

# Hot Topics

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# Topics

- Artificial Intelligence (AI)
- Third-Party Relationships: Risk Management
- Model Risk Management
- Common Exam Issues
- FFIEC Cybersecurity Assessment Tool (CAT)
- Ransomware Self-Assessment Tool (RSAT)
- Financial Crimes Intelligence Center
- Other Misc. Topics
- Communication

# Artificial Intelligence (AI)

- Pros/Cons
  - Cost and efficiency
  - Fraud detection
  - Standardized decision making
  - Compliance
  - Customer experience
  - Analytics

The reluctance to evolve and adapt could very well mean getting left behind.....

# Third-Party Relationships: Risk Management

- FIL 29-2023 issued June 6, 2023
- Maintain a list of third-party relationships
- Conduct periodic risk assessment
- Due diligence
- Strategies and goals
- Compliance
- Risk Management
- Management Information Systems (MIS)
- Information Security
- Others noted in FIL: <https://www.govinfo.gov/content/pkg/FR-2023-06-09/pdf/2023-12340.pdf>

# Third-Party Relationships: Risk Management (cont.)

- Common Issues:
  - Insufficient due diligence/risk assessment
  - CFT fka BSA compliance
  - Contract disputes
  - Continuity of vendor or products
  - Compliant resolution
  - Success/failure determination
  - Monitoring of MIS
  - Lack of exit strategy

# Model Risk Management (MRM)

- FIL 22-2017 Adoption of Supervisory Guidance on MRM (FDIC) – June 2017
  - [https://www.fdic.gov/news/financial-institution-letters/2017/fil17022.html#footnote1\\_bFzXGQD1ZjnA](https://www.fdic.gov/news/financial-institution-letters/2017/fil17022.html#footnote1_bFzXGQD1ZjnA)
- FRB SR Letter 11-7 – April 2011
  - <https://www.federalreserve.gov/supervisionreg/srletters/sr1107.pdf>
- Applies to institutions with assets > \$1 billion
- Effective Model Risk Management includes:
  - Documentation
  - Proper controls
  - Validation
  - Strong governance and policies

# Common Exam Issues

- Sensitivity to Market Risk
  - Assumptions not supported by bank
  - Impact on fee income as it relates to IRR
  - Liberal policy parameters
- Liquidity
  - Weak/noncomprehensive cash flow analysis
  - Stress Testing (poor assumptions, optimistic on access to additional funding)
  - Marketability of investment portfolio

# Common Exam Issues

- Asset Quality
  - Enforcing loan covenants
  - Documentation exception tracking
  - CRE values
- Risk Management Practices/Governance
  - Documentation of risk mitigation/course correction lacking
  - Policy parameters not appropriate for risk profile
  - Lack of consideration for aggregate risk profile
- Repeat Recommendations/Internal Audit



# CECL

- Appropriate level
- Unfunded commitments
- AFS
- Policy updates

# FFIEC Cybersecurity Assessment Tool (CAT)

- Released in June 2015
- FFIEC will remove the CAT from its website on August 31, 2025
- Consider other resources:
  - NIST 2.0 Cybersecurity Framework
  - CISA Cross-Sector Cybersecurity Performance Goals
  - CISA Cybersecurity Performance Goals for the Financial Sector
  - Cyber Risk Cyber Profile
  - Center for Internet Security Controls
- FFIEC to discuss in webinar this fall.

# Ransomware Self-Assessment Tool (RSAT)

- Difference in FFIEC CAT vs RSAT
  - FFIEC CAT-Broader look at Information Security Posture
  - RSAT-Focus on controls specific to Ransomware
- Update October 2023
- Who benefits?
  - Industry
  - Regulators
  - Consumers
- Podcast available
- Link: <https://www.csbs.org/ransomware-self-assessment-tool>

# Financial Crimes Intelligence Center (FCIC)

- Established in 2021 and officially launched in January 2022.
- Statewide fusion center that coordinates Law Enforcement Investigations for various types of Organized Financial Crimes.
- Focuses on organized financial crimes in Texas.
- Sign Up for Mailing List: <https://fcic.texas.gov/signup.html>

# Other Miscellaneous Topics

- Required pledging for public funds
  - Govt Code 2257.021 Collateral Required
  - Govt Code 2257.022 Amount of Collateral:
    - <https://statutes.capitol.texas.gov/Docs/GV/htm/GV.2257.htm>
    - School Districts: 110%
    - All other: 100%
- Emergency Closing procedures-set forth in Finance Code 93.01:
  - <https://statutes.capitol.texas.gov/Docs/FI/htm/FI.93.htm>
  - A savings bank that closes an office or operation under this section shall notify the commissioner of its action by any means available and as promptly as conditions permit. An office or operation may not be closed for more than 48 consecutive hours, excluding other legal holidays, without the commissioner's approval.

# Communication

- Monthly Emerging Issues Call
- Electronic Mail: [SMLThriftmail@sml.Texas.gov](mailto:SMLThriftmail@sml.Texas.gov)
- Forms: <https://www.sml.texas.gov/thrift/#forms>

# Questions?

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