Chairman Foster, Ranking Member Gonzalez, and members of the Task Force, thank you for the opportunity to appear today to discuss Artificial Intelligence tools used by national banks, federal savings associations, and federal branches and agencies of foreign banks supervised by the Office of the Comptroller of the Currency. I appreciate this invitation to discuss the opportunities, benefits, and challenges Artificial Intelligence, or more commonly AI, presents for banks and our approach to supervising those activities.

I serve as the OCC’s Deputy Comptroller for Operational Risk Policy and am responsible for overseeing the development of policy and examination procedures addressing bank operational risk, which includes understanding and monitoring the risks of AI. I also represent the OCC in international forums, such as the Basel Committee on Bank Supervision’s Financial Technology Group, which coordinates the sharing of regulatory practices, including those related to the use of AI.

Technological changes and rapidly evolving consumer preferences are reshaping the financial services industry, creating new opportunities to provide consumers, businesses, and communities with more access to financial products and services. The OCC promotes
responsible innovation in the banking industry to expand access to credit and capital, improve operations, and support full and fair participation in America’s banking system. Over the years, we have adapted our supervisory approach to address the increase in banks’ use of technological innovations, such as AI.

Today, banks can use AI tools to strengthen their safety and soundness, enhance consumer protections, and increase fair access to products and services. AI can be used to enhance the customer’s experience, such as assisting with online account openings and product selection. AI can also be used to support more efficient credit underwriting and other bank operations. Used in appropriate ways, these approaches have the potential to promote greater access to banking services by underserved communities.

Use of advanced analytical tools is not new, and banks have been employing mathematical models to support operations for some time. However, banks are now introducing AI tools to support complex banking operations. While we have seen many large banks develop these tools internally, AI tools and services are becoming more widely available as third-party firms are increasingly offering AI products and services to banks of all sizes.

While AI tools can present benefits, we must also be mindful of the risks if the banks’ use of AI is not properly managed and controlled. Potential adverse outcomes can be caused by poorly designed models, faulty data, inadequate testing, or limited human oversight. Banks need effective risk management and controls for model validation and explainability, data management, privacy, and security regardless of whether a bank develops AI tools internally or purchases through a third party.
The OCC follows a risk-based supervision model focused on safe, sound, and fair banking practices, as well as compliance with laws and regulations. OCC examiners have significant experience in supervising banks’ use of sophisticated mathematical models and tools. This includes evaluating fair lending concerns and other consumer protection issues, such as unfair or deceptive acts or practices. The OCC expects banks to monitor for and identify outcomes that create unwarranted risks or adversely impact the fair treatment of customers. If we identify any concerns, risks, or deficiencies during our examinations, the OCC has a range of tools available and will take supervisory or enforcement action, as appropriate.

Just as banks are using increasingly sophisticated technologies and tools to enhance bank capabilities, the OCC is similarly engaged in assessing how innovative technologies can strengthen our supervisory processes. The OCC employs a number of analytical and technology tools to support bank supervision, and work is underway to materially upgrade our core supervision systems to further enhance our ability to monitor risks in the banking system. Moreover, the OCC is considering the use of AI tools as part of this effort.

I want to thank the Task Force for its leadership on this important issue and for inviting the OCC to testify today. I look forward to answering your questions.