

Use and Risk Management of Generative AI
by Japanese Financial Institutions
—Based on the Results of FY2026 Survey—

August 2026
Financial System and Bank Examination Department
Bank of Japan



Objectives of the *Financial System Report Annex Series*

- ✓ The Bank of Japan's *Financial System Report* has two main objectives: to assess the stability of Japan's financial system from a macroprudential perspective and to communicate with all relevant parties on any tasks and challenges ahead in order to ensure the system's stability.
- ✓ The *Financial System Report* provides a comprehensive assessment of the financial system twice a year and is occasionally supplemented by *Financial System Report Annex Series* papers, which provide more detailed analyses and insights on specific topics.

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Background of this survey

- ✓ Generative AI (GenAI) has been rapidly penetrating society, and its use in Japanese financial institutions is expanding from general administrative tasks to core operations leveraging customer data. The use of GenAI is expected to expand and evolve further with technological advancements.
- ✓ Financial institutions need to understand the specific risks of GenAI, such as information leakage and the uncertainty of outputs and behaviors, and to enhance risk management frameworks based on the risk-based approach.
- ✓ With these issues in mind, the Bank of Japan conducted a survey on the use of AI, etc., targeting 150 financial institutions.* This is the third survey since fiscal year 2024.**

* The breakdown of the surveyed institutions by business type is as follows: "Major banks" (10 banks): Mizuho, Mitsubishi UFJ, Sumitomo Mitsui, Resona, Saitama Resona, Mitsubishi UFJ Trust, Mizuho Trust, Sumitomo Mitsui Trust, SBI Shinsei, and Aozora; "Regional banks I": 61 member banks of the Regional Banks Association of Japan; "Regional banks II": 34 member banks of the Second Association of Regional Banks; "Shinkin banks": 18 *Shinkin* banks excluding the members of Shinkin Kyodo Center; "Others" (27 banks): Japan Post, PayPay, Seven, Sony, Rakuten, DOCOMO SMTB Net, au Jibun, Aeon, Daiwa Next, Lawson, Minna, UI, ORIX, GMO Aozora Net, Master Trust Bank of Japan, SMBC Trust, Nomura Trust, Norinchukin Trust, SBI Shinsei Trust, JSF Trust, Custody Bank of Japan, SBJ, Shinkin Central Bank, Shoko Chukin, Shinkumi Federation, Rokinren, Norinchukin. The survey response rate was 100%.

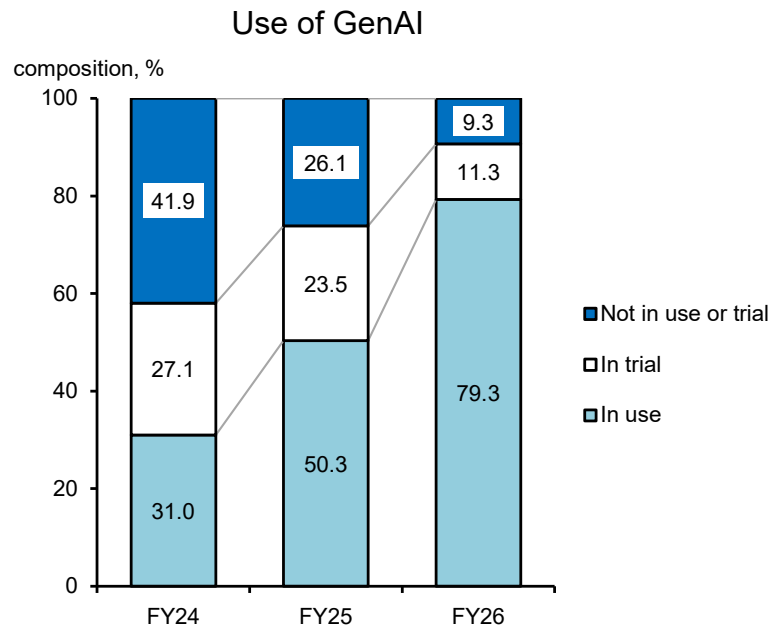
** For details, see "Use and Risk Management of Generative AI by Japanese Financial Institutions —Based on the Results of FY2025 Survey—," *Financial System Report Annex Series*, September 2025, and "Use and Risk Management of Generative AI by Japanese Financial Institutions —Based on the results of questionnaire survey—," *Financial System Report Annex Series*, October 2024.

Background of this survey (continued)

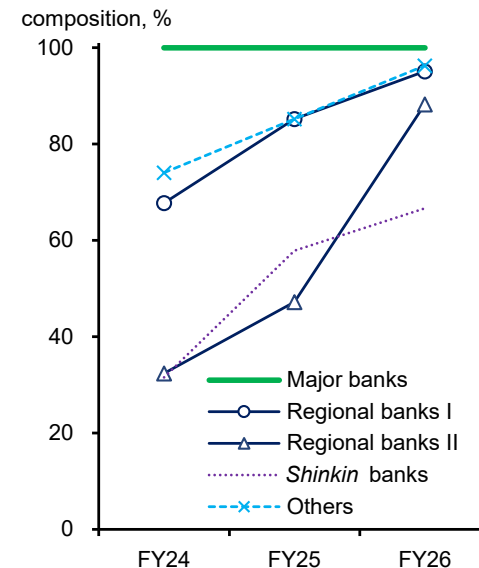
- ✓ This *Report*, drawing on the views we exchanged in the interviews with some IT vendors and financial institutions, describes the current status and challenges in the use of GenAI and in risk management issues in the financial industry.

I. Use of GenAI

- ✓ Approximately 80 percent of the surveyed financial institutions are already using GenAI, with this figure rising to over 90 percent when including those under trial with GenAI.
- ✓ The proportion of the institutions **not in use or trial** with GenAI has decreased from over 40 percent two years ago to less than 10 percent.
- ✓ When analyzed by business type, Regional banks II have seen a notable increase in the proportion of the institutions using or trialing GenAI.



