

## FS Industry Briefing

### Governance and risk culture – Challenges and opportunities for international banks

The topics of governance and risk culture are increasingly in focus for European banking supervision. This importance is underscored by the publication of the draft guide on governance and risk culture by the European Central Bank (ECB) in July 2024, alongside the findings of Deloitte's recent survey<sup>1</sup> on this topic. Together, these developments highlight that governance and risk culture represent not only regulatory requirements but also strategic

priorities for banks. The survey, which saw participation from nearly 50% of significant institutions (SIs) under ECB supervision across the EU, provides a comprehensive overview of the current state of governance and risk culture, as well as the associated challenges. Notably, two-thirds of countries within the Single Supervisory Mechanism (SSM) are represented in the study, offering a diverse perspective on this topic. [➔](#)

<sup>1</sup> Deloitte conducted an online survey between January 30 and February 28, 2025, consisting of 23 questions. A total of 52 ECB-supervised institutions participated in the survey, representing a coverage of nearly 50%. Two-thirds of the SSM countries are represented in the survey (14 out of 21).

**The new ECB guide: an overview**

The new ECB guide on governance and risk culture builds on insights gained during the first ten years of European banking supervision and addresses both structural and behavioral weaknesses in banks’ management structures. The guide outlines specific supervisory expectations regarding governance and risk culture. Additionally, it provides “Good Practices,” based on real examples from various banks, as well as “Red Flags,” highlighting potential weaknesses. With this guide, the ECB aims to support banks on improving their governance and risk culture while making its expectations more transparent.

**Governance and risk culture as central priorities**

The Deloitte survey reveals that almost all SIs under ECB supervision expect governance and risk culture to play a central role in supervision in the coming years. Additionally, 96% of participants anticipate increased interaction with supervisory authorities following the final publication of the guide.<sup>2</sup> Notably, 86% of banks have already defined governance and risk culture as priorities on their regulatory agenda.

**Varying levels of maturity in risk dimensions**

Survey results highlight significant variation in banks’ maturity levels concerning the four risk dimensions emphasized in the ECB guide. The highest maturity is observed in “Tone from the top and leadership” (62%) and “Accountability for risks” (52%). In contrast, only one-third of banks report high maturity in “Incentives (including remuneration)” and 37% in “Effective

communication, challenge, and diversity.” Interestingly, the focus areas for future investments also vary. While “Effective communication, challenge, and diversity” (46%) and “Accountability for risks” (42%) are identified as central areas, “Incentives” and “Tone from the Top” remain relevant at around 37% each.

**Fig. 1 – Risk culture as strategic priority**



<sup>2</sup> Originally, the ECB planned to publish the final version of the guide in the first quarter of 2025. However, in the November edition of the Supervision Newsletter, it communicated the first half of 2025 as the target timeframe. Currently, no fixed date has been set, as the ECB is still evaluating the results of the consultation process according to official statements.

**Responsibility for risk culture**

Responsibility for risk culture is distributed differently across participating banks. In 43% of institutions, the Chief Risk Officer (CRO) holds sole responsibility, while in 57%, multiple departments share this responsibility. Besides the CRO, other functions, such as compliance and HR have also been identified as responsible areas.

Furthermore, the Deloitte survey reveals that 23% of banks have no dedicated resources for governance and risk culture, while a quarter allocate more than ten full-time employees (FTEs) to these topics. However, the majority of institutions have between two and five FTEs dedicated to governance and risk culture.

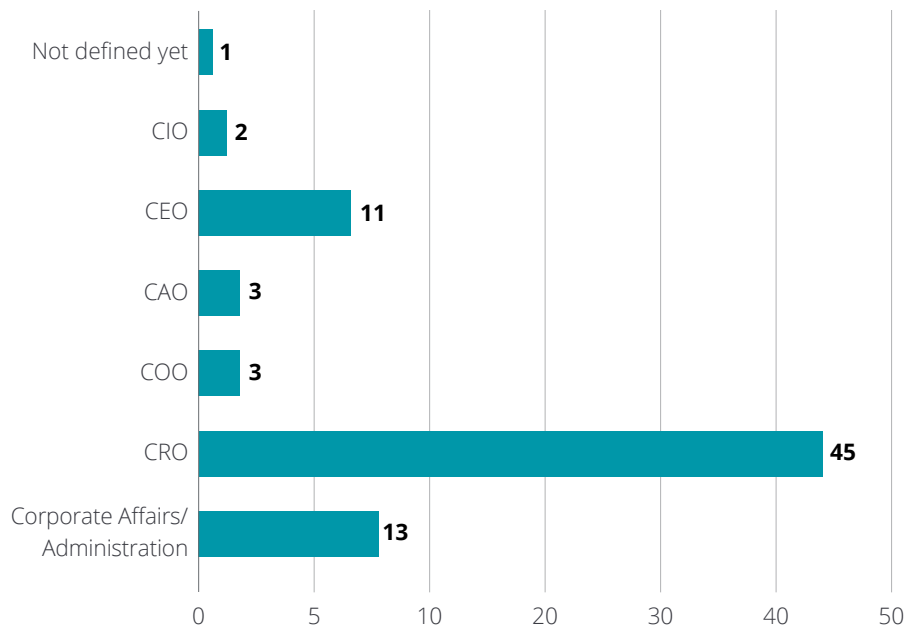
**Integration of risk culture and non-financial risks**

