AI And AML: Rulemakings Lean Into Responsible Innovation

By **Roberto Gonzalez, Sam Kleiner and Leo Tsao** (September 10, 2026)

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In June, the comment period closed on the most significant overhaul of anti-money laundering regulations in a generation.

In their proposed program rules, the U.S. Department of the Treasury's Financial Crimes Enforcement Network and the federal banking regulators signaled an embrace of financial institutions' use of artificial intelligence for AML compliance purposes. In their comment letters, trade associations supported this posture, while asking for further guidance on implementation.

In the coming months, FinCEN and the banking regulators are expected to finalize these rules, which will have a significant impact on how financial institutions — including banks, fintechs and crypto exchanges — integrate AI and other innovative technologies into their compliance programs.

These rulemakings, and the recent revision of model risk management guidance to exclude AI, signal an increasingly supportive environment for financial institutions deploying AI in AML compliance.

Federal regulators are increasingly emphasizing that they want to "support banks in implementing AI tools safely, effectively and efficiently," as Michelle Bowman, Federal Reserve vice chair for supervision, said May 1.[1]

At the same time, this encouraging environment makes AI governance increasingly important, as regulators have stressed the significance of "responsible innovation."[2]

Federal Regulators: From Caution to Active AI Embrace

Historically, regulators had been fairly cautious when it came to the use of AI for compliance purposes. In 2018, FinCEN and the federal banking regulators issued a joint statement encouraging financial institutions "to consider, evaluate and, where appropriate, responsibly implement innovative approaches" to meet their AML compliance obligations.[3]

The industry read this caveated guidance as cautious and limited support.[4] To encourage "technological innovation and the adoption of new technology by financial institutions," Congress passed the Anti-Money Laundering Act, but because regulators did not carry out some of its provisions, its impact has been fairly limited.[5]

For example, the law required Treasury to issue standards for testing Bank Secrecy Act compliance technology, including "innovative approaches such as machine learning."[6]

However, more than five years later, FinCEN has not issued those standards, leaving financial institutions to develop their own standards on how to document and validate their use of AI in their BSA programs.

Against this regulatory backdrop, financial institutions have taken notice of the shift in tone over the past year. The White House's July 2025 AI Action Plan made accelerating AI adoption, including in the financial sector, a national priority.[7]

Treasury Secretary Scott Bessent has said the Treasury "will continue working with the financial sector to ensure that regulatory approaches keep pace with technological developments and enable responsible AI adoption."[8]

In FinCEN's April 7 proposed AML program rule, it stated that it "encourages financial institutions to evaluate whether new technology or innovative approaches might help to more effectively combat financial crime," including "machine learning [and] generative artificial intelligence."

FinCEN issued the program rule in parallel with proposals from the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corp. and the National Credit Union Administration.

FinCEN also proposed to treat as a mitigating factor in enforcement whether "the bank is employing innovative tools such as artificial intelligence that demonstrate the effectiveness of the bank's [anti-money laundering and counterterror financing] program."[9]

While the proposed rule did not contain granular guidance, it was a notable statement that should provide assurance to financial institutions that the use of AI is being viewed positively by regulators.[10]

The comment period for the rule closed in June and it remains to be seen if the regulators will provide guidance on specific AI use cases in a final rule, which many trade associations requested.

Treasury has indicated, via a separate report, that it recognizes the validity of using AI for "completing case reviews, investigating suspicious activity, and even drafting suspicious activity report (SAR) narratives" — which should provide some assurance to financial institutions about responsibly using AI for these purposes.[11]

While it remains to be seen what exactly a final rule says and its level of detail regarding AI, financial institutions should ensure that any deployment of AI in their AML system is done responsibly, including through a clear framework for governance, testing and documentation.

Model Risk Management Recalibrated

Another significant development for financial institutions has been the updates from regulators on the model risk management guidance.

One constraint on the adoption of AI by financial institutions had been the model risk management guidance from the OCC, the Federal Reserve and the FDIC, which set out requirements for financial institutions' use of models, including detailed requirements on model validation.

While the model risk management guidance was originally issued in 2011 — well before the widespread use of generative and agentic AI — there had been concern in the industry that the regulators would view the requirements as applying to the use of AI.

