Insights from financial institution leaders

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Financial services boards are recalibrating oversight in an era of accelerating disruption

Financial institutions and their boards are being asked to oversee more change, at greater speed, with less regulatory clarity, than at any point in recent memory. According to one board leader, *“We are now going through a transformation that is probably unprecedented in terms of speed and magnitude.”* Tapestry Networks and EY recently convened a group of board chairs, lead directors, and other senior board leaders from global financial institutions to discuss the risks, opportunities, and oversight challenges they expect to dominate their agendas through the remainder of 2026 and beyond. The discussion suggested that nearly every issue on these boards' agendas—artificial intelligence (AI), cybersecurity, geopolitical fragmentation, digital assets—is moving faster than the structures charged with overseeing it. AI in particular has become a quandary as the focus shifts from revenue and productivity to some of the very real and immediate risks that the technology presents.

AI has shifted from an innovation story to a defense story—at least for now

Earlier this year, the focus of board conversations about AI was moving from productivity and efficiency gains toward growth: the possibility of new products, services, and business models. While growth remains a priority, cybersecurity has abruptly moved into the spotlight: *“Cybersecurity has been on the board agenda as long as I can remember, but it’s suddenly gotten much more intense than it has ever been,”* said one participant. Highly capable frontier models have handed attackers capabilities that compress what were once months-long response windows into hours and prompted many organizations to direct significant resources to proactively patching as many vulnerabilities as possible, resulting in a resource allocation dilemma playing out in real time. As one director put it, *"The resources that had been focused on innovation have largely been diverted into protection and remediation right now. I'm hoping that sooner rather than later, we can get them back into innovation."*

Boards are pressing management on readiness while acknowledging that the full scope of the exposure remains unknown. Several leaders expressed hope that AI's defensive capabilities will ultimately prove capable of matching the elevated risk of attack, but no one ventured a timeline as to when that might occur. Participants described several dimensions of this renewed focus on cyber defense:

- **Attackers are accelerating faster than defenders.** A director observed that AI *"has significantly accelerated the pace at which these bad actors can attack our institutions,"* adding, *"the timelines that we used to have to hunt and detect and remediate have shrunk dramatically, and unless we can respond to that at equal pace, it will become very difficult."*
- **The nature of attacks is changing, not just their volume**. AI enables convincing fake voices, videos, and messages—so-called deepfakes—that make impersonation and fraud far harder to detect. Faster attacks alongside fundamentally new attack methods, one participant noted, is what makes the current moment unique: *"The combination of the two is what is a real challenge."*
- **Remediation demands are testing whether firms have the right people in place.** The central board question has become one of capacity and speed. A director described the challenge: *"Do you have the resources in place? Do you have the people that you need to turn what would usually be a three-month patching process when you see a deficiency in your software into the ability to deal with it in 24 hours?"* Fixing known software flaws at that tempo requires dedicated teams that are prepared to move immediately, and directors admitted the difficulty in verifying management's assurances, given the scale of what must be fixed and the reality that the support needed to do so remains unclear.
- **Quantum computing may add urgency to the focus on defense.** Looking ahead, quantum computing may join AI in extending the shift in focus from growth and innovation to strengthening cyber defense. One leader was emphatic that this next generation of computing power, which could eventually break the encryption protecting today's financial data, belongs on the agenda now: *"Quantum will come, and it's coming in the next year, two years."*

AI's next-order effects are becoming harder for boards to ignore

Beyond the immediate cybersecurity threat, leaders see AI ultimately transforming customer behavior and relationships, workforce dynamics, and the competitive environment. A response is required, but the cost could be greater than anticipated. Participants elaborated how these dynamics are taking shape:

- **AI threatens to disintermediate advisors and brokers and disrupt relationship models.** Customers are already using AI tools directly to assess their own financial needs, potentially bypassing the advisors and intermediaries on which traditional relationship models depend.

A director predicted that AI *"will break the relationship between the financial institution and the individual, and the relationship will become even more transactional."* When customers can query an AI assistant for the best rate or the right coverage, the intermediary must prove its value or lose its place. This has very real implications for instance in reinsurance, where one leader noted: *“What does it do to the broker in the middle? Because they've got to find a way to demonstrate value. And reinsurance becomes very highly commoditized if a customer can go on Claude and figure out where they can get the best rate online.”* The answer may turn on who holds the data and who can use it best to deepen the customer relationship rather than commoditize it.