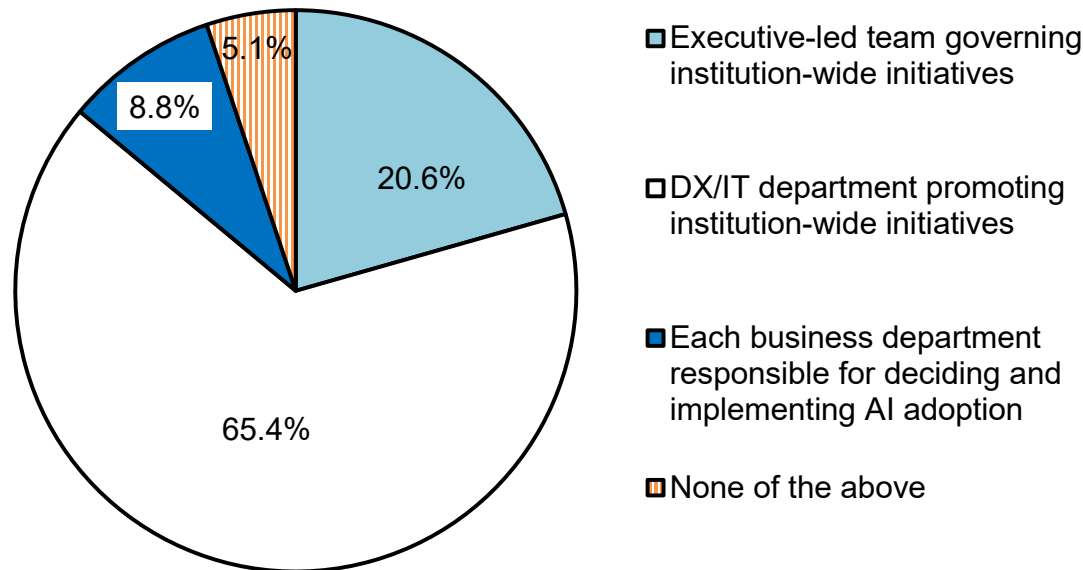
Use of GenAI by business type



- Notes:
1. In the left-hand chart, "not in use or trial" for FY24 and FY25 represents the sum of "not considering trial or use," "considering trial or use," and "planning for trial or use within 3 years."
 2. The right-hand chart represents the composition of institutions responding with "in use" or "in trial."
 3. Data for FY24, FY25, and FY26 covers 155, 153, and 150 institutions, respectively.

II. Organizational structure for GenAI adoption

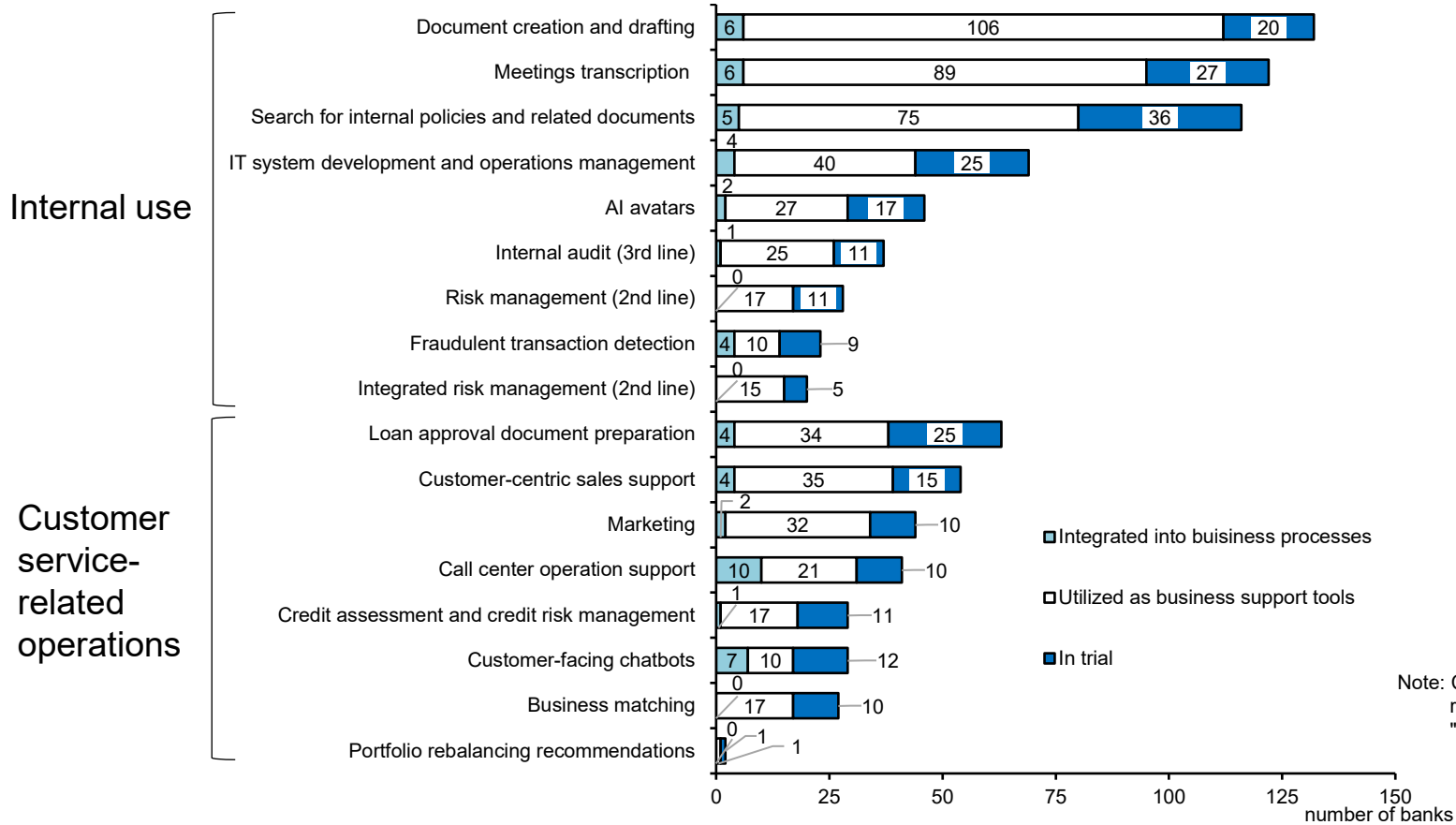
- ✓ Regarding the organizational structure for GenAI adoption, approximately 20 percent of the institutions have established executive-led teams. In approximately 65 percent of the institutions, DX or IT departments promote the GenAI initiatives.
- ✓ Financial institutions appear to examine and establish effective organizational structure by taking into account the characteristics of their governance and risk management, management resources such as personnel, and the advantages and disadvantages of each structure.



Note: Covers 136 institutions that responded with "in use" or "in trial" for GenAI.

