

October 27, 2025

Office of Science and Technology Policy  
Executive Office of the President  
Eisenhower Executive Office Building  
1650 Pennsylvania Avenue NW  
Washington, DC 20504

**Re: Request for Information on Regulatory Reform to Promote Artificial Intelligence Innovation and Adoption**

To Whom It May Concern,

The Consumer Bankers Association (CBA)<sup>1</sup> appreciates the opportunity to comment on the Office of Science and Technology Policy’s (OSTP) Request for Information (RFI) regarding the impact of existing federal statutory and regulatory frameworks on the adoption of artificial intelligence (AI) technologies in the United States.<sup>2</sup>

CBA champions innovation in financial services. In alignment with the goals of America’s AI Action Plan, banks are seeking “to innovate faster and more comprehensively”<sup>3</sup> in developing and deploying AI technology across the financial services industry. We believe that the responsible use of AI tools will enhance and expand the delivery of financial products and services nationwide, benefiting consumers and meaningfully improving the retail banking experience for all stakeholders.

Banking organizations are already leveraging AI for internal and customer-facing use cases, and we expect the pace of adoption to increase over time. While CBA believes the existing Federal regulatory framework for financial services is well-positioned to accommodate AI, it is imperative that banks and their examiners, as well as non-bank financial institutions, have a clear and consistent understanding of regulators’ expectations for AI governance and oversight, including where AI technology is procured from third-party AI providers or used in third-party contracted services. To prevent barriers created by a lack of regulatory clarity and other organizational factors, and to

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<sup>1</sup> The Consumer Bankers Association is a member-driven trade association, and the only national financial trade group focused exclusively on retail banking—banking services geared toward consumers and small businesses. As the recognized voice on retail banking issues, CBA provides leadership, education, research, and federal representation for its members. CBA members operate in all 50 states. They include the nation’s largest bank holding companies as well as regional and super-community banks. Eighty-three percent of CBA’s members are financial institutions holding more than \$10 billion in assets.

<sup>2</sup> OSTP, “Notice of Request for Information; Regulatory Reform on Artificial Intelligence,” 90 Fed. Reg. 46422 (Sept. 26, 2025), available at <https://www.govinfo.gov/content/pkg/FR-2025-09-26/pdf/2025-18737.pdf>.

<sup>3</sup> Executive Office of the President, “Winning the Race: America’s AI Action Plan,” at \*1 (July 2025), available at <https://www.whitehouse.gov/wp-content/uploads/2025/07/Americas-AI-Action-Plan.pdf>.

encourage broader AI adoption by banking organizations, the Federal government should:

- (1) Clarify the application of existing model risk management (MRM) and third-party risk management (TPRM) guidance, where applicable, to banks, non-banks, and their service providers that use AI, and promote a risk-based and innovation-centric approach to MRM and TPRM that balances the need for prudent controls with the importance of integrating AI capabilities into financial services;
- (2) Close AI knowledge gaps at the staff level within Federal banking agencies to alleviate ungrounded concerns about AI use and promote a tech-forward mindset in banking; and
- (3) Permit banks to share supervisory-related information, where necessary, with third-party service providers to facilitate comprehensive responses to examination and other supervisory requests.

CBA believes that tactical, common-sense enhancements to existing policy and supervision – rather than comprehensive regulatory overhaul – will be the most efficient way for the Federal government to prioritize and promote AI adoption by banking organizations and other financial services participants in the United States, while also fostering consumer trust in AI-powered financial offerings.

## **I. Federal Regulators Should Clarify the Application of MRM and TPRM Guidance in the Age of AI**

The MRM and TPRM Guidance issued by the Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System (FRB), and Federal Deposit Insurance Corporation (FDIC) set forth important risk mitigation principles that CBA believes should apply to banks' adoption of AI and use of third-party AI vendors. However, inconsistent interpretation and application of this guidance by supervisory agencies can result in a lack of regulatory clarity that serves as a barrier to efficient AI adoption in financial services. Federal regulators should consider ways to uniformly evaluate banks' adherence to this guidance.

