

Minutes of the May 15, 2026, Financial Advisory Roundtable (FAR) Meeting

Present:

FAR Members: Ricardo Caballero, William English, Fiona Greig, Sam Hanson, Keishi Hotsuki, Atif Mian, Andrew Morton, Maureen O'Hara, Christine Parlour, Thomas Philippon, David Thesmar, Joanna Welsh

FRBNY: Chair: John Williams, Kartik Athreya, Allen Liu, Daniel Maddy-Weitzman, Dianne Dobbeck, Emily Yang, Eric Lewin, Henry Dyer, Hunter Clark, Jaison Abel, Jordan Pollinger, Kristian Blickle, Leonardo Elias, Michael Fleming, Mihaela Nistor, Or Shachar, Stephan Luck, Thomas Eisenbach, Tom Klitgaard, Adhiraj Dutt, Asani Sarkar, Giorgio Topa, Jim Manoney, Julian Di Giovanni, Keshav Dogra, Kevin Henry, Kim Chanwoo, Michael Fleming, Pablo Azar, Rick Ostrander

Summary:

The Financial Advisory Roundtable ("FAR") meeting discussed the financial stability and monetary policy implications of the rapid growth in artificial intelligence (AI) investment. Specifically, FAR members provided their views on the following questions:

1. How should the potential systemic stability risks of concentration of AI financing among large tech firms be assessed? Where is the leverage actually sitting?
2. Is the mismatch between immediate capital deployment needs and uncertain revenue realization creating a new class of "duration risk" in tech lending? What might be the financial stability implications of long-horizon AI investments funded by short-term capital during market stress?
3. What might be the implications of increased AI-driven capital spending on monetary policy transmission via asset prices and credit conditions?

The meeting began with introductory remarks, followed by a reminder from New York Fed Staff that FAR Members must adhere to and review the [Antitrust Guidelines for Members of New York Fed's Advisory and Sponsored Groups](#), which were included in the meeting invitation.

The meeting then included two presentations: (1) Joanna Welsh surveyed the current landscape of AI financing, covering the scale and structure of investment by hyperscalers (i.e. large, diversified technology companies) and pure-play AI companies, as well as sources and instruments of external financing; and (2) William English reviewed systemic risk considerations associated with AI investment financing, and the implications of AI capital spending for monetary policy transmission. These presentations were followed by an open discussion of the topics listed on the meeting agenda.

Landscape of AI financing

FAR members began with a review of the scale and composition of AI-related investment. The discussion noted that hyperscalers have committed substantial capital to AI infrastructure, with announced investment plans pointing to continued large-scale expenditure over the coming years. While members acknowledged that this spending has historically been funded largely by internal cash flows, they noted that capital needs are increasingly exceeding cash generation, making external financing necessary. FAR members observed that bond issuance and revolving credit facilities have become more prominent financing channels, with AI-related bond issuance now representing a meaningful and growing share of fixed income outstanding amount. Members also noted the presence of off-balance sheet financing structures and issuance in non-dollar currencies.

FAR members distinguished between two parts of the AI investment ecosystem. The first includes hyperscalers, for which AI is a major investment priority but it is only a part of their broader business portfolio. The second includes pure-play AI companies, whose large capital needs reflect the pressure to establish or defend their market position. Members noted that these different profiles can lead to different financing arrangements and risk tolerances.

Infrastructure-type lending for data centers was identified as a significant component of AI financing. Members noted that private credit is playing a growing role, with volumes increasing substantially in recent years. Members identified limited global computing capacity as a near-term bottleneck and noted that 2026 could mark an inflection point, as computing needs for running AI models may exceed those for training AI models. Semiconductors were identified as a likely next bottleneck in the AI supply chain.

FAR members discussed where leverage is residing in the AI investment ecosystem. Members noted that financing structures vary across firms, with some participants in the space relying more heavily on arrangements such as anchor-tenant models that carry different risk profiles. Members also observed that securitization in the AI financing market remains at an early stage, with no evidence of complex layered structures of the kind seen in prior periods of financial stress.

Questions were raised about the transparency of private credit markets, with members noting that the identity of lenders and the terms of lending arrangements are not always visible. FAR members also considered whether the concentration of AI investment among a small number of very large technology firms raises questions about systemic significance and whether any of these firms could in time be viewed as too important to fail. The role of sovereign wealth funds as significant investors in AI infrastructure was also noted, with members observing that their participation alters the dynamics of capital availability and risk absorption.

Duration risk, business model viability, and other stability risks

FAR members discussed the potential mismatch between the immediate scale of capital deployment and the uncertain and potentially long-dated timeline for revenue realization. Members considered how long it has historically taken for investors and users to fully understand and benefit from transformative technologies, and how this timeline uncertainty affects the sustainability of current financing structures.

The discussion touched on business model viability under different competitive scenarios. FAR members considered what pricing of AI services would look like once it reflects true economic costs, and how much demand would be sustained at those price levels. Views were exchanged on whether AI may come to be perceived as an essential service, supporting pricing power over time, or whether competitive dynamics might keep prices low even as the technology proves genuinely useful. The resale value of data center infrastructure was also raised as a factor relevant to asset recovery values in a stress scenario.

Members cited examples of demand pressures, including enterprises that had exhausted annual token budgets and had to adjust to higher-than-expected costs. At the same time, members noted that some AI companies report declining inference costs for newer model generations, creating uncertainty about how per-use costs and revenues will evolve.

FAR members discussed the competitive dynamics between the United States and rest of the world in AI development. Members noted that the U.S. is currently ahead of the frontier in terms of AI capabilities compared to other countries, but its cost structure, particularly in energy, is high. The discussion considered scenarios in which users do not require frontier-level performance, in which case lower-cost alternatives could present a meaningful competitive threat. Members noted that access to advanced chips and hardware modules represents a key

constraint shaping this dimension of international competition, and that the evolution of this supply-chain dynamic could significantly influence the trajectory of the broader AI race.

AI investment, monetary policy transmission, and longer-term economic implications

FAR members discussed how the AI investment cycle could affect monetary policy transmission. The discussion among members identified considerations pointing in different directions. On the one hand, the current wave of AI investment could amplify monetary policy transmission through debt financing, valuation effects and the large weight of AI-related firms in equity indices. On the other hand, AI investment may be relatively less sensitive to monetary tightening if firms continue investing to protect market position or if large technology firms rely on strong balance sheets rather than external credit. Members also observed that if equity valuations in this sector are partially driven by speculative dynamics, plausible rate adjustments may have limited effect.

FAR members turned to a discussion of the longer-run macroeconomic effects of AI. The discussion addressed the potential for AI to raise productivity growth significantly, while acknowledging that the timing and distribution of those gains remains uncertain. Members discussed the implications of AI for the natural interest rate, the short-term real interest rate that neither stimulates nor slows down the economy. One view raised was that if AI substitutes for labor and reduces labor's share of income, income gains could flow disproportionately to higher-income households, which tend to save more and spend a smaller share of additional income. This could put downward pressure on the natural interest rate interest over time. Members noted that the distributional effects of AI would be an important driver of these longer-run dynamics.

Discussion among FAR members also addressed the appropriate metrics for assessing equity valuations in the AI sector. The view was raised that conventional price-to-earnings ratios may not be well suited to companies with high levels of intangible capital investment, as the expensing of such investment artificially depresses reported earnings relative to underlying economic value. The discussion referenced past technology buildouts, including fiber-optic cable deployment. In that example, large upfront investment created excess capacity and competition later pushed prices down. Members considered whether similar patterns might emerge in AI infrastructure despite current scarcity conditions.

FAR members raised concerns about the legal and regulatory environment as an important factor shaping the evolution of AI services. Discussion touched on the asymmetry between the availability of AI-generated guidance to the general public at low or no cost, and the obligations imposed on regulated institutions providing comparable services. Members also discussed the potential labor market implications of AI, including concerns about its impact on professional employment and educational trajectories.