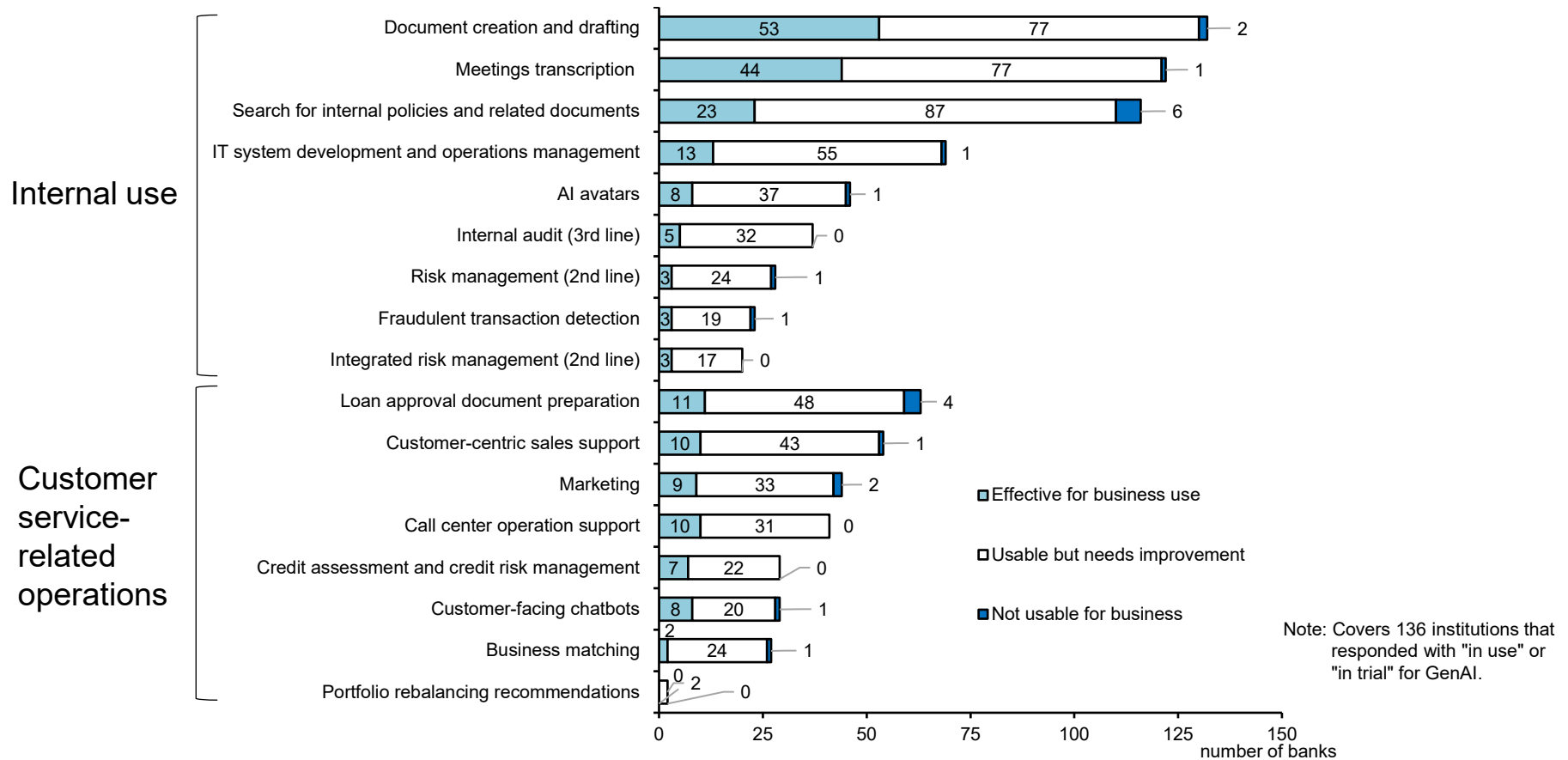
III. Applications of GenAI

- ✓ Most institutions use GenAI for general administrative tasks such as *document creation* and *transcription*. It is also used in customer service-related operations, including *loan approval* and *sales support*, and in *IT system development and operations management*.
- ✓ The use is limited in internal use such as *risk management* and *audits*. One view expressed was that the small size of the teams limits the potential efficiency gain from AI.
- ✓ The use is also limited in areas such as *customer-facing chatbots*, *business matching*, and *portfolio rebalancing recommendations* at this stage. In the interviews, some expressed a cautious stance toward directly presenting AI-generated outputs to customers.



IV. Evaluation of GenAI

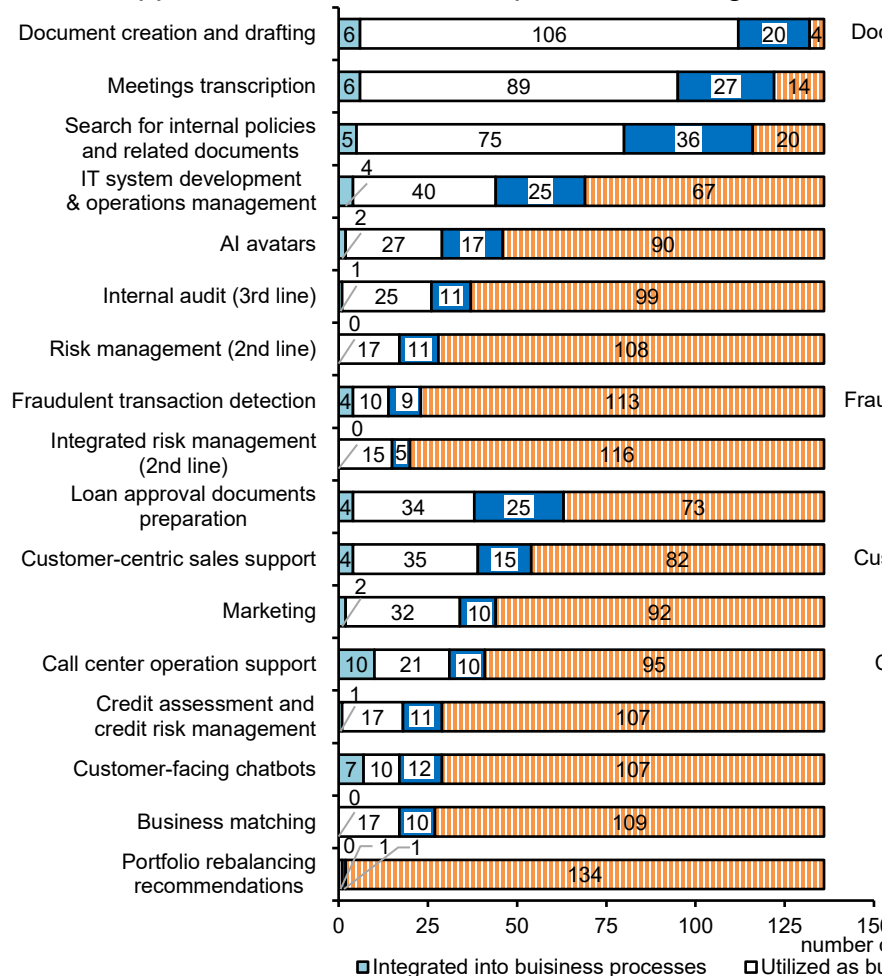
- ✓ The evaluation of GenAI is largely favorable, with few responding **not usable for business**. According to the interviews, this result is attributed to the adequate AI performance or user literacy regarding AI-specific risks such as hallucination.
- ✓ The majority noted that GenAI is **usable but needs improvement** in all use cases. In the interviews, some expect improvements in their capabilities to utilize GenAI by developing IT infrastructure and preparing data, as well as the availability of more advanced GenAI models in the future.