CBA further believes that the risk mitigation frameworks established in the MRM and TPRM Guidance should apply both to bank and non-bank financial institutions as they integrate AI technology into their operations and offerings. We view a broader application of this guidance as an opportunity to engender public trust in the use of AI across financial services more broadly, similar to the impact of the Electronic Funds Transfer Act (EFTA) on consumers' widespread acceptance of electronic payments and online banking.

### *A. Overview of the MRM and TPRM Guidance*

The OCC and FRB issued the MRM Guidance in 2011 (followed by the FDIC in 2017)<sup>4</sup> to aid banks in managing the risks associated with the use of models in financial decision-making. The MRM Guidance outlines the need for strong governance, policies, and controls around models, including board and senior management oversight. The guidance also highlights the importance of robust model development and model validation processes – including demonstrating conceptual soundness, conducting ongoing monitoring, and performing outcomes analyses – to ensure models perform as intended and remain aligned with both business objectives and regulatory requirements. The MRM Guidance additionally instructs banks to maintain a comprehensive model inventory, appropriate documentation of model development and testing, and procedures for mitigating risks associated with models provided by third-party vendors.

Likewise, the TPRM Guidance emphasizes the importance of sound risk management principles when banks enter into third-party relationships. The TPRM Guidance is designed to ensure that banks assess, monitor, and control risks associated with third-party relationships, taking into account the organization’s size, complexity, and risk profile. It highlights the need for a tailored approach to risk management, reflective of the individual level of risk posed by each third-party relationship. The guidance also outlines a “life cycle” approach to managing third-party relationships at all stages, including planning, due diligence, contract negotiation, ongoing monitoring, and termination.

### *B. Clarifying the MRM Guidance Would Reduce Barriers to AI Adoption*

The interagency MRM Guidance for banks is nearly 15 years old and has not been meaningfully updated since the OCC and FRB initially published it in 2011 (with the FDIC following suit several years later). Still, CBA believes the MRM Guidance continues to provide an effective foundation for banks to manage model risk, even as they seek to incorporate AI into their operations and product offerings. At a high level, the MRM Guidance makes clear that Federal agencies expect banks to (i) establish strong model governance frameworks with clear roles and responsibilities, (ii) conduct thorough model validation<sup>5</sup> to ensure accuracy and reliability, and (iii) maintain robust documentation throughout the model’s lifecycle. While the MRM Guidance does not expressly address AI models, the OCC has made clear in a Comptroller’s Handbook on MRM that AI tools

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<sup>4</sup> OCC Bulletin 2011-12, “Sound Practices for Model Risk Management: Supervisory Guidance on Model Risk Management (April 2011), available at <https://www.occ.gov/news-issuances/bulletins/2011/bulletin-2011-12.html> (OCC MRM Bulletin); Federal Reserve Board, “SR 11-7: Guidance on Model Risk Management” (April 2011), available at <https://www.federalreserve.gov/supervisionreg/srletters/sr1107.htm>. The FDIC adopted the MRM Guidance in 2017. FDIC, FIL-22-2017, “Adoption of Supervisory Guidance on Model Risk Management” (June 2017), available at <https://www.fdic.gov/news/financial-institution-letters/2017/fil17022.pdf>.

<sup>5</sup> Model validation “is the set of processes and activities intended to verify that models are performing as expected, in line with their design objectives and business uses. Effective validation helps ensure that models are sound.” OCC MRM Bulletin, at \*9.

may fall within the MRM Guidance and should be subject to risk-based oversight and management.<sup>6</sup>

As the financial services industry becomes increasingly open to developing and deploying AI solutions – including generative and agentic AI tools – the MRM Guidance may, on its own, prove less effective at communicating Federal regulators’ specific expectations for managing AI model risk. Banks’ uncertainty about the extent to which the MRM Guidance applies to AI models, and the level of pre- and post-deployment oversight and review required for even lower-risk AI tools, may cause banks to unnecessarily delay or avoid implementing some AI capabilities. To prevent the MRM Guidance from becoming a barrier to AI adoption, Federal financial regulators should review the guidance to identify opportunities for further clarification through additional guidance or policy statements that support AI-based innovation. Aspects of the MRM Guidance that would benefit from such clarification include:

