Governing AI and cyber risk in action: a hands-on boardroom challenge with EY team

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Overseeing artificial intelligence (AI) usage crises: tabletop exercise key takeaways

- Boards must recognize that risks associated with third-party service providers' AI solutions are not just external threats but are fundamentally risks that may affect the fund complex and its environment directly.
- Timely structured notification from third-party firms about potential data exposure is critical for fund administrators and investment advisors to initiate prompt investigations and mitigate risks associated with data breaches.
- Boards should consider an effective approach to governance of robust risk management frameworks that encompass both third-party AI tools and internal AI applications used by the investment advisor, including continuous monitoring and assessment of AI-related risks.
- Boards should require their third-party fund administrators to provide evidence of thorough due diligence to understand the potential risks and implications of using their AI technologies, including identifying what specific shareholder information has been leaked and how the breach occurred.
- Effective collaboration between internal teams and third-party service providers are essential to stay aware that risks are understood collectively and communicated to boards.
- Boards must stay informed about regulations and standards related to AI use, as these can impact risk exposure and liability.

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