

AI Supervisory Framework

Greetings Financial Institution Partners,

The Minnesota Commerce Department (the "Department") is issuing this notice to introduce the AI Supervisory Framework (the "Framework"), a new supervisory resource developed through the Conference of State Bank Supervisors (CSBS) to help examiners and regulated institutions approach the use of artificial intelligence (AI) in a consistent, risk-based manner. This letter provides a high-level overview of the Framework, its purpose, and what institutions can expect as it is incorporated into the supervisory process. By providing this Framework, the Department intends to give regulated institutions a clearer view of the types of questions examiners may ask, the documents they may request, as well as tools to help develop governance practices that support safe and sound use of artificial intelligence.

The use of AI across financial services continues to expand, including in operations, customer communications, decision support, vendor-provided platforms, compliance functions, fraud detection, servicing, underwriting support, and generative AI tools. In

response, the Department has, through CSBS, developed the Framework as a practical, examiner-facing tool that draws on existing public materials, including supervisory guidance, cross-sector risk management frameworks, and other selected implementation resources, and organizes them around the questions examiners most need to answer when reviewing an institution's use of AI. While developed for examiners, the Framework may be used by any regulated financial institution to develop or refine risk management and governance practices for their AI exploration, implementation, or ongoing use.

The Framework is principles-based and does not create new reporting obligations or supervisory requirements. It is intended to be applied proportionately, based on an institution's size, complexity, risk profile, and extent of AI use.

The Framework is structured to follow the general path an examiner will take when evaluating AI use, and includes the following components:

- Core Examiner Guide – scoping questions, document request list, and examination procedures, and routing directions. Primarily an examiner resource.
- Examiner Work Program – includes source name and language, examiner focus, and note section for each question and procedure. Primarily an examiner resource.
- AI Use Case Risk-Tiering Worksheet – an optional tool for industry and examiners to support risk-based evaluation of individual AI use cases.

The Department recognizes that AI may be a transformative technology and that many financial institutions are exploring or implementing it. Additionally, the pace of change in this field of technology means that the regulatory approach will evolve. Accordingly, this Framework is a first step toward building a supervision approach that evolves with the industry and not only ensures these advancements are harnessed safely, but also that financial institutions do so safely and consumers remain protected.

The Department encourages institutions to review this notice and consider the extent to which AI is used within their operations, products, or services. Institutions are encouraged to:

- Review current AI governance practices, policies, and inventories in light of the Framework's scoping areas.
- Complete the Risk Tiering Worksheet linked above and be prepared to provide a copy and discuss the institution's use of AI during upcoming examinations.
- Direct questions about the Framework to designated agency staff, listed below.

Important Clarifications

- The Framework is a tool and does not impose new requirements beyond existing law, regulation, or guidance.
- The Framework is intended to be applied proportionately and does not function as a mandatory checklist.
- The Framework will be reviewed and updated periodically as AI technology, public guidance, and supervisory experience evolve.

Sincerely,



Michael Crow

Deputy Commissioner | Financial Institutions Division, Commerce Department

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Questions and Additional Information

Questions regarding the Framework or this notice may be directed to Nicholas Jenson, Financial Institutions Cybersecurity Analyst *at 651-539-1712 or* Nicholas.Jenson@State.MN.US.