- **Displacement will hit software development first and then spread elsewhere.** Productivity gains among technology teams are arriving faster than anywhere else. A director said, *"I see the productivity coming in the developer parts of the business so fast. And I think that's where we're going to learn the biggest lessons right up front about the displacement of people."* Leaders noted early signs of impact beyond software development, with some firms beginning to hire *“more senior bankers and hiring fewer junior bankers,”* an indication that AI may hollow out traditional entry-level career paths.
- **Workforce anxiety is real and requires trust to counteract.** As employees hear of efficiency gains and rumors of layoffs, some doubt they are being told the truth about the potential impact of AI. *“Can the workforce trust what they’re being told and what they’re being shown? The thing people want to get their hands on is trust,”* shared a director. Several participants said the most effective antidote to fear is more hands-on familiarity with the new tools. A director observed, *"You encounter a lot of fear from people who aren't using it enough,"* and described a deliberate push to get employees using the tools so they can see how they’ll work in the future rather than being displaced by technology.
- **Legacy infrastructure is opening a gap between digital natives and incumbents.** A leader experienced in both digital-first and large incumbent institutions described a stark contrast: the digital bank spends board time deciding which AI agents to build next, while incumbents are still working out how their data architecture can support a single proof of concept. They warned, *"You see the gap beginning to appear between not just the ambition, but the technical delivery of what AI can do."* Another director agreed that in banking and insurance, *"we talk about AI just on the fringe,"* while technology-company boards treat it as the center of strategy. “*That, to me, is the biggest struggle because I see it in other enterprises, what it can do and the impact it can have.”*
- **Shareholders and boards are looking for returns on AI investments that are more costly than anticipated**. Deploying AI at scale requires making significant financial investments. As investors look for material payoffs from those investments, it is becoming clear that the costs of deploying AI have surged well past expectations driven in part by computing usage or “tokenomics”. A director noted plainly that *"the implementation of AI is*

much more expensive than people thought." The renewed focus on cybersecurity is adding to the expense challenge, but even when organizations can return their focus to innovation, they will need to leave a permanently stronger, and costlier, layer of defense in place.

Boards are reassessing their own approaches to AI oversight while grappling with regulatory inconsistency

Boards are revisiting AI governance models that seemed settled just a year ago while policymakers and regulators are also struggling to establish a consistent supervisory framework. One leader was candid: *"I thought a year ago we really had our head around how we were going to govern the use of AI throughout our company. And now I think that's kind of tossed up in the air."*

Participants shared how they are adapting their oversight structures and capabilities:

- **Oversight models are evolving with the technology.** As AI has become a core component of board agendas, several participants argued that effective oversight requires the discipline of having not more meetings but sharper ones. One director said, *"I feel a pressure that I didn't feel five years ago to make sure that we are really focused on the right topics for the right amount of time."* Roles and responsibilities for oversight among committees are also changing. A participant described how they assigned ownership of AI's technical substance to the technology committee while every other committee retained some explicit responsibility for AI within its remit. The full board then pulls the pieces back together at each meeting. A leader explained the cadence: the board is *"literally doing that every board meeting because this is moving that fast."* Getting too deep into the weeds presents its own challenges. Another director cautioned, *"it's a risk if you have this type of transformation that the board becomes almost too operational, trying to be involved in almost too much."*
- **It is important to recruit AI expertise onto the board and bring in outside voices.** Senior leaders recognize that there is a real AI knowledge gap at the board level. One chair admitted, *"If I look at my colleagues on the board, none of us are at the cutting edge of AI technology. We can ask questions, we can ask educated ones,"* but questioning is not the same as understanding. To address this gap, several boards have added directors with genuine, current AI expertise and regularly invite external specialists to brief the board, finding that outside expertise is essential to contextualize what management presents.
- **Regulators lack the talent to keep pace, and regimes are diverging sharply.** A leader was blunt about supervisors' capacity to oversee AI: *"They don't have the talent to understand and oversee it."* The concern is that regulators know they must act, but lack understanding, and will act unhelpfully. One director shared that this has prompted proactive engagement: *"What we're trying to do is work with them to make sure they don't do*

something that is unhelpful." Meanwhile, the European Union's prescriptive rules, written before the latest generation of AI existed, contrast with the United Kingdom's principles-based approach and a generally less interventionist United States. As a result, where an institution operates increasingly determines what it can do. One participant voiced the shared preference: *"What we'd all prefer is let us evolve this technology first and then regulate what matters."*

Boards are adapting oversight to a deglobalizing and volatile geopolitical environment

Political and regulatory pressure is complicating existing operational models and pushing global institutions toward more self-sufficient local subsidiaries, potentially eroding the scale advantages that justify a global franchise. One leader framed the central question this presents for boards: *"How do you run a global business in this increasingly de-globalized world?"* More concretely, boards are asking how to navigate geopolitical and energy disruption. The damage is currently concentrated in emerging markets, where *“currency has gone into a freefall,”* while rising debt and physical fuel shortages are inflicting real economic pain. However, a director warned against complacency in developed markets: *"When this starts in the emerging markets, please don't believe that it won't touch the developed markets. It will eventually touch the developed markets."* Participants described how their boards are trying to exercise meaningful oversight amidst this volatility:

