FINMA's AI expectations in small bank supervision

Small Bank Symposium 2026

07 September 2026

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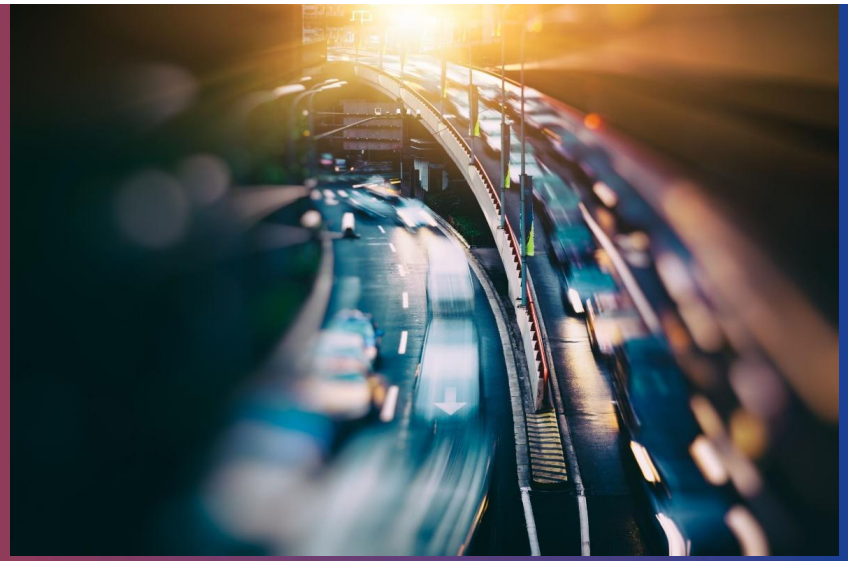

How can AI be used safely, transparently and in a controlled manner?

"FINMA expects supervised institutions that use AI to actively consider the impact of this use on their risk profile, and to align their governance, risk management and control systems accordingly." –
[Source: FINMA Guidance 08/2024]

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FINMA is involved in the development of international sound practices for AI

Financial Stability Board (FSB) paper

- Sets out what financial institutions should do to ensure responsible adoption of AI
- Embeds this guidance in 12 sound practices

FSB FINANCIAL STABILITY BOARD

Sound Practices for Responsible Adoption of Artificial Intelligence (AI)

Consultation Report

10 June 2026

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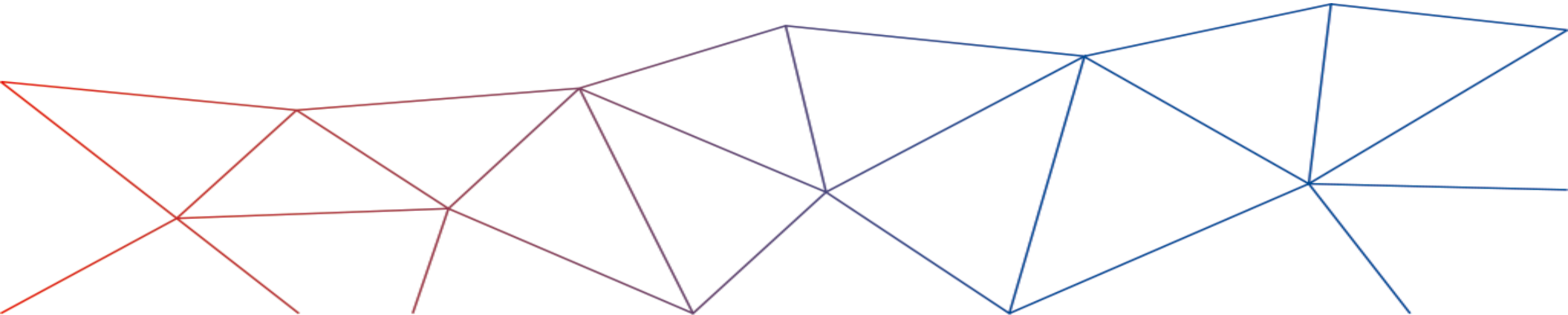
Key messages for small banks from the FSB paper



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Different types of AI use require different controls

The FSB recommends carrying out a materiality and risk analysis for each use of AI

Examples:

Use of AI	Risk	FSB view
Copilot for research	low	simple governance
Chatbot for customers	medium	increased controls
AI-based lending decisions	high	extensive governance

- Rather than being set by the technology, the level of governance is determined by the impact on customers, risk and the bank

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Governance is more important than the technology

Governance begins with the Board of Directors and the Executive Board

- Determine the AI strategy
- Set the risk appetite
- Assign responsibilities clearly
- Monitor AI risks continuously

A separate AI department is not required for small banks

The following is often sufficient:

- Clear responsibility (e.g. CRO or COO)
- Inventory of all AI applications
- Regular reporting to the Executive Board

► What matters is not which AI is used, but how its use is managed

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Third-party risks are now a key issue

The FSB identifies this as one of the most important risks

Banks need to understand:

- Which **data** is being processed?
- How is the **quality** of the data assured?
- Which **models** are being used?
- What happens in an **outage**?
- Are there **concentration risks**?

