



Enhancing Risk Culture & Governance Practices in Banks

Conference Edition – Oman 2025

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Why Risk Culture Matters

- **70% of crises are due to weak risk culture & governance issues, not capital ratios.** ECB SSM priorities 2024–26 highlight culture/governance as persistent weaknesses.
- In 2023, the ECB listed **governance and culture** among its top 3 supervisory priorities.
- Culture determines resilience under pressure
- Continuity rests on trust and behavior, not just numbers.



Ignored warnings sank the Titanic — and still sink institutions today

The Anatomy of Strong Risk Culture

Four pillars

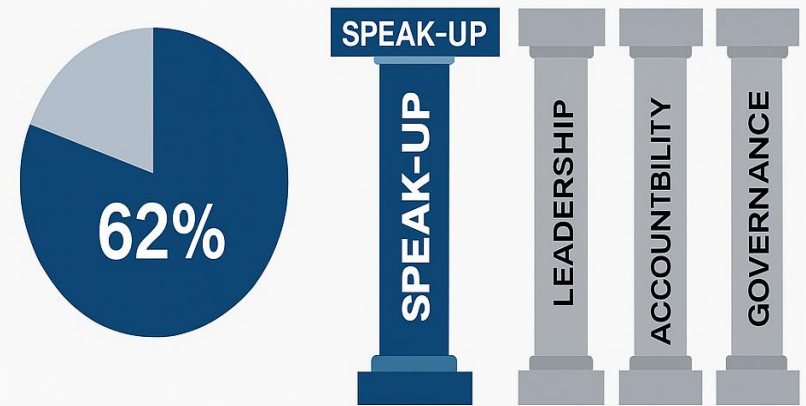
- **Leadership**: Tone at the Top
- **Speak-Up**: Challenge mindset
- **Accountability**: Ownership at all levels
- **Governance**: Guardrails & Alignment

62% of employees globally hesitate to speak up about risks due to fear of retaliation (Ethics & Compliance Initiative, 2023).

- Boeing 737 MAX (leadership silence).
- Enron (accountability collapse).

THE ANATOMY OF STRONG RISK CULTURE

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Why Do Well-Capitalized Banks Still Fail?

- SVB (2023): \$42B withdrawn in 24hrs → collapse. That amount represented **about one-quarter of the bank's total deposits**.
- Credit Suisse (2023): CHF16B AT1 wiped out; CHF61B outflows, Archgoes case. The event exposed **poor risk governance, weak limits monitoring, and ineffective escalation culture** within the bank.
- Wells Fargo (2016): \$3B penalties; the bank is still active, but faced issues with toxic incentives.

Liquidity Event

SVB (2023)

\$42B
Deposit
Outflows
in 24 h

→ liquidity failure

Capital Losses

**Credit Suisse
(2023)**

CHF 61B
Outflows

\$16B AT1
Wiped Out

→ capital failure

Regulatory Penalties

**Wells Fargo
(2016)**

\$3B
Penalties

\$3B
Penalties

toxic incentives failure

Accountability in Practice

Ownership chain:

- Board → CRO → Business Heads → Staff
- **Tools:** Risk Appetite, RCSA, Stress Testing, Scenario Analysis
- **Accountability** links risk-taking with performance

Notes:

- Barclays LIBOR scandal (\$450M fine). This case proved that **when culture rewards profit over principle, even benchmark rates can be corrupted**, and the cost of lost trust far exceeds any financial fine
- UBS rogue trader case (\$2.3B loss).
- 86% of regulators (World Bank survey, 2023) now require **evidence of risk appetite alignment**.

Without accountability, governance is paper only.

Accountability in Practice

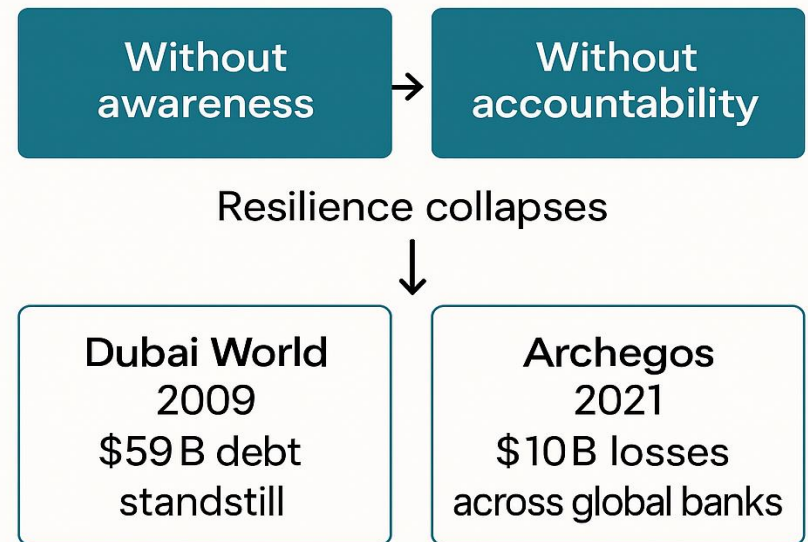
- UBS rogue trader (2011): \$2.3B loss
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86%
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(World Bank survey, 2023) now require evidence of risk appetite alignment.

