



# Polling Question

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On a scale of 1 to 5, how much efficiency improvement do you expect AI to bring to key operational processes within your financial institution over the next 2 years?

- 1) No significant improvement expected
- 2) Minor improvements in select areas
- 3) Moderate enhancements across several processes
- 4) Substantial efficiency gains in multiple operations
- 5) Transformational improvements across the board

# AI Powered Audit and Risk: Efficiency, Risks, and Precautions

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# Disclaimer

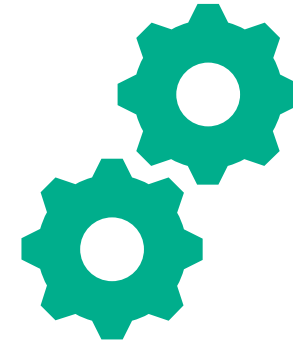
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# Understanding AI



AI in Banking



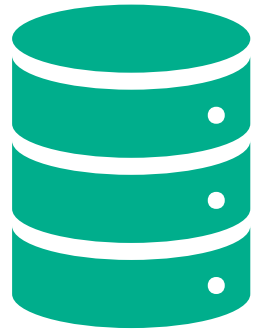
AI's impact on the industry

# EVOLUTION OF AUDITS

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# Key AI Technologies in Banking



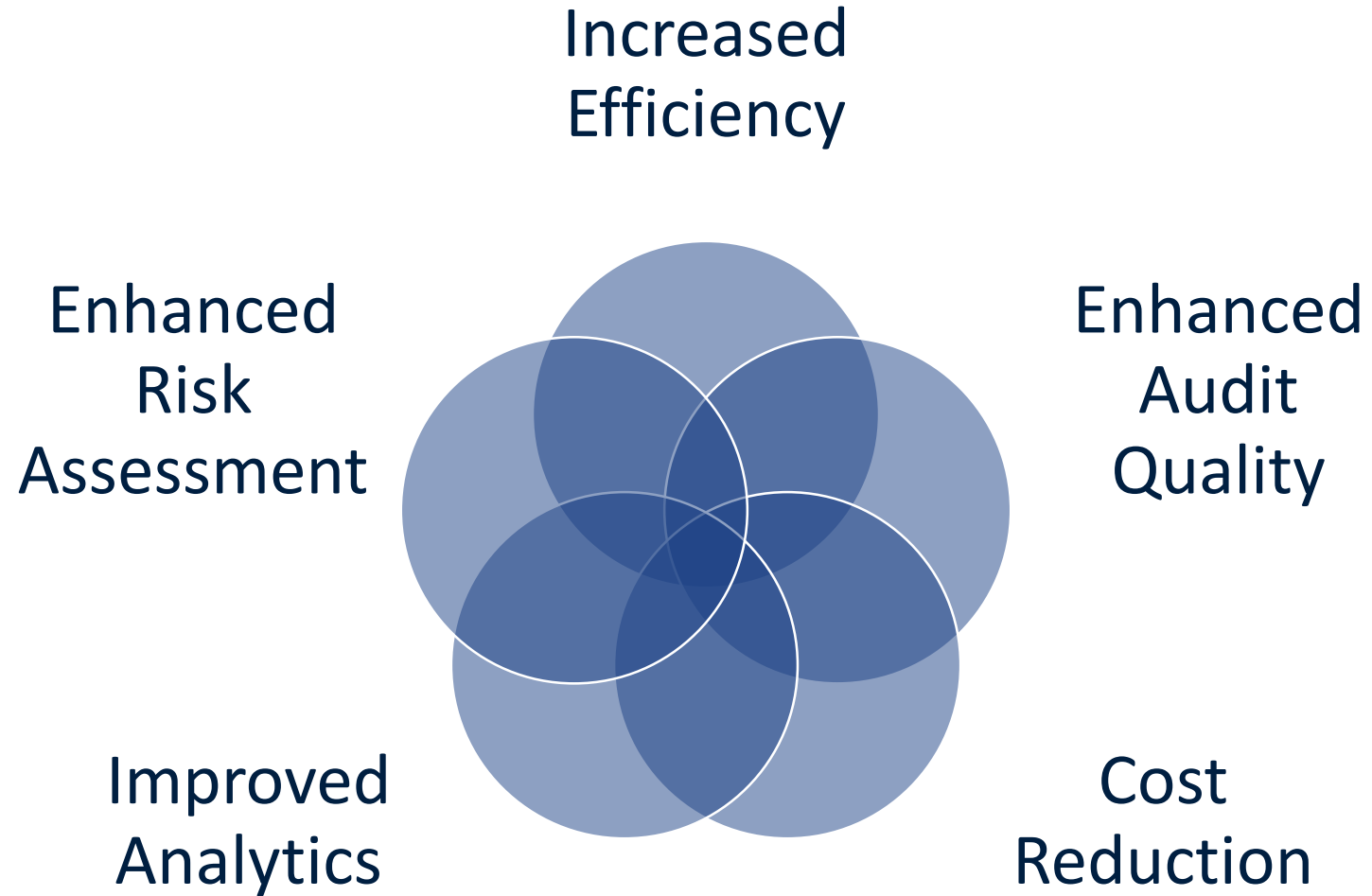
Data Inputs



Data insights

# Advantages of AI in Audits

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# EXAMPLES OF AI IN AUDITS

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Data Analytics

Natural  
Language  
Processing

Predictive  
Analytics

Robotics  
Process  
Automation

Machine  
Learning



# AI for Risk Management Teams

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Credit  
Decision-  
Making

Fraud  
Detection

BSA/AML  
Compliance

# Challenges with AI





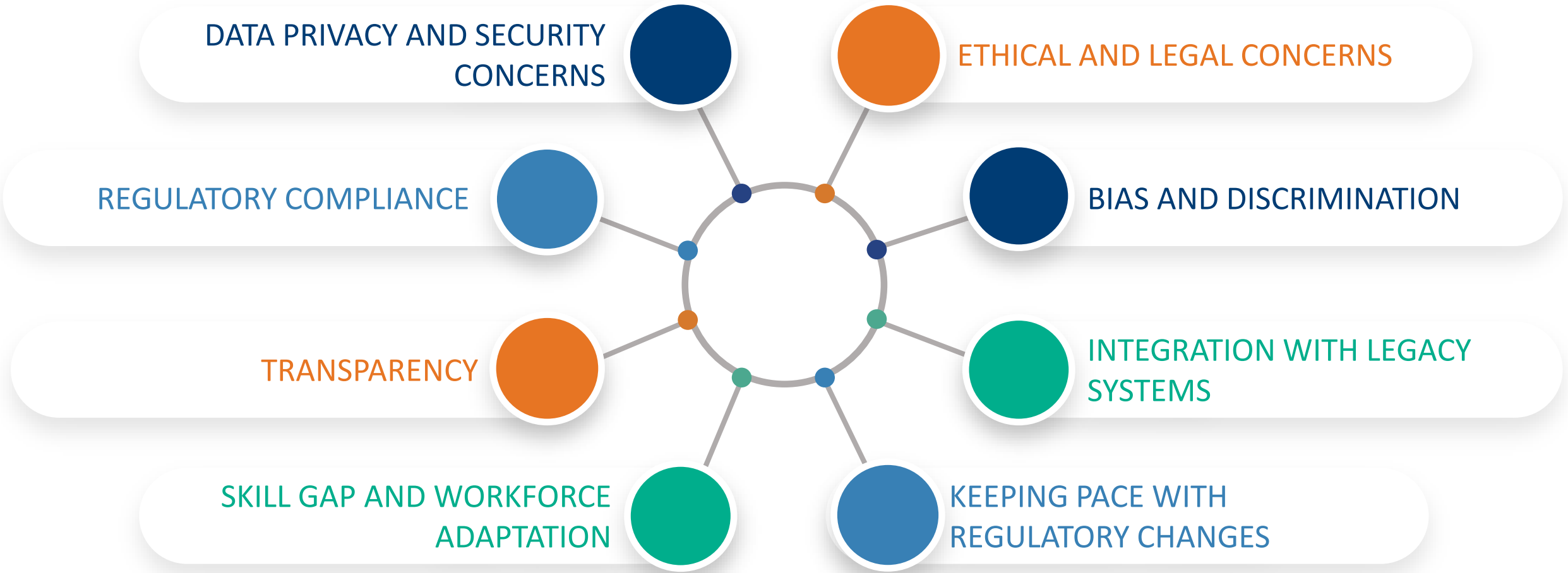
# Polling Question

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How do you perceive the level of risk associated with adopting AI technologies in your financial institution?