► Even if the AI is outsourced, the bank still carries the responsibility

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AI supports – but responsibility remains with the people

Modern AI systems can carry out tasks with increasing autonomy and are producing results which are not always fully transparent.

Therefore, banks must ensure that:
- there is a **clear human line of responsibility** for processes and decisions which are supported by AI
- results are subjected to **critical scrutiny** and tested for plausibility
- **humans** remain involved in major decisions
- the reasoning behind **decisions** is suitably **transparent**
- critical processes are not **dependent** on uncontrolled autonomous AI

▶ Human responsibility, critical scrutiny and effective supervision remain crucial when using modern AI

The 4 key messages are based on the 8 FSB Sound Practices (SP) for responsible adoption of AI

- SP1: Strategic direction and supervision
- SP2: Governance and responsibility
- SP3: AI risk management framework and appropriate documentation
- SP4: Organisational adaptability

- SP5: Materiality and risk assessment
- SP6: Model selection
- SP7: Data governance
- SP8: Explicability and transparency
- SP9: Performance management
- SP10: Human oversight and control

- SP11: Cyber risk and ICT risk management
- SP12: Third-party risk management

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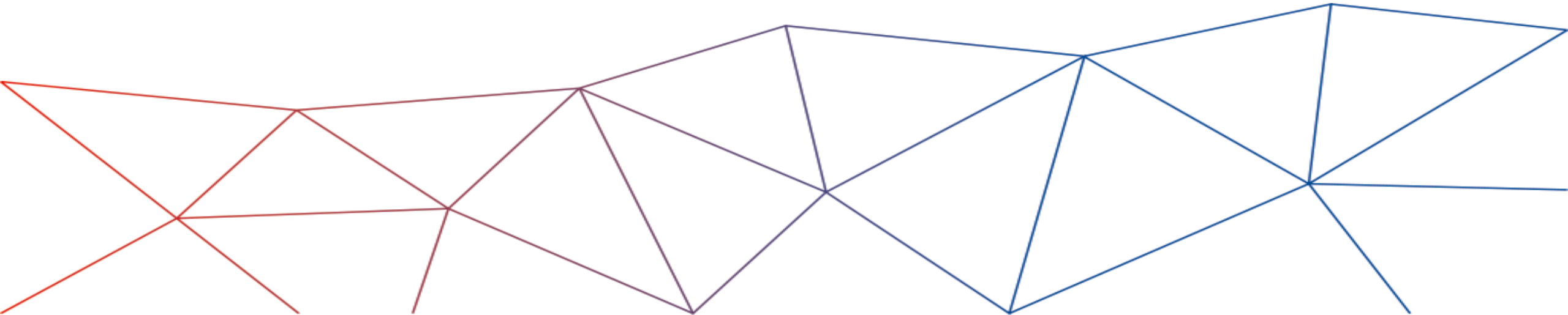
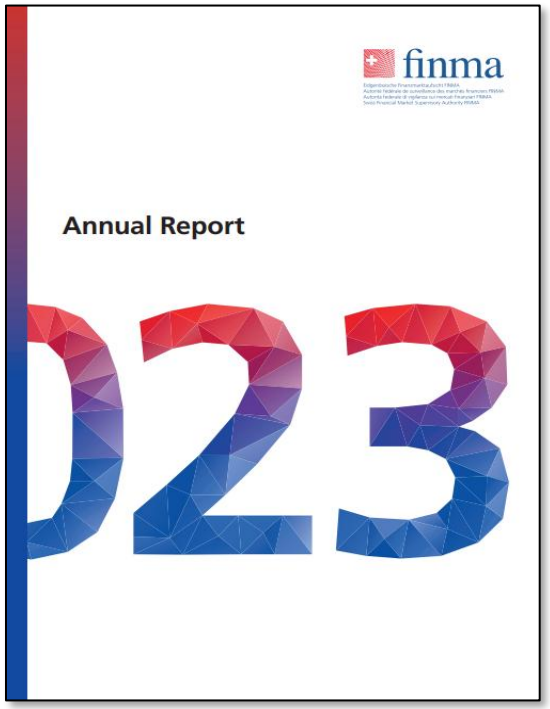
FINMA's supervisory expectations

