

## 5 KEY TAKEAWAYS

### Risks Facing Banks Today

Kilpatrick Townsend's [Gary Bronstein](#) recently joined a panel of other industry leaders at "[The Bank Director: Bank Audit and Risk Conference](#)". The panel discussed the countless risks facing banks today and what banks can do to mitigate risks as efficiently and effectively as possible. The conference could not have been scheduled for a better time now that the bank regulators are being more assertive about scrutinizing risk at all banks following the recent bank failures. The audience was primarily comprised of bank directors who sit on audit and risk committees.

Mr. Bronstein provides these key five takeaways from the presentation:

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While we discussed the key risks facing banks today, such as liquidity, credit, particularly commercial real estate loans, interest rate risk resulting from the recent rapid increase in interest rates by the Fed, third-party vendor risk, and consumer compliance, the importance of the board governance process overseeing risk was stressed.

There was discussion about artificial intelligence (AI) risk, how banks may be using it, and whether third-party vendors are using AI. There are many ways to use AI to create efficiencies and the challenge is that it is potentially fraught with risk and much is still unknown. For example, there are significant privacy risks especially if customer data is involved and, if it is being used by third-party vendors, due diligence is critical.

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The Consumer Financial Protection Bureau is very concerned about discriminatory practices when underwriting loans. The use of AI in loan underwriting may prove to be a trap for those that are not fully informed.

We discussed what we learned from the recent bank failures. With the dominance of social media and mobile banking, a bank run can happen much faster today than any time in history.

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As a result of recent bank failures, bank directors must monitor the levels of uninsured deposits, deposit concentrations, deposit withdrawals, sources of liquidity, and interest rate risk.

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