

March 12, 2025

via Electronic Mail

NITRD National Coordination Office
National Science Foundation
2415 Eisenhower Avenue
Alexandria, VA 22314

RE: Request for Information on the Development of an Artificial Intelligence Action Plan

To Whom It Concern:

The Independent Community Bankers of America (ICBA)¹ welcomes the opportunity to provide comments on the Request for Information (RFI) regarding the development of an Artificial Intelligence (AI) Action Plan. As the only national trade association dedicated exclusively to serving the interests of community banks, ICBA represents thousands of community banks of varying asset sizes across the United States. Our member banks play a critical role in supporting small businesses, local communities, and rural economies, and as such, we recognize both the opportunities and challenges AI presents within the financial services sector.

AI has the potential to significantly enhance the operations of community banks by improving efficiency, strengthening risk management, and enhancing customer service. However, as AI adoption increases, it is critical that regulatory frameworks evolve in a way that supports innovation while safeguarding consumer protections and financial stability. Community banks, which operate under different constraints than larger financial institutions, must be included in policy discussions to ensure that AI regulations are proportionate, fair, and practical for institutions of all sizes.

Recognize Community Bankers as Early Adopters of AI

Community banks have long been at the forefront of adopting innovative technologies to enhance operational efficiency, manage risk, and improve customer experiences. Many

¹ *The Independent Community Bankers of America® has one mission: to create and promote an environment where community banks flourish. We power the potential of the nation's community banks through effective advocacy, education, and innovation. As local and trusted sources of credit, America's community banks leverage their relationship-based business model and innovation offerings to channel deposits into the neighborhoods they serve, creating jobs, fostering economic prosperity, and fueling their customers' financial goals and dreams. For more information, visit ICBA's website at icba.org.*

community banks utilize AI-driven fraud detection, credit underwriting, and cybersecurity tools to provide more precise risk assessments and protect consumers from emerging threats. Unlike larger institutions, which may develop proprietary AI models in-house, community banks generally rely on third-party service providers for AI-driven solutions. Thus, it is imperative that any AI policy framework supports community banks in leveraging AI technologies effectively, ensuring access to cutting-edge tools without imposing undue regulatory burdens that could stifle innovation and competition.

ICBA has been a strong advocate for AI innovation, supporting initiatives that help community banks integrate AI into their operations responsibly. Through programs such as the ICBA ThinkTECH Accelerator, we foster partnerships between fintech companies and community banks to ensure that AI-driven solutions remain practical, scalable, and compliant with regulatory standards. AI solutions are helping community banks modernize their operations, improve credit decisioning, improve fraud prevention, and optimize customer engagement strategies. ICBA urges the Administration to recognize and support these innovation efforts as part of the broader AI Action Plan.

Existing Regulatory Frameworks Provide Strong Protections

Regulations such as the Gramm-Leach-Bliley Act (GLBA), Fair Credit Reporting Act (FCRA), Equal Credit Opportunity Act (ECOA), and Bank Secrecy Act (BSA) establish foundational requirements around data security, fair lending, and anti-money laundering. AI adoption does not eliminate the need for compliance with these existing laws; rather, AI can augment community banks' ability to meet regulatory obligations efficiently. The Administration should recognize that AI-specific regulatory interventions must be carefully balanced with existing frameworks to avoid regulatory duplication, unintended consequences, or disproportionate compliance burdens on smaller financial institutions.

ICBA urges that any new AI-related regulations follow the principles of regulatory streamlining and simplification, ensuring that community banks can maintain operational flexibility while fostering responsible AI adoption. By reducing redundancies and harmonizing regulations, community banks will be better positioned to allocate resources toward innovation and improving customer services, rather than navigating an increasingly complex compliance landscape. Consistent with President Trump's Executive Order on regulatory reform, which aims to eliminate 10 existing regulations for every new regulation introduced, any AI-related policies should focus on consolidating and harmonizing current financial sector regulations rather than adding new burdensome requirements. This approach will ensure that AI innovation can thrive in the financial services industry while maintaining necessary consumer and systemic protections. Regulatory harmonization will also help reduce compliance costs and complexity for community banks, allowing them to focus on providing essential financial services to their local communities.

Support a Shared Risk Model Framework Between AI Developers and Banks

Community banks generally rely on AI solutions provided by third-party vendors, meaning they often do not have direct control over the inner workings of AI models. Therefore, it is critical to establish a shared risk model in which AI developers bear appropriate responsibility for the reliability, transparency, and explainability of their products. We encourage the Administration to establish clear liability standards that fairly distribute risk between financial institutions and AI service providers. Such a model would ensure that community banks can continue leveraging AI innovations while mitigating risks associated with opaque AI decision-making processes.

Harmonize Privacy Protections

As AI systems increasingly rely on vast amounts of data, community banks remain steadfast in their commitment to safeguarding customer privacy. Anticipated data shortages stemming from privacy regulations, shifts in data availability, or changes in consumer preferences should not incentivize lax data protection practices or excessive data collection. The AI Action Plan must prioritize consumer data protection and privacy-preserving AI development, including the promotion of privacy-enhancing technologies (PETs) such as differential privacy and secure multiparty computation. Community banks must be empowered to utilize AI without compromising their customers' trust or being forced into data-intensive practices that could create new risks.

Engage Community Banks on the Utilization of AI in the Banking Examination Process

As the Administration advances an "AI-first" posture, ICBA continues to observe financial regulators that are increasingly considering AI tools for supervisory and examination processes. However, engagement with community banks on this issue has been limited. The AI Action Plan must encourage meaningful collaboration between regulators and community banks to ensure that AI is used responsibly within the regulatory ecosystem. AI-driven regulatory technology (RegTech) could streamline compliance reporting, enhance risk assessments, and improve the efficiency of bank examinations.

However, transparency and oversight must accompany AI-based regulatory tools to ensure they are fair, unbiased, and do not create new burdens for community banks. Transparency measures should include clear documentation of AI decision-making processes, regular auditing of AI models for fairness and accuracy, and ensuring that community banks have access to meaningful explanations regarding AI-generated outcomes.

Additionally, regulatory bodies should collaborate with community banks to develop best practices for AI governance that align with existing compliance frameworks. Community banks must have opportunities to provide feedback on the deployment of AI in supervisory practices to ensure its use aligns with their operational realities.

Maintain Work at NIST on Frameworks and Financial Sector Profiles

ICBA strongly supports the National Institute of Standards and Technology's (NIST) work on the AI Risk Management Framework (AI RMF) and its incorporation of financial sector profiles. NIST's AI RMF provides a structured approach to managing AI-related risks and fostering trustworthy AI development. Banks have actively engaged with the AI RMF by participating in industry workshops, sharing feedback on its applicability to smaller financial institutions, and implementing risk mitigation practices based on its principles. However, improvements are needed to ensure the framework is tailored to the unique challenges faced by community banks, such as limited resources for AI governance and compliance.

The Administration should work closely with community banks to refine the AI RMF and develop interoperability between cybersecurity, privacy, and AI frameworks. This will support the specific operational needs of community banks while maintaining robust risk management practices. Furthermore, the work at NIST should not be limited to developing highly specialized AI evaluation models; instead, it should encompass broader industry engagement and practical implementation strategies that align with financial sector needs. Community banks require frameworks that are adaptable, scalable, and aligned with industry best practices, rather than rigid or overly complex standards that may be impractical for smaller institutions to adopt.

Conclusion

ICBA appreciates the opportunity to contribute to the development of the AI Action Plan and urges the Administration to ensure that community banks remain central to the conversation. As AI continues to transform the financial services sector, it is essential that the Administration supports regulatory harmonization, establishes shared risk models for AI adoption, prioritizes consumer data privacy, and integrates community banks into AI-driven regulatory processes. We encourage ongoing collaboration between regulators, community banks, and industry stakeholders to foster responsible AI innovation while preserving financial stability and consumer trust. We welcome the opportunity to discuss these issues further and to engage the Administration in crafting an AI policy framework that ensures community banks remain competitive in the evolving financial landscape.

If you have any questions or would like to discuss our comments in more detail, please contact Anjelica Dortch at Anjelica.Dortch@icba.org or at (202) 659-8111.

Sincerely,

/s/

Anjelica Dortch
Vice President, Operational Risk & Cybersecurity Policy