Community Bankers of Michigan Regulatory Dispatch

July 15, 2026

Timely news and resources community bankers can use

Sound Practices for Artificial Intelligence - Vice Chair for Supervision Michelle W. Bowman

Thank you for the opportunity to join you to discuss the Financial Stability Board's (FSB) consultation report on Sound Practices for Responsible Adoption of Artificial Intelligence. Both Federal Reserve staff and staff from the FSB Secretariat are eager to consider and incorporate feedback on the consultation report so that we can finalize the report later this year as a U.S. G-20 deliverable.

Before offering a few thoughts about the report itself, I want to thank Hern Shin Ho from the Monetary Authority of Singapore. Hern Shin led the FSB work stream that produced this report in a very compressed timeframe, and I would also like to recognize and thank the FSB Secretariat staff who supported this work. Finally, I would like to thank our U.S. colleagues at the Treasury and the SEC who also collaborated with us to produce this report.

As many of you know, I chair the FSB's Standing Committee on Supervisory and Regulatory Cooperation. In setting out my priorities late last year, I initiated work on a set of sound practices for financial institutions to consider in the responsible adoption and use of artificial intelligence (AI). Since that time, AI has continued to rapidly evolve, and financial institution use of AI has expanded. In light of these ongoing developments, it is important to engage the public to discuss the potential benefits of AI and the risks and other challenges that could arise with its use in our report. The report also describes the ways in which financial institutions, including banks, are already successfully addressing and managing AI use risks, with the broader goal of responsible innovation that benefits financial institutions and their customers.

The Federal Reserve has been monitoring bank usage of AI for nearly a decade. We have seen a noticeable increase in the use of AI by banks of all sizes, and we have seen a variety of use cases. Our focus has been on supporting institutions that want to innovate responsibly by leveraging AI tools in their operations. Our work in the U.S. has helped to inform the FSB's report.

A central element of managing AI risks is understanding the specific use cases. In the FSB's report, we provided a variety of examples, including some in-depth case studies, to illustrate the types of governance and controls that might be appropriate in similar situations. To be clear, these practices are not the only way to adopt and use AI responsibly or to manage AI risks.

Another important aspect to highlight in this report is whether the use of AI is material. From my perspective, financial institutions should be specific about how they use AI and whether it is material to their business operations or legal and regulatory obligations. That actual use and materiality will help inform the type and intensity of the governance and controls that should be applied for the specific AI deployment. In the report, we emphasized that lower-risk uses of AI should receive a lighter supervisory and regulatory touch.

Similarly, the report also includes a significant focus on proportionality. What works or is a consideration for larger institutions using AI in complex applications is not appropriate for smaller institutions with less complex AI uses. As I noted, our focus is on promoting innovation at financial institutions of all sizes, not just the largest ones. This report provides clear guidance to all institutions, including smaller institutions. So, I welcome feedback about whether the report strikes the appropriate balance on proportionality as it relates to AI adoption and use.

To close, this report is an important first step as we consider how financial institutions can use AI responsibly. As you provide feedback, I encourage you to identify areas where the sound practices may be too prescriptive or where they fail to adequately account for differences in institutional size, complexity, and risk profile. Equally important, help us identify where we may not have adequately addressed material risks or where additional clarity would help institutions manage AI-related risks more effectively. We need to ensure these practices support responsible innovation across the financial system while maintaining appropriate safeguards, especially for higher-risk applications.

The feedback we hear from you today and throughout the public comment period will help inform our final report delivered to the U.S. G-20 presidency later this year. I am pleased with the international collaboration so far on this work and look forward to improving on this in the final report later this year.

Comment: Governor Bowman's approach to evaluating and implementing AI practices in the financial system focuses on these main pillars: Proportionality and Risk-Based Oversight: Regulations must be calibrated to the actual risk and the size of the institution. What is required for complex AI applications at large institutions is not appropriate for community banks with less complex uses. Targeted Supervision: Instead of applying rigid, outdated frameworks like generic model risk management to generative or agentic AI, the Fed focuses on understanding specific deployment use cases and updating third-party risk management. Balancing Innovation with Stability: Appropriate regulation should encourage innovation and efficiency in financial services rather than create barriers to the adoption of safe AI tools.

