

CFA Institute Report Recommends Global Standards for AI Quality State Super adopts Explainable AI in Investment Decision-Making

[SYDNEY AUSTRALIA] – October 2, 2025 – As financial firms accelerate the adoption of artificial intelligence (AI), opaque decision-making systems could undermine public trust in the financial services sector and raise questions over regulatory compliance and risk management, warns a new report from CFA Institute, the global association of investment professionals.

The report, [Explainable AI in Finance: Addressing the Needs of Diverse Stakeholders](#), examines the growing complexity of AI systems such as those used in investment management, credit scoring, insurance underwriting, and fraud detection. The report makes the case for "explainable AI" (XAI), a class of techniques designed to make AI decision-making transparent, auditable and aligned with human understanding.

"AI systems are influencing high-stakes financial decisions that affect consumers, markets, and institutions," **said Dr. Cheryl-Ann Wilson, CFA**, the report's author and a senior affiliate researcher at CFA Institute.

"If we can't explain how these systems work—or worse, if we misunderstand them—we risk creating a crisis of confidence in the very technologies meant to improve financial decision-making," she said.

The report emphasises that different stakeholders—regulators, risk managers, investment professionals, developers, and clients—require different kinds of explanations. By mapping specific explainability needs to distinct user roles, the study introduces a novel framework to embed transparency into AI deployment across the financial value chain.

CFA Society Australia CEO Lisa Carroll backed these calls for greater explainability in how AI is used by asset managers and has called on Australian institutions to move proactively. "This is not about slowing down innovation; it's about implementing AI responsibly. We must ensure that AI systems not only perform well but also earn the trust of those who rely on them and that investment managers not place undue trust in the technology," said Carroll.

"AI can enhance financial analysis, asset allocation, and risk management by detecting patterns in large datasets to improve modelling and decision making, but a lack of explainability and model 'hallucinations' can lead to misinformed decisions and financial losses. Many AI models function as opaque systems, making it difficult to interpret or validate their recommendations."

Australia's State Super features as a case study in the CFA Institute report. With an estimated \$38 billion in assets under management as at 30 June 2025, State Super uses reinforcement learning and large language models to aide investment decision making. The organisation developed in-house a proprietary AI-powered platform, Insight Portal, to analyse market data and inform tactical decisions, such as country allocation tilts and currency pair selections.

The Insight Portal delivers important explanatory outputs in addition to investment recommendations, clarifying why the model suggests certain decisions. This focus on

explainability reflects a foundational principle of State Super's AI strategy: the technology must be interpretable and accountable, ensuring investment decisions are not driven by data mining.

State Super chief investment officer Charles Wu said that in adopting AI, the investment team recognised that no individual—no matter how experienced—could fully absorb and interpret the volume and complexity of today's interconnected global market data. "Although human analysts naturally bring specialised expertise, they are also limited by their own perspectives and biases. The tool offers an additional layer of analysis that might be overlooked by human analysts," Wu noted.

"The transition to an explainable AI framework has yielded considerable benefits for State Super. Chief among them is enhanced trust—both within the investment team and across the broader organisation. Because the system is transparent and its outputs can be explained, it avoids the reputational and operational risks associated with opaque 'black-box' technologies."

"The model also serves as a learning tool, helping analysts challenge their own assumptions and uncover new insights in the data. By fostering team members who can bridge technical and financial domains, State Super has enhanced its capacity to translate machine learning insights into economically meaningful investment decisions," Wu said.

"The model was not hard-coded to replicate existing human knowledge. Instead, it was designed to seek out potentially unknown stable relationships in the data. This deliberate openness allowed the AI to offer 'plays' that extended beyond traditional investment thinking, in the spirit of AlphaGo's landmark strategies in the board game Go. Developers were careful not to introduce so much complexity that the model became inscrutable," Wu said.

Among the report's key recommendations are:

- Developing global standards and benchmarks for measuring the quality of AI explanations.
- Tailoring XAI interfaces to meet the needs of both technical and non-technical users.
- Promoting real-time explainability in AI systems used for fast-paced financial decisions.
- Investing in human–AI collaboration, including user training and redesigned workflows.

For further commentary, please contact:

Nicki Bourlioufas

Telephone: +61 411 786 933

nicki@spotoncpr.com

About CFA Institute

As the global association of investment professionals, CFA Institute sets the standard for professional excellence and credentials. We champion ethical behaviour in investment markets and serve as the leading source of learning and research for the investment industry. We believe in fostering an environment where investors' interests come first, markets function at their best, and economies grow. With more than 200,000 charterholders worldwide across more



than 160 markets, CFA Institute has 9 offices and 158 local societies. Find us at www.cfainstitute.org or follow us on [LinkedIn](#).

About CFA Society Australia

CFA Society Australia is part of the worldwide network of CFA Institute member societies that lead the investment profession globally by promoting the highest standards of ethics, education and professional excellence for the ultimate benefit of society. CFA Society Australia represents the interests of over 3500 investment professionals through advocacy, education, events, and professional development. For more information visit www.cfas.org.au, or follow us on [LinkedIn](#) or [Facebook](#).