

BankDirector

Breakout 3:
**Generative AI: Risk and
Opportunities – What
Bankers Should Know**

Canh Tran

Rippleshot

Sarah Grooms

*Wintrust Financial
Corporation*

#BDAudit24



Generative AI – Opportunities & Risks

BankDirector Audit and Risk Conference
Chicago, June 11-12

Canh Tran – CEO Rippleshot

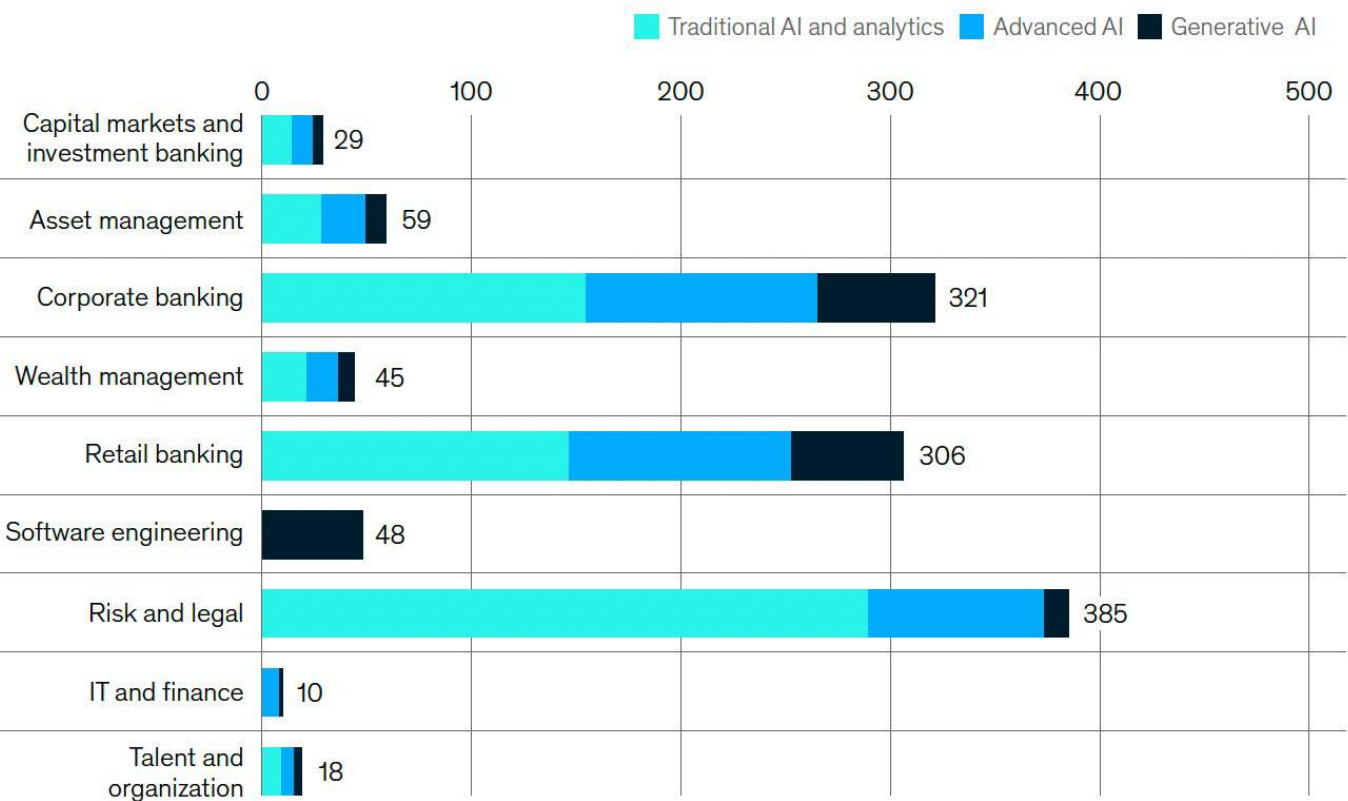
Sara Grooms – SVP - Special Initiatives, Wintrust Bank

Two-thirds of senior banking and analytics leaders believe that GenAI will fundamentally change the way they do business

- McKinsey Forum on GenAI 2023

Generative AI has the potential to deliver significant new value to banks—
between \$200 billion and \$340 billion.