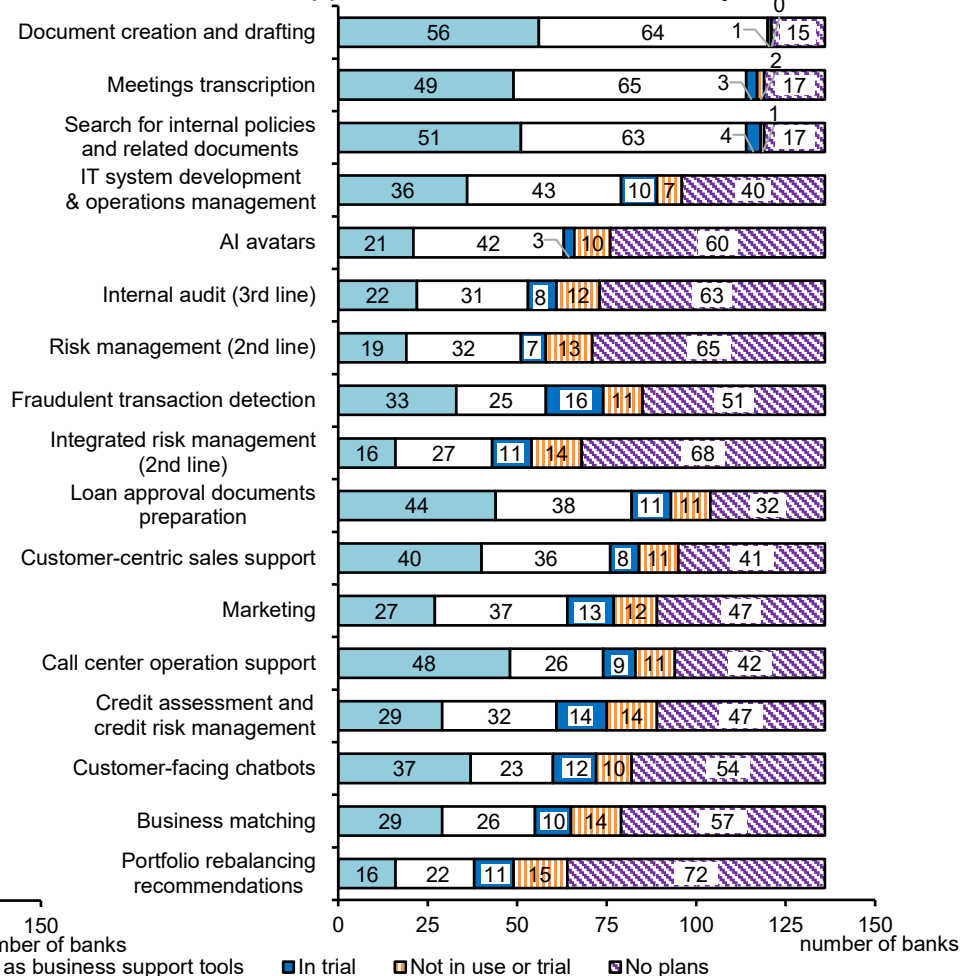
V. Applications of GenAI in three years

- ✓ When comparing current GenAI use and anticipated GenAI use three years from now, many institutions plan to **integrate GenAI into business processes** across all areas.
- ✓ Interviews suggest that these expectations reflect the broad adaptability of GenAI across a wide range of tasks, making it inappropriate to identify and prioritize specific use cases.

Current applications of GenAI <adapted from the figure in III>



Future applications of GenAI in three years

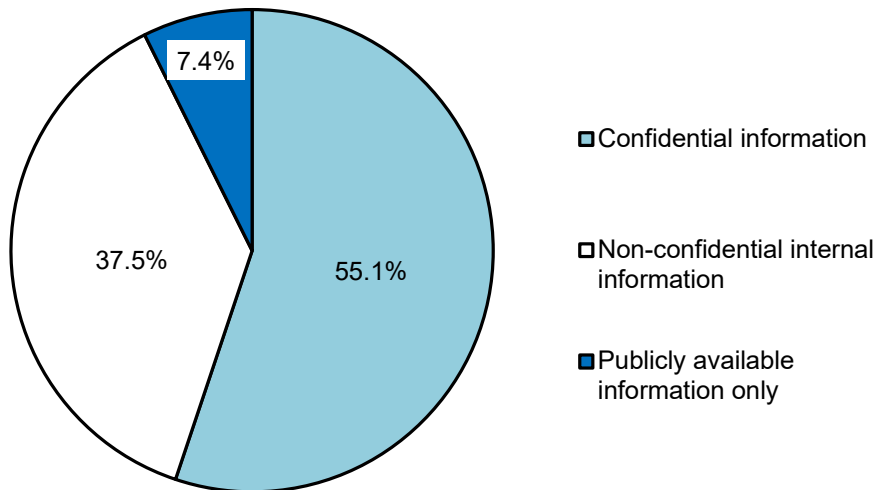


Note: Covers 136 institutions that responded with "in use" or "in trial" for GenAI.