- Addressing Whether AI is Encompassed by the Term “Model.” Certain forms of AI should not be treated as “models” under the MRM Guidance. Specifically, the Federal banking regulators have defined the term “model” as “a quantitative method, system, or approach that applies statistical, economic, financial, or mathematical theories, techniques, and assumptions to process input data *into* quantitative estimates.”<sup>7</sup> Providing clarity that not all uses of AI should be subject to the full expectations of the MRM Guidance would address a threshold question that industry confronts when determining how to innovate while also applying the established MRM framework.
- Revisiting the Requirement for Independent Review. CBA agrees that the model validation<sup>8</sup> requirements in the MRM Guidance can be important for banks to confirm that models are performing in alignment with the objectives for which they were intended. However, as the use of models – including AI models – proliferates in financial services, the requirement that “validation work be subject to critical review by an independent party” is increasingly burdensome, particularly where independent review would not otherwise be necessary given a model’s level of complexity or the risks presented by its specific use case. Clarifications of the MRM Guidance should reiterate that the lowest risk models do not necessarily need an independent review to ensure appropriate validation prior to deployment.
- Emphasizing the Risk-Based Application of MRM Standards. In adopting the MRM Guidance, the OCC, FRB, and FDIC recognized that its practical application

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<sup>6</sup> OCC, Comptroller’s Handbook on Safety and Soundness, “Model Risk Management,” v. 1.0, at \*4 (Aug. 2021), available at <https://www.occ.treas.gov/publications-and-resources/publications/comptrollers-handbook/files/model-risk-management/pub-ch-model-risk.pdf>.

<sup>7</sup> OCC MRM Bulletin at \*3 (emphasis added). Notably, while generative AI models do rely on quantitative methodologies and estimations to predict desired natural language outcomes based on user prompts, it is unclear whether text or images generated as a result of this process are themselves “quantitative estimates” under the current definition of “model.”

<sup>8</sup> Model validation “is the set of processes and activities intended to verify that models are performing as expected, in line with their design objectives and business uses. Effective validation helps ensure that models are sound.” OCC MRM Bulletin, at \*9.

should be customized to a bank’s particular risk exposures, business activities, and the complexity and extent of model use. Indeed, the guidance acknowledges that “a community bank using relatively few models of only moderate complexity” may need to take fewer steps to comply with the guidance than a larger bank using complex and/or large numbers of models. Nevertheless, the individual sections of the MRM Guidance are, in many cases, prescriptive and do not always appear to permit the case-by-case flexibility that appears to generally have been intended in issuing guidance in the first place. CBA encourages clarifying the MRM Guidance to more explicitly permit banks to tailor each component of their MRM practices to the actual level of risk present, instead of a one-size-fits-all approach.

- Clarifying the Expectations for Third Party Vendors. The MRM Guidance provides that vendor models are subject to risk management expectations, and requires banks to seek (i) developmental information demonstrating the model’s appropriateness for the bank’s uses, (ii) testing results indicating the model’s efficacy and accuracy, (iii) information about the model’s limitations and assumptions, (iv) information about the data used to develop the model, and (v) ongoing performance monitoring results and outcomes analysis.<sup>9</sup> In practice, obtaining even a portion of this information and documentation regarding AI models can be challenging for financial institutions, particularly where there is a market power mismatch between a large AI vendor and a community or mid-size bank. As the financial services industry becomes increasingly integrated with third-party technology providers, the application of the MRM Guidance should reflect this reality. Additionally, to the extent Federal regulators determine that a full suite of data, validation, and testing information is necessary for certain categories of third-party models, the financial services industry would benefit from regulators issuing an RFI or Advanced Notice of Proposed Rulemaking to explore the benefits of requiring transparency from service providers working with banking organizations.

More broadly, in applying the MRM Guidance, examiners should emphasize that their primary focus in assessing a bank’s MRM compliance is the *actual risk outcome(s)* associated with particular models – not whether a bank has faithfully recreated each detail of a particular control framework that may or may not add value in practice. For example, the MRM Guidance prescribes extensive pre-deployment requirements for models, including documentation and validation processes that may not always be proportional to the risk posed by a given model or use case. Having to satisfy these requirements, even where risk is relatively low, can lead to unwarranted delays in banks’ deployment of even the lowest-risk AI models, and make it difficult for banks to tactically innovate and keep pace with non-bank competitors who are not subject to the same level of scrutiny. Indeed, banks may face supervisory exams that raise concerns about MRM governance or policies even if no harmful or high-risk outputs were generated (or even likely) – in contrast to non-banks, which would typically only face scrutiny for actual violations of law or regulation resulting from the use of AI technologies.