Using principles to address the key challenges



Risk Monitor 2023: the foundations of the current supervisory expectations



Robustness & reliability

Non-discrimination

Governance

Data

Model

User

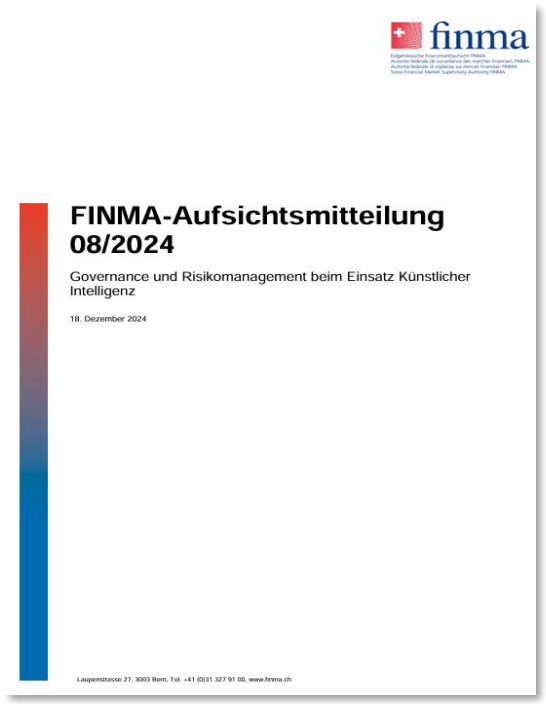
Communications

Governance & responsibility

Transparency & explicability

The principles apply depending on the materiality and the type of application (**even when outsourced**)

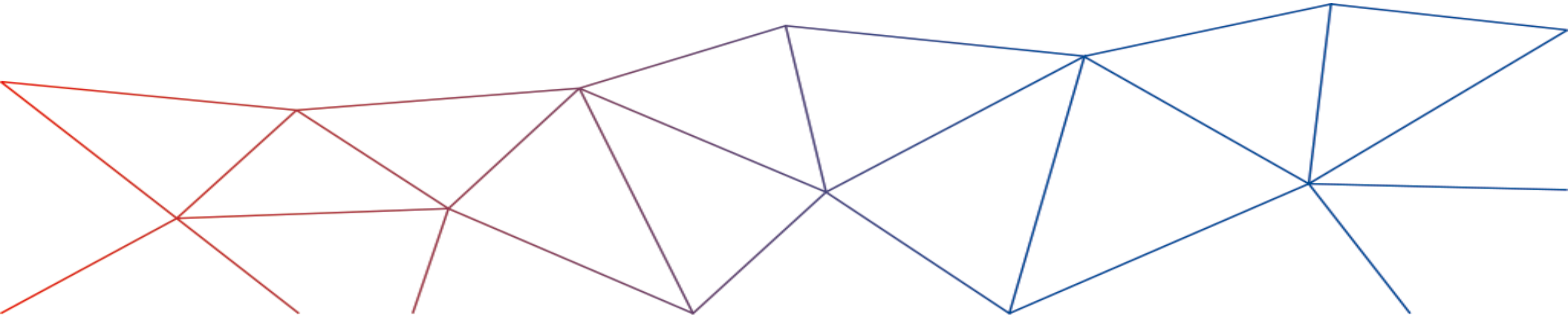
FINMA Guidance 08/2024: the current supervisory expectations in eight principles



Inventory of AI applications	Documentation and traceability	Assessment of relevance and materiality
Governance	Model risks	Ongoing supervision
Data quality and data integrity	Third-party risks	

Existing requirements regarding operational resilience, data protection and the management of third parties also apply to the use of AI

What are the takeaways for small banks?



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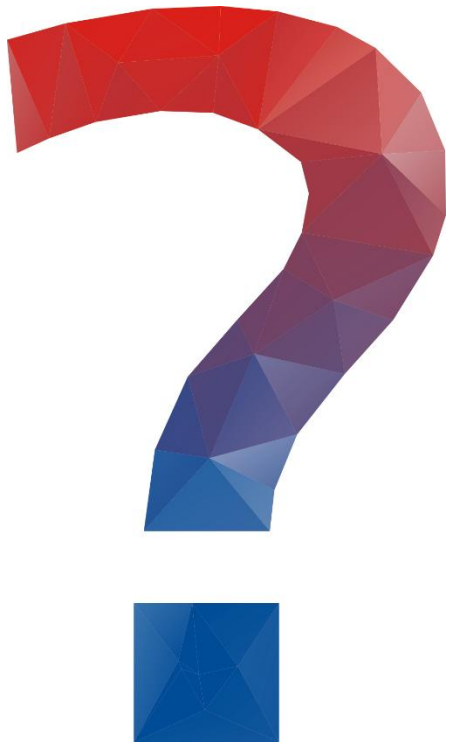
Successful adoption of AI means effective AI management

Three questions for the Board of Directors & the executive officers	Four key messages
1. Do we know where AI is being used in our bank?	• Different types of AI use require different controls
2. Do we understand the risks this poses?	• Governance is more important than the technology • Third-party risks are now a key issue
3. Can we take responsibility for the results at all times?	• Responsibility remains with the people

► FINMA expects banks to be able to understand the application of AI, be responsible for it and manage it with a risk-based approach



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THANK YOU!