Value created by AI at stake by segment and function,¹ \$ billion

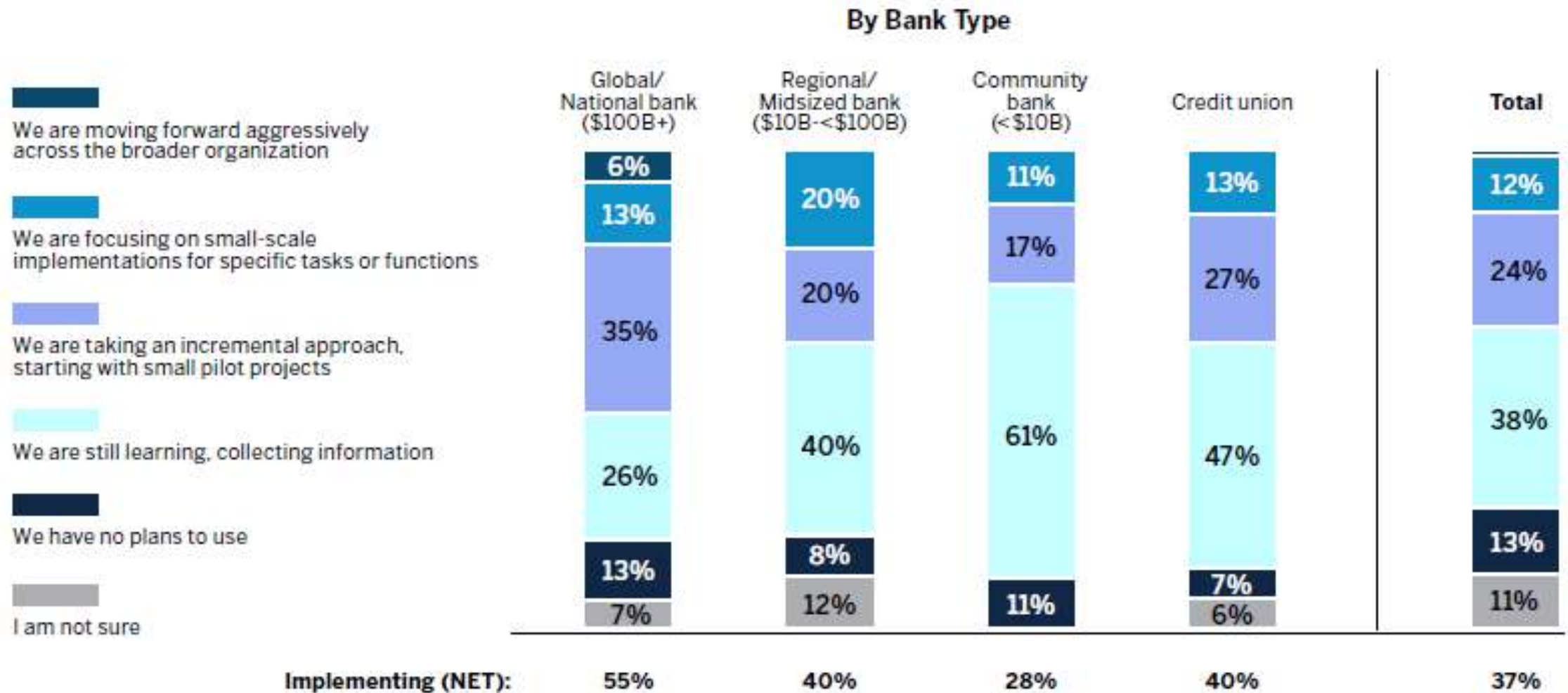


¹Assumes 0% overlap of traditional AI and generative AI (generative AI assumes the lower end of value at stake), top-down estimation based on projected growth and value pools.
Source: *The economic potential of generative AI: The next productivity frontier*, McKinsey Global Institute, June 2023; QuantumBlack, AI by McKinsey traditional advanced analytics and AI analysis