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<sup>9</sup> OCC MRM Bulletin at \*16.

In sum, CBA believes the MRM Guidance contains the right foundational building blocks for banks to use in managing risks associated with models generally, including AI. However, the documentation, testing, and validation expectations set forth in the guidance can slow the pace of banks' AI adoption and present a barrier to AI innovation in financial services, particularly where a proposed use case is relatively low risk or subject to extensive post-deployment controls. Fifteen years after its initial publication, federal regulators should clarify the MRM Guidance with AI-specific publications or statements emphasizing the continued need for risk-based governance and the importance of consistency in applying the bedrock principles of the guidance across the banking sector.

### *C. Applying TPRM Guidance to Banks Working With AI Vendors*

Published jointly by the OCC, FRB, and FDIC in 2023, the TPRM Guidance<sup>10</sup> establishes Federal regulators' expectations for banks in managing the risks associated with third-party relationships, including those involving technology and AI vendors. CBA believes the planning, diligence, monitoring, and accountability standards set forth in the TPRM Guidance provide a useful framework for financial institutions to effectively oversee technology vendor relationships. However, as third-party AI tools continue to proliferate in the banking sector, Federal regulators should (i) emphasize to their examiners that a risk-based application of the TPRM Guidance is essential to avoiding unnecessary obstacles to AI adoption, (ii) instruct examiners to acknowledge inherent, practical limitations of banks' abilities to secure certain model-specific information from vendors, and (iii) encourage vendors to provide greater transparency to banks that are evaluating their tools for potential integration into their products, services, and operations in line with the TPRM and MRM Guidance.

- **Risk-Based Application of TPRM Guidance.** As with the MRM Guidance, Federal agencies should ensure their examiners apply TPRM standards to banks in a risk-based manner, focusing on the actual risks associated with specific third-party relationships or product offerings – rather than just the technology itself – in determining the level of diligence, contractual requirements, pre-deployment testing, and ongoing oversight required. This approach is consistent with the TPRM Guidance's instruction that “the scope of the supervisory review depends on the degree of risk and the complexity associated with the banking organization's activities and third-party relationships.”<sup>11</sup> Notably, banks have encountered varying degrees of rigidity from Federal examiners seeking to evaluate their compliance with TPRM standards, including in connection with AI solutions. By instructing examiners to focus on assessing whether a bank's TPRM practices are set at a level commensurate to the risks presented by the third-party relationship, Federal regulators can facilitate the efficient use of banks' resources to onboard AI vendors and tools in a safe, sound, and compliant manner.

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<sup>10</sup> FRB, OCC and FDIC, “Interagency Guidance on Third-Party Relationships: Risk Management,” 88 Fed. Reg. 37920 (June 9, 2023), available at <https://www.govinfo.gov/content/pkg/FR-2023-06-09/pdf/2023-12340.pdf>.

<sup>11</sup> *Id.* at 37936.

