Bank of England

Dame Meg Hillier MP
Chair, Treasury Committee
House of Commons
London
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Andrew Bailey
Governor

17 July 2026

Dear Chair,

During my evidence session earlier this week John Grady MP asked me to provide further details around the legal standing of agentic AI tools. I said on Tuesday – both in my remarks to the Committee and in my Mansion House speech - that this is an area that I believe requires detailed consideration as the use of such tools becomes more widespread. Questions of responsibility arise, particularly in ensuring clarity over where liability would sit if an AI agent were to act improperly or to exceed the remit given to it by the principal. Agency law has traditionally provided a clear framework for allocating responsibility between principals and agents, however that has depended in part on the agent having a legal personality, i.e. being a human or a company.

The Financial Markets Law Committee (FMLC) considered the issue of liability for actions of agentic AI in financial markets in its 2025 paper *Private Law Issues in AI.* Broadly speaking, their conclusion was that, as a matter of English law, AI should continue to be treated as a tool rather than as an agent in the legal sense, as it does not possess a legal personality. However, the assignment of responsibility for negligent or wrongful acts of agentic AI may become complicated where a number of parties are concerned. For example, depending on the facts of a particular case, I understand that responsibility will likely still sit somewhere in the chain of human and corporate actors who are involved. The harder question, as the FMLC paper notes, is working out where: one entity may have developed the model, another may have trained it, another may have integrated it into a particular system, and a regulated firm may then have deployed it in a client-facing context. From a legal point of view, existing principles can deal with that, but the factual analysis may become difficult.

More generally, the Bank is already considering issues around the use of agentic AI as they relate to the financial system. For instance, the July 2026 Financial Stability Report noted that Bank staff intend to do deep dives into agentic trading and payments.

A recent speech by Deputy Governor Sarah Breeden also touched on the potential need to consider mitigants and guardrails in response to risks posed by agentic AI. While such mitigants would need to be developed in due course, they could, for example, include exploring ways to minimise the risk that AI Agents act in ways that are harmful to public policy objectives. In the example of an AI agent used in a trading function, this could include steps to ensure it is trained not just to pursue a profit maximising strategy but to also operate with regard to things like regulation, rules and guidance. Human traders, of course, are already required to act with regard for things like market abuse regulations.

We will of course continue to consider such questions as they relate to our objectives, including through engagement with the FMLC and other relevant groups.

Yours sincerely,

Andrew Bailey