



# Back to Basics

## *What's Next for Managing Risk and Compliance in Banking?*

by Bob DeLeeuw



they managed. We not only had to run the operation we were responsible for but we had to know our numbers and we got promoted or not, bonused or not, based on how the business performed.

Call me old fashioned but I think we had it right back in the days when I started my banking career nearly 40 years ago when the responsibility for establishing and managing operational risk and business controls rested with the managers who ran the business and operations. Even my Management 101 textbooks said so. And maybe I was very lucky, but my first managers drilled the same disciplines in us every day in the way

Explosive growth, acquisitions, regulatory changes, economics, technology and many other factors have changed dramatically in recent years. In response, most financial institutions developed layers upon layers of associates who participate in the risk management continuum. Transaction Processors, Checkers, Q/A, Q/C, Testing, First Line of Defense, Second Line of Defense, Process Owners, Risk Management, Compliance, Audit, People who support these functions with Reporting and other Services. Do any of these functional titles sound familiar in your business? Maybe many or all of them?

Over the last decade or so, various Regulatory Agencies have driven the banking industry to assess and re-commit to the controls that need to be in place to protect customers or the bank's financials or some combination thereof. Banks were charged with managing and cleaning up gaps that either caused or were expected to cause process fails. Not all of this was a bad thing. But has it gone too far? When will banks and other financial service entities be able to raise the flag and claim success and once again make managing risk a 'business as usual' function where it is part of the process, culture and accountability structure of those who are responsible for getting it right the first time - those on the front line of the business and operation.

In our circles, we are starting to see a movement to 'BAU' Risk Management or at least some dialogue on when and how businesses will get there. Major issues have been resolved. Controls have been defined and integrated into the management process. Ancillary 'functions' and 'roles' like Testing and Risk Management and Compliance are being clarified and streamlined. And, as a clear example of this, banks are once again starting to invest in technology and other positive change programs in a major way (or are planning to do so soon) instead of spending all of their budgets on Risk initiatives.

The outlook for this year and beyond may not be a full circle to focused responsibility for Risk Management on the front line but that there will be a serious, committed movement to get there with changes in processes, roles, policies, management and culture. That sounds to us like a commitment and plan to get "Back to Basics."

**Contact BDCG to learn more about our  
Risk Management services**

21 Foothills Drive  
Pompton Plains, NJ

973.513.9300  
www.bdcg.org

Solutions to:

Drive Change  
Mitigate Risk  
Achieve Process Excellence