To facilitate innovation and to "avoid impeding banks' use of AI," as Comptroller of the Currency Jonathan Gould put it,[12] the regulators issued revised model risk management on April 17 that stated that "generative AI and agentic AI models are novel and rapidly evolving. As such, they are not within the scope of this guidance."[13]

Instead, the model risk management guidance emphasized that the governance of these AI systems should be part of a bank's general risk management and governance processes.

On May 1, Bowman said supervisors had stretched the prior guidance "beyond its original purpose" and added: "Going forward, we expect other risk-management and governance practices to support adoption of generative and agentic AI in ways that will encourage ongoing innovation."[14]

The change to the model risk management guidance reinforces for financial institutions that regulators are supportive of the use of AI — and want to remove unnecessary fetters — but the expectation is that it is subject to the financial institution's general risk management and governance practices.

This is likely to be an area where the regulators issue additional guidance and the OCC has also signaled a forthcoming request for information on model risk management and AI, an opportunity for institutions to shape the regulatory approach.[15]

DOJ's Expectations on the Use of AI in Compliance

Although U.S. Department of Justice is not a banking regulator, its expectations matter because it frequently investigates how financial institutions run and resource their AML programs. In September 2024, the DOJ updated its Evaluation of Corporate Compliance Programs, which guides how prosecutors assess compliance programs, to explicitly address AI.[16]

The updated ECCP includes a number of questions that prosecutors would ask in the course of an investigation that provide helpful guidance for a financial institution to consider as it develops its AI framework:

- Whether management of AI risk is "integrated into the company's broader enterprise risk management strategies";
- Whether there are "controls in place to monitor and ensure its trustworthiness, reliability, and use in compliance with applicable law";
- How the company curbs "negative or unintended consequences" and mitigates "deliberate or reckless misuse"; and
- Whether a "baseline of human decision-making" is used to assess the AI's outputs and "how quickly ... the company [can] detect and correct" errant AI decisions.

Somewhat surprisingly, the DOJ's guidance on AI is more detailed than anything the federal banking agencies have issued, and it focuses on both the effectiveness of the AI system and the adequacy of human oversight.

Notably, the DOJ may view a compliance program that fails to use AI as inadequately resourced.

The ECCP directs prosecutors to evaluate whether there is proportionate resource allocation such that compliance has access to the same technology and resources as elsewhere in the company.

A company that invests in AI to "identify and capture market opportunities" without proportionate investment in compliance risks being viewed as having an "imbalance."

The DOJ has long emphasized data analytics as a critical part of a robust compliance program,[17] and a recent nonprosecution agreement required the company to "evaluate, periodically reassess and, where appropriate, apply and expand its respective artificial intelligence-based technologies" for compliance purposes.[18]

AI may also present prosecutors with novel issues where it is part of the conduct under investigation. Because an AI system cannot form criminal intent, prosecutors confronting violations caused by AI decision-making will likely turn to compliance-based charges, such as failure to maintain an adequate AML program — underscoring the importance of effective governance and documentation of how and why AI was used.

Looking Ahead

The direction of travel at the federal level is clear: FinCEN and the federal banking agencies have moved from cautious tolerance to active support for AI in AML compliance, but that support comes with a clear expectation of responsible innovation.[19]

With the final AML program rules still pending, the burden falls on financial institutions to build the governance, testing and documentation frameworks that will demonstrate to examiners and investigators that their use of AI was responsible. Institutions that build those frameworks now will be best positioned both to capture the efficiencies regulators are supporting and to defend their programs when AI systems err.

At the same time, many institutions must navigate a fractured landscape in which state regulators, such as New York's Department of Financial Services, have been less vocal in supporting the responsible use of AI. That leaves dually supervised institutions in a more uncertain position and could slow, or at least complicate, their integration of AI.

We will address more detailed practical considerations for financial institutions in the second part of this article.

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affiliates. This article is for general information purposes and is not intended to be and should not be taken as legal advice.

[1] Michelle W. Bowman, Vice Chair for Supervision, Fed. Reserve, "Artificial Intelligence in the Financial System," Remarks at the Financial Stability Oversight Council AI Conference (May 1, 2026), available at: https://www.federalreserve.gov/newsevents/speech/bowman20260501a.htm. Bowman chaired the FSB's Standing Committee on Supervisory and Regulatory Cooperation.