CBM Insights

Q: We received an appraisal report and as a result will require the borrower to obtain a roof inspection. Would we have to issue a new shopping list in connection with a revised LE?

A. If you, as the lender, based on the appraisal report, will require that a roof inspection be completed and that the applicant will pay for it, you have a valid changed circumstance and will need to issue a revised LE to reset any tolerances within three days of learning of the changed circumstance. If the added service – the roof inspection - won't push you into a "cure" (over the increase tolerance for the service or bundle of services), you don't have to issue a revised LE, but you may for 'informational' purposes.

Additionally, the roof inspection could either be a shoppable service or a service for which the applicant cannot shop.

You would need to issue a revised LE adding the service and cost estimate to Section B or C. If it's shoppable, a supplemental list of providers -- either with just a listing for a provider for the roof inspection or a cumulative list that adds the roof inspection provider to the list that has already been provided.

Bank Management

	No news to report this week.

BSA / AML

	FDIC [Encourages Voluntary Information Sharing Under 314(b) of the USA PATRIOT Act]() (07/09/2026) – Summary: On June 12, 2026, the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) issued updated guidance clarifying how financial institutions can voluntarily share information under section 314(b) of the USA PATRIOT Act. The FDIC recognizes fraud and other unlawful activity are a significant and growing concern nationwide for banks and consumers, and the FDIC encourages financial institutions to participate in the 314(b) program as a means to share information, mitigate potential losses, or increase suspicious activity detection. **Statement of Applicability:** The contents of, and material referenced in, this FIL apply to all FDIC-supervised financial institutions. Highlights: Participation in FinCEN's section 314(b) program allows financial institutions to voluntarily share information with other program participants about fraud, money laundering, terrorist financing, sanctions evasion, and additional illicit criminal activities. The section 314(b) program provides financial institutions with flexibility and connectivity to counter such threats by identifying repeat actors or financial schemes that move across financial institutions to evade detection, thereby limiting the exploitation of information gaps in the financial system. FinCEN's updated guidance highlights the ability of participants to share information in real time and presents new examples of information types that can be shared (such as video surveillance footage, cyber-related data such as IP addresses, and fraud indicators). Additionally, the guidance clarifies the following: • Institutions may share information relating to activities that may involve suspected illicit activity even if such activities are merely an attempt to engage in a transaction; • Information can also be shared with other program participants even if the entity sharing has no reason to believe that the information relates to any specific customer, account, or transaction of the financial institution receiving the information; and • The sharing and the receiving party must maintain adequate procedures to protect the information's security and confidentiality. FIL-34-2026 Link: [Information Sharing Under Section 314(b) | FinCEN.gov]() ***Comment: Last month, FinCEN issued a [Section 314(b) Fact Sheet]() that provides helpful information including a lengthy section on what information can be shared.***
	FRB [Requests comment on a proposal to amend its requirements for banks to maintain anti-money laundering programs]() (07/07/2026) – The Federal Reserve Board requested comment on a proposal to amend its requirements for banks to maintain anti-money laundering programs. The amendments are intended to align with changes to anti-money laundering program requirements separately proposed by four other agencies. Among other changes, the proposal would require banks to focus their anti-money laundering resources based on risk, with more attention given to higher-risk customers and activities. The proposed amendments would also require banks to incorporate the Financial Crimes Enforcement Network's anti-money laundering priorities into their risk assessment processes. Under the proposal, once a bank has established an anti-money laundering program, the Federal Reserve would focus supervision and enforcement activities on significant failures to implement the program.

Comments on the proposal are due 60 days after publication in the Federal Register.

Comment: The Proposed Rule would amend Regulation H to implement provisions of the Anti-Money Laundering Act of 2020 and align the Board's requirements with recently related rules proposed by FinCEN, OCC, FDIC, and NCUA.

Deposit / Retail Operations

No news to report this week.

Human Resources

No news to report this week.

