

Gaps in Risk and Compliance Processes Expose Banks to Further Risks

Wolters Kluwer

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OBJECTIVE:

The survey was conducted in order to better understand how respondents perceived governance, risk, and compliance (GRC) within their organizations.

METHODS USED:

Wolters Kluwer surveyed 800 governance, risk and compliance professionals across Asia-Pacific. Respondents comprised of decision makers across a range of job functions including managers, compliance officers, and internal auditors.

KEY FINDINGS:

- Multi-billion-dollar fines have been levied on global banks for compliance breaches and control failures since the financial crisis. Many of these fines could have been prevented if risk, compliance, and internal audit processes were coordinated at a holistic, enterprise level.
- A governance, risk, and compliance (GRC) platform, if implemented effectively will enable organizations to maximize shareholder value through a better understanding of the risk a bank is exposed to, enhancing the control environment of these risks, and reducing non-compliance issues.
- Using a common technology platform eases the burden of oversight and reporting for all lines of defense. Having connected oversight of each business segment helps to mitigate risks and reduce compliance breaches, thus avoiding potential reputational damage and financial losses.
- More than one third of respondents perceived regulatory, reputational and operational risk to be their number one concern.
 - In developed countries such as Australia, Hong Kong, and Singapore regulatory risk is the biggest concern.
 - In Indonesia more respondents were concerned about operational risk and in Thailand, credit risk was the main concern.
- In developed markets, where regulatory pressure has been greater for longer, banks are generally more advanced in their GRC frameworks than those in developing markets, with a higher percentage of respondents indicating they are “well prepared”.
- A majority of respondents agree that automation is very important for GRC purposes.
- 83% of respondents indicated that they felt their current GRC technology is “adequate” or “good” while 25% believe their technology is not sufficient to meet their needs.
- 46% of respondents have an in-house development model, 25% use third-party solutions, and 17% are still using manual processes such as Excel spreadsheets.

- One fifth of respondents stated they have no automation in place due to insufficient financial resources.
- Insufficient support from senior management was indicated by a number of respondents.

CONCLUSION:

- Align people, processes, and technology to achieve synergy across the three lines of defense; governance, risk, and compliance.
- Obtain support of senior management and pool budgets and resources across the organization with the goal of implementing the GRC process.
- Automation will help the organization to streamline risk and compliance processes by reducing duplication of efforts and aligning internal processes and methodologies.

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