Strategic Insights 2025: Credit, Compliance, and AI in Financial Services

April 17, 2025

Session CPE Requirements

- You need to attend 50 minutes to receive the full 1 CPE credit.
- 4 Polling Questions will be launched during this session. You must respond to a minimum of 3 to receive the full 1 CPE credit.

Both requirements must be met to receive CPE credit

Speakers

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National and International Reach

9,000
NEARLY 9,000 PEOPLE

130+
LOCATIONS

AN INDEPENDENT
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CLA Global

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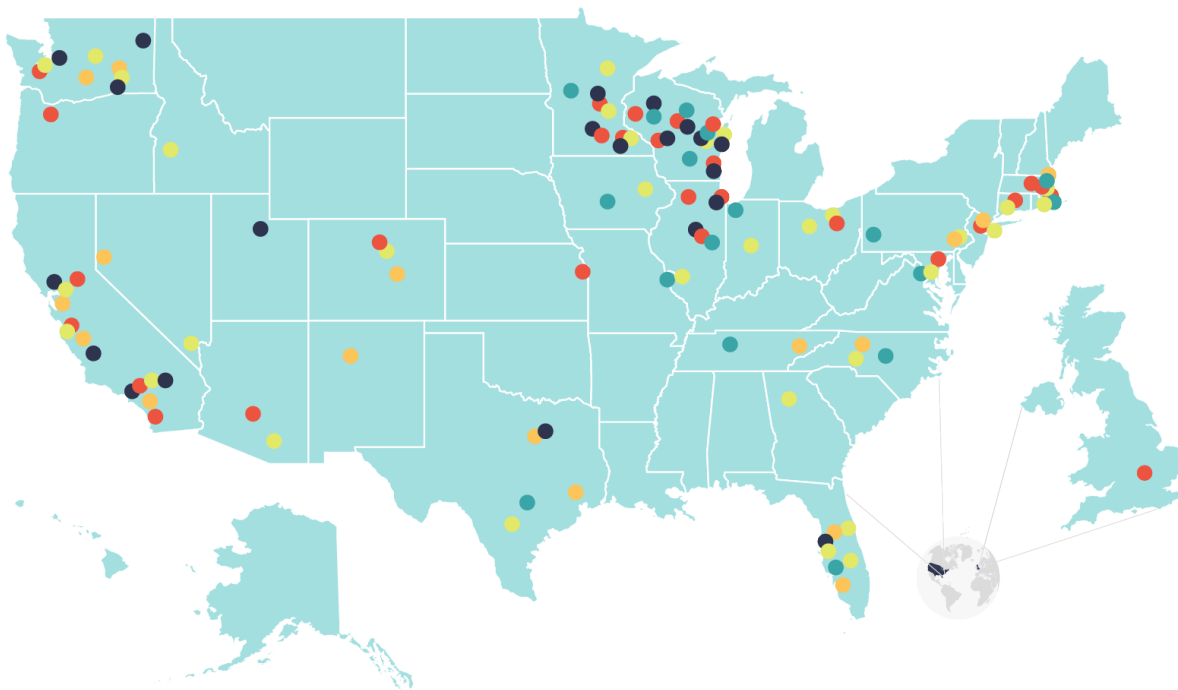
Helping You is Our Passion.

Wealth advisory

Digital

Audit

Tax

Consulting and outsourcing
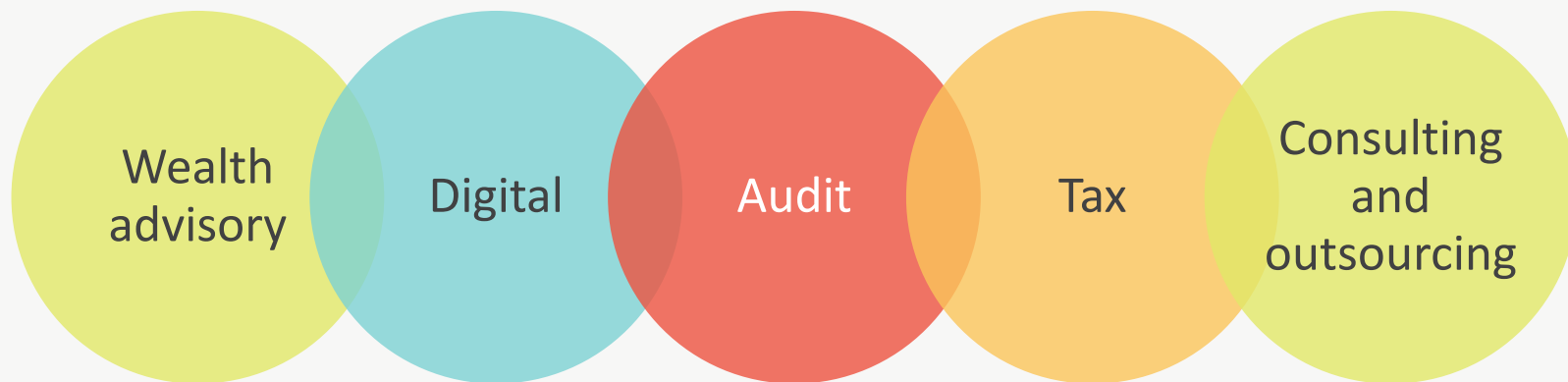
Learning Objectives