Lending

CFPB Request for Information Regarding Promoting Access to Mortgage Credit (07/09/2026) – SUMMARY: This notice requests information from the public about potential regulatory changes that may reduce regulatory burdens and promote access to mortgage credit, as appropriate and consistent with applicable law. The Consumer Financial Protection Bureau (Bureau or CFPB) seeks to reduce unwarranted regulatory burdens to ensure that creditworthy borrowers can access mortgage credit. Specifically, the CFPB is requesting information on industry and consumer burdens related to the integrated mortgage disclosures under the Truth in Lending Act (TILA) and Real Estate Settlement Procedures Act (RESPA) (TILA-RESPA integrated disclosures or TRID), the right of rescission, and reverse mortgage disclosures.

DATES: Comments must be received on or before August 10, 2026.

Comment: Specifically, the CFPB is requesting information on industry and consumer burdens related to the integrated mortgage disclosures under the Truth in Lending Act (TILA) and Real Estate Settlement Procedures Act (RESPA) (TILA-RESPA integrated disclosures or TRID), right of rescission, and reverse mortgage disclosures. The RFI poses 22 questions across four areas: (i) TRID timing requirements; (ii) other TRID requirements; (iii) tailored requirements for small banks and credit unions; and (iv) reverse mortgages.'

Technology / Security

No news to report this week.

Open for Comment

Included only when specific to or relevant for community banks to comment on. Date posted may not be the same as the Federal Register Date.

07.09.2026 **CFPB** Request for Information Regarding Promoting Access to Mortgage Credit **SUMMARY:** This notice requests information from the public about potential regulatory changes that may reduce regulatory burdens and promote access to mortgage credit, as appropriate and consistent with applicable law. The Consumer Financial Protection Bureau (Bureau or CFPB) seeks to reduce unwarranted regulatory burdens to ensure that creditworthy borrowers can access mortgage credit. Specifically, the CFPB is requesting information on industry and consumer burdens related to the integrated mortgage disclosures under the Truth in Lending Act (TILA) and Real Estate Settlement Procedures Act (RESPA) (TILA-RESPA integrated disclosures or TRID), the right of rescission, and reverse mortgage disclosures. **DATES: Comments must be received on or before August 10, 2026.**

06.22.2026 **Joint** Permitted Payment Stablecoin Issuer Customer Identification Program **SUMMARY**: The Financial Crimes Enforcement Network (FinCEN), together with the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Board), the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA) are jointly issuing this proposed rule to implement certain provisions of the Guiding and Establishing National and Innovation for U.S. Stablecoins Act (GENIUS Act). Specifically, this rulemaking implements the GENIUS Act's directives to treat permitted payment stablecoin issuers as financial institutions under the Bank Secrecy Act and to require issuers to maintain an effective customer identification program. **DATES: Comments must be received by August 21, 2026.**

06.11.2026 **OCC** GENIUS Act: Reporting Forms and Instructions for Permitted Payment Stablecoin Issuers Subject to the Jurisdiction of the Office of the Comptroller of the Currency **SUMMARY:** The Office of the Comptroller of the Currency (OCC) is proposing a new information collection that would include weekly and quarterly reporting forms that must be completed by permitted payment stablecoin issuers and foreign payment stablecoin issuers registered with the OCC under the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act. **Comments are requested on these forms by August 11, 2026.**

05.20.2026 **FRB** Proposed Revisions to the Federal Reserve Policy on Payment System Risk and the Guidelines for Account and Services Requests **SUMMARY:** The Board of Governors of the Federal Reserve System (Board) is issuing a notice and request for comment on proposed revisions to the Federal Reserve Policy on Payment System Risk (PSR Policy), including the proposed addition of a new Part IV, to accommodate the provision by Reserve Banks of special-purpose accounts that would clear and settle certain payment activity (Payment Accounts). The Board is also proposing updates to its guidelines for Federal Reserve Banks (Reserve Banks) to utilize in evaluating requests for access to Reserve Bank account and services (Account Access Guidelines or Guidelines) to accommodate requests for access to Payment Accounts. Finally, the Board is encouraging Reserve Banks to pause decisions on requests for Reserve Bank accounts and services from institutions that are Tier 3 under the Account Access Guidelines until the Board has completed its policy development process on the Payment Account proposal. **DATE: Comments must be received on or before July 27, 2026.**