

Governance and Risk Equilibrium

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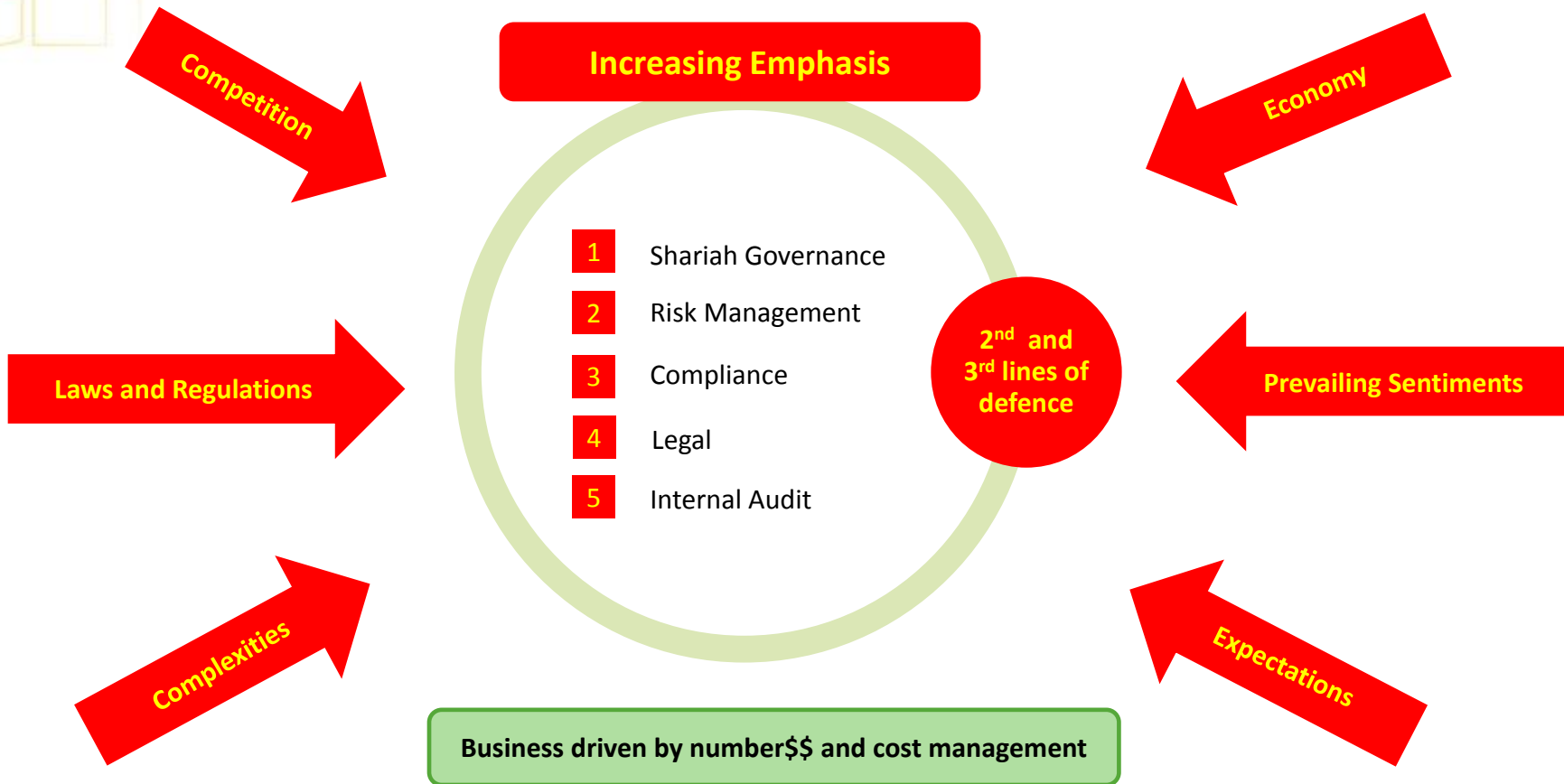
Overall Theme

- 1 Current Pressures
- 2 Impact of Lapses / Non-Compliance
- 3 Challenges towards Effective Defence Framework
- 4 Way Forward?

