



April 5, 2021

FEDERAL AGENCIES ISSUE RFI ON FINANCIAL INSTITUTIONS' USE OF AI

The Department of the Treasury, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Bureau of Consumer Financial Protection and the National Credit Union Administration have issued a request for information and comment on financial institutions' use of artificial intelligence (AI), including machine learning. Comments will be accepted until June 1, 2021.

The request for information asks a variety of questions, including the following:

- How do financial institutions identify and manage risks relating to AI explainability? What barriers or challenges for explainability exist for developing, adopting, and managing AI?
- How do financial institutions using AI manage risks related to data quality and data processing? How, if at all, have control processes or automated data quality routines changed to address the data quality needs of AI? How does risk management for alternative data compare to that of traditional data?
- What are the risks that AI can be biased and/or result in discrimination on prohibited bases? Are there effective ways to reduce risk of discrimination, whether during development, validation, revision, and/or use? What are some of the barriers to or limitations of those methods?
- The Equal Credit Opportunity Act (ECOA), which is implemented by Regulation B, requires creditors to notify an applicant of the principal reasons for taking adverse action for credit or to provide an applicant a disclosure of the right to request those reasons. What approaches can be used to identify the reasons for taking adverse action on a credit application, when AI is employed? Does Regulation B provide sufficient clarity for the statement of reasons for adverse action when AI is used? If not, please describe in detail any opportunities for clarity.

We can assist with a response and will continue to monitor and report on developments related to any AI rule making. See our ALERT of August 9, 2019 on the CFPB's No Action Letter regarding Upstart's use of alternative data.

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