August 12, 2024

Department of Treasury
Submitted via regulations.gov

Re: Uses, Opportunities, and Risks of Artificial Intelligence in the Financial Services Sector

To Whom it May Concern,

The National Association of State Credit Union Supervisors (NASCUS)[1] submits the following comments in response to the Department of Treasury's Request for Information (RFI) on the uses, opportunities, and risks of artificial intelligence in the financial services sector.

Treasury has conducted previous work surrounding AI through engagement with stakeholders to gain a better understanding of the developments and applications of AI within the financial services space as detailed in the supplementary information to the RFI. NASCUS commends Treasury for this thoughtful approach to engaging with the issues related to the use of artificial intelligence in the financial services sector.

The RFI specifically indicates that Treasury is interested in gaining insight into specific uses of AI, including but not limited to the following:

- Products and services
- Risk management
- Capital markets
- Internal operations
- Customer service
- Regulatory compliance; and
- Marketing

With a specific focus on potential opportunities and risks; explainability and bias; consumer protection and data privacy; and third-party risk management.

NASCUS respectfully submits the following comments on the future development of a regulatory framework for artificial intelligence. With respect to Treasury's specific questions regarding the current development and usage of artificial intelligence in the financial services sector, we defer to stakeholders to provide detailed input.

[1] NASCUS is the professional association of the nation's forty-six state credit union regulatory agencies that charter and supervise over 1800 state-chartered credit unions. NASCUS membership includes state regulatory agencies, state-chartered and federally-chartered credit unions, and other important industry stakeholders. State-chartered credit unions hold over half of the $2.25 trillion assets in the credit union system and are proud to represent nearly half of the 140 million members. The remaining states lack state-chartered credit unions.

Coordination and Flexibility in Developing a Regulatory Framework

Artificial intelligence is not a homogenous technology. Rather there are multiple types of artificial intelligence with numerous disparate applications within a financial institution. Regulations and guidelines must be flexible enough to allow diverse iterations of artificial intelligence and diverse uses to develop.

In addition, applications of artificial intelligence within a financial institution can implicate multiple regulatory jurisdictions at both the state and federal levels. Treasury must work closely with state and federal regulators in the development of rules or guidelines to ensure such rules or guidelines are consistent with existing or developing rules and guidance at the state and federal level.

We find the European Union's AI Act and its risk-based approach establishing the four risk levels to be a useful guide in developing a harmonized approach to artificial intelligence.[2]

Conclusion

AI can provide numerous benefits to the financial services industry from management of balance sheets to training opportunities and assisting with fraud and anti-money laundering monitoring however, absent clear guidance and guardrails for financial institutions in utilizing AI to avoid the risks posed, financial institutions and regulators are left with more questions.

Sincerely,

-signature redacted for electronic submission –

Sarah Stevenson
Vice President, Regulatory Affairs
NASCUS

[2] Regulation (EU) 2024/1689 of the European Parliament and of the Council of 13 June 2024