2026-INS · Reporting Period: July 7-13, 2026

Frontier AI Becomes an Insurance Resilience Risk. The European supervisory authorities, EBA, EIOPA, and ESMA, have endorsed the ESRB warning that frontier AI models constitute a paradigm shift in cybersecurity and represent a source of systemic risk to the EU financial system. For insurers, the exposure is twofold: carriers are themselves high-value targets holding concentrated policy, claims, medical, and identity data, and they underwrite many of the organizations facing the same accelerated threat. EIOPA has called for stronger cybersecurity arrangements and closer scrutiny of critical ICT providers under DORA. Historical incident frequencies may become unreliable where AI compresses the interval between vulnerability disclosure, exploitation, and systemic propagation, requiring aggregation models to account for shared cloud infrastructure and concentrated AI dependencies across insured portfolios.

IRRД Implementation Moves into Valuation. EIOPA is publishing in July 2026 its third batch of technical standards under the IRRD, covering the implementation of the Insurance Recovery and Resolution Directive, due to become operational in 2027, and launched consultations on methodologies for valuing insurers and reinsurers in resolution. The proposed framework addresses valuation before resolution action, provisional buffers for additional losses, and the post-resolution comparison with hypothetical ordinary insolvency outcomes. This is not a narrow technical exercise: resolution valuation will determine the credibility of recovery plans, the selection of resolution tools, and the defensibility of differential treatment among shareholders, policyholders, and creditors. Carriers should expect intensifying pressure on data quality, legal-entity mapping, asset-liability segmentation, and the valuation of intragroup arrangements.

AI Transformation Meets Execution Risk. Allianz Partners confirmed on July 8 that it plans to eliminate between 1,500 and 1,800 positions as AI expands across customer service and claims. The move echoes the continuing fallout from State Farm's earlier restructuring of its agency model around mandatory AI tools and revised contracts.

EIOPA Advances Valuation Framework for Insurance Resolution. EIOPA's July 2026 batch of IRRD technical standards introduces, for the first time, draft methodologies for valuing insurer assets and liabilities in resolution, including provisional loss buffers and the no-creditor-worse-off assessment. These instruments are scheduled for submission to the European Commission by 29 July 2026 and represent the most technically demanding component of the IRRD implementation program.

"The market is moving from AI adoption to AI dependency."

MY TAKE

Insurance AI has entered a more demanding phase. Model performance was the first challenge. Whether the surrounding institution can safely depend on the model at scale is the next. That requires knowing where AI output becomes a recommendation, where a recommendation becomes a decision, and where that decision acquires legal and financial effect, with documented review and a genuine ability to reject or reverse the system's output.

TECH TERM OF THE WEEK: "Foundation Model Cyber Risk"

The risk that highly capable general-purpose AI models materially increase an attacker's ability to discover vulnerabilities, generate exploits, or coordinate attacks. The exposure is potentially systemic because the same model, software dependency, or ICT provider may be shared across many banks, insurers, and insured organizations. For insurance, this creates both direct operational risk and correlated accumulation risk across cyber portfolios, a concentration dynamic that standard aggregation models were not designed to capture.