- Acknowledging Inherent Limitations in Securing Certain Model Information. The application of the TPRM Guidance to AI vendors is prudent to protect the security and resilience of individual banks and the broader financial system. This includes ensuring appropriate controls are in place at the third-party vendor itself and addressing vital areas such as data protection and information security (among others), irrespective of nature of technology, platform or size of the vendor. Maintaining these standards and expectations for AI vendors will be crucial to maintaining trust in American AI leadership. Due diligence covering a broad range of areas is performed to better understand a third-party's capabilities and relevant risks from the relationship. While the TPRM Guidance remains technology-agnostic, technology-specific due diligence may carry inherent limitations. Examiners should acknowledge those practical market dynamics and limitations, which may be the result of technological or proprietary challenges. This approach is supported by the guidance itself, which states “While the methods and scope of due diligence may differ, it is important for the banking organization to identify and document any limitations of its due diligence, understand the risks from such limitations, and consider alternatives as to how to mitigate the risks. In such situations, a banking organization may, for example, obtain alternative information to assess the third party, implement additional controls on or monitoring of the third party to address the information limitation, or consider using a different third party.”<sup>12</sup>
- Clarifying Expectations for AI Vendors That Work With Banks. The TPRM Guidance currently includes only a few sentences in its concluding paragraphs explaining that a Federal regulator “may use its legal authority to examine functions or operations that a third party performs on a banking organization’s behalf.”<sup>13</sup> CBA believes this authority should be more prominently highlighted in the TPRM Guidance, and more frequently exercised where vendors are refusing to provide banks the information needed for effective evaluation of potential risks. By applying prudent risk management expectations consistently across market participants, regardless of whether they are a bank or a service provider to a bank, Federal regulators can encourage greater transparency between banks and vendors, increasing the speed of diligence and onboarding for new AI tools and ensuring shared accountability for acceptable outcomes across all parties. Finally, where the banking agencies identify issues or vulnerabilities in their examinations of “significant service providers,” we strongly encourage them to focus on affecting change directly at the service provider on behalf of the sector, rather than relying exclusively on individual bank practices to address those issues or vulnerabilities. This would drive efficiencies and reduce unnecessary regulatory burdens across banks of all sizes for widely-used service providers.

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<sup>12</sup> *Id.* at 37939.

<sup>13</sup> *Id.* at 37936.

#### *D. Fostering Public Confidence in the Use of AI in Financial Services*

Another key benefit to clarifying the broad application of the principles in the MRM Guidance and TPRM Guidance to banks and non-banks alike is laying the groundwork for increased public trust in the use of AI across financial services generally. CBA believes that as consumers and other key users of financial services gain increased confidence that financial institutions, regardless of whether they have a bank charter, are subject to consistent standards designed to minimize AI-related risk, institutions will face less resistance to the use of AI solutions in bringing products and services to market.<sup>14</sup>

- The Electronic Funds Transfer Act (EFTA) serves as a good example of how Federal government leadership in standards-setting in financial services can increase the adoption of novel practices. EFTA was passed by Congress in 1978 and established a clear liability framework for unauthorized electronic transactions, even if the consumer had been negligent in their use of electronic fund transfer services. The certainty and clarity that EFTA provided in turn helped build consumer trust in electronic payments, which spurred growth in the electronic payments industry along with ATMs, debit cards, and ultimately the internet commerce ecosystem. We think that broad application of the MRM and TPRM Guidance has the potential to do the same for the use of AI in banking and financial services.

## **II. Closing the AI Knowledge Gap Within Federal Banking Agencies**

Banks recognize the potential for AI to transform the financial services industry and unlock new levels of efficiency, accuracy, and consumer access to deposit, credit, and other products and services. In CBA’s view, it is essential for Federal banking regulators to share this vision of an AI-powered future for financial services, and to recognize that it is compatible with their mandate to ensure a safe and sound banking system. Regulators that are hesitant to permit supervised entities to implement new technologies will present a significant barrier to fully leveraging the potential of AI in banking in the United States.

A primary contributor to regulatory reluctance toward large-scale AI adoption in banking is a knowledge gap at the Federal banking agencies regarding AI technology and its practical applications. Leaders of banking regulators have openly recognized the need for change in perspective and understanding. For example, Comptroller of the Currency Jonathan Gould, speaking at a conference on AI hosted by Spring Labs in October 2025, emphasized that there needs to be an “attitudinal and cultural change” among examiners regarding their understanding of the safe and sound use of AI.<sup>15</sup> Similarly, FRB Governor and Vice Chair of Supervision Michelle Bowman, speaking at the Wyoming Blockchain Symposium in August 2025, stated that “[i]t is essential that banks and regulators are

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<sup>14</sup> See Consumer Bankers Association, “Reforming the CFPB into a Strong and Durable Regulator Americans Deserve,” at \*12-13 (Jan. 14, 2025) (“Ensuring that non-bank financial institutions adhere to the same rigorous standards as banks will provide consumers with consistent protections and enhance the overall stability of the financial system.”)