- Recall the regulatory expectations for credit risk management

- Identify the role of data in credit risk management

- Identify risk-based approaches for AML/CFT Program effectiveness

- Explain the applications of artificial intelligence in financial services

Industry Update

Conversations - The 4 Ts

Tariffs

Taxes

Technology

Talent

Tariffs (& Trade)

Reciprocal tariffs will impact supply chains, pricing, and profitability.

"How will tariffs affect my costs, sourcing, and bottom line?" – CLA Client

CLA can help businesses scenario plan (CLA Intuition), reconfigure supply chains, and protect margins.

We bring context, forecasting, and direct advice to help clients stay resilient and competitive.

Taxes

Tax policy likely shifts **significantly** in the coming year — from individual to corporate and estate tax.

TCJA sunset

"***How do I prepare now for what could be coming***?" – CLA Client

Proactive – Not Reactive

Technology

AI and automation aren't buzzwords — they're fundamentally changing how our clients work and serve their communities.

"Where do I even begin?"

– CLA Client

We help clients understand what's real vs hype, assess risks, and unlock opportunities.

CLA brings human-powered innovation — blending tech with insight to drive relevance and resilience.

Talent

Labor shortages, skills gaps, and generational shifts are challenging every sector.

: *"How do I attract, train, and transform great people*?" – CLA Client

CLA is leading by example — investing in talent pipelines, upskilling, and inclusive workforce strategies.

We share our expertise with clients — from high school pathways to workforce planning and leadership development.

2025 Outlook

Economy
Inflation – CPI declining – 2.41%
Growth – Slowing – Approx 2%
Interest Rates – Remain elevated

Industry
Tariff Impact front and center
Small Bus. Confidence impacted
However, M&A continues

Policy
Tariffs, Budget Deficit, US Debt Level are concerning
TAX TCJA Extension moving forward

Markets
Volatility High
Equities ex-Mag 7 resilient
Bonds/Alternatives are a ballast for portfolios

Mega Trends remain intact

2025 Outlook — Economic outlook, Stewardship and globalization, Market outlook, Workforce of the future, Industry outlook, Historic wealth transfer, Policy outlook, Industry 4.0

Polling *Question*

How confident are you in the current economic climate and its impact on your organization?

- Very confident
- Confident
- Neutral
- Somewhat confident
- Not at all confident

Credit Risk Management

OCC Supervision Priorities – 2025

Credit

- **Effectiveness of risk identification**
- Adequacy of credit risk review
- Concentration risk management practices (emphasize on CRE)
- Stress testing and implications to capital
- Refinance and renewal risk

Allowance for credit losses (ACL)

Asset and liability management

Capital

Risk Rating Considerations

Risk rating systems should be tailored to the institution

Emphasis should be placed on ability-to-repay

Periodically evaluated & adjusted as macro-environment risk changes

Ratings should be applied accurately and timely

Regulatory Risk Rating Definitions

Special Mention (Criticized)

- **Potential weakness** that deserves management's attention
- Should not be used as a middle-ground between Watch and Substandard
- Generally, a temporary rating (6-12 months)

Substandard (Adversely Classified)

- **Well-defined weakness** that jeopardizes liquidation of the debt
- Primary source of repayment is insufficient
- Inadequately protected by collateral pledged

Monitoring Portfolio Health through Data

Define loan segments with similar risk characteristics

Ensure systems and procedures are commensurate with the level of inherent credit risk

Determine key quantitative factors to manage portfolio health (i.e. credit score, debt-to-income, debt service coverage ratio, loan-to-value, etc.)

