Embedding risk culture and conduct
Rethinking risk management

Compliance risk remains top of the agenda for 61% of boards and 57% of CROs.

61% Board
57% CRO

89% of banks report an increased focus on non-financial risks.

67% consider conduct risk a major non-financial risk.

Regulatory expectations, conduct weaknesses and public perception are driving fundamental business-model shifts.

63% Reducing complexity of products
54% Exiting some types of transactions
44% Exiting some types of products
44% Reducing activities with some customers
24% Exiting some types of customers

New rules:
- Sanctions
- Financial advice
- Unauthorized trading
- Market abuse
- Money laundering
- Product mis-selling

... with specific initiatives underway to measure and monitor conduct risk.

67% Enhancing measurement
54% Improving forward risk assessment
54% New risk-and-control assessments by businesses
3% Improving data collection on past events
2% Creating scorecards for parts of conduct risk

Banks are changing their approach to risk management, creating proactive methods to manage non-financial risks and making front-office staff more accountable.

Five ways to increase front-office responsibility
77% of banks list increased front-office accountability as their top risk culture initiative:
1. Clear, streamlined governance structures, enabled by effective processes and policies, to make the front office truly accountable.
2. Increased focus on the front office to better assess and manage risk.
3. More effective communication around values, compensation and training.
4. Emphasis on the range and magnitude of acceptable risk using a fully embedded risk appetite framework.
5. Alignment of individual and business objectives with enforceable disciplinary action for breaches in rules and maladministration.

But de-risking only goes so far

Many banks are taking proactive steps to serve clients and deliver returns ...

Behaviors need to change
Culture is at the root of misconduct and banks agree the key to transformation is striking a balance between a sales-driven front office and the new risk management paradigm. Progress is underway.

Rethinking risk management: Banks focus on non-financial risks and accountability, 60% CRO and 52% Board management surveys of major financial institutions (MFI) respondents participated in cooperation with the Institute of International Finance (IIF). A total of 51 firms from 29 countries participated in this year’s study.

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54% New control self-assessments by businesses
49% Reducing cross-border risks
47% Enhancing third party due diligence
46% Creating scorecards for parts of conduct risk
41% Strengthening second line of defence
39% Improving data collection on past events
38% Enhancing risk assessments
37% Enhancing measurement
32% Improving forward risk assessment
30% Improving industrial control assessments by risk management and compliance