VI. Approved information types for GenAI processing

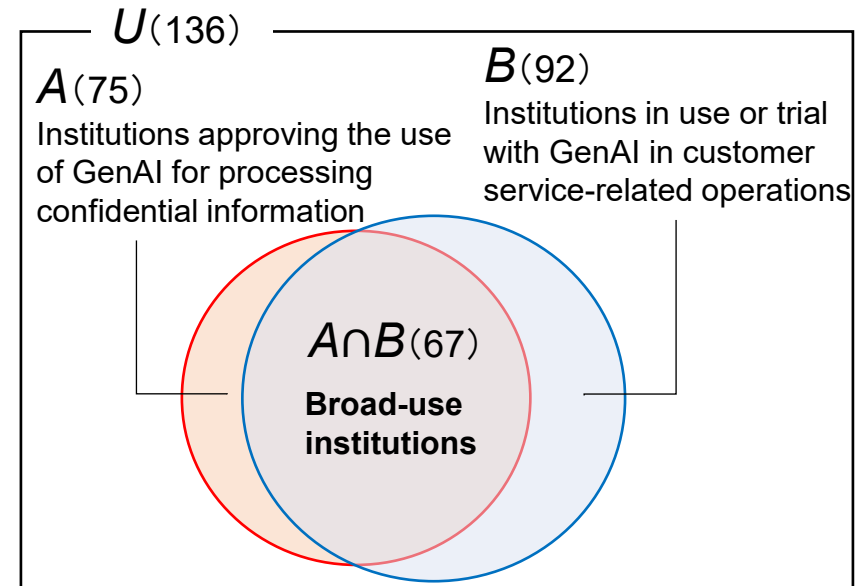
- ✓ 67 institutions approve the use of GenAI for processing confidential information such as customer data, and for performing customer service-related operations. This accounts for approximately 50% of the 136 institutions that utilize GenAI.
- ✓ This report defines these 67 institutions that broadly utilize confidential information, including customer data, as **broad-use institutions**, and compares the characteristics in challenges and risk management with the remaining 69 institutions.

Approved information types for GenAI processing



- Notes:
1. Covers 136 institutions that responded with "in use" or "in trial" for GenAI.
 2. When processing information, GenAI receives data either through manual input by staff or via systematic integration with databases.

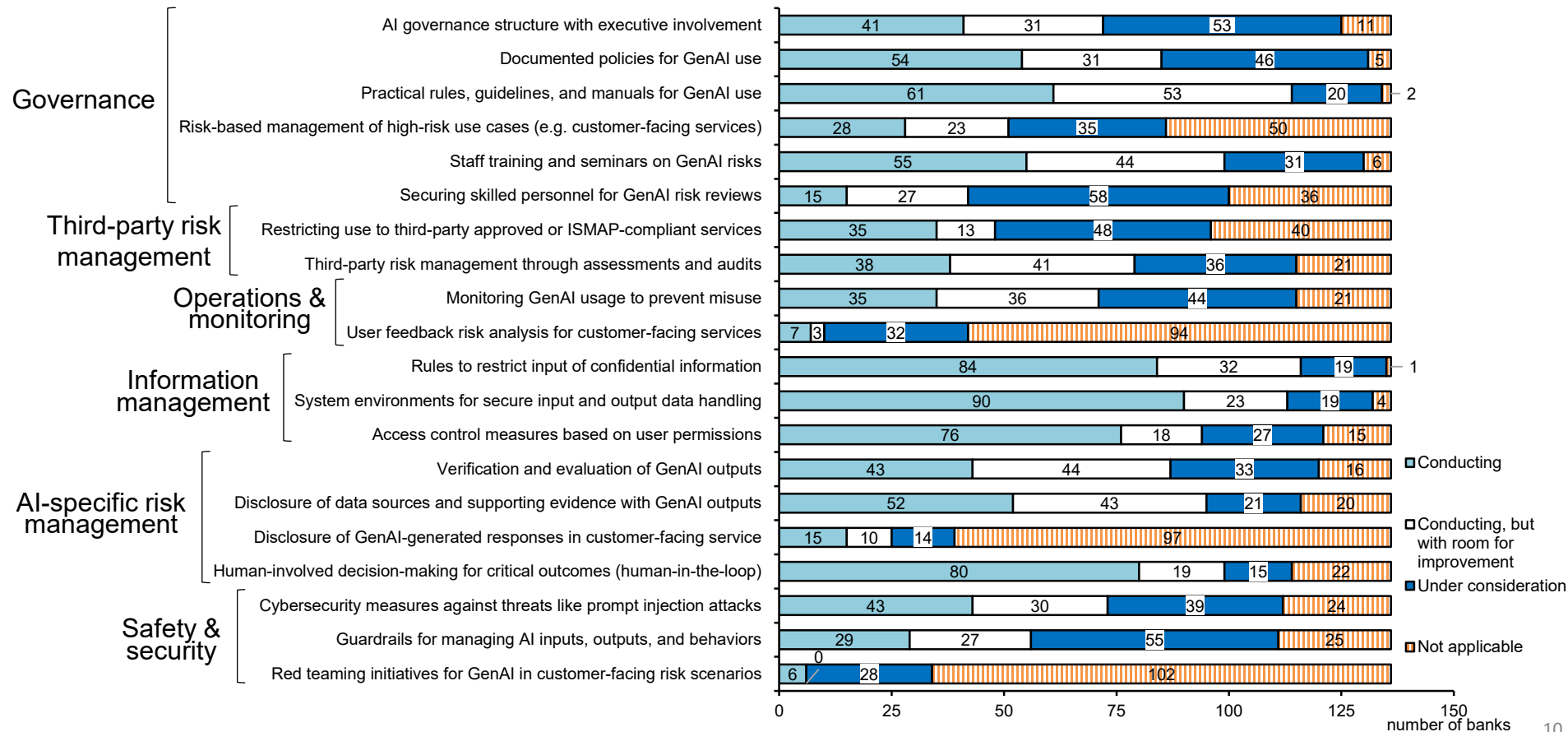
Definition of "broad-use institutions"



- Note: Set U refers to institutions in use or trial with GenAI. Set A refers to institutions that approve the use of GenAI for processing confidential information. Set B refers to institutions in use with GenAI for customer service-related operations, or trial.

VII. Self-assessment of GenAI management

- ✓ Many institutions reported **conducting** measures for *information management* and establishing *practical rules*, as well as adopting *human-in-the-loop*.
- ✓ Many institutions reported that broader topics such as *governance*, *third-party risk management*, and *safety and security*, have **room for improvement** or are **under consideration**.
- ✓ Few institutions are currently conducting or considering measures for *user feedback risk analysis*, *disclosure of GenAI-generated responses*, and *red teaming*, as they remain cautious about directly presenting AI-generated outputs in customer-facing services at this stage.



Note: Covers 136 institutions that responded with "In use" or "in trial" for GenAI.

