

Michelle W Bowman: Responsible innovation and financial inclusion

Speech (via pre-recorded video) by Ms Michelle W Bowman, Vice Chair for Supervision of the Board of Governors of the Federal Reserve System, at "Next-gen financial inclusion", the third annual Financial Inclusion Conference hosted by the Federal Reserve Board, Washington DC, 14 July 2026.

* * *

Good afternoon, and thank you for joining us today at the Board's third annual Financial Inclusion Conference.^{[1](#)} While I am unable to join you in person, I wanted to highlight the importance of financial inclusion in building a strong and stable financial system and an economy that works for everyone.

Much of today's discussion will highlight how innovation enables financial inclusion. Banks are at the center of financial inclusion efforts, and one of the most powerful tools banks have to expand access and build a more inclusive financial system is through innovation. When banks innovate responsibly, they can build a faster and more efficient banking and payments system, lower costs, expand product availability to underserved consumers and businesses, and promote market competition. These outcomes advance financial inclusion by making useful, affordable financial services within reach of more Americans.

Enabling Innovation and Inclusion

As bank regulators and supervisors, the Federal Reserve has a role to play in encouraging responsible innovation while maintaining a safe and sound banking system. But it is important to be clear about what that role is-and what it is not. We can create a supportive regulatory environment by being receptive to new ideas and technologies. We can provide clarity on our expectations. But, ultimately, the decision of when and how to innovate rests with each bank and its management. They know their customers, their communities, and their risk appetite better than we do. Our job is to set clear expectations, be transparent, and not micromanage individual business decisions.

Responsible Adoption of Artificial Intelligence

A rapidly growing area of bank innovation is in the adoption of artificial intelligence (AI). AI applications hold real promise for expanding access to financial services and to help banks more effectively reach low- and moderate-income consumers. For example, AI can assist in expanding the availability of credit. AI is not the first technology with potential to expand access to credit for the "un-" or "underbanked." I have spoken before about alternative data as a potential opportunity for some consumers, like those with poor or no credit history but with sufficient cash flow to support loan repayment.^{[2](#)}

But AI could be used to further expand this access, as financial entities use more data sets and refine their understanding of creditworthiness. Of course, we also know that using AI in this context-in a way that has more direct impact on credit decisions affecting individual customers-presents more substantial legal compliance challenges than other AI use cases.

So, our goal must be to support responsible AI innovation. That starts with greater clarity on what level of oversight is appropriate for different AI applications. We recognize that smaller banks may not have access to the same resources as their larger peers but still need to innovate and provide modern technology to their customers. Therefore, it is necessary to ensure that our supervisory guidance does not hinder access to and the implementation of innovation. This includes emphasis on the flexibility to develop, implement, and manage AI to be consistent with their unique structure, business, and culture. It is also important that lower-risk uses of AI receive an appropriately calibrated supervisory and regulatory touch. Financial institutions should leverage their existing risk-management frameworks, adding appropriate enhancements and controls tailored to the specific risks that each AI application presents.

Building on this foundation, I have prioritized work on AI as the chair of the Financial Stability Board's (FSB) Standing Committee on Supervisory and Regulatory Cooperation. Earlier this month, the FSB published a report on "Sound Practices for Responsible Adoption of Artificial Intelligence (AI)," a balanced examination of both AI's potential benefits and the risks financial institutions need to manage.³

The report draws on real-world examples of how banks and other financial institutions are already using AI successfully and responsibly. Rather than prescribing one-size-fits-all requirements, it offers practical guidance that institutions can adapt to their specific circumstances and use cases. The FSB is seeking public comment through July 22.

That report also reflects our broader commitment of maintaining an ongoing dialogue between bankers and supervisors to ensure our approach keeps pace with innovation while safeguarding safety and soundness. We have been engaging with banks on AI for nearly a decade, and as use cases expand and technology evolves, that conversation becomes even more important.

Closing

In closing, I want to emphasize that responsible innovation and financial inclusion go hand in hand. When we provide clear regulatory expectations and focus supervision on material risks, banks can innovate to reach more Americans with affordable financial services. When we create unnecessary complexity or prescriptive requirements, we risk limiting the very innovation that can expand access.

Financial institutions of all sizes are experimenting with approaches that can broaden access and better serve their communities. Our job is to provide the clarity and flexibility they need to innovate responsibly within appropriate guardrails.

Thank you, and I hope you have a productive conference.

1 The views expressed here are my own and are not necessarily those of my colleagues on the Federal Reserve Board or the Federal Open Market Committee.

2 See Board of Governors of the Federal Reserve System, Consumer Financial Protection Bureau, Federal Deposit Insurance Corporation, National Credit Union

Administration, and Office of the Comptroller of the Currency, "[Interagency Statement on the Use of Alternative Data in Credit Underwriting \(PDF\)](#)," news release, December 12, 2019.

3 The report is available on the FSB's website at <https://www.fsb.org/2026/06/sound-practices-for-responsible-adoption-of-artificial-intelligence-ai-consultation-report>.