- **Watch secondary exposures, not just direct ones.** The longer disruption persists, the more the danger shifts from direct positions to knock-on effects. *“The issue is less about direct exposures, it’s about secondary exposures,”* one director said. “*What starts happening to local businesses and economies in the countries where we’re operating once reserves are depleted and all the steps people have taken to absorb the shock are gone?”* Risk committees are responding with deeper scenario work on concentrations, country limits, and total exposure to AI-related financing, which has delivered substantial upside but represents a growing concentration risk in its own right.
- **Admit that stress tests can too often be designed to reassure rather than test the limits.** One director candidly questioned whether boards truly test the worst case: *"Sometimes we stress test to a point where we feel comfortable rather than what might really happen."* They argued they would rather see genuinely severe scenarios and consciously accept their low probabilities than never confront them at all, challenging boards to probe whether their scenarios are functioning properly as truly rigorous analytical tools.
- **Prepare to respond rather than predict.** Several leaders converged on the view that the next crisis will not match any scenario on file, and that today an operational crisis is at least as likely as a financial one. One put it directly: *"The next crisis will anyway be different. And the most important thing will be how you are able to really respond. Are you really able as a*

board, as a leadership team, to respond to something different?" That shifts the board's question from *"did we predict it?"* to *"have we trained for it?"* including whether the board itself has rehearsed its role in a crisis.

- **Match oversight tempo to the pace of events.** Developments that once played out over months now play out over days, straining established playbooks. A leader observed, *"Stuff that would be a three-month news item is now a three-day news item,"* and described asking management to revalidate crisis playbooks against this higher tempo. At the same time, the board is asking itself whether its own meeting cadence remains fit for purpose or should be accelerated, at the risk of sliding into micromanagement.
- **Recognize the regulatory pendulum may swing back.** After a favorable period of easing regulatory burden particularly in the US, leaders see a realistic prospect of reversal, driven by electoral change. As one put it, *"I think there could be a pretty big swing in the regulatory environment. It isn't going to happen tomorrow afternoon, but we have a sea change election here this fall."* The oversight question is how to respond if the climate shifts.

Stablecoins and tokenization are gaining momentum on board agendas

Digital assets have rapidly moved up board agendas. For many financial services leaders, *"It's not about whether it will come or not, but more how fast and how transformational it will be, and how it will coexist between the traditional world and the future world,"* expressed one director. Another director called it *"a big priority, actually, and more so on the tokenization side than the stablecoin side directly,"* noting that customer demand is driving the agenda. The strategic stakes could be significant across business lines, which have historically resisted disruption. For example, international transaction banking earns revenue precisely because moving money across borders is slow and complicated. As one director explained, *"That's where banks make money, when there's friction. Effectively, what stablecoins and tokenization do is remove that friction."*

Approaches to digital assets diverge sharply across the globe, with prescriptive regulation in some markets, aggressive government-backed adoption plans in others, and parts of Asia positioning themselves as leaders. Questions persist around whether change arrives gradually or abruptly and when it does come, whether it will be led by the private sector or potentially central banks. On central bank digital currencies, one leader observed, *"The question is, will it come in a big bang or will it continue to kind of dribble into the system?"* and warned that some are pushing for a bigger bang than the system may be prepared for.

Several leaders warned that unregulated competitors could capture the attractive, high-margin parts of the digital-asset business while banks are left holding the costly infrastructure. One described the imperative as *"making sure that the banks are not finally becoming utilities and* *the junk piece goes to the non-regulated part,"* and argued that no single institution can shape this outcome alone; it will require public and private actors moving together. Participants agreed that institutions leading in the technology will hold an early advantage and that *"everybody's trying to get on to that as quickly as they can,"* as one leader observed.

Meeting Participants

The following individuals participated in the meeting:

Participants

Shirish Apte, Remuneration Committee Chair, Standard Chartered; Lead Independent Director, Keppel; Audit Committee Chair, Singlife

Colin Bell, Chair of the Board, Starling Bank

David Cole, Chair of the Supervisory Board, NN Group

Bill Connelly, Chair of the Board, Société Générale

John Dugan, Lead Independent Director, Citigroup

Henry Klehm, Chair of the Board, Renaissance Reinsurance

Stephen O'Hearn, Chair of the Board, Reinsurance Group of America

Douglas Peterson, Non-Executive Director, Morgan Stanley

Markus Ronner, Vice Chair of the Board, UBS

Jim Zortman, Chair of the Board, Executive Committee Chair, Nominating and Governance Committee Chair, USAA and USAA Federal Savings Bank

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