VII. Self-assessment of GenAI management (continued)

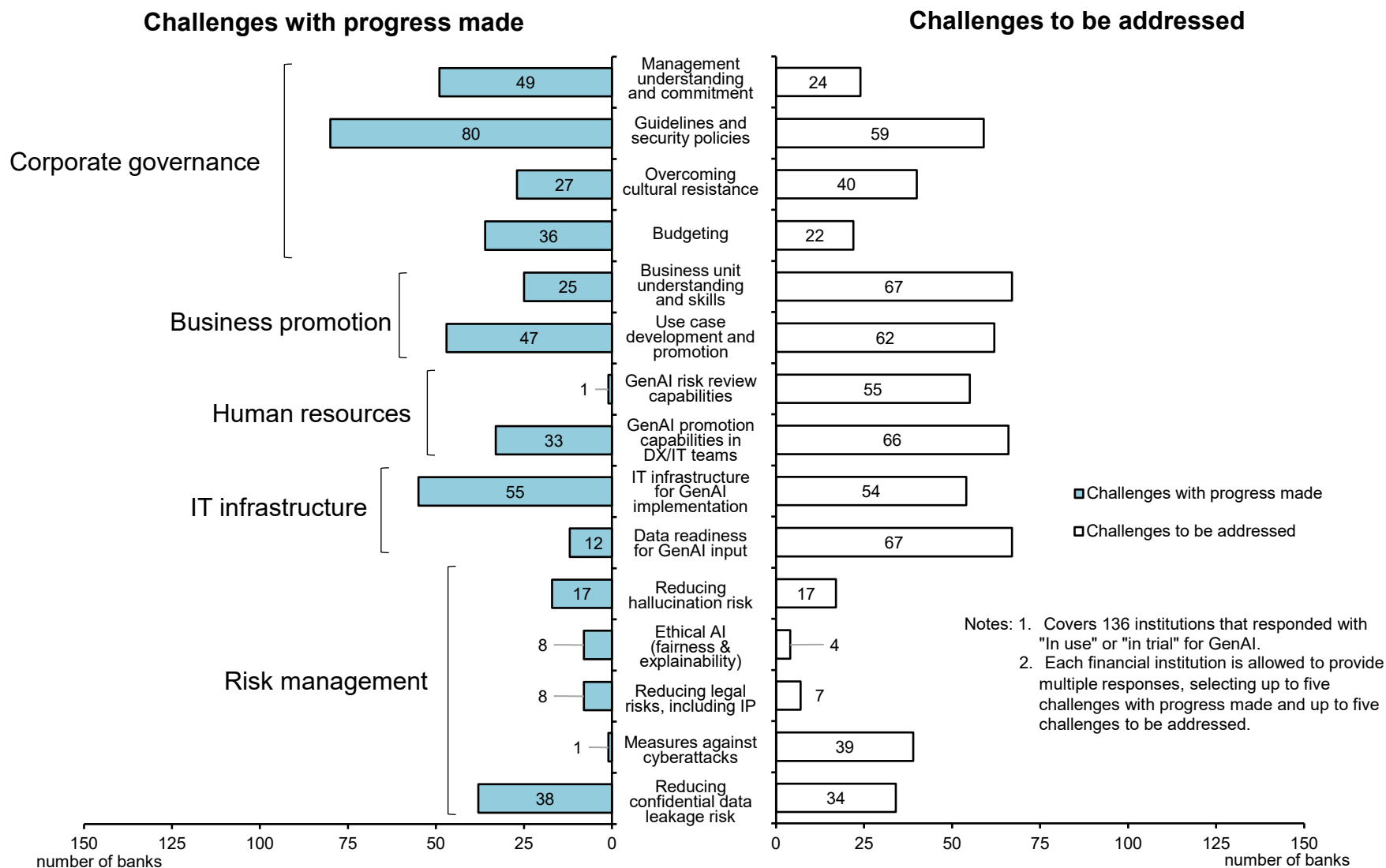
- ✓ There are notable differences in the number of institutions conducting risk management measures between the broad-use institutions and the remaining institutions, particularly in areas such as AI-specific risk management, safety and security, and third-party risk management.
- ✓ The broad-use institutions are concurrently expanding the application of GenAI while developing corresponding risk management measures.



Note: Represents the sum of "conducting" and "conducting, but with room for improvement."