McKinsey & Company

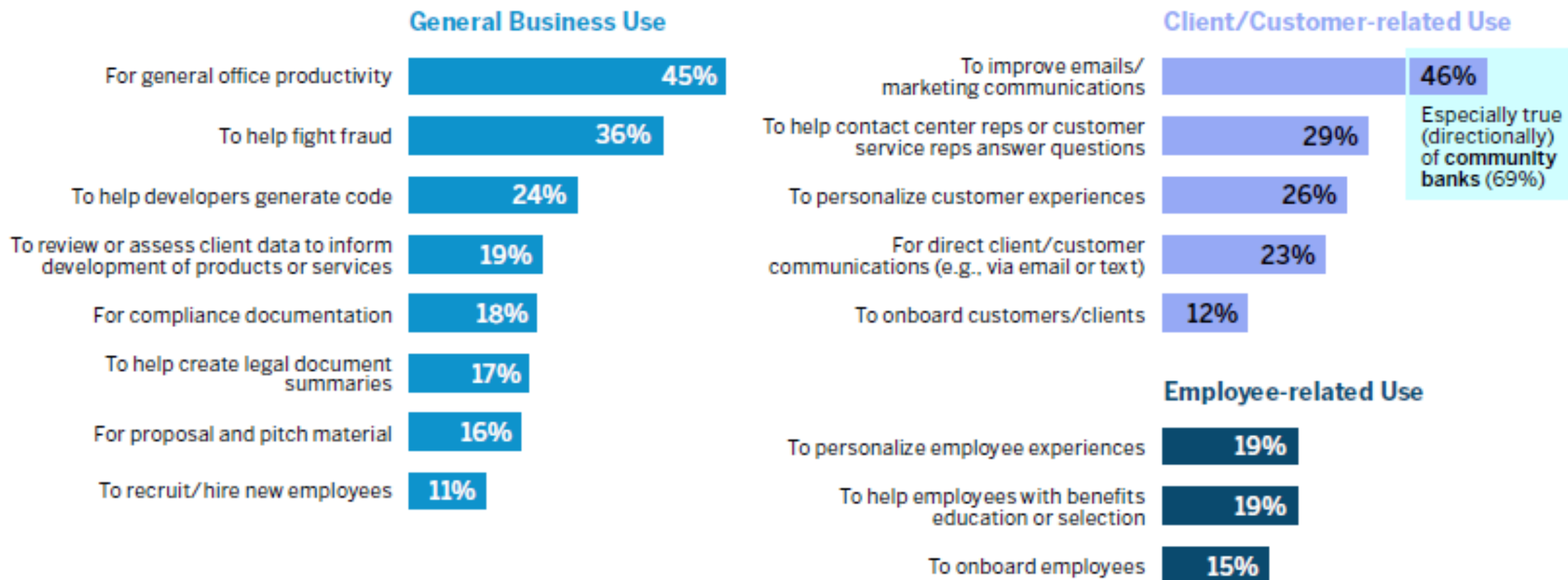
American Banker Survey

Q: How would you describe the expected pace of GenAI adoption at your organization over the next 12 to 18 months?