Identify loan segments with increasing or elevated credit risk

Automate historical data and use predictive modeling to identify potential risks

Compliance Risk Management

FinCEN's Proposed Rule Making for BSA Programs

AML/CFT priorities

Use of "countering the financing of terrorism" (CFT)

Risk-based program

Risk assessment content and process for prioritization

Various other technical revisions to the existing requirements

Example: Incorporating National Priorities

Priority	Articles
Corruption	FIN-2022-A001
Cybercrime, including Relevant Cybersecurity and Virtual Currency Considerations	FIN-2021-A004 IC3/FBI Cryptocurrency Fraud Report 2023 IC3/FBI Internet Crime Report 2023 OFAC: Sanctions Compliance Guidance for the Virtual Currency Industry FATF: Countering Ransomware Financing
Terrorist Financing	
International Terrorism	FIN-2024-Alert002 FIN-2024-A001 FIN-2024-Alert003 FATF: Money Laundering and Terrorist Financing in the Art and Antiquities Market FATF: Crowdfunding for Terrorism Financing
Domestic Terrorism	National Security Council: National Strategy for Countering Domestic Terrorism
Fraud	FIN-2024-NTC1
Transnational Criminal Organization Activity	FBI: Transactional Organized Crime FATF: Money Laundering from Fentanyl and Synthetic Opioids
Drug Trafficking Organization Activity	FIN-2024-A002 HSI Cornerstone December 2024 Issue #59 DEA: National Drug Threat Assessment 2024
Human Trafficking and Human Smuggling	HSI Cornerstone January 2025 Issue #60 PITF: 2020 Report to Congress
Proliferation Financing	Department of Treasury: 2024 National Proliferation Financing Risk Assessment

Criticized Program Elements: Trends in Consent Orders

AML/CFT Program

Action Plans

Board Oversight

Staffing Assessment

Training

Customer Due Diligence (CDD)

Third-Party Risk Management (TPRM)
- FinTech/Banking as a Service (Baas)

Suspicious Activity Monitoring and Reporting Program

More Trends

🏛️	**OFAC Management**	Emphasized in recent federal orders, highlighting the need for adherence to the US Treasury's OFAC Framework.
🏦	**Staffing Issues**	Persistent problems within financial institutions.
⚠️	**Poor KPI Reporting**	Traditional KPIs are unsuitable for AML, causing ineffective board oversight and subsequent deficiencies.
	Investigatory Standards	Clear guidelines on research, analysis, work expectations, and escalation paths.
💵	**Source of Funds**	Now an expected component of the CDD program.
	Alert Dispositions	Must show evidence of critical thinking, an area where automated solutions fall short.
✓	**Effectiveness Testing**	Often misrepresented as statistical performance measurements rather than true effectiveness evaluations.

Relationships: FinTech's & BaaS (Banking as a Service)

Why is your financial institution doing it?

Understand and manage stages of the life-cycle

Their Controls,

Your Controls,

Test Controls

Identify

Assess

Monitor

Control

R
I
S
K
S

Who are their banking partners and how the banking partner's health?

Polling *Question*

I would like someone from CLA to call me and discuss the following services:

- Credit risk services
- BSA/AML/CFT services
- Other regulatory compliance matters
- Nothing at this time

Artificial Intelligence

AI Risk vs. Reward- A True Dilemma

Education	Governance	Vendor Management Impact	Education
Cybersecurity	Data Privacy	Education	Practical Use Cases

Foundational Considerations in Implementation of AI

Organizational appetite

Data quality

Data privacy & security

Infrastructure & technology

Cost & ROI

Change management

Staff training & knowledge

Regulatory compliance

Popular AI Use Cases in Financial Services

Operational Efficiency

Data Insights

Fraud & Cybersecurity

Customer Experience

Our AI Use Case Focus Today

Fraud Detection & Risk Management

Enhanced Customer Experience
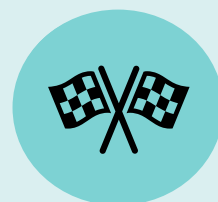
Enhancing Fraud Detection with AI

AI Technologies in Fraud Detection

AI technologies leverage machine learning to detect fraud effectively. They can process large volumes of data quickly.

Real-Time Analysis

AI systems analyze transactions in real-time, identifying suspicious patterns immediately. This reduces the likelihood of fraud going unnoticed.

Efficiency in Investigations

Automated fraud detection minimizes manual effort and resources. This allows teams to focus on more complex cases.

Same AI and Digital Tools for the Both Sides

The same tools bad actors use are available for financial institutions to combat these threats from both a preventative and reaction perspective.

