STATE OF ALABAMA
STATE BANKING DEPARTMENT

Kay Ivey
Governor

Mike Hill
Superintendent of Banks

MEMORANDUM

TO: Chief Executive Officers of Alabama State-Chartered Banks and Trust Companies

FROM: Mike Hill, Superintendent of Banks *Mike Hill*

SUBJECT: AI Supervisory Framework

DATE: November 4, 2026

The Alabama State Banking Department (ASBD) 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 ASBD 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.

Background

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 ASBD 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 based on an institution's size, complexity, risk profile, and extent of AI use.

What the Framework Includes

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 – source name and language, examiner focus, and note section for each question and procedure. Primarily an examiner resource.
- Nonbank AI Supplements – AI-specific considerations for third-party/vendor risks, model risk, and consumer protection that nonbank financial firms may find helpful.
- AI Use Case Risk-Tiering Worksheet – an optional tool for industry and examiners to support risk-based evaluation of individual AI use cases.

Links to CSBS Framework Information:

- ***CSBS Press Release for AI Supervisory Framework***
  https://www.csbs.org/newsroom/csbs-announces-ai-supervisory-framework
- ***Component Guide and Job Aids***
  https://www.csbs.org/csbs-artificial-intelligence-supervisory-framework

What This Means for Your Institution

The ASBD recognizes AI as a transformative technology that many financial institutions are actively exploring or implementing. Because this rapid technological evolution demands an adaptable regulatory approach, the ASBD encourages institutions to review this notice and consider the extent to which AI is used within their operations, products, or services. This Framework represents an initial step toward building a flexible supervisory model that ensures advancements are harnessed safely and consumers remain protected.

Starting in 2027, the ASBD will incorporate Framework elements into scheduled examinations. The review scope may be expanded based on an institution's size, complexity, risk profile, and AI adoption, and institutions should be prepared to discuss their AI practices accordingly. To support these supervisory expectations, institutions may wish to:

- Review Governance: Assess current AI governance practices, policies, and inventories in light of the Framework's scoping areas.
- Prepare for Examinations: Be ready to discuss AI use during upcoming examinations, consistent with the Framework's document request list.
- Engage Agency Staff: Direct any questions regarding the Framework to the 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.

Questions and Additional Information

Questions regarding the Framework or this notice may be directed to Andre' L. Scott at andre.scott@banking.alabama.gov.