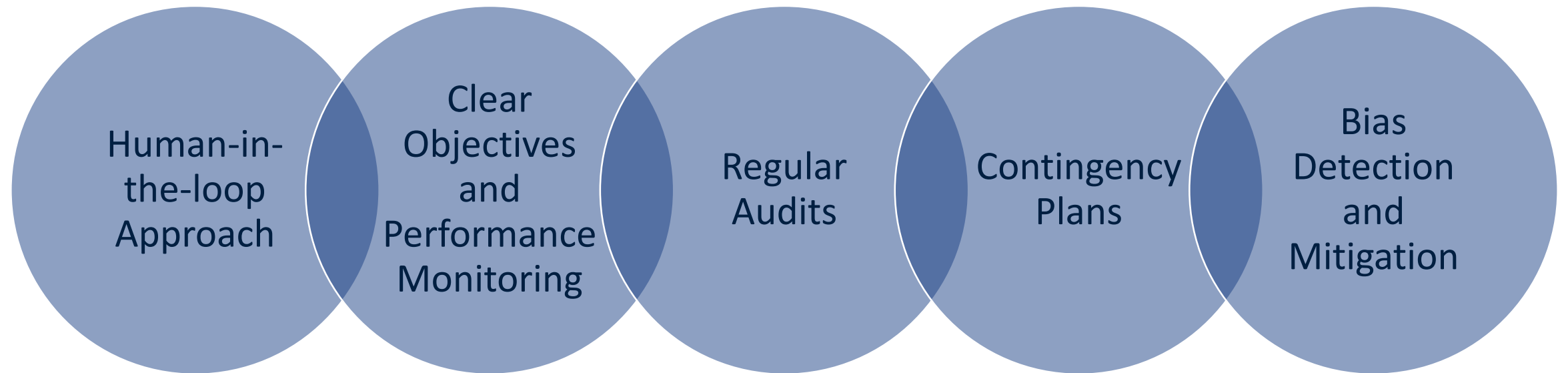
- 1) Low Risk: AI adoption is seen as low-risk, with manageable challenges.
- 2) Moderate Risk: There are concerns about risks, but they are navigable with careful planning and monitoring.
- 3) High Risk: Significant concerns exist about the potential risks and challenges associated with AI adoption.
- 4) Uncertain: Unsure about the level of risk AI adoption poses to the institution

# PITFALLS AND AVOIDANCE STRATEGIES



# Precautions to Consider

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# Future Trends



Image generated by OpenAI DALL-E 3

# Let's Test This Out




**Question for AI: If it is our Bank policy to not originate loans to insiders, do we still need to complete annual questionnaires?**

# Let's Test This Out, *continued*



**Sources**

<b>Insider Lending: What It is, How It Works -...</b> investopedia · 1	<b>Insider Loans (Regulation O) - OCC.gov</b> occ.treas · 2	<b>Reg O-Annual Survey Sample - Bankers Online</b> bankersonline · 3	 View 12 more
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**Answer**

If your bank has a policy of not originating loans to insiders, you are still required to complete annual questionnaires. This requirement is mandated by Regulation O, which applies to all member banks of the Federal Reserve System, as well as insured state nonmember banks and savings associations. Regulation O requires banks to identify all insiders through an annual survey and maintain records of any extensions of credit to insiders, even if no such loans are made <sup>6</sup> <sup>14</sup>.

The purpose of these annual questionnaires is to ensure compliance with Regulation O and to verify that no prohibited loans have been extended to insiders. This process involves collecting information about the bank's insiders, which includes executive officers, directors, and principal shareholders, and ensuring that any potential conflicts of interest or violations of the regulation are identified and addressed <sup>6</sup> <sup>7</sup>.

Therefore, even if your bank does not originate loans to insiders, completing the annual questionnaires is a necessary compliance measure to demonstrate adherence to regulatory requirements and to maintain transparency and accountability within the institution.



# Let's Test This Out, *continued*



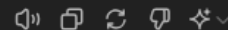
OpenAI  
ChatGPT **4.0**



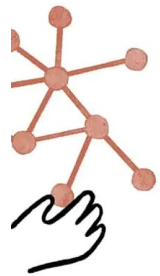
Yes, even if your bank's policy is to not originate loans to insiders, it is still important to complete annual questionnaires. These questionnaires are typically a regulatory requirement and serve several purposes:

1. **Compliance:** They ensure that the bank is in compliance with regulatory requirements and can provide evidence of this compliance if audited.
2. **Transparency:** They help maintain transparency within the organization regarding insider relationships and potential conflicts of interest.
3. **Documentation:** They provide documented evidence that the bank is adhering to its policies and procedures.
4. **Risk Management:** They help in identifying and managing any potential risks associated with insider relationships, even if no loans are being originated.

By completing these questionnaires annually, the bank demonstrates its commitment to regulatory compliance and good governance practices.

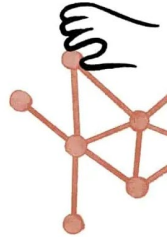


# Let's Test This Out, *continued*



**Claude**

ANTHROPIC



Even with a policy against insider loans, it's still advisable to complete annual questionnaires because:

1. It demonstrates regulatory compliance
2. Verifies policy adherence
3. Aids in risk management
4. Promotes transparency
5. Supports auditing processes
6. Meets potential regulatory expectations during examinations

These questionnaires serve as documentation and a safeguard, even when no insider loans are made. However, for specific requirements, consult your bank's legal or compliance team.

Copy Retry



Claude can make mistakes. Please double-check responses.

elliott davis

# Live Demo

(if the Wi-Fi works ;))

# Regulatory Perspectives



Image generated by OpenAI DALL·E 3



# Polling Question

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Which precautionary measures do you believe are most crucial for successful AI implementation in financial institutions?

- 1) Strict regulatory compliance and oversight
- 2) Robust data privacy and security protocols
- 3) Continuous monitoring and auditing of AI systems
- 4) Comprehensive staff training and upskilling programs

# Questions?

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