



INTERAGENCY SUPERVISORY GUIDANCE

# Revised Model Risk Management Guidance

SR 26-2 | OCC Bulletin 2026-13 | FDIC FIL

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STRATEGIC BRIEFING | Community and Regional Banks Under \$30 Billion in  
Assets

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# What we'll cover

01

## The April 17, 2026 bulletin in context

Why this matters for community and regional banks specifically.

02

## The \$30 billion threshold — read carefully

What the language actually says — and what it does not.

03

## Are you still in scope?

The carve-in conditions and a clear decision framework.

04

## Why model risk still matters

Safety-and-soundness, AI models, vendor models, and digital assets.

05

## What right-sized MRM looks like

A proportional approach for institutions under the threshold.

06

## How KDOA can help

Tailored services for community and regional banks.

# After 15 years, SR 26-2 updates the SR-11 Framework

April 17  
2026

Issued jointly by the Federal Reserve, OCC, and FDIC.

*Effective immediately. Rescinds three prior issuances.*

## What this means for you

- 1 SR 11-7 still provides the foundational conceptual framework.**  
It is expected to be most relevant to institutions over \$30 billion in total assets. Smaller banks have reduced MRM expectations.
- 2 But the door is not closed.**  
An explicit carve-in keeps smaller institutions in scope where activities or model use rise above community banking norms.
- 3 Safety-and-soundness obligations are unchanged.**  
Examiners will still look at model risk where material. The framework is lighter; the underlying duty is not.

# The threshold is a soft signal, not a bright line

## GENERAL APPLICABILITY • SR 26-2, Section II

*“This guidance is expected to be most relevant to banking organizations with over \$30 billion in total assets.”*

## THE CARVE-IN • SR 26-2, Section II

*“...this guidance also may be relevant to banking organizations with total assets of \$30 billion or less that have significant exposure to model risk because of the prevalence and complexity of their models or because of activities outside the scope of traditional community banking.”*

### Translation:

The threshold is a tailoring signal, not a categorical exclusion. Whether your institution is in scope depends on what you actually do with models — not just your asset size.

# When you remain in scope despite being under \$30B

*If any of the following apply, expect examiner interest in your model risk management to continue at a heightened level — and act accordingly.*



## Stablecoin or digital asset activities

Issuance, custody, or significant transactional exposure under the GENIUS Act or proposed OCC 12 CFR Part 15.



## Significant fintech partnerships

Banking-as-a-service, sponsor banking, or BIN sponsorship arrangements where models drive partner decisions.



## Complex credit products

Specialty finance, asset-based lending, structured products, or credit modeling beyond conventional underwriting.



## Heavy reliance on AI / ML tools

Beyond traditional credit scorecards — fraud detection, BSA/AML, customer analytics.



## Capital markets or trading activity

VaR, valuation, hedging, or counterparty exposure models, regardless of book size.



## Non-traditional services

Digital-only deposit channels, embedded finance, or cross-border services that move beyond community banking norms.

# Three paths for sub-\$30B institutions

Where does your institution sit? The right MRM posture depends on which of these three categories best describes your activities.

| PATH A  | PATH B   | PATH C  |
|---|--|---|
| <p><b>Reduced MRM expectations</b></p> <p><i>Traditional community banking</i></p> <hr/> <ul style="list-style-type: none"> <li>■ No fintech, crypto, or digital asset activity.</li> <li>■ Vendor-supplied core, conventional credit.</li> <li>■ Model use confined to community banking norms.</li> </ul> | <p><b>Partially in scope</b></p> <p><i>One or two carve-in factors</i></p> <hr/> <ul style="list-style-type: none"> <li>■ Single fintech partnership or specialized lending.</li> <li>■ Limited AI / ML deployment.</li> <li>■ Modest deviation from community norms.</li> </ul> | <p><b>In scope</b></p> <p><i>Multiple carve-in factors</i></p> <hr/> <ul style="list-style-type: none"> <li>■ Stablecoin, digital asset, or capital-markets exposure.</li> <li>■ Multiple fintech partnerships at scale.</li> <li>■ Material AI / ML or specialty-credit dependence.</li> </ul> |
| <p><b>WHAT TO DO</b></p> <p>Maintain proportional documentation; prepare to demonstrate scope rationale to examiners.</p>   | <p><b>WHAT TO DO</b></p> <p>Right-sized MRM program covering material models..</p>   | <p><b>WHAT TO DO</b></p> <p>Apply the full SR 26-2 framework. Asset size below threshold provides no material relief.</p>   |

# Why model risk management still matters

## THE COMMON MISREAD

*“We’re under \$30 billion, so we don’t need to invest in MRM anymore.”*

This reading misses the point. The bulletin tailors the prescriptive framework. It does not change the underlying obligation to manage model risk where models drive consequential decisions.

## Four reasons MRM still matters

- 1 Safety-and-soundness duty endures.**  
Examiners retain authority to act on unsafe practices stemming from poor model risk management — explicitly preserved in the bulletin.
- 2 Models cause real losses regardless of size.**  
Mispriced credit, miscalibrated allowances, and BSA/AML false negatives don’t care about your asset bucket.
- 3 AI tools still need governance.**  
The gen / agentic AI carve-out applies to all banks. If you use AI tools, these are explicitly scoped in under SR 26-2.
- 4 Vendor models still need oversight.**  
Most community banks rely heavily on vendor models. Vendor relationships do not transfer model risk; they transfer dependency.

# Generative and agentic AI — carved out for everyone

*Generative AI and agentic AI models are novel and rapidly evolving. As such, they are not within the scope of this guidance. Nonetheless, a banking organization's risk management and governance practices should guide the determination of appropriate governance and controls for any tools, processes, or systems not covered in this document.*

SR 26-2, Footnote 3

## AI tools you may already use

- Customer service chatbots
- AI-assisted underwriting tools
- Fraud detection ML
- Vendor-supplied agentic systems
- Generative AI for documentation

## Why governance still applies

- These tools influence consequential decisions.
- Bias, hallucination, and drift are real risks.
- Vendor accountability is not transferable.
- Your customers are still your customers.

## What you should consider

- AI inventory — can be distinct from model inventory.
- AI governance policy.
- Reasonable controls of AI tools/models.
- Board awareness and reporting.

# Stablecoin and digital asset activity — a separate regime

*If your institution issues, custodies, or transacts in stablecoins or digital assets, your model risk management obligations are driven by overlapping regulatory regimes — not just SR 26-2.*

## STATUTE

### GENIUS Act

Federal stablecoin framework governing issuance, reserve composition, and risk management for permitted issuers.

## REGULATION

### OCC 12 CFR Part 15

Proposed rule establishing model risk management expectations for national bank stablecoin issuers — prescriptive in places where SR 26-2 is principles-based.

## GUIDANCE

### SR 26-2 (this bulletin)

Silent on stablecoin and digital assets specifically. Traditional MRM principles apply where models drive consequential decisions in these activities.

## BOTTOM LINE

Asset size below \$30B does not exempt digital-asset-active institutions from rigorous MRM. The supervisory expectation comes from the activity, not from the bulletin.

# What proportional MRM looks like

For institutions in Path A or Path B, a leaner program built on the principles in SR 26-2 is appropriate — lighter on prescription, heavier on documented judgment.

| DIMENSION                 | HEAVY SR 11-7 ERA                                       | RIGHT-SIZED SR 26-2  |
|---------------------------|---|--|
| <b>Inventory scope</b>    | Capture every spreadsheet, EUC, and rules engine.       | Capture all models per the narrowed definition                   |
| <b>Documentation</b>      | Comprehensive development binders and validation tomes. | Sufficient documentation to understand and challenge model risk. |
| <b>Validation cadence</b> | full validation regardless of materiality.              | Risk-based cadence; deeper review for high-materiality models.   |
| <b>Independence</b>       | Separate validation team with strict org separation.    | External or co-sourced validation where rigor is preserved.      |
| <b>Reporting</b>          | Lengthy quarterly board packs.                          | Concise materiality-tiered reporting; aggregate risk dashboard.  |

# Tailored for community and regional banks

01

## Scope decision memo

Documented assessment of where your institution sits across Paths A, B, and C — examiner-ready.

02

## Right-sized MRM framework

Lean policy, inventory, and validation program calibrated to your actual model risk.

03

## Agentic AI governance for the rest of us

NIST AI RMF-aligned governance for community banks deploying chatbots, fintech tools, or AI-assisted workflows.

04

## Vendor model oversight

Practical vendor model assessment and ongoing monitoring — the dominant model risk for most community banks.

05

## Stablecoin / digital asset MRM

If your institution is in this space, dedicated services addressing GENIUS Act and 12 CFR Part 15 alignment.

06

## Model IQ for community banks

Inventory and validation workflow at a community-bank price point and operational footprint.

Active community and regional bank engagements include Texas Bank & Trust, Cornerstone Bank SSB, and others



# Right-sized model risk management for your institution.

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KDOA helps community and regional banks make defensible scope decisions, build right-sized MRM programs, and address the AI and digital asset gaps that asset size alone does not solve.

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