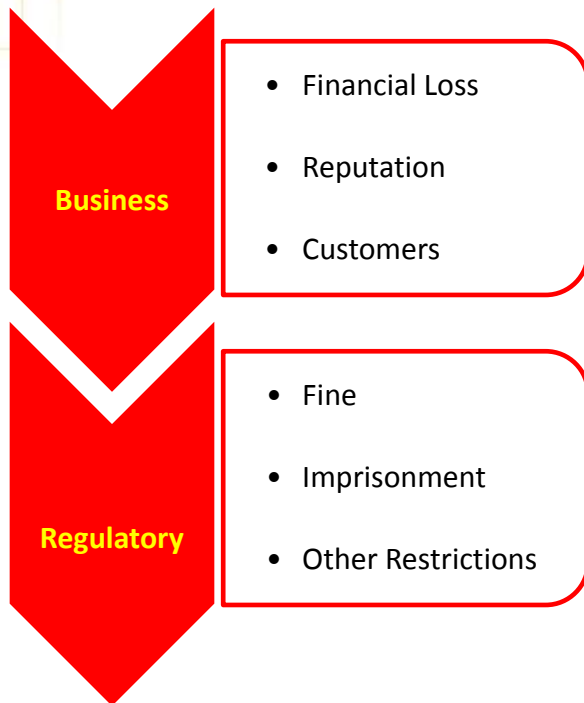
- Perennial conflict between business and lines of defence
- Prevalent pressures exacerbating present dilemma
- Both sides need to attain equilibrium



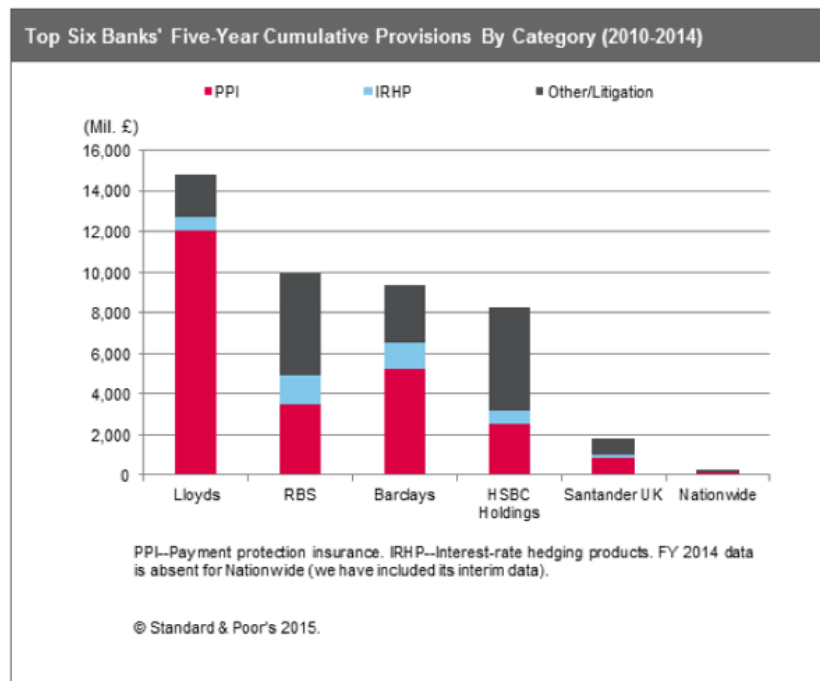
1. Current Pressures



2. Impact of Lapses / Non-Compliance



Lessons to learn : Prevention is better than cure



Standard & Poor's has estimated that on top of £42bn of charges in the five years to 2014, the UK's big four high-street banks face another £19bn of conduct and litigation charges by the end of 2016 as they continue to pay the price for past mistakes

The Guardian

3. Challenges towards Effective Defence Framework



Challenges

- Lack of comprehension of Shariah principles which underpin values of Islamic banks
- Misconception that Islamic banks are primarily only about Shariah related risk management and compliance
- Laws and regulations
- Increasing complexities in business environment
- Expectations gap between business and lines of defence
- Talent crunch
- Cost



- 1 Inadequate or complex policies and procedures
- 2 Breakdown in controls
- 3 Flight risk (i.e. customers and employees)





4. Way Forward?

- ⇒ **Design of policies and procedures must be mindful of operating environment**
- ⇒ **Practical**
- ⇒ **Cross-fertilisation between business and lines of defence**
- ⇒ **Capabilities**
- ⇒ **Human dimension**
- ⇒ **Culture : Risk management and compliance is everybody's business**
- ⇒ **KPI**

Relevant for both Business and Lines of Defence

Thank you



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