<sup>15</sup> Spring Labs AI-Native Banking & Fintech Conference 2025, “Opening Keynote with Comptroller Jonathan Gould (OCC)” (Oct. 2025), recording available at [https://www.youtube.com/watch?v=KRplEkuMa54&list=PL8o8\\_ee6uKo-pGVqschro1nSNXwkXLcTt&index=1](https://www.youtube.com/watch?v=KRplEkuMa54&list=PL8o8_ee6uKo-pGVqschro1nSNXwkXLcTt&index=1).

open to engaging in new technologies and departing from an overly cautious mindset. Regulators must understand new products and services and recognize the utility and necessity of embracing technology in the traditional financial sector.”<sup>16</sup> These perspectives underscore the importance of Federal banking regulators not only keeping pace with technological developments but also fostering a mindset that enables responsible innovation. Administrative tools highlighted in the RFI, such as waivers, exemptions, pilot programs, conditional approvals, or time-limited experimental authorities,<sup>17</sup> could be used by agencies as opportunities to bolster their knowledge base.

CBA agrees with the finding of the Government Accountability Office (GAO) in a May 2025 report on AI use and oversight in financial services that training efforts for regulators could help alleviate private-sector organizations’ concerns that “regulators might unnecessarily burden regulated entities – such as through unwarranted examinations or supervisory actions – if supervisory staff lack experience overseeing AI.”<sup>18</sup> CBA supports ongoing efforts by Federal regulators to close this knowledge gap and ensure that examiners are equipped to assess AI-related risks based on evidence and best practices, rather than defaulting to a “proceed with caution” approach. Additionally, CBA suggests creating accountability by requiring Federal banking agencies to periodically publish a report on actions taken by their supervisory teams to promote innovation in financial services. By embracing a culture of openness and learning with respect to AI, Federal regulators can ensure their oversight evolves in step with technological progress in financial services, rather than acting as a brake on it.

### **III. Permitting Reasonable Information-Sharing Between Banks and Service Providers**

Federal regulations governing the permissible disclosure of confidential supervisory information (CSI) play a critical role in protecting the integrity of the supervisory process and safeguarding sensitive regulatory communications.<sup>19</sup> However, these restrictions have inadvertently created barriers for banks seeking to collaborate effectively with their service providers, particularly when access to supervisory information is directly relevant to the service provider’s performance of its contractual responsibilities. Indeed, banks are generally permitted to share CSI with a number of third parties, including attorneys, auditors, and certain consultants engaged to provide professional advice.<sup>20</sup> The same principle should uniformly extend to a bank’s technology service providers.

To promote more effective risk management and oversight of third-party relationships – especially as banks increasingly rely on technology and AI vendors – each Federal

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<sup>16</sup> Speech at the Wyoming Blockchain Symposium 2025, “Embracing Innovation” (Aug. 19, 2025), available at <https://www.federalreserve.gov/newsevents/speech/bowman20250819a.htm>.

<sup>17</sup> See OSTP, “Notice of Request for Information; Regulatory Reform on Artificial Intelligence,” *supra* note 2, at 46423.

<sup>18</sup> GAO, “Artificial Intelligence: Use and Oversight in Financial Services” (May 2025), available at <https://www.gao.gov/assets/gao-25-107197.pdf>.

<sup>19</sup> See 12 C.F.R. Part 4 (OCC regulation governing “non-public OCC information”); 12 C.F.R. Part 261 (FRB regulation governing CSI); 12 C.F.R. Part 309 (FDIC regulation governing “exempt records”).

<sup>20</sup> 12 C.F.R. 4.37(b)(2); 12 C.F.R. 261.20(b)(2). The FDIC’s regulations at 12 C.F.R. Part 309 do not address the sharing of exempt records with specific categories of professional service providers.

banking agency should align their CSI disclosure exemptions with the FRB’s regulation permitting sharing with other service providers – with the exception that the FRB requirement that the supervised financial institution must maintain a written account of its disclosures should be removed.<sup>21</sup> Allowing targeted information-sharing subject to entering into a written confidentiality agreement would bring Federal regulations into alignment with the practical realities of modern banking, which is highly dependent on services provided by third-party vendors.

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CBA appreciates the opportunity to provide our responses to the RFI. We are confident that the risk-based application of existing Federal MRM and TPRM frameworks to banks and their service providers will facilitate the safe, sound, and timely adoption of AI across the financial services industry.

Sincerely,



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<sup>21</sup> 12 C.F.R. 261.21(4).