INSTITUTIONAL WORKFLOW AND AUTOMATION

Where a Physical Fact Enters a Lender's Controls

Where scoped independent evidence enters lender controls, and the three boundaries it cannot cross.

RESEARCH AS AT

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Four bodies of published supervisory guidance, read for where a physical finding sits in the credit control chain.

ABSTRACT

Independent physical evidence about equipment has to enter a lender's controls somewhere, or it does not enter at all. This paper reads four bodies of published supervisory guidance and establishes three findings about where. The guidance already separates origination, credit analysis, approval and continuing administration, requires identifiable decision authority for each, and states that collateral cannot substitute for a borrower assessment - so a physical finding has a defined place, and that place is not the credit decision. The nearest established precedent is the asset-based lending field audit, a servicing and borrowing-base control rather than a funding gate. And the current US model-risk guidance expressly excludes generative and agentic AI from its scope, so a workflow using automated extraction to read a financing clause has no supervisory cover for that step.

01	02	03
Reviewed requirement	Qualified finding	Recipient review and action

Conceptual sequence. Independent evidence does not replace the recipient's decision.

Edition and research provenance

Research as at 1 August 2026. The evidence set is supervisory guidance in the fixed editions published on or before that date; nothing later is used. Company-authored research, not peer-reviewed. Not legal advice.

Research scope: Findings drawn from published banking guidance on the separation of physical evidence from credit authority. No bank deployment, contractual recognition or financing improvement is reported.

1. Principal findings

Finding 1 - The separation of evidence from authority is already in the guidance, with an owner named at each stage. The Basel Committee's credit-risk principles distinguish origination, credit analysis, approval and continuing administration; call for identifiable decision authority and a recorded approval history; and state that collateral cannot replace a comprehensive assessment of the borrower. [1] An equipment schedule declares what is associated with a transaction. A qualified examination addresses a bounded physical claim. The lender determines what either means. Agreement between the first two does not settle the third, and any provider positioning its output at the third has mis-specified its role against the guidance the bank is examined on.

Finding 2 - The established precedent is the ABL field audit, and it is a servicing control. The OCC's asset-based lending booklet treats field audits, collateral reporting and borrowing-base controls as routine activities, and ties the availability formula and supporting documentation to the transaction's terms. [2] This is the closest existing home for specialist physical evidence in a credit file. It is also the boundary: nothing in the booklet makes a GPU examination a field audit, or GPUs eligible under any particular facility, and a field audit informs continuing availability rather than authorising a draw.

Finding 3 - Model-risk guidance gives no cover to AI-read contract terms. The April 2026 US supervisory guidance on model risk management explicitly excludes generative and agentic AI from its scope while pointing to appropriate governance for tools outside it. [5] It therefore cannot be cited as supervisory approval of automated contract interpretation. An extraction tool may propose a clause or a locator; a responsible person has to confirm the requirement, and extraction confidence confers neither physical credibility nor credit authority.

2. Fit an existing control, not a universal pass

The first question is not whether a certificate could approve a loan. It is whether a well-defined physical-evidence task can be completed once, reviewed properly, and retained in the credit file without its conclusion being confused with the other decisions around it.

That requires identifying the actual missing task before offering to perform one. The candidates are a defined delivery condition, an exception requiring investigation, or a requirement to obtain updated technical evidence. Where existing work already answers the question adequately, a further report adds cost rather than support - and Finding 2 is the reason to expect existing work to be there: field audits and collateral reporting are not novel.

The chain the guidance implies:

Source clause ⊠ reviewed requirement ⊠ physical scope ⊠ finding ⊠ recipient policy ⊠ credit decision ⊠ servicing.

The source clause needs a document version and a precise locator. The reviewed requirement needs an accountable recipient who confirms the interpretation - this is the step Finding 3 says cannot be automated away. The physical scope needs an examiner who can state what is and is not examinable. A report that skips either review answers a technically interesting question the financing documents never asked.

Decision gate	Responsible role	What moves forward
Requirement agreed	Lender's document or condition owner	Confirmed task, clause and document revision
Examination feasible	Qualified technical reviewer	Identified segment, event window, access and exclusions
Finding issued	Independent examiner and reviewer	Supported conclusion, limitations, unresolved evidence
Evidence task reviewed	Credit analyst or collateral officer	Recorded treatment of that specific condition
Credit action authorised	Delegated lender decision-maker	Decision considering all remaining conditions
Action administered	Loan operations or servicer	Authorised booking, notice or disbursement

The allocation creates no appointment, inspection right or servicing authority. Titles, delegated powers and combinations of roles vary by institution.

3. What the handoff looks like when the boundaries hold

Take an equipment facility whose draw checklist requires evidence concerning a dedicated GPU block at an identified site. The lender confirms the question before the examination. The examiner issues a consistent finding within the agreed event scope. The lender's separate insurance-documentation condition remains unresolved. The technical task is complete and reviewed; the draw is not authorised. Both statements are true at once, and Finding 1 is why they have to be recorded separately rather than reconciled into a single status.

A workable handoff is a controlled report and a matching tabular schedule through an approved channel, with the package and responsible reviewer identified. The schedule carries the facility reference; source document and clause; examined block and observation window; report identifier and revision; the finding; limitations or missing evidence; and the recipient's review reference. The signed report stays available. None of it is a payment instruction, and a consistent result establishes nothing about valuation, title, lien priority, future utilisation or repayment capacity.