An important finding of the Deloitte survey is the integration of risk culture and non-financial risks into banks’ strategic and operational frameworks. Two-thirds of participating institutions stated that their risk strategy fully incorporates aspects of risk culture. However, 10% disagreed, while 23% remain undecided.

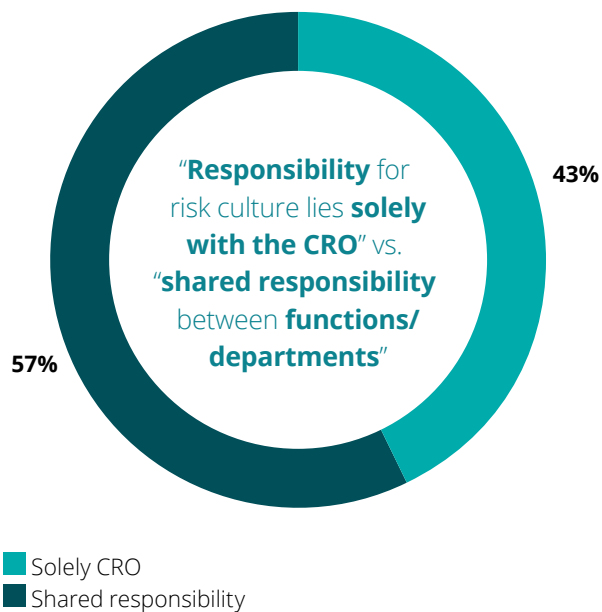
The integration of non-financial risks, such as reputational risks, is even more pronounced. Notably, 73% of banks believe they have fully embedded the impacts of such risks into their Risk Appetite Framework, though 6% acknowledge significant gaps.

**Fig. 2 – Departments responsible for risk culture**  
(Multiple answers, provided in absolute numbers)

**“Which department in your institution is (primarily) responsible for the topic of risk culture?”**



**Fig. 3 – Sole vs. shared responsibility for risk culture**

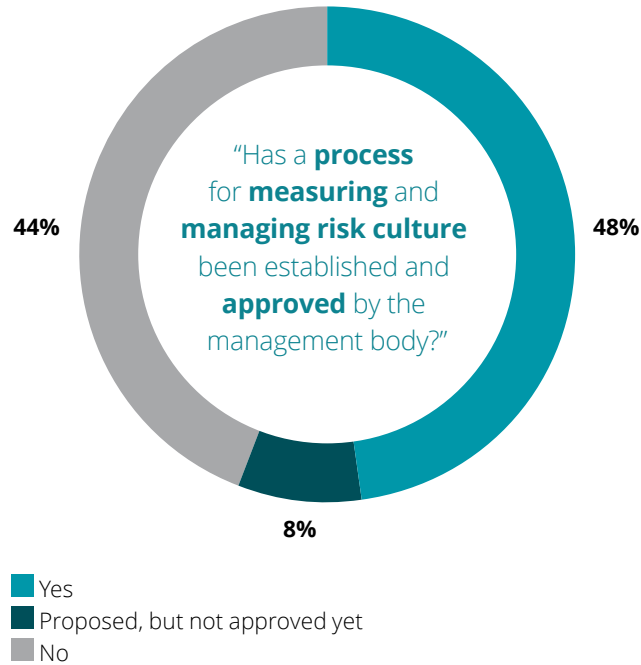


**Uncertainty about ECB expectations**

Another key point is the uncertainty many banks feel regarding the ECB’s expectations. One-third of the institutions surveyed do not feel sufficiently informed about the requirements and challenges of the new guide. This uncertainty is further compounded by the perception that the guide may potentially conflict with existing local requirements. Specifically, 31% of banks perceive such conflicts, while 44% have no clear position on the matter.