Predictive Analytics for Risk Management

Proactive vs. Reactive

Dynamic Loan Portfolio Monitoring

Operational Risk Management

Scenario Planning & Stress Testing

Integrating Non-Traditional Data

How can AI improve customer experience?

Financial Wellness Tools

Automated Loan Status Updates

Useful Alerts

Personalized Messaging & Offers

Smart Chatbots

Why is Natural Language Processing (NLP) So Valuable?

Polling *Question*

Do you feel your institution is prepared to consider artificial intelligence?

- Getting there - we have an AI policy, updated our acceptable use policy, and identified which vendors are now using AI

- Fully embraced – we have integrated AI through FinTechs and other solutions, and have an AI/Technology review committee

- We know we need to do something, but we are struggling with first steps. Please have someone from CLA call me to discuss

How to Apply AI Governance at Your FI

4 Steps for AI Governance

Create a taskforce and initial policy

Discover where you are using AI and begin to educate employees

Track and monitor AI usage and conduct risk assessments

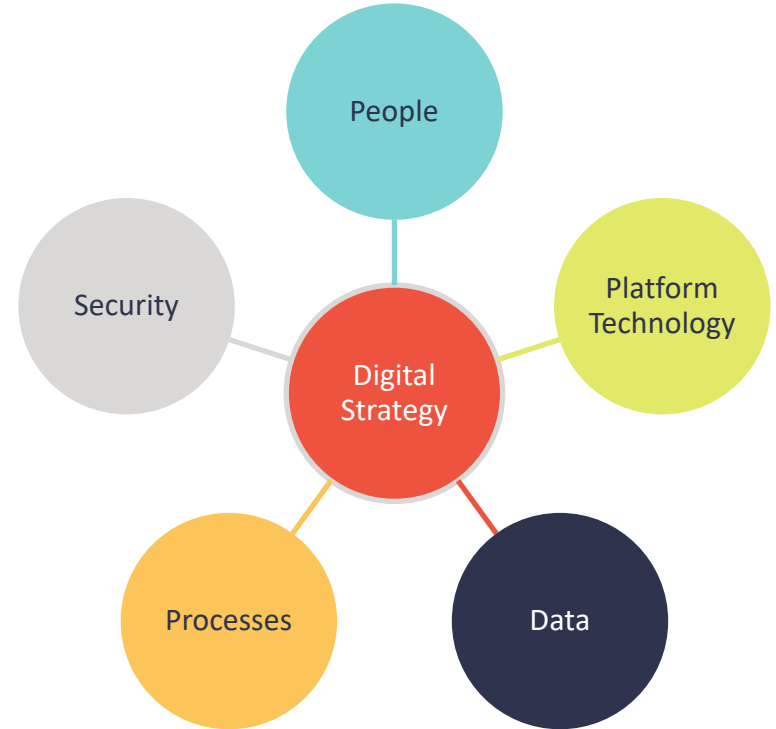Update policies and control mechanisms

What is the Cost of Doing Nothing?

- Competitive disadvantage
- To competitors, fintechs, customer, and employee expectations
- Increased fraud & cyber vulnerabilities
- Operational inefficiencies grow
- Poor risk management & compliance exposure
- Missed revenue & growth opportunities

Integrated Approach

AI Strategy and Roadmap

Collaborative roadmap development focusing on removing key barriers to growth and accelerating scale.

1	Discovery and evaluation
2	Current state mapping
3	Use case and feasibility study
4	Future state mapping
5	Roadmap and value definition

It takes balance.™

It's our job to engage in conversations, listen to what you really want, and apply our talents and experience to make extraordinary impact on your organization and life.

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Appendix – Slide 22

https://www.ice.gov/outreach-programs/cornerstone

https://www.fincen.gov/resources/advisoriesbulletinsfact-sheets/advisories

https://www.fbi.gov/investigate/transnational-organized-crime

https://www.fatf-gafi.org/en/publications/Methodsandtrends/crowdfunding-for-terrorism-financing.html

https://www.csis.org/analysis/first-us-national-strategy-countering-domestic-terrorism

https://www.dea.gov/documents/2024/2024-05/2024-05-24/national-drug-threat-assessment-2024

https://home.treasury.gov/system/files/136/2024-National-Proliferation-Financing-Risk-Assessment.pdf

https://www.state.gov/report-to-congress-on-2020-trafficking-in-persons-interim-assessment-pursuant-to-the-trafficking-victims-protection-act-as-reauthorized/

https://ofac.treasury.gov/recent-actions/20211015

https://www.ic3.gov/AnnualReport/Reports/2023_IC3Report.pdf