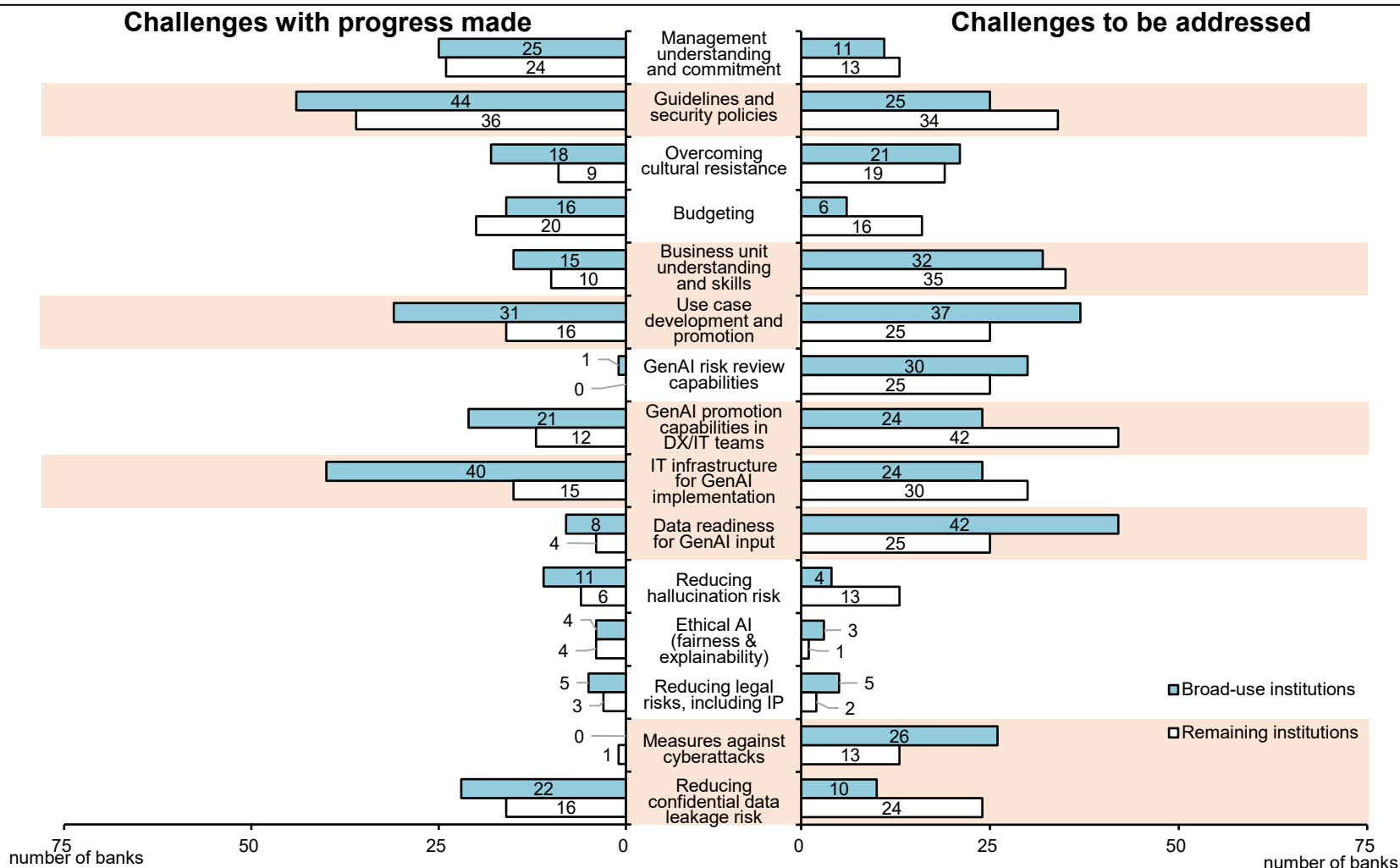
VIII. Challenges in promoting GenAI

- ✓ Many institutions consider that *developing guidelines* and *IT infrastructure* are **challenges with progress made**. Meanwhile, **challenges to be addressed** often include aspects such as *business promotion*, *human resources*, and *IT infrastructure*.



VIII. Challenges in promoting GenAI (continued)

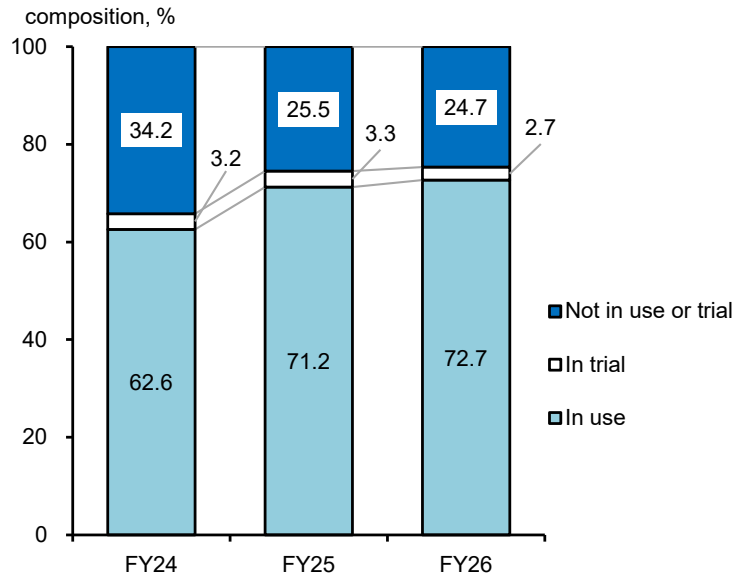
- ✓ The broad-use institutions have made progress in *guidelines development* and *IT infrastructure development*, and are now addressing advanced utilization challenges such as *data readiness* and *cybersecurity measures*.
- ✓ In contrast, the remaining institutions highlight challenges such as *building capabilities in DX/IT teams*, *fostering understanding and skills in business units*, *guideline development*, *IT infrastructure development*, and *mitigation measures to reduce data leakage risk*.



IX. Use of conventional AI

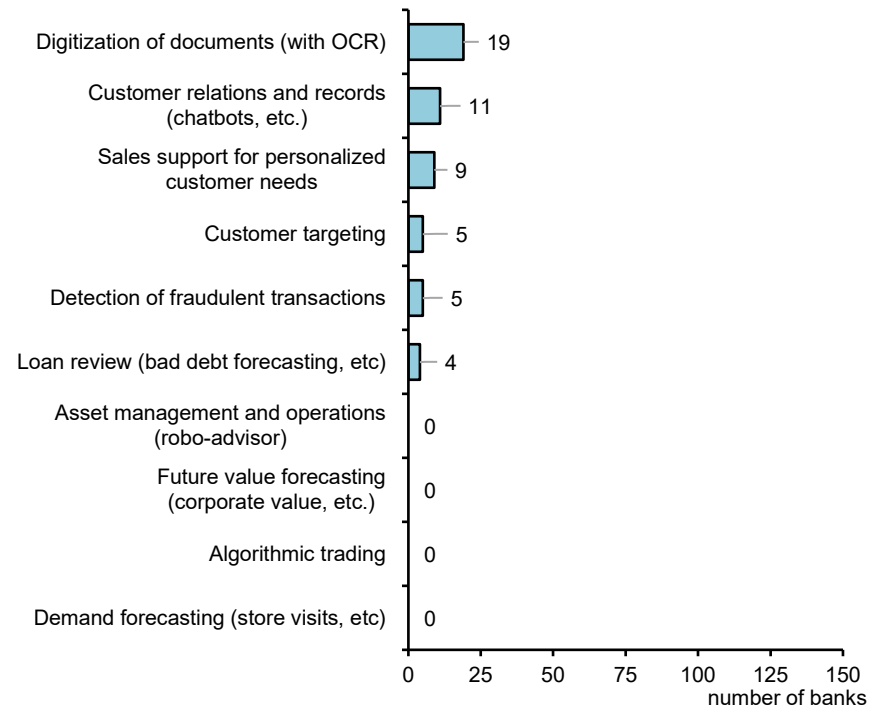
- ✓ Conventional AI refers to AI systems that are trained on task-specific data and are specialized for those tasks.
- ✓ The use of conventional AI has already become widespread, and compared to previous results, no significant changes have been observed in its adoption. Furthermore, only a few institutions use conventional AI in combination with GenAI.

Use of conventional AI



Notes: 1. "Not in use or trial" for FY24 and FY25 represents the sum of "not considering trial/use," "considering trial/use," and "planning for trial/use within 3 years."
2. Data for FY24, FY25, and FY26 covers 155, 153, and 150 institutions, respectively.