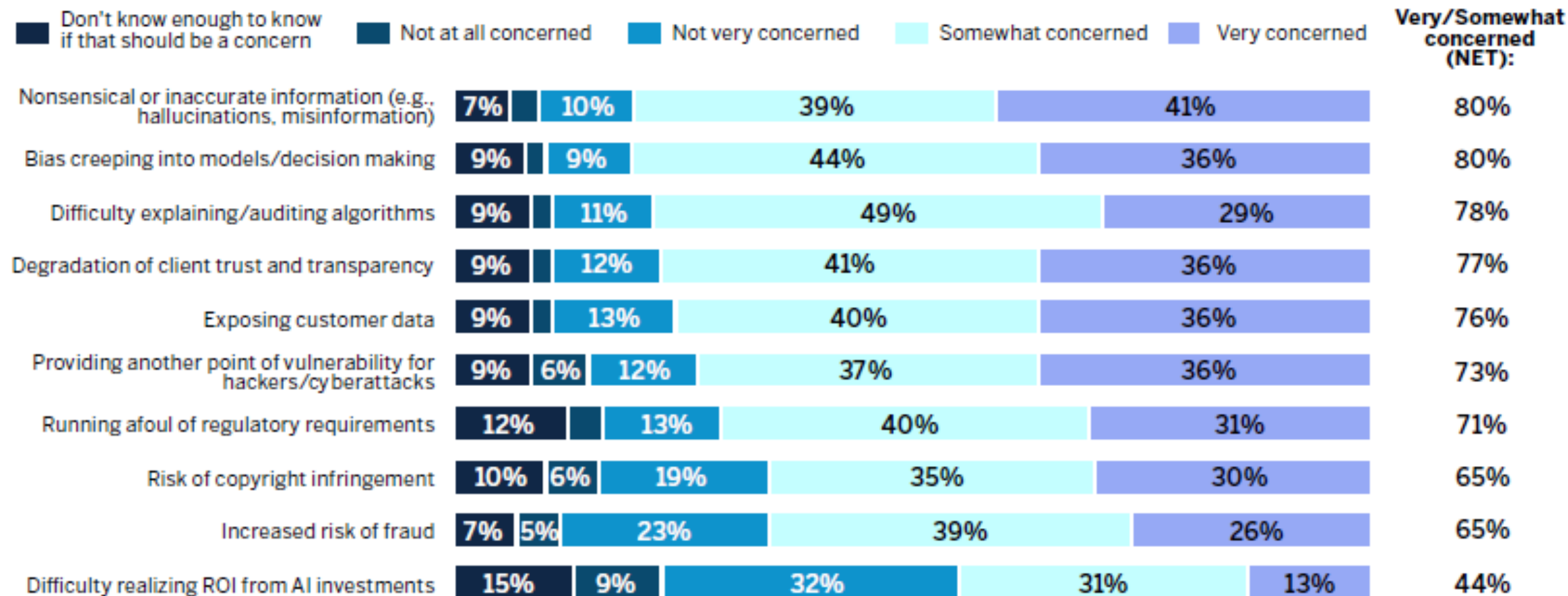
American Banker Survey

Q: In what areas is your organization using or likely to use GenAI to support your business over the next 12 to 18 months?



American Banker Survey

Q: In what areas is your organization using or likely to use GenAI to support your business over the next 12 to 18 months?



Generative AI in the financial services industry soon: *What could it be?*

- Fulfill the unmet promises of “Big Data,” particularly as it relates to unstructured data sets
 - CRA
 - Policies and procedures
 - Speeding renewals and reviews
 - Lowering credit losses/sharpening underwriting – internal data
- Improve financial standing
 - Increase financial inclusion by incorporating non-public repayment factors (flip side of the bias coin)
 - Overlay on all spending to find budget categories in one login (tax-time help too)
- More timely, accurate pattern recognition of spending and searching habits that could lead to better “next offer” to help clients reach their goals.
- Automated rule-update engine for models to comply with ever-changing regulations – risk management could be a top use case!

FIs Using GenAI for Customer Relationships

AMERICAN BANKER

Find your interests

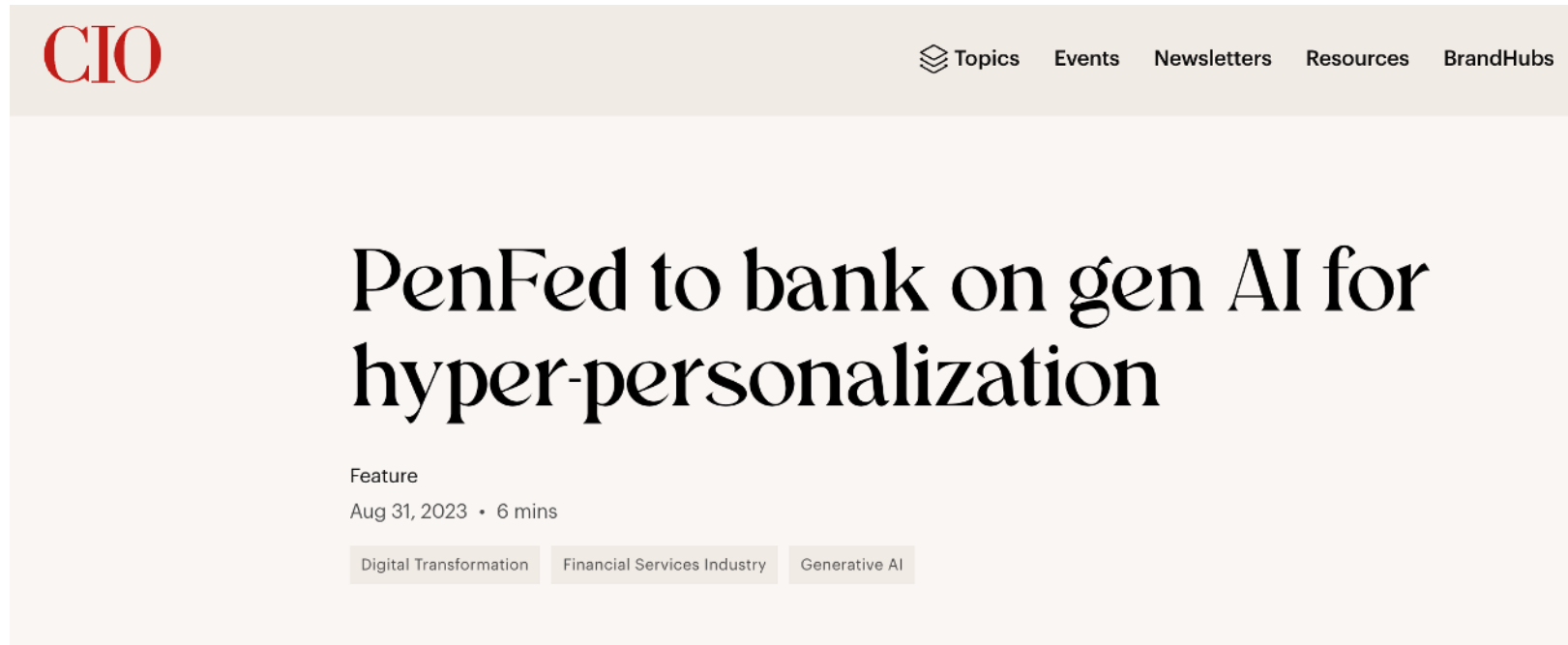
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ARTIFICIAL INTELLIGENCE

