Banking Risks Analysis

Article Summary

Retail-banking developments are clear for everyone to see, and will converge across retail and corporate banking in the coming years.  
AI is likely to only become evident within the next 12 to 18 months, but banks that can successfully implement AI technology will benefit from large competitive advantages.  
Senior executives must be able to understand how AI is being used in their businesses and explain its implications, a major challenge.  
Investors are banks' ultimate stakeholders, and failing to accommodate their appetites for sound ESG credentials is a major new burden on banks.  
The banking industry will need to adapt radically to the "E" if it is to play a part in financing the net-zero transition.  
Competition regulations and enforcement are changing, making it difficult for banks to provide green financing.  
Shadow banking and private credit have grown enormously in recent years.

Key Insight

Key Risks:  
The Federal Reserve Bank faces several key risks. One key risk is the potential for AI to be used inappropriately in banking processes, potentially leading to fraud or poor customer service. Another risk is the growing shadow banking industry, which could potentially undermine the Federal Reserve Bank's ability to manage the economy. The Federal Reserve Bank also faces risks associated with the growing importance of ESG banking, the increasing importance of green financing, and the changing regulatory environment. The Federal Reserve Bank must carefully manage these risks in order to remain effective in its mission.