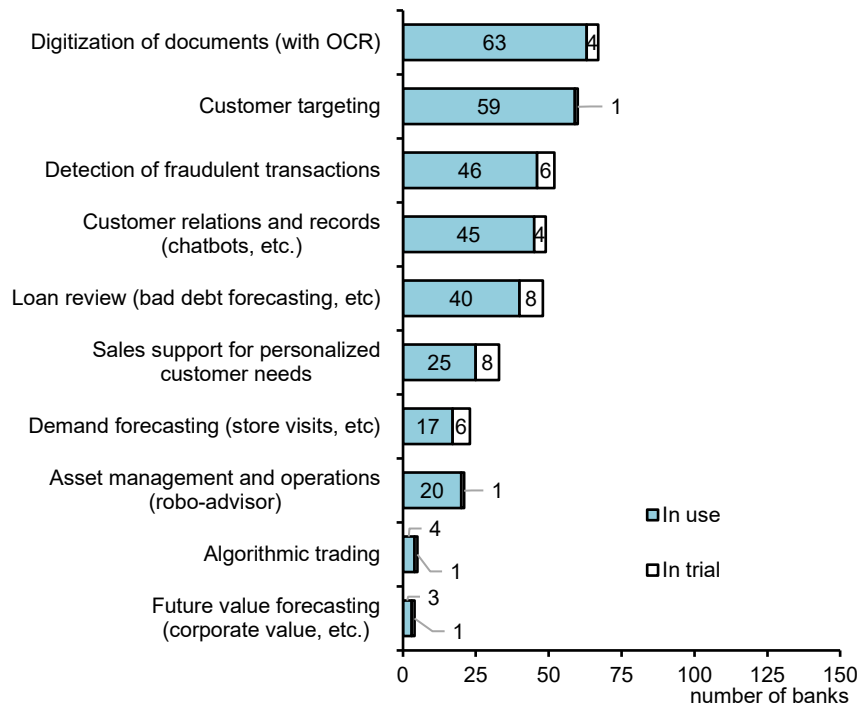
Joint utilization of conventional AI and GenAI



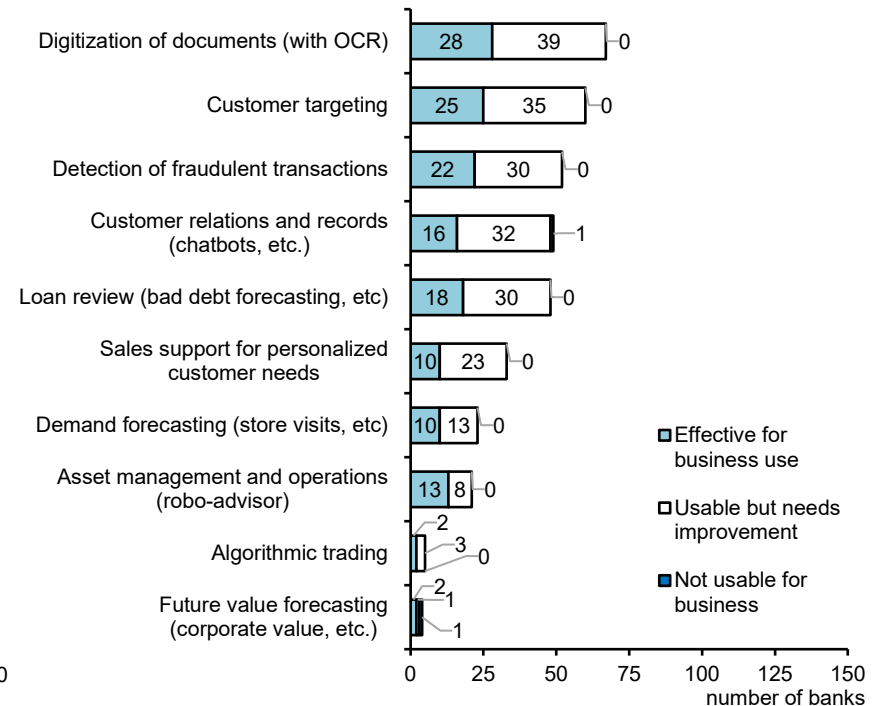
X. Applications and evaluation of conventional AI

- ✓ The evaluation of conventional AI indicates that it is **usable for business but needs improvement** in most use cases.
- ✓ According to survey responses, there are only a few cases of transitioning from conventional AI to GenAI. In the future, the balance between the use of GenAI and conventional AI may shift based on trends in AI performance and associated economic costs.

Applications of conventional AI



Evaluation of conventional AI



Conclusion

- ✓ The key findings from the survey and interviews are listed below:
- 1. Over 90 percent of financial institutions are using or trialing GenAI. The rate of adoption has increased across all business types, with a particularly notable rise in Regional banks II over the past year.
- 2. The use cases for GenAI have expanded from general administrative tasks to core operations leveraging customer information. However, the number of institutions directly presenting GenAI-generated outputs to customers remains limited at this stage.
- 3. Regarding the evaluation of GenAI, many institutions have responded that it is "usable for business but needs improvement." This sentiment is likely driven by expectations of future enhancements in the financial institutions' capabilities to utilize it more effectively and technological advancements in GenAI.
- 4. Regarding risk management, a considerable number of institutions have made progress in information management and the development of internal regulations. Nevertheless, many institutions have identified areas such as governance, third-party risk management, and safety and security as either "having room for improvement" or "under consideration." Strengthened efforts and further progress in these areas are expected in the future.

Conclusion (continued)

5. Regarding challenges in utilizing GenAI, while improvements have been made in the development of guidelines and IT infrastructure, future challenges remain in areas such as business promotions, human resources, IT infrastructure and data readiness, as well as cybersecurity, which are recognized as areas requiring further attention.
- ✓ According to the results, Japanese financial institutions are expected to further expand and evolve the use of GenAI, including in their core operations.
 - ✓ In such a context, the challenges faced by financial institutions and the risks requiring management are likely to become increasingly complex and diverse. In particular, presenting GenAI-generated outputs directly to customers, deploying AI agents that autonomously handle tasks, and introducing frontier AI with cutting-edge performance are areas that demand carefully considered approaches to risk management and governance.
 - ✓ To ensure financial institutions can utilize GenAI, including frontier AI, while maintaining stable business operations, it will be essential for senior management to capture both the benefits and the risks of adopting new technologies. They will also need to actively engage and lead in efforts to secure necessary resources and enhance appropriate frameworks for effective risk management.
 - ✓ The Bank of Japan will continue to engage in dialogue with financial institutions on the use of GenAI and on risk management through on-site examinations, monitoring, and seminars.