Awareness + Accountability = Resilience

- **Awareness** = knowing risks
- **Accountability** = owning risks
- **Together** → stronger governance, trust, continuity

Awareness + Accountability = Resilience



Notes:

- **Dubai World (2009):** debt standstill (failure of escalation).
- **Archeegos (2021):** \$10B+ losses due to weak awareness + accountability gaps.

The Invisible Engine of Continuity

- **Drives responsible risk-taking and organizational resilience**
- Weak culture = ignored signals, missed risks

Examples:

- **HSBC (2008):** avoided a bailout – strong culture supported resilience.
- **Lehman Brothers (2008):** collapsed despite capital strength – weak culture failed under pressure, and accountability gaps emerged

Message:

Risk culture is not visible on balance sheets, but it is the **true engine of continuity**.

It's what keeps banks alive when numbers alone fail.

Measuring Risk Culture (Why & How)

WHY

- What gets measured gets improved — regulators now demand evidence of culture, not just policies.
- Without measurement, risks remain invisible — as seen in cases like Credit Suisse and Archegos.
- Measuring culture turns a soft issue into hard governance evidence.

Stress that an unmeasured culture = blind spots that trigger crises.

HOW

Banks use four main tools: surveys, KRIs, audits, and advanced NLP analytics. 76% of banks run surveys, but only 34% escalate results to board dashboards — that gap is the real weakness.

Examples: ANZ conducts annual culture surveys; Standard Chartered integrates speak-up data into board packs.

Emphasize that tools exist, but boards may not always recognize the signals.

Risk Culture Maturity Ladder

- Initial → Developing → Defined → Integrated → Optimized
- Only 9% of banks globally are 'Optimized' (World Bank 2023)
- Most GCC banks: Developing–Defined

A pyramid or ladder graphic with % distribution of banks across 5 stages (Initial, Developing, Defined, Integrated, Optimized).

Progress requires leadership investment.

Where is your bank on this ladder today?



Comparative Case Matrix

Case	Failure Type	Cost	Governance Gap
Wells Fargo (2016)	Incentives failure	\$3B penalties, 3.5M fake accounts	Toxic sales culture, weak oversight
Credit Suisse (2023)	Governance/control weakness	CHF61B outflows, \$16B AT1 wiped	Weak oversight, poor escalation, trust erosion
SVB (2023)	Escalation gap	\$42B withdrawn in 24h	Liquidity risk unmonitored, board blind spot

Positive Models

- HSBC avoided bailout (2008) → resilience capital ratio **9.8% Tier 1** vs. peers < 6%. Maintain an additional capital buffer, be conservative in lending, and have conservative capital that reduces lending.
- DBS Bank → quarterly board culture dashboards with 15+ metrics.
- ANZ → annual staff survey: 80% participation, 72% felt comfortable raising issues.

Positive Models – Culture as Continuity Capital

HSBC

(2008)

9.8%

Tier 1 capital
ratio

Avoided bailout
while peers fell
below 6%

DBS

15+

culture metrics

Quarterly board
dashboards

ANZ

80%

participation

Annual staff
culture surveys
(72% speak-up comfort)

Culture failure costs billions, early measurement prevents disaster.

Takeaways for enhancing Risk culture in today's Banking & Finance sector

- **Culture is Continuity Capital**

Sustainable banking depends on culture, not just capital buffers.

- **Leadership Shapes Behavior**

Tone at the top and echo from the bottom must align.

- **Speak-Up = Early Warning**

Silence is the biggest hidden risk; empower employees to challenge.

- **Accountability Protects Trust**

Incentives and governance structures must reward transparency, not short-term gains.

- **Measure What Matters**

Surveys, KRIs, audits, and new analytics tools are essential to track culture maturity.

- **Balance Failures with Models**

Learn from crises (SVB, Credit Suisse, Wells Fargo) and replicate best practices (HSBC, DBS, ANZ).

Closing & Call to Action

- If we take one message forward, it's this: **Culture is continuity capital**. Banks don't fail only because of numbers; they fail because of behaviors.
- Leadership defines the tone — **but unless that tone echoes from the bottom, it doesn't become culture.**
- 62% of employees worldwide hesitate to speak up about risks — that's not just a statistic; **it's a warning system we're ignoring.**
- When accountability is absent, trust evaporates — and **without trust, no bank can withstand pressure.**
- That's why measuring culture is no longer optional. Surveys, KRIs, audits, even AI tools — these **must feed into board dashboards.**
- Finally, let's remember: we can learn from failures, **but we also need to replicate positive models that embed culture in governance.**