[2] OCC, "Semiannual Risk Perspective, Spring 2026" (May 2026), available at: https://www.occ.gov/publications-and-resources/publications/semiannual-risk-perspective/files/pub-semiannual-risk-perspective-spring-2026.pdf.

[3] Interagency "Joint Statement on Innovative Efforts to Combat Money Laundering and Terrorist Financing" (Dec. 3, 2018) https://www.fincen.gov/system/files/2018-12/Joint%20Statement%20on%20Innovation%20Statement%20%28Final%2011-30-18%29_508.pdf.

[4] In 2019, the Office of the Comptroller of the Currency ("OCC") issued a letter stating that that a bank could use automation to generate certain noncomplex suspicious activity report ("SAR") narratives and file them without a manual investigation. While this was encouraging, the scope was limited and the OCC stated that "more complex transactions and accounts" were beyond the scope of the letter. OCC, "Interpretive Letter #1166" (Sept. 27, 2019), https://www.occ.gov/topics/charters-and-licensing/interpretations-and-actions/2019/int1166.pdf.

[5] Anti-Money Laundering Act of 2020, Pub. L. No. 116-283, div. F, § 6002(3) (2021) (AML Act).

[6] AML Act § 6209.

[7] White House, "Winning the Race: America's AI Action Plan" (July 23, 2025), https://www.whitehouse.gov/wp-content/uploads/2025/07/Americas-AI-Action-Plan.pdf.

[8] Press Release, U.S. Dep't of the Treasury, "Treasury Concludes the Artificial Intelligence Innovation Series" (June 24, 2026), https://home.treasury.gov/news/press-releases/sb0540.

[9] FinCEN, Anti-Money Laundering and Countering the Financing of Terrorism Programs (Apr. 10, 2026).

[10] In July 2026, the Federal Reserve Board issued its own proposal, which was more restrained on AI and innovative technologies. Press Release, Federal Reserve Board, Federal Reserve Board requests comment on a proposal to amend its requirements for banks to maintain anti-money laundering programs (July 9, 2026) ("The Board recognizes that adopting new technologies for BSA compliance may not be suitable for all banks, particularly smaller ones...")

[11] U.S. Dep't of the Treasury, "GENIUS Act Illicit Finance Innovation Congressional Report" (Mar. 2026), https://home.treasury.gov/system/files/246/GENIUS-Act-Illicit-Finance-Innovation-Congressional-Report-March-2026.pdf.

[12] Gould, Testimony Before the H. Comm. on Fin. Servs. (June 4, 2026), https://docs.house.gov/meetings/BA/BA00/20260604/119353/HHRG-119-BA00-Wstate-GouldJ-20260604.pdf.

[13] OCC, "Bulletin 2026-13, Model Risk Management: Revised Guidance" (Apr. 17, 2026), https://www.occ.gov/news-issuances/bulletins/2026/bulletin-2026-13.html; Fed. Reserve, SR 26-2 (Apr. 17, 2026).

[14] Bowman, "Artificial Intelligence in the Financial System."

[15] OCC, "Semiannual Risk Perspective."

[16] U.S. Dep't of Justice, Criminal Division, "Evaluation of Corporate Compliance Programs" (updated Sept. 2024), https://www.justice.gov/criminal/criminal-fraud/page/file/937501/dl.

[17] See Paul Hastings, DOJ's Fraud Division Announces Its Priorities and Deepens the Department's Focus on Data Analytics (Aug. 25, 2026), https://www.paulhastings.com/insights/client-alerts/dojs-fraud-division-announces-its-priorities-and-deepens-the-departments-focus-on-data-analytics.

[18] U.S. Attorney's Office, District of Rhode Island, Letter re: "Alibaba.com U.S. LLC et al. Non-Prosecution Agreement" (June 29, 2026), https://www.justice.gov/usao-ri/media/1450606/dl?inline. Although the NPA arose under a different statute, it reflects DOJ's favorable view of AI in compliance programs.

[19] Michelle W. Bowman, "Artificial Intelligence in the Financial System," Remarks at the FSOC AI Conference (May 1, 2026), https://www.federalreserve.gov/newsevents/speech/bowman20260501a.htm.