'It's worth all the hype': SouthState Bank deploys enterprise ChatGPT

By [Penny Crosman](#) June 20, 2023, 1:01 p.m. EDT 5 Min Read

FIs Using GenAI for Marketing



FIs Using GenAI For Customer Service

Jackie Verkuyl, chief administrative officer of the eight-branch BAC Community Bank in Stockton, California, a commercial and consumer bank with over \$800 million deposits, says implementation of generative AI is already well underway and transforming the small bank. “The AI is getting smarter every day,” she said.



Local Bank Receives National Recognition for Customer Service Excellence

STOCKTON, Calif -- November 7, 2017 -- For the second year in a row, local family-owned BAC Community Bank has been named one of the top extraordinary banks in the United States by the Institute for Extraordinary Banking.

This year, BAC Community Bank was recognized with two awards. In addition to receiving a Banky™ Award – *the Mark of Excellence for Community Banks* – BAC Community Bank was also recognized for its exemplary focus on customers by being presented the Institute's *Above-and-Beyond Customer Service Excellence* award among banks with \$500 million to \$1 billion in assets.

The Extraordinary Banking Awards exist to highlight the vital, yet often overlooked, role that local community banks play in our economy.

One recent conference noted that although community banks represent only 13% of all banking industry assets, they provide 43% of lending for small farms and small to medium-sized enterprises – a substantial piece in building a strong local economy.

BAC Community Bank employs a relationship approach to banking, and demonstrates its dedication to providing a superior customer experience to its retail and commercial banking clients through continual advancements in technology coupled with personalized attention.

FIs Using GenAI for Compliance

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ARTIFICIAL INTELLIGENCE

Grasshopper Bank finds compliance time saver: Generative AI

By [Penny Crosman](#) March 07, 2024, 3:09 p.m. EST 5 Min Read

FIs Using GenAI for Fraud Detection

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ARTIFICIAL INTELLIGENCE

JPMorgan Chase using advanced AI to detect fraud

By [Penny Crosman](#) July 03, 2023, 1:42 p.m. EDT 5 Min Read

FIs Using GenAI for Data and Analytics



BMO's digital-first banking matches the rapid pace of technological change



DIGITAL REPORT 2024

Company Report • January 31, 2024

BMO Puts Data and Analytics at the Core with Cloud and AI

GenAI Unique Risks

- Impaired Fairness and Bias
- Intellectual Property Infringement
- Privacy Concerns
- Security Threats
- Explainability and Transparency
- Reliability
- Organizational Impact

Regulatory Risk

“There’s a real risk that we have a cyber arms race using generative AI with defenders and attackers in a constant struggle,” Barr said. “So we do need to make sure that we are, and banks are, investing in the kind of technology that is useful [to guard against cyber attacks].”

-Michael Barr, Federal Reserve Vice Chair for Supervision

“AI] might provide incorrect information or might fail to identify that a customer is invoking their federal rights or might fail to protect their privacy.”

-Rohit Chopra, Director, Consumer Financial Protection Bureau

“With AI, fraudsters have a new tool to exploit... they may do it in a narrowcasting way, preying upon our personal vulnerabilities.”

-Gary Gensler, Securities and Exchange Commission Chairman

GenAI Framework for a Bank

- Strategic road map
- Talent development
- Operational model and business cases
- Technology (build vs buy)
- Data
- Risk and controls
- Adoption and change management processes

How do we achieve the promise “safely and soundly”?

- Collaborate internally
- Consider strategically, enterprise-wide
- Seek outside expert advice
- Test and Validate
- Use Appropriate Controls
- Constantly Document and Re-document
- Transparency, including plain language
- Order of operations is important – internal, private, non-client data to start
- Governance/Risk/Compliance (“GRC”) tools are already available to help

Banks that foster integration between technical talent and business leaders are more likely to develop scalable gen AI solutions that create measurable value.

- McKinsey “Capturing the Full Value of Generative AI in Banking December 2023