The greatest uncertainty lies in monitoring good practices. Only around half of the participants have implemented a process for managing and measuring risk culture. Among the 44% who have not yet implemented such a process, many are considering whether they could leverage key performance indicators (KPIs) and key risk indicators (KRIs) from existing surveys (e.g., on operational risk, non-financial risks, or employee satisfaction).

**Fig. 4 – Management and measurement of risk culture**



### Challenges in implementation

The organizational implementation of governance and risk culture measures continues to be a challenge. While 48% of banks have a process for measuring and managing risk culture that is approved by senior management, such a process is entirely absent in 44% of institutions.

The Deloitte survey shows that the expected consequences of the new guide vary widely: 35% of participants believe that the ECB's approach to governance and risk culture will create an uneven competitive environment, 30% disagree, and remaining 35% are undecided.

### Insights from practice

The study results were discussed with participating banks using individual benchmarks, as well as with other banks not involved in the study. Practical insights include embedding risk culture topics into general culture programs and organizing special "Risk Culture Days" with the full board. Additionally, the scope and frequency of risk culture reports have increased in recent years, and initial compliance areas and internal audits have started incorporating risk culture topics into their monitoring actions and audit processes.

Almost all institutions feel considerable uncertainty regarding the good practices and implementation issues outlined in the ECB guide. Most banks expect the Joint Supervisory Teams (JSTs) to use the good practices as a checklist, even though the ECB does not consider them suitable for this purpose. As a result, some banks have already begun to operationalize and document these practices, whereas others remain uncertain about the timing and method of implementation. Furthermore, many banks are uncertain about the development of additional human resources for these areas; however, most banks are refraining from appointing dedicated individuals, such as risk culture officers, as is commonly done in areas such as compliance, money laundering prevention, and data protection.

Overall, perceptions of the new ECB guide are divided into two groups: Some institutions find it beneficial and helpful to receive granular specifications and detailed descriptions of the ECB's expectations for guidance. However, others consider these detailed guidelines to be too rigid, as they limit the scope for interpretation and could thus make institution-specific solutions more difficult.

The results of the Deloitte survey highlight that governance and risk culture are not only regulatory requirements but also strategic priorities for banks. The varying self-assessments of maturity in the four risk culture dimensions, along with the uncertainty regarding the ECB's specific expectations, underscore the urgency of the renewed focus on governance and risk culture.

One-third of participating banks do not feel adequately prepared for a timely review of their governance and risk culture. These institutions fear that a short-term investigation by supervisory authorities could reveal significant weaknesses. This shows that

many banks still face considerable challenges in strengthening their governance and risk culture frameworks.

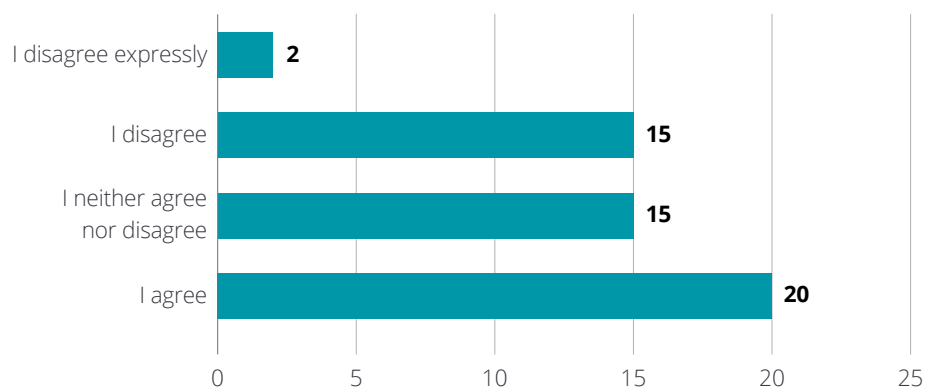
For banks, this means they must further develop their internal processes and structures to meet these requirements. At the same time, they should seize the opportunity to position governance and risk culture as a competitive advantage – both externally from a customer perspective and internally towards employees by promoting transparency and accountability.

The supervisory authorities' on-site inspections (OSIs) and thematic reviews, which are already scheduled for some institutions, potentially starting in the fourth quarter of 2025, will initially demonstrate whether the institutions are able to meet the ECB's expectations for robust governance and an adequate risk culture.

For smaller and medium-sized institutions not directly supervised by the ECB, it remains to be seen whether national supervisory authorities will also follow the ECB's guide.

**Fig. 5 – Do you agree with the following statement?**

**"In a hypothetical scenario of a short-term supervisory review of risk culture, we are confident that the outcome will be positive and no material findings will be made."**



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