The same discipline governs an adverse or insufficient result. Its presence generates the agreed review task; it does not disappear because it cannot support the requested draw. A lender's decision to request further work has to stay distinguishable from an examiner changing a finding.

4. Once admitted, the data controls apply

BCBS 239 addresses data ownership, consistent definitions, reconciliation, and controls over manual processing, and recognises a place for human judgement alongside reliable automated aggregation. [3] Its bearing here is the handling of information after admission to institutional systems, not validation of the physical examination behind it.

Applied to the handoff: report and schedule identify the same scope and revision; preparer and reviewer reconcile discrepancies before release; a recipient can distinguish a retransmission from a replacement; an unresolved identity mismatch stays visible rather than being repaired by inferring which facility was intended.

On correction, retain the original, the reason, and the replacement or withdrawal notice. Identify who received the affected version and record the follow-up. A later examination does not erase earlier adverse history, and a result from a superseded configuration does not silently become evidence about a changed installation.

Disclosure carries its own permission boundary. An authorised lender summary does not imply access to unrelated tenant records or to protected method. Permitted purpose, recipients, retention and correction route are agreed before the material is used. The 2023 interagency third-party guidance supplies the institutional frame for assessing an external provider across selection, contracting, monitoring and termination, and is explicit that outsourcing does not remove the bank's own responsibilities. [4]

5. Automate transport, not authority

The first useful test does not connect to a production loan system. A controlled document review establishes whether the output answers the lender's question at all. A later approved file import reduces re-entry, but the recipient still confirms field meanings, identifiers and exception handling.

Automation has to keep four events distinct: receiving a package, validating its format, reviewing the evidence, and authorising action. A successful transfer proves transfer. A correctly parsed conclusion does not satisfy an unrelated financing condition. Any consequential rule needs an authorised owner, a documented basis, and a way to stop processing when required information is missing - and per Finding 3, the step that reads the clause is the one that most needs a name attached to it.

6. What follows

The three findings describe an opening and its shape. Published guidance provides a plausible place for scoped physical evidence and no automatic right of entry to it. The credible route is the one the guidance already implies: an agreed task, a qualified finding, recipient review, and a separately authorised consequence.

Two paths lead from there, and this paper does not choose between them.

The first: the field audit is enough. Where a facility already runs collateral reporting and periodic field examination, the physical question is covered by an established control with a known owner, and a specialist examination is duplication.

The second: coverage is conditional on the asset being one the existing control can actually examine. A field audit verifies existence, location and condition against records. Where the material question concerns configuration, interconnect topology, firmware level, sustained thermal behaviour under load, or whether delivered equipment matches a pre-procurement specification, the question is not a records comparison and the established control was not built for it.

Testable claim: on facilities secured by accelerated-compute equipment, the borrowing-base and field-audit procedures in use will be found to verify identity, count and location but not configuration or sustained performance against specification. That is a documentary question answerable from facility agreements and audit scopes, and it has not been examined here.

7. Limits

Four bodies of published guidance are read; none endorses any evidence provider, and none is legal advice. The Basel principles, the OCC booklet, BCBS 239 and the interagency third-party guidance describe institutional boundaries - they are used to locate a role, not to establish that a GPU examination satisfies any of them. The April 2026 model-risk guidance is cited only for the scope exclusion it states on its face.

The worked handoff in section 3 is an illustrative operating arrangement, not a released product, a standard file format, or a bank interface. No bank deployment, contractual recognition, adopted reliance or financing improvement is reported, and no days saved, rate reduction, increased advance or loss-rate improvement can be inferred from a coherent workflow. Findings 1 to 3 are statements about what the cited guidance says; the inferences drawn from them about an evidence provider's role are argument, and are marked as such.

References

Fixed public editions as published by the cutoff. Institutional precedent, not legal advice.

1. Basel Committee on Banking Supervision. Principles for the Management of Credit Risk. Published 30 April 2025; April 2025 edition. Paragraph 25; Principles 6 and 8, paragraphs 33-41, printed pp. 6-9. https://www.bis.org/publications/202504-guidelines-principles-management-credit-risk.pdf.

2. Office of the Comptroller of the Currency. Comptroller's Handbook: Asset-Based Lending. Version 1.1, 27 January 2017; original publication 27 March 2014. "Loan Agreements" and "Field Audits", printed pp. 21-23; revision table, p. 78. https://www.occ.treas.gov/publications-and-resources/publications/comptrollers-handbook/files/asset-based-lending/pub-ch-asset-based-lending.pdf.

3. Basel Committee on Banking Supervision. Principles for Effective Risk Data Aggregation and Risk Reporting. Published 9 January 2013; BCBS 239, January 2013 edition. Principles 2-3, paragraphs 33-40. https://www.bis.org/publications/201301-guidelines-principles-effective-risk-data-aggregation-and-risk-reporting.pdf.

4. Federal Reserve Board, FDIC and OCC. Interagency Guidance on Third-Party Relationships: Risk Management. Published 9 June 2023; 88 FR 37920, document 2023-12340. Final guidance, sections A-C, pp. 37927-37935. https://www.govinfo.gov/content/pkg/FR-2023-06-09/pdf/2023-12340.pdf.

5. Federal Reserve Board, FDIC and OCC. Supervisory Guidance on Model Risk Management. Published 17 April 2026; SR 26-2 attachment. Sections II-III, especially p. 3, footnote 3. https://www.federalreserve.gov/supervisionreg/srletters/SR2602a1.pdf.