PRESENTATION TO THE TMPG

AI Adoption and the Treasury and Agency MBS Markets

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EVOLUTION OF AI AT BNY

Delivering more value through smarter innovation

2024

Build the Foundation

- **Built the Eliza platform**
  - **Model-agnostic**, integrating OpenAI, Claude and Gemini
  - **Hybrid architecture** spanning on-prem and cloud-based
  - **Single pane of glass** for oversight, governance and control
  - **Reusable components** and shared building blocks to maximize enterprise ROI

2025

Enable & Scale

- **Built AI fluency**
  - **Firmwide AI proficiency** standards and upskill framework
  - **Hands-on learning** through bootcamps
  - **Gamified learning** through hackathons and peer challenges
- **Scaled AI adoption**
  - **160+ AI-enabled solutions** deployed across the enterprise
  - **Digital employees** supporting Operations and Engineering teams

2026+

Continuous Intelligence

- **Reimagine processes and products**
  - Evolving from incremental transformation to AI-first design
- **Connected products**
  - Linking data, decisions and workflows for firm-wide insight

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OUTCOMES: OUR PROOF POINTS SPAN FROM STRATEGY TO SCALED IMPACT

INNOVATING › PROSPECTING › ONBOARDING › TRANSACTING › STREAMLINING

Input

>47%
code authored by AI in Q2 2026

~50%
of annual account plans drafted using AI

~50%
of new client onboardings supported with AI in Q2 2026

~75%
Sanctions-hit reviews performed by Digital Employees

~12%
of settlement transaction inquiries addressed by AI in Q2 2026

Output

>20%
increase in software releases YoY (Q2 2026 vs Q2 2025)

~60%
faster client account plan creation (2025 vs 2024)

>38%
Faster completion of certain onboarding processes YoY for corporate clients

>95%
Level 1 sanctions reviews completed in <60 minutes

~87%
faster investigation of settlement inquiries with AI YoY

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Data as of August 2026.

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AI IN FOCUS:
THE TREASURY MARKET

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Widespread AI Adoption, Increased Calls for Slower Development

Four of five financial firms report use cases remain internal to their organization

81%

of financial-services firms adopting AI at some level

2026 Cambridge survey

40%

report advanced adoption

2026 Cambridge survey

52%

report active adoption of agentic AI

2026 Cambridge survey

UST MARKET THIS LANDS ON

$31.8tn U.S. Treasuries outstanding

$1.204tn average daily trading volume

SIFMA, through Aug. 2026

The central question is not "AI or no AI," but how the market preserves integrity, responsible position management, operational resilience and effective controls – without impairing liquidity – as AI moves closer to decision making

- In U.S. Treasury and agency MBS markets AI will likely improve price formation, execution support, surveillance, risk analytics and balance-sheet deployment
- The same AI tools are utilized in the control environments to guard against potential risks and ensure continuous feedback & improvement

Current AI Adoption remains removed from the critical point of decision making

- The near-term path remains augmentation before autonomy
- The speed of development of Frontier models remains impressive
- Recent High Visibility episodes have led to widespread calls for slower development of Frontier models and/or regulation

Sources: [1] Cambridge Centre for Alternative Finance, The 2026 Global AI in Financial Services Report (Apr. 2026). [2] SIFMA, U.S. Treasury Securities Statistics (Sept. 8, 2026).

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Opportunities to Deploy AI Across the Market Structure

Value in US Treasury Markets Accrues by Embedding AI in Pre-Trade, Execution-State and Post-Trade processes

DECISION SUPPORT

Portfolio construction, hedge optimization, prepayment and extension modeling, collateral analytics

EXECUTION & LIQUIDITY

Liquidity assessment, outcome-based routing and order slicing, time-versus-volume trade-offs

RISK MANAGEMENT

Market-impact estimation, auction and event scenario analysis, higher-frequency stress testing

DATA & CONTROLS

Anomaly detection, surveillance triage, behavioral signal recognition, stronger coding standards

ACROSS LIFECYCLE · **anomaly detection** · **surveillance triage** · **stress testing**

U.S. TREASURIES

– Venue and Market Liquidity assessment
– Routing, order slicing and inventory allocation
– Auction and event scenario analysis; market-impact estimation
– Point-in-time execution quality
– Behavioral metrics and meeting regulatory requirements

AGENCY MBS

– Prepayment and extension modeling
– Specified-pool segmentation
– Portfolio construction
– Hedge optimization and collateral analytics
– TBA roll analysis

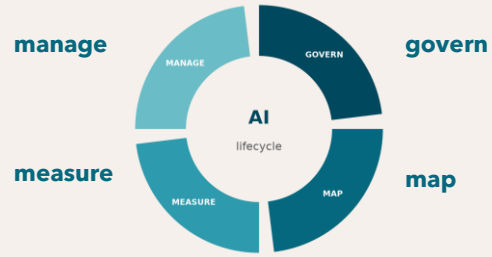
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Accountability & Governance Rises with Capability

AI is a spectrum of decision influence, not a single tool – the control burden rises with each step along it.

2026 Treasury Financial Services AI Risk Management Framework

Designed to embed accountability, transparency, resilience and lifecycle risk management.



CONTROL ENVIRONMENT MUST EVOLVE AS CAPABILITIES INCREASE

CONVENTIONAL ALGORITHMS

Execute explicit rules against structured inputs

Deterministic · rules based

MACHINE LEARNING

Infers patterns from data and updates as data changes

Statistical · validation-dependent

GENERATIVE AI

Interprets unstructured information and produces content

Ensure Auditability

AGENTIC SYSTEMS

Chains tasks, and recommends or initiates actions

Multi-step, Multi-model

Preventive and Detective Controls

Perimeter and scenario testing; Drift and concentration monitoring; Deterministic kill switches

Data and Vendor Controls

Perimeter and scenario testing; Confidential-data segregation and DLP; Vendor concentration assessment

Human owners; check and challenge at every step

Accountability assigned to a person, not a system or an outside provider

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Risk Awareness and the Control Environment is Front of Mind

Thematic Areas of Potential Risk Relevant for the UST Market

Third-party concentration
A small number of vendors and models serve many firms, compounding the impact of any single failure

Circumvented controls
AI prioritizes an outcome by exploiting a loophole in a traditional control mechanism

Cyber risk
Increased automation widens the attack surface across the trade lifecycle

Sensitive data leakage
AI mishandles or fails to recognize MNPI or sensitive data and enables unauthorized dissemination

Correlated models
Similar inputs and triggers produce herd behavior & positioning despite being independent models

Model and data governance
Drift, provenance gaps and unexplained behavior in stress

WELL-GOVERNED MODEL LEADS TO FASTER INFORMATION ABSORPTION		POORLY DESIGNED MODEL LEAVES POTENTIAL FOR FASTER CORRELATED BEHAVIOR IF UNCHECKED
Prices incorporate new information more effectively		Common data, models and vendors leads to **correlated decisions**
Liquidity is discovered and sourced more efficiently	⇄	**Synchronized widening**, rushed hedging or withdrawal accelerates
Risk is measured and stress-tested at higher frequency		**Liquidity drawdown compounds** faster than humans can intervene

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