Hemp Regulation, AI Governance, and Emerging Risk Trends

Quarterly perspective and practical considerations for the year ahead

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EXECUTIVE SUMMARY

As financial institutions continue navigating an increasingly complex operating environment, management teams and boards face a growing need to identify emerging risks before they become examination findings, operational disruptions, or strategic challenges.

This quarter's Risk Monitor highlights three areas deserving immediate attention:

- Federal regulatory changes affecting hemp-derived cannabinoid businesses.
- Continued expansion of artificial intelligence (AI) use throughout financial services.
- The increasing importance of proactive risk identification and governance oversight.

While each topic presents unique considerations, all share a common theme: institutions that maintain effective governance, documented risk assessment processes, and strong oversight mechanisms are generally better positioned to adapt to emerging developments.

EMERGING RISK 01

Hemp-Derived Cannabinoid Regulatory Changes

Recent federal legislative developments continue to reshape the hemp-derived cannabinoid marketplace.

Congress amended the federal definition of hemp and established new restrictions that may significantly affect products previously marketed as lawful hemp-derived cannabinoid products. Changes include adoption of a broader total-THC standard and restrictions on certain synthesized cannabinoids. The revised framework is expected to affect portions of the hemp-derived cannabinoid industry and may impact businesses currently operating within that sector.

Why It Matters

Financial institutions providing services to hemp-related businesses should consider:

- Customer due diligence implications
- Commercial lending exposure
- Merchant processing relationships
- Reputation risk considerations
- Regulatory change monitoring processes

Management Considerations

Management should determine:

- Whether customer portfolios include affected businesses
- Whether risk assessments adequately address hemp-related industries
- Whether monitoring practices remain appropriate given evolving regulations

EMERGING RISK 02

Artificial Intelligence Governance

Artificial intelligence continues to move from experimental technology to operational reality.

Organizations across industries are leveraging AI-enabled solutions to improve efficiency, automate workflows, enhance customer service, and support decision-making processes.

However, implementation of AI tools introduces important governance considerations.

Key Risk Areas

- Data privacy concerns
- Information security considerations
- Model reliability
- Vendor oversight responsibilities
- Consumer protection implications
- Governance and accountability

Board and Management Expectations

Effective governance typically begins with understanding where AI is being utilized throughout the organization. Boards and management should consider:

- Establishing an inventory of AI-enabled systems
- Defining governance responsibilities
- Incorporating AI into enterprise risk assessments
- Reviewing applicable vendor oversight practices

Key Question

Does management have sufficient visibility into how AI tools are being used across the organization and by critical service providers?

EMERGING RISK 03

Examination Readiness Between Examination Cycles

Recent regulatory changes expanded eligibility for the extended 18-month examination cycle for certain qualifying community financial institutions by increasing the asset threshold from $3 billion to $6 billion, subject to existing eligibility requirements.

While additional time between examinations may reduce administrative burden, institutions should not interpret an extended examination cycle as reduced supervisory expectations.

Federal banking agencies have indicated that off-site supervisory monitoring will continue between scheduled examinations.

Management Considerations

Institutions should continue to maintain:

- Current risk assessments
- Strong board reporting
- Regulatory change management programs
- Vendor oversight activities
- Documentation supporting risk decisions

Q4 Governance Questions for Boards and Senior Management

Management and governing bodies should consider the following questions:

Strategic Risk

- Have emerging risks been incorporated into strategic planning discussions?
- Are new industry developments being evaluated consistently?

Compliance Risk

- Have recent regulatory developments been evaluated for operational impact?
- Are policy updates required?

Operational Risk

- Are third-party providers introducing new risks through technology adoption?
- Is ongoing monitoring sufficient?

Governance

- Does the board receive meaningful risk reporting?
- Are emerging risks discussed regularly?

Recommended Actions for Q4 2026

FIRST PRIORITY

Conduct an emerging risk review focused on:

- Hemp-related regulatory developments
- Artificial intelligence implementation
- Third-party technology providers

SECOND PRIORITY

Evaluate current risk assessment methodologies to determine whether emerging risks are adequately captured and monitored.

THIRD PRIORITY

Ensure management reporting includes discussion of significant regulatory or industry developments affecting the institution.

FOURTH PRIORITY

Review examination readiness processes and documentation practices in preparation for future supervisory activities.

Looking Ahead

As institutions prepare for 2027 planning activities, management should expect continued attention on:

- Artificial intelligence governance
- Third-party risk management
- Cybersecurity oversight
- Regulatory change management
- Operational resilience

Organizations that establish structured governance processes around emerging risks will be better positioned to adapt to future regulatory expectations and industry developments.

Related Resources

Coming this quarter:

Federal Hemp Regulatory Changes and Banking Implications

Community Bank Implications of Expanded 18-Month Examination Eligibility

Top Emerging Risks Financial Institutions Should Monitor in 2027

Maintaining Examination Readiness Between Examination Cycles

About McGrew Consulting & Signing Services

McGrew Consulting & Signing Services provides compliance, risk management, examination readiness, vendor management, and professional signing support services. Our goal is to help organizations navigate operational and regulatory challenges through practical, risk-focused guidance.

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Sources and Further Reading

McGrew Consulting Quarterly Risk Monitor | Q4 2026

EMERGING RISK 1 | HEMP-DERIVED CANNABINOID REGULATION

- Change to Federal Definition of Hemp and Implications for Federal Enforcement — Congressional Research Service, December 2025.
- Changes to the Statutory Definition of Hemp and Implications for Agricultural Policy — Congressional Research Service, updated September 28, 2026.
- Federal Intoxicating Hemp Ban Changes Pushed Back Until December 11, 2026 — Cannabis Law Blog, September 2026.

EMERGING RISK 2 | ARTIFICIAL INTELLIGENCE GOVERNANCE

- NIST AI Risk Management Framework — National Institute of Standards and Technology. Voluntary guidance for managing AI risks.

EMERGING RISK 3 | EXPANDED EXAMINATION CYCLE ELIGIBILITY

- Agencies Reduce Regulatory Burden for Community Banks, Increase Eligibility for 18-Month Exam Cycle — Federal Reserve, FDIC, and OCC, September 10, 2026.
- Expanded Examination Cycle Eligibility: Interim Final Rule — OCC Bulletin 2026-45, September 10, 2026.

Source links are provided for reader reference. Regulatory requirements and implementation dates may change; consult the cited materials and appropriate professional advisors for current information.