

From: Shelly Stone <MicheleS@fnbt.com>
Sent: Tuesday, March 30, 2021 3:33 PM
To: Comments
Subject: [EXTERNAL MESSAGE] RIN 3064-ZA24 RFI for AI
Attachments: AI Request for Information.xlsx

Attached are out responses.

Thank you,

Shelly Stone

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Agencies' Request for Information and Comment on Financial Institutions' Use of Artificial Intelligence, including Machine Learning

#	Question	Comment
1	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?	AI used by FNBT Bank is a part of software packages or processes that the Bank purchases or subscribes to. Vendors generally present a product including the way AI is integrated into the product and what it can do for the bank, but the bank does not usually develop its own AI products or uses. Adoption of the product is done after presentation, consideration and approval from management and the Board of Directors (if required). Management of the AI is done through use of the product and knowledge of the results, how to read them and how to convey risk or threats to our customers.
2	How do financial institutions use post-hoc methods to assist in evaluating conceptual soundness? How common are these methods? Are there limitations of these methods (whether to explain an AI approach's overall operation or to explain a specific prediction or categorization)? If so, please provide details on such limitations.	FNBT Bank uses 3 programs that include AI or machine learning to help identify and resolve issues that enhance the bank's risk of loss. Operations personnel have to explain the workings of the product or to understand the results presented for review. High risk transactions are identified in three ways; transaction risk by bank clients and fraud risk by non-authorized users of access devices. The first one is used by the bank to determine if transactions are outside the bank's profile of a client. The other two are interactive with the client to determine the validity and authority of the transactions and their originator.
3	For which uses of AI is lack of explainability more of a challenge? Please describe those challenges in detail. How do financial institutions account for and manage the varied challenges and risks posed by different uses?	Knowledge of the product is the most important element of programs or processes that utilize AI. Staff who interact with each other or with bank clients are well-versed in the operation of the product and have the ability to explain in lay language how a product works or what it had determined.
4	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? Are there any barriers or challenges that data quality and data processing pose for developing, adopting, and managing AI? If so, please provide details on those barriers or challenges.	Primarily AI is used to assist in the identification of transactions that would inflate the risk to the bank. We utilize a risk assessment tool to help with BSA/AML monitoring. The other two forms that are used help identify fraudulent transactions on bank issued credit cards and debit cards before the transactions are completed. A variety of notification techniques re used in order to obtain a rapid response from our clients.
5	Are there specific uses of AI for which alternative data are particularly effective?	Not for the purposes of the bank or its clients.
6	How do financial institutions manage AI risks relating to overfitting? What barriers or challenges, if any, does overfitting pose for developing, adopting, and managing AI? How do financial institutions develop their AI so that it will adapt to new and potentially different populations (outside of the test and training data)?	We do not develop our own uses for AI; they are part of programs or processes purchased by the bank for use on very specific products offered by the bank or employed by the bank to recognize higher threat of risk of loss.
7	Have financial institutions identified particular cybersecurity risks or experienced such incidents with respect to AI? If so, what practices are financial institutions using to manage cybersecurity risks related to AI? Please describe any barriers or challenges to the use of AI associated with cybersecurity risks. Are there specific information security or cybersecurity controls that can be applied to AI?	Not with respect to AI.
8	How do financial institutions manage AI risks relating to dynamic updating? Describe any barriers or challenges that may impede the use of AI that involve dynamic updating. How do financial institutions gain an understanding of whether AI approaches producing different outputs over time based on the same inputs are operating as intended?	Yellowhammer uses profile data and real-time transactions to identify instances of elevated risk for bank. As thresholds are reviewed, new data may change the bank's perspective as to the level of risk posed by these aberrant transactions. Other AI is used primarily to help identify fraudulent use of a customer's access devices.
9	Do community institutions face particular challenges in developing, adopting, and using AI? If so, please provide detail about such challenges. What practices are employed to address those impediments or challenges?	Our use is somewhat limited and generally assists operations personnel to identify risky behavior and to determine whether fraudulent activity is putting our clients at risk.

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10	Please describe any particular challenges or impediments financial institutions face in using AI developed or provided by third parties and a description of how financial institutions manage the associated risks. Please provide detail on any challenges or impediments. How do those challenges or impediments vary by financial institution size and complexity?	All of our products that utilize AI are provided by third party vendors with whom the bank has interacted for some time. Human monitoring of all information is conducted in order to validate the authenticity of the information.
11	What techniques are available to facilitate or evaluate the compliance of AI-based credit determination approaches with fair lending laws or mitigate risks of non-compliance? Please explain these techniques and their objectives, limitations of those techniques, and how those techniques relate to fair lending legal requirements.	Credit determinations are not made using AI.
12	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?	Fair Lending decisions are made by people, no algorithms or other forms of artificial intelligence.
13	To what extent do model risk management principles and practices aid or inhibit evaluations of AI-based credit determination approaches for compliance with fair lending laws?	Credit decisions are made on an ad-hoc basis and do not employ AI methods.
14	As part of their compliance management systems, financial institutions may conduct fair lending risk assessments by using models designed to evaluate fair lending risks ("fair lending risk assessment models"). What challenges, if any, do financial institutions face when applying internal model risk management principles and practices to the development, validation, or use of fair lending risk assessment models based on AI?	Fair Lending risk assessemnts and evaluations are performed at least annually using data provided by the clients.
15	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.	AI is not used as a product to determine credit decisions made by the bank.
16	To the extent not already discussed, please identify any additional uses of AI by financial institutions and any risk management challenges or other factors that may impede adoption and use of AI.	N/A
17	To the extent not already discussed, please identify any benefits or risks to financial institutions' customers or prospective customers from the use of AI by those financial institutions. Please provide any suggestions on how to maximize benefits or address any identified risks.	N/A

FDIC:

- Agency Website: <https://www.fdic.gov/regulations/laws/federal/>. Follow the instructions for submitting comments on the agency's website.
- Email: Comments@fdic.gov. Include RIN 3064-ZA24 in the subject line of the message.
- Mail: James P. Sheesley, Assistant Executive Secretary, Attention: Comments-RIN 3064-

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ZA24,	<p>Federal Deposit Insurance Corporation, 550 17th Street NW, Washington, DC 20429.</p> <ul style="list-style-type: none">• Hand Delivery/Courier: Comments may be hand-delivered to the guard station at the rear of the 550 17th Street NW building (located on F Street) on business days between 7:00 a.m. and 5:00 p.m. <p>Public Inspection: All comments received will be posted without change to https://www.fdic.gov/regulations/laws/federal/—including any personal information provided—for public inspection. Paper copies of public comments may be ordered from the FDIC Public Information Center, 3501 North Fairfax Drive, Room E-1002, Arlington, VA 22226 or by telephone at (877) 275